

**Bapco Energies B.S.C. Closed (formerly known as The Oil and
Gas Holding Company B.S.C. (Closed))**

**CHAIRMAN'S STATEMENT,
INDEPENDENT AUDITOR'S REPORT
AND CONSOLIDATED FINANCIAL STATEMENTS**

31 DECEMBER 2023

Chairman's Statement

On behalf of the Board of Directors, I am honoured to present the 2023 Annual Report for Bapco Energies B.S.C. (closed), marking another significant step forward in our journey towards reshaping the energy sector in the Kingdom of Bahrain and embracing a sustainable future.

Under the visionary leadership of His Majesty King Hamad bin Isa Al Khalifa and His Royal Highness Prince Salman bin Hamad Al Khalifa, Crown Prince and Prime Minister, Chairman of the Higher Committee for Energy and Natural Resources, the Kingdom of Bahrain has reaffirmed its commitment to achieving critical sustainability targets, notably our ambitious goal of reaching net-zero emissions by 2060.

At COP 28, His Majesty King Hamad bin Isa Al Khalifa unveiled "Blueprint Bahrain," an action plan designed to propel the nation towards carbon neutrality, foster a low-carbon economy, and unlock sustainable opportunities in the green economy. His Majesty's announcement reinforces the commitment made at COP26 by His Royal Highness Prince Salman bin Hamad Al Khalifa, Crown Prince and Prime Minister, that the Kingdom of Bahrain would achieve net-zero by 2060, reduce emissions by 30 percent through decarbonization and efficiency initiatives by 2035, and double the deployment of renewables.

Bapco Energies' transition targets are intricately linked with the Kingdom's ambition and timeframe as outlined in the National Energy Strategy (NES), endorsed in October 2023 by the Higher Committee of Energy and Natural Resources (HCENR). The National Energy Strategy provides a vital implementation roadmap aligned with the principles of Sustainability, Affordability, and Security of Supply, and reinforces our trajectory towards economic resilience and prosperity as outlined in the "Economic Recovery to Sustainable Development" program (2023-2026).

In response to this imperative, 2023 witnessed the launch of the Bapco Energies brand, ushering in a transformative era in the Kingdom's energy sector. Leveraging our rich 90-year legacy, the Bapco Energies brand marks our journey to build and consolidate our nation's portfolio of energy companies and infrastructure under a future-facing group of companies.

Throughout 2023, we have been working to consolidate the energy value chain in the Kingdom of Bahrain. As a result, we are proud that the Bapco Energies portfolio today encompasses a range of wholly-owned subsidiaries including Bapco Refining, Bapco Upstream, Bapco Gas, Bapco Tazweed, and Bapco Air Fueling. In addition, our portfolio includes specialised Operating Companies such as Bahrain LNG, Gulf Petrochemical Industries Companies (GPIC), BAC Jet Fuel, and Arab Shipbuilding and Repair Yard Company (ASRY).

To realise efficiencies and enhance operational excellence, leadership teams across all Operating Companies have begun streamlining functions and initiatives across the Group. These efforts resulted in the achievement of key milestones such as the issuance of a Groupwide Environmental,



Social, and Governance (ESG) Policy, which signals our commitment to meeting our sustainability targets.

In 2023, the Group achieved significant milestones in the Kingdom's energy landscape:

- **The Bapco Modernization Program (BMP)**, the largest capital investment in the Kingdom's history, is approaching its final stages. Once completed, the BMP will establish one of the region's most competitive and environmentally responsible refineries, contributing significantly to the Kingdom's economic and environmental goals.
- **BMP** has set impressive Health, Safety, Security, and Environment (HSSE) standards achieving remarkable results. **The Refinery recorded over 75 million hours without a Lost Time Injury (LTI)** which is a record achievement and was equivalent to over 12 months without an LTI.
- In July 2023, **Bapco Refining inaugurated its state-of-the-art BMP control room**, which was recognized with the **"Oil & Gas Project of the Year"** award at the 13th Annual MEED Projects Awards 2023, underscoring the Company's commitment to engineering and operational excellence.
- **Bapco Energies successfully priced US \$750m international trust certificates** receiving strong interest from regional and international investors. The sukuk was **five times oversubscribed** demonstrating our strong credit and transition into an integrated energy company.
- The Group received the prestigious awards of **Best Islamic Finance Facility** at the 15th EMEA Annual Achievement Awards, as well as **ESG Loan of the Year** at the Annual Bonds, Loans and Sukuk Middle East Awards.
- **Bapco Upstream** continues its **successful drilling operations**, achieving milestones in both gas and oil well exploration. These milestones are pivotal in meeting the Kingdom's average and peak energy demands, ensuring a reliable and sustainable energy supply.
- Achieving a financial record year at **Bapco Gas and Bapco Gas Expansion** by completing a scheduled turnaround and inspection programme on time and in budget.
- **Bapco Tazweed** introduced its new branding, which led to the development and refurbishment of its stations. This initiative encompassed a new approach to digitalization focused on streamlining operations and enriching customer experiences. Additionally, the Company implemented strategic partnerships, leveraging innovative models to improve revenue generation.
- In 2023, **Bapco Air Fueling refueled a record-breaking 41,360 flights**, the **highest number of flights in a decade**. This achievement reaffirms the Kingdom's pivotal role as an aviation hub in the region and highlights the exceptional services offered at Bahrain International Airport (BIA).



- On the sidelines of COP28, **Bapco Energies signed an MoU with Mitsui O.S.K. Lines (MOL)** to collaborate on the development of cross border CO2 transport and sequestration, aiming to establish a comprehensive CO2 capture and storage value chain.
- In July 2023, **Bapco Energies launched its Sustainability-Linked Finance Framework**, allowing the Group to link its financing with decarbonization goals in line with the Kingdom of Bahrain's commitment to sustainability and climate action. In doing so, we are proud to be **the first National Oil Company (NOC) to include Scope 3 emissions, which complement our Scope 1 and 2 reduction commitments.**
- Bapco Energies announced the **first ESG-linked Interest Rate Swap in the Kingdom of Bahrain**. This groundbreaking financial milestone builds on Bapco Energies' recent achievement in closing the largest ESG-linked financing in the history of the Kingdom of Bahrain.
- In November 2023, we also successfully executed an **"Amend & Extend, of the US\$ 2.2 billion Sustainability Linked Loan, including an additional US\$ 300 million green shoe option**. This transaction demonstrates the trust of the investment community in our journey towards a low-carbon future.
- Bapco Energies issued its **first ESG Report** in December 2023, showcasing our resolute commitment to fulfilling our Environmental, Social, and Governance (ESG) responsibilities amid a shifting global energy landscape.
- In December 2023, we were the first NOC in the region to launch a **Transition Finance Framework**, aligning our endeavours with the Kingdom of Bahrain's climate action goals. The Framework will allow Bapco Energies to raise financing geared towards its transition projects for categories such as Renewable Energy, Carbon Capture and Storage, No/Low Emissions Fuels, and Energy Efficiency amongst others.

In the Framework, **Bapco Energies lists its Scope 1 and 2 net emissions intensity reduction targets, using 2017 as a baseline**. Bapco Energies is committed to **reducing absolute Scope 1 and 2 emissions by 30% from 2017 levels by 2035**. For its landmark Scope 3 targets, Bapco Energies will **reduce absolute Scope 3 emissions** within the Kingdom of Bahrain by 30% from 2017 levels by 2035; and by 2060, reach net-zero Scope 3 emissions.

Moreover, our membership in the Oil and Gas Methane Partnership 2.0 (OGMP) demonstrates our commitment to reducing methane emission by leveraging cutting-edge solutions. As a signatory of OGMP, Bapco Energies pledges to annually report Scope 1 methane emissions and employ accurate measurement methods across all operated and non-operated assets.

Bapco Energies has delivered strong results in 2023. Our net profits and revenue growth attest to our resilience and strategic foresight.



The Group increased its asset base by **US\$ 900 million** primarily through ongoing developments at Bapco Refining for BMP and Bapco Upstream,s Capex Program. Despite lower oil prices during the year, the Group continued to deliver positive results in 2023, with **US\$ 573 million in net profit**.

In November 2023, **Fitch Ratings reaffirmed Bapco Energies, rating at B+ with a stable outlook**, thereby validating the ongoing positive momentum and efforts within the Kingdom,s energy sector. It is a testament to the strong financial standing of the Group and reflects the trust and confidence of the international investment community.

As a Group, we are committed to working closely and collaboratively with our partners and stakeholders as we adapt to the ever-evolving landscape of our industry. The strides we have made stand as testimony to the dedication and ingenuity of our teams, whose relentless pursuit of excellence will continue to propel us forward. It is through their pride and unyielding efforts that we have been able to achieve remarkable milestones and set new benchmarks in our industry.

I want to express my sincere appreciation for the collective effort and dedication shown by the Board of Directors, Executive Management team, and our employees. Their contributions have been and will continue to be, instrumental in promoting our strong governance and responsible practices, which serve as the cornerstone of our operations.

Together, and under our Kingdom,s wise leadership, we remain as committed as ever to our mission of ***powering the next generation***. This mission encapsulates our collective vision to not only meet the energy needs of today but also to pave the way for a sustainable and prosperous future for the energy sector and the nation at large.

Nasser bin Hamad Al Khalifa

Chairman of the Board of Directors
Bapco Energies B.S.C. (closed)

The table below that shows the remuneration of the members of the Board of Directors and the Executive Management for the year ended 31 December 2023

Board of Directors' remuneration details:

Name	Fixed remunerations				
	Remuneration of the Chairman and BOD	Total allowance for attending BOD and Committee Meetings	Salaries	Others	Total
Executive/Non-Executive Directors					
H.H. Shaikh Nasser bin Hamad Al Khalifa	37,500	9,000	-	-	46,500
H.E. Shaikh Salman bin Khalifa Al Khalifa	-	-	-	-	-
Mr. Khaled Omar Alromaihi	25,000	17,500	-	-	42,500
H.E. Dr. Mohamed bin Mubarak Bin Daina*	-	-	-	-	-
Mr. Faisal Mohamed Al Mahroos	25,000	15,000	-	-	40,000
Mr. Abdulla Jehad Al Zain	25,000	16,000	-	-	41,000
Ms. Hadyah Mohamed Al Fathalla	25,000	14,000	-	-	39,000
Lord Edmund John Philip Browne	80,000	7,000	-	-	87,000
Mr. Robert Warren Dudley	80,000	19,000	-	-	99,000
Mr. Anthony Bryan Hayward	80,000	17,500	-	-	97,500
Total	377,500	115,000	-	-	492,500



Note:

- All amounts are in Bahraini Dinars
- The Company does not have any variable remuneration payments, end of service benefits, or expense allowances paid to its directors
- Board remuneration payments represent payments made during the year ended 31 December 2022

* Dr Mohammed Mubarak Bin Daina was appointed as the Minister of Oil & Environment on 13 June 2022.

Executive management remuneration details:

Executive Management	Total salaries and allowances	Total paid remuneration (Bonus)	Any other remuneration	Total
*Remuneration for executives, including CEO and CFO	780,432	74,360	-	854,792
<ul style="list-style-type: none">- All amounts are in Bahraini Dinars- *Senior executive management includes the top 6 persons.				



Independent auditor's report to the shareholder of Bapco Energies B.S.C Closed (formerly known as The Oil and Gas Holding Company B.S.C Closed)

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Bapco Energies B.S.C Closed (the "Company") and its subsidiaries (together "the Group") as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in the Kingdom of Bahrain. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview

Key audit matters	- Accounting for oil and gas activities and relationship with the government
-------------------	--

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.



Independent auditor's report to the shareholder of Bapco Energies B.S.C Closed (formerly known as The Oil and Gas Holding Company B.S.C Closed) (continued)

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
------------------	--

Accounting for oil and gas activities and relationship with the government

As described in note 3 (iii) and note 13, the Group has various agreements in place defining its relationships relating to the oil and gas activities with the Government of the Kingdom of Bahrain ("the Government") in its capacity as the shareholder and as the Government, respectively. These agreements result in various rights and obligations of the Group in relation to those activities.

The Directors exercise significant judgement in assessing the relevant factors to determine whether the Group acts as a principal or an agent with respect to those oil and gas activities under the various agreements.

The Directors have determined that for the following key activities the Group is acting as principal or agent:

- oil and gas producing activities (principal);
- gas distribution services (agent); and
- petroleum exploration activities (agent).

In reaching their conclusions, the Directors took into account various factors including not only the written signed agreements in place but also the precedents set by the past and present practical operation of those agreements. This actual mode of operation of the agreements, with the mutual consent of all the parties concerned, has created, over time constructive rights and obligations on the Group, resulting in the Group recognising certain oil and gas assets, receivables from the Government, liabilities, income and expenses, in a particular way.

We considered this as a key audit matter as it is fundamental to the accounting treatments applied by the Group in relation to assets, liabilities, income and expenses included in the consolidated financial statements.

Refer to note 3 (iii) for the significant accounting judgements, estimates and assumptions.

Our audit procedures included:

- Evaluating, with the assistance of our internal financial reporting experts, the accounting assessment process carried out by the Directors with respect to the Group's oil and gas activities. We obtained an understanding of, and assessed the various agreements in place between the major parties and the accounting memorandum prepared by management, (supported by legal confirmations from the Company's external lawyer), in order to assess the conclusions reached by management and the Directors and the judgements applied by them as part of this process including in recognising certain oil and gas assets, receivables from the Government, liabilities, income and expenses, in a particular way;
- Assessing the appropriate application of the principal versus agent accounting treatments for different activities carried out by the Group as mandated by the underlying agreements, by the application of past precedents and based on confirmations of interpretation provided by the Government to the Directors. We examined the business practices between the Group and the Government, based on which we were able to test the Directors' differentiation of the activities for which the Group acts as a principal and those activities for which it acts as an agent for the Government;
- Assessing the appropriateness of the policies applied by the Directors in the preparation of the consolidated financial statements; and
- Assessing the adequacy of the disclosures made in the consolidated financial statements around this matter.



Independent auditor's report to the shareholder of Bapco Energies B.S.C Closed (formerly known as The Oil and Gas Holding Company B.S.C Closed) (continued)

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

Other information

The Board of Directors is responsible for the other information. The other information comprises the Chairman's Statement (but does not include the consolidated financial statements and our auditor's report thereon) which we obtained prior to the date of this auditor's report and the Annual Report which is expected to be made available to us after this date.

Our opinion on the consolidated 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 consolidated 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 consolidated 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 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.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards and the Bahrain Commercial Companies Law number (21) of 2001, as amended (the "Commercial Companies Law"), and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group'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 the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. the Board of Directors, are responsible for overseeing the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated 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.



Independent auditor's report to the shareholder of Bapco Energies B.S.C Closed (formerly known as The Oil and Gas Holding Company B.S.C Closed) (continued)

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

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

- 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' 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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated 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.



Independent auditor's report to the shareholder of Bapco Energies B.S.C Closed (formerly known as The Oil and Gas Holding Company B.S.C Closed) (continued)

Report on other legal and regulatory requirements

- A) As required by the Commercial Companies Law, we report that:
- i) the Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
 - ii) the financial information contained in the Chairman's Statement is consistent with the consolidated financial statements;
 - iii) nothing has come to our attention which causes us to believe that the Company has, during the year, breached any of the applicable provisions of the Commercial Companies Law or the items of its Memorandum and Articles of Association which would have a material adverse effect on its activities for the year ended 31 December 2023 or its financial position as at that date; and
 - iv) satisfactory explanations and information have been provided to us by the directors in response to all our requests.
- B) As required by the Ministry of Industry and Commerce in its letter dated 30 January 2020 in respect of Article (8) of Section (2) of Chapter (1) of the Bahrain Corporate Governance Code, we report that the Company:
- i) has appointed a Corporate Governance Officer; and
 - ii) has a board approved written guidance and procedures for corporate governance.

The engagement partner on the audit resulting in this independent auditor's report is John Molloy.

Partner's registration number: 255
PricewaterhouseCoopers M.E Limited
Manama, Kingdom of Bahrain
30 April 2024





Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))


CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Note	2023 BD '000	2022 BD '000
ASSETS			
Non-current assets			
Property, plant and equipment	5	1,080,482	1,098,478
Capital work-in-progress	6	2,525,805	2,206,810
Right-of-use assets	7	170,047	150,788
Investments in associates and joint venture	8	149,408	133,562
Long-term assets	9	21,141	21,589
Restricted cash and bank balances	10	128,476	127,667
Due from a related party	13	191,010	513,720
Derivative financial instruments	23	168,803	224,233
Trade, other receivables and other assets	12	11,310	14,075
		4,446,482	4,490,922
Current assets			
Inventories	11	265,095	292,924
Trade, other receivables and other assets	12	384,605	441,157
Due from a related party	13	25,788	74,536
Derivative financial instruments	23	3,747	3,046
Cash and bank balances	14	1,164,036	648,223
		1,843,271	1,459,886
TOTAL ASSETS		6,289,753	5,950,808
EQUITY AND LIABILITIES			
Equity			
Share capital	15	1,184,400	1,184,400
Capital adjustment account	15	(421,609)	(421,609)
Contribution from the shareholder	4	45,182	438,912
Sinking fund reserve	16	160,125	160,125
Statutory reserve	17	395,021	373,396
Cash flow hedge reserve		166,765	229,767
Retained earnings		195,390	57,261
Equity attributable to the shareholder of the Parent		1,725,274	2,022,252
Non-controlling interests	18	7,260	7,162
Total equity		1,732,534	2,029,414


H.H. Shaikh Nasser Bin Hamad Al Khalifa
Chairman of the Board of Directors


H.E. Shaikh Salman Bin Khalifa Al Khalifa
Chairman of the Audit Committee and Vice
Chairman of the Board of Directors


Mark Thomas
Group Chief Executive Officer


The attached notes 1 to 39 form part of these consolidated financial statements.




**Bapco Energies B.S.C. Closed (formerly known as The Oil and
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)**
At 31 December 2023

	Note	2023 BD '000	2022 BD '000
Liabilities			
Non-current liabilities			
Borrowings	19	3,334,005	2,936,666
Employees' end of service benefits	20	21,815	19,985
Trade and other payables	22	21,347	21,347
Lease liabilities	24	148,050	136,698
		3,525,017	3,114,696
Current liabilities			
Current maturities of long-term borrowings	19	272,363	160,543
Trade and other payables	22	721,205	550,029
Lease liabilities	24	37,377	24,847
Dividend payable	32	-	56,400
Short term borrowings	25	3	11,202
Income taxes payable	26	970	3,604
Derivative financial instruments	23	284	73
		1,032,202	806,698
Total liabilities		4,557,219	3,921,394
TOTAL EQUITY AND LIABILITIES		6,289,753	5,950,808


H.H. Shaikh Nasser Bin Hamad Al Khalifa
Chairman of the Board of Directors


H.E. Shaikh Saiman Bin Khalifa Al Khalifa
Chairman of the Audit Committee and Vice
Chairman of the Board of Directors


Mark Thomas
Group Chief Executive Officer

The attached notes 1 to 39 form part of these consolidated financial statements.





Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))


CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Note	2023 BD '000	2022 BD '000
Revenue	27	3,723,556	4,157,116
Cost of materials	28	(2,819,291)	(3,159,427)
Other income	29	6,229	51,361
Staff costs	30	(141,918)	(136,165)
Maintenance expenses		(111,648)	(105,220)
Impairment for doubtful trade and other receivables	12	(106)	(31,327)
Other expenses	30	(176,361)	(126,677)
Depreciation	5 & 7	(213,611)	(214,977)
Operating profit		266,850	434,684
Finance income	31	54,288	15,515
Finance costs	31	(117,367)	(91,105)
Finance costs - net		(63,079)	(75,590)
Share of profit from associates and joint venture - net	8	14,051	38,918
Profit before income tax		217,822	398,012
Income tax expense	26	(1,470)	(4,104)
Net profit for the year		216,352	393,908
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Gain on cash flow hedges	23	6,279	268,207
Share of (loss)/gain on cash flow hedge from an associate	8 & 23	(210)	11,084
Reclassified from cash flow hedge reserve to profit or loss	23	(69,071)	-
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Actuarial (loss)/gain arising on defined benefit retirement scheme	20	(109)	328
Share of actuarial gain from associates	8	9	146
Total other comprehensive (loss)/gain for the year		(63,102)	279,765
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		153,250	673,673


H.H. Shaikh Nasser Bin Hamad Al Khalifa
Chairman of the Board of Directors


H.E. Shaikh Salman Bin Khalifa Al Khalifa
Chairman of the Audit Committee and Vice Chairman of the Board of Directors


Mark Thomas
Group Chief Executive Officer

The attached notes 1 to 39 form part of these consolidated financial statements.



**Bapco Energies B.S.C. Closed (formerly known as The Oil and
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME (continued)**

For the year ended 31 December 2023

	Note	2023 BD '000	2022 BD '000
Net profit for the year attributable to:			
Shareholder of the parent		216,254	391,763
Non-controlling interests	18	98	2,145
		<u>216,352</u>	<u>393,908</u>
Total comprehensive income attributable to:			
Shareholder of the parent		153,152	671,528
Non-controlling interests	18	98	2,145
		<u>153,250</u>	<u>673,673</u>

H.H. Shaikh Nasser Bin Hamad Al Khalifa
Chairman of the Board of Directors

H.E. Shaikh Salman Bin Khalifa Al Khalifa
Chairman of the Audit Committee and Vice
Chairman of the Board of Directors

Mark Thomas
Group Chief Executive Officer

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Note	2023 BD '000	2022 BD '000
OPERATING ACTIVITIES			
Net (loss)/profit before tax for the year		217,822	398,012
Adjustments for:			
Depreciation			
Property, plant and equipment	5	173,267	180,338
Right-of-use assets	7	40,202	34,639
Finance income	31	(54,288)	(15,515)
Finance costs	31	117,367	91,105
Share of loss/(profit) from associates and joint venture - net	8	(14,051)	(38,918)
Property, plant and equipment and capital work-in-progress written-off	30	1,318	773
Provision for slow-moving inventories	11	3,905	215
Provision for doubtful trade and other receivables	12	106	31,327
Provision for employees' end of service benefits	20	3,235	2,693
Fair valuation gain/(loss) on derivatives, net		211	3,536
		489,094	688,205
Working capital changes:			
Inventories		23,924	(38,217)
Trade and other receivables		52,592	(81,233)
Net movements in amounts due from a related party		7,435	26,926
Trade and other payables		106,858	113,572
Retention payable		-	-
Net cash flows from operations		679,903	709,253
Employees' end of service benefits paid	20	(1,714)	(3,358)
Income tax paid	26	(4,104)	(3,203)
Net cash flows from operating activities		674,085	702,692
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	(10,704)	(41,878)
Additions to capital work-in-progress		(269,916)	(474,457)
Additions in associate	8	-	-
Dividends received from associates	8	-	31,374
Movement in long-term assets		448	3,705
Movement in restricted cash		(809)	(421)
Finance income received		52,292	13,630
Net cash flows used in investing activities		(228,689)	(468,047)
FINANCING ACTIVITIES			
Net movements in amounts due from a related party		(141,615)	(167,053)
Proceeds from borrowings and short term borrowings		834,558	895,880
Repayment of borrowings		(357,732)	(617,965)
Finance and transaction costs paid		(215,268)	(172,046)
Dividends paid to non-controlling shareholders		-	(1,087)
Repayment of lease		(49,526)	(40,941)
Net cash flows from financing activities		70,417	(103,212)
NET INCREASE IN CASH AND CASH EQUIVALENTS		515,813	131,433
Cash and cash equivalents at 1 January		648,234	516,801
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	14	1,164,047	648,234

Non cash items:

1) Refer note 14 for details of non-cash items.

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	<i>Equity attributable to shareholder of the Parent</i>									
	<i>Share capital</i> <i>BD '000</i>	<i>Capital adjustment</i> <i>account</i> <i>BD '000</i>	<i>Contribution from</i> <i>shareholder</i> <i>BD '000</i>	<i>Sinking fund</i> <i>reserve</i> <i>BD '000</i>	<i>Statutory reserve</i> <i>BD '000</i>	<i>Cash flow hedge</i> <i>reserve</i> <i>BD '000</i>	<i>Retained earnings</i> <i>BD '000</i>	<i>Total</i> <i>BD '000</i>	<i>Non-controlling interests</i> <i>BD '000</i>	<i>Total</i> <i>BD '000</i>
At 1 January 2023	1,184,400	(421,609)	438,912	160,125	373,396	229,767	57,261	2,022,252	7,162	2,029,414
Net profit for the year	-	-	-	-	-	-	216,254	216,254	98	216,352
Other comprehensive (loss)/income	-	-	-	-	-	(63,002)	(100)	(63,102)	-	(63,102)
Total comprehensive (loss)/income	-	-	-	-	-	(63,002)	216,154	153,152	98	153,250
Transactions with owners in their capacity as owners:										
Dividends proposed and paid (note 32)	-	-	-	-	-	-	(56,400)	(56,400)	-	(56,400)
Return of contribution to the shareholder (note 4)	-	-	(393,730)	-	-	-	-	(393,730)	-	(393,730)
Transfer to Statutory reserve (note 17)	-	-	-	-	21,625	-	(21,625)	-	-	-
At 31 December 2023	1,184,400	(421,609)	45,182	160,125	395,021	166,765	195,390	1,725,274	7,260	1,732,534

The attached notes 1 to 39 form part of these consolidated financial statements.

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2023

	Equity attributable to shareholder of the Parent									
	Share capital BD '000	Capital adjustment account BD '000	Contribution from shareholder BD '000	Sinking fund reserve BD '000	Statutory reserve BD '000	Cash flow hedge reserve BD '000	Retained earnings / (accumulated deficit*) BD '000	Total BD '000	Non-controlling interests BD '000	Total BD '000
At 1 January 2022	1,184,400	(421,609)	438,912	160,125	334,220	(49,524)	(183,000)	1,463,524	6,104	1,469,628
Net profit for the year	-	-	-	-	-	-	391,763	391,763	2,145	393,908
Other comprehensive loss	-	-	-	-	-	279,291	474	279,765	-	279,765
Total comprehensive (loss)/income	-	-	-	-	-	279,291	392,237	671,528	2,145	673,673
Transactions with owners in their capacity as owners:										
Dividends proposed and paid (note 32)	-	-	-	-	-	-	(112,800)	(112,800)	-	(112,800)
Transfer to Statutory reserve (note 17)	-	-	-	-	39,176	-	(39,176)	-	-	-
Dividends paid by a subsidiary to non- controlling shareholders (note 18)	-	-	-	-	-	-	-	-	(1,087)	(1,087)
At 31 December 2022	1,184,400	(421,609)	438,912	160,125	373,396	229,767	57,261	2,022,252	7,162	2,029,414

* Retained earnings / (accumulated deficit) include non-distributable reserves arising from consolidation of subsidiaries amounting to BD 144,896 thousand.

The attached notes 1 to 39 form part of these consolidated financial statements.

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

1 ACTIVITIES

Bapco Energies B.S.C. Closed formerly known as The Oil and Gas Holding Company B.S.C. Closed (the "Company" or "Bapco Energies" and along with its subsidiaries, referred to as the "Group") is a Closed Bahraini Joint Stock Company incorporated by Royal Decree number 77 of 2007 issued on 10 August 2007 and published in the Official Gazette on 16 August 2007 and is registered with the Ministry of Industry and Commerce ("MOIC") under commercial registration number 66088 obtained on 1 August 2007.

The National Oil and Gas Authority ("Noga") was abolished with effect from 26 September 2021 and its jurisdiction and authorities were divided between Bapco Energies, the Higher Committee for Energy and Natural Resources (the "Higher Committee") and the Ministry of Oil and Environment. According to Article (3) of Decree No. 99 of 2021, all allocations assigned to Noga in the general budget and all its rights and obligations shall be assigned to the Ministry of Oil. Consequently, the Ministry of Oil has replaced Noga in agreements between Noga and Bapco Energies or Bapco Energies' subsidiaries with effect from 26 September 2021. All rights and obligations of Noga existing as of 26 September 2021, transferred to the Ministry of Oil with effect from that date.

The supervision of the Group was transferred from Noga to the Higher Committee. Additionally, the Kingdom of Bahrain replaced Noga in its role as Bapco Energies' shareholder. Separately, the authority to appoint directors and representatives in Bapco Energies' subsidiaries now lies with Bapco Energies rather than Noga.

The structure of the Group, its operations, financial arrangements and obligations otherwise remains unchanged. The Government of Bahrain owned and still owns 100% of Bapco Energies and is ultimate controlling party. Refer to Note 3 (iii) - Principal vs agent considerations for key judgements relating to the oil and gas activities.

The Company was formed with the object of acquiring the Government's shareholding and stakes in various entities engaged in oil and gas activities with effect from 1 August 2007. Further, the objectives of the Company include investing funds in areas specified by the Board of Directors, acquiring real estate and movable properties required for carrying out its activities, establishing and participating in establishment of new ventures and acquiring and participating in the ownership of existing ventures or companies and selling its interests therein, within, and outside the Kingdom of Bahrain.

The postal address of the registered office of the Company is P.O. Box 1426, Manama, Kingdom of Bahrain.

The Group comprises of the Company and the following subsidiaries, associates, joint ventures and joint operations:

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

<i>Name of the entity</i>	<i>Country of incorporation</i>	<i>Ownership interest</i>		<i>Year end</i>	<i>Principal activity</i>
		<i>2023</i>	<i>2022</i>		
<u>Subsidiaries</u>					
Bapco Refining B.S.C. Closed ("Bapco") (formerly known as The Bahrain Petroleum Company B.S.C. Closed)	Kingdom of Bahrain	100%	100%	31 December	Operating the Bahrain Refinery and marketing of refined petroleum products.
Bapco Gas Company B.S.C. Closed ("Banagas") (formerly known as Bahrain National Gas Company B.S.C.	Kingdom of Bahrain	75%	75%	31 December	Processing and marketing of hydrocarbon liquids from associated gas.
Bapco Gas Expansion Company W.L.L. ("Banagas Expansion") (formerly known as Bahrain National Gas Expansion Company W.L.L.)	Kingdom of Bahrain	100%	100%	31 December	Processing and marketing of hydrocarbon liquids from associated and refinery off gas.
Bapco Air Fueling Company B.S.C. Closed ("Bafco") (formerly known as The Bahrain Aviation Fueling Company B S C Closed)	Kingdom of Bahrain	60%	60%	31 December	Managing and operating the jet fuel pipeline.
Bapco Upstream W.L.L. ("Bapco Upstream") (formerly known as Tatweer Petroleum – Bahrain Field Development Company W.L.L.)	Kingdom of Bahrain	100%	100%	31 December	Producing oil and gas from Bahrain onshore field.
Bahrain Gasoline Blending W.L.L. ("BGB")	Kingdom of Bahrain	85%	85%	31 December	Sale and trade of solid, liquid and gaseous fuels and related products.

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

1 ACTIVITIES (continued)

Name of the entity	Country of incorporation	Ownership interest		Year end	Principal activity
		2023	2022		
Subsidiaries (continued)					
Saudi Bahrain Pipeline Company S.P.C.	Kingdom of Bahrain	100%	100%	31 December	To own the Bahrain portion of the new oil pipeline between Saudi Arabia and Bahrain.
Aromatics Petchem Company W.L.L. ("Aromatics")	Kingdom of Bahrain	100%	100%	31 December	Production of petrochemical grade products from the heavy Naphtha obtained from the Bapco. Aromatics is currently not active
Bapco Tazweed W.L.L. ("Bapco Retail") (Formerly known as Bapco Retail Company S.P.C. *)	Kingdom of Bahrain	100%	100%	31 December	Domestic sales of refined petroleum products in the Kingdom of Bahrain.
Bapco Lube Base Oil Company B.S.C. Closed ("BLBOC") (Formerly known as Bahrain Bapco Lube Base Oil Company B.S.C. Closed **)	Kingdom of Bahrain	100%	100%	31 December	Manufacturing of lube based oil products.
Bapco Upstream Holding Company W.L.L.	Kingdom of Bahrain	100%		31 December	Activities of holding companies
Bapco Gas Distribution Holding Company W.L.L.	Kingdom of Bahrain	100%		31 December	Activities of holding companies
Bapco Fuel Distribution Holding Company W.L.L.	Kingdom of Bahrain	100%		31 December	Production and distribution of natural gas

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

Bapco Trading Holding Company W.L.L.	Kingdom of Bahrain	100%		31 December	Activities of holding companies
Bapco Sustainable Solutions Holding Company W.L.L.	Kingdom of Bahrain	100%		31 December	Activities of holding companies
BE Tech Ventures Holding Company W.L.L.	Kingdom of Bahrain	100%		31 December	Activities of holding companies
Bapco Trading Company W.L.L.	Kingdom of Bahrain	100%		31 December	Sale/Trade of solid, liquid and gaseous fuels and related products Direct export of petroleum products General trade Import of speciality petroleum products Commodity contracts brokerage
<u>Associates</u>					
Gulf Petrochemical Industries Co. B.S.C. Closed ("GPIC")	Kingdom of Bahrain	33%	33%	31 December	Petrochemical processing and storage facilities.
Bahrain LNG W.L.L. ("BLNG")	Kingdom of Bahrain	30%	30%	31 December	Manufactures gas and distributes gaseous fuel.
Arab Shipbuilding and Repair Yard Co. B.S.C. Closed ("Asry")	Kingdom of Bahrain	37%	37%	31 December	Operate a dry dock and two floating docks to carry out shipbuilding, ship repair, engineering and related activities in dry dock, floating docks, etc.
<u>Joint venture</u>					
Trident Logistics Bahrain W.L.L. ("Trident") - joint venture	Kingdom of Bahrain	49%	49%	31 December	Warehousing and storage, Management consultancy activities, Packaging activities.
<u>Joint operations</u>					
BAC Jet Fuel Company W.L.L. ("BAC Jet")	Kingdom of Bahrain	50%	50%	31 December	Sale and trade of solid, liquid and gaseous fuels and related products.

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

1 ACTIVITIES (continued)

* Trident Logistics Bahrain Co W.L.L (Formerly Schmidt Logistics Bahrain W.L.L) During 2021 Shmidt ME Logistics Co W.L.L sold its 204 number of shares, 51% of ownership to Trident Warehouse Bahrain W.L.L.

** On 1 July 2009, Bapco Energies, BAPCO and Neste Bahrain W.L.L. ("Neste") set up Bapco Lube Base Oil Company B.S.C. Closed ("BLBOC"), a closed Bahraini Joint Stock Company. The business of BLBOC is to undertake production of lube base oil products using the feedstock supplied by Bapco, Bapco Energies and Neste in their participating interest share of 27.5%, 27.5% and 45%, respectively.

On 29 September 2021, the Board of Directors of Bapco Energies, in their capacity as a Joint Operation partner in BLBOC, agreed to be a party to a Sale and Purchase Deed (the "agreement") with Neste for the transfer of Neste's 45% equity shareholding in BLBOC to Bapco Energies. The agreement was completed on 22 March 2022 where Neste transferred its net liability position of USD 3,000,000 in BLBOC to Bapco Energies as part of its sale of 45% of participating interest share. As at 31 December 2022, Bapco Energies and BAPCO hold 72.5% and 27.5% in equity shareholding and participating interest share at BLBOC, respectively (Note 39).

The consolidated financial statements were approved by the Board of Directors through a resolution dated 3 April 2024.

1.1 Bapco Modernization Program (BMP)

BMP is a major expansion and upgrade project of the Bahrain Refinery. BMP project consists of expansion of the crude distillation capacity and upgrading of the refinery capabilities in order to increase the Bahrain Refinery's competitiveness, improve the energy efficiency and enhance the environmental compliance to international standards. In February 2018, the Group entered into an Engineering Procurement and Construction (EPC) contract with a consortium of companies as its EPC contractors (hereinafter referred to as "EPC contractors"). On 20 December 2018, the Group's fully owned subsidiary, Bapco, signed debt financing facilities agreements (hereinafter referred to as "project debt finance arrangement") amounting to US\$ 4.1 billion which comprises covered export credit facilities, uncovered commercial and Islamic financing facilities with a consortium of banks to support and fund the implementation of BMP project. Financial close of the project debt finance arrangement happened on 9 May 2019.

As part of conditions precedent for the project debt finance arrangement, Bapco ceased its cash call mechanism on the cut-off date and net balance due from the Government as of this date was set-off against retained earnings. Subsequent to the approval by the Board of Directors a notification was sent to the Ministry of Finance for the same.

1.2 Relationship with the Government

The Group has various agreements in place defining its relationship with its shareholder and the Government of the Kingdom of Bahrain ("Government") that result in various rights and obligations of the Group. Refer to note 3 (iii) for further details of the principal vs agent considerations.

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

2 MATERIAL ACCOUNTING POLICIES

Statement of compliance

The financial statements of the Company have been prepared in accordance with IFRS Accounting Standards and the Bahrain Commercial Companies Law ("BCCL"). IFRS Accounting Standards comprise of the following authoritative literature:

- IFRS Accounting Standards
- IAS Standards
- Interpretations developed by the IFRS Interpretations Committee (IFRIC Interpretations) or its predecessor body, the Standing Interpretations Committee (SIC Interpretations).

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

Going concern

The Group's Board of Directors has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue the business for the foreseeable future. Furthermore, the Board of Directors is not aware of any material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

2 MATERIAL ACCOUNTING POLICIES (continued)

Basis of preparation

The consolidated financial statements have been prepared under the historical cost basis, except for derivative financial instruments, certain trade receivables, defined benefit obligations and investment at FVOCI which have been measured at fair value.

The consolidated financial statements are presented in Bahraini Dinars ("BD"), being the presentation currency of the Group and all values are rounded to the nearest thousand (BD' 000), except when otherwise indicated.

New and amended standards and interpretations effective as of 1 January 2023

The Group's accounting policies are consistent with those of the previous financial year and the following IASB's new and amended standards and interpretations which are effective as of 1 January 2023.

The group has applied the following standards and amendments for the first time for its annual reporting period commencing 1 January 2023:

- *IFRS 17 Insurance Contracts*
- *Definition of Accounting Estimates – amendments to IAS 8*
- *International Tax Reform – Pillar Two Model Rules – amendments to IAS 12.*
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to IAS 12*
- *Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2.*

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group. Management is still assessing the impact of these standards on the Group in the current and future reporting periods. These standards and interpretations had been issued but were not mandatory for annual reporting periods ending on 31 December 2023:

- Classification of Liabilities as Current or Non-current – Amendments to IAS 1 (effective from 1 January 2024);
- Non-current Liabilities with Covenants – Amendments to IAS 1;
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 (effective from 1 January 2024);
- Supplier finance arrangements – Amendments to IAS 7 and IFRS 7; and
- Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28.

2 MATERIAL ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights held by the Group and other parties.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

2 MATERIAL ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in the profit or loss; and
- Reclassifies any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current / non-current classification.

An asset is classified as current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent 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 classified as current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- 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 Group classifies all other liabilities as non-current.

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

2 MATERIAL ACCOUNTING POLICIES (continued)

Fair value measurement

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

- a) In the principal market for the asset or liability; or
- b) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

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

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

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

The Group uses specific valuation techniques to value derivative financial instruments. For interest rate swaps - the present value of the estimated future cash flows based on observable yield curves are used.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- a) Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- b) Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- c) Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised and measured at fair value in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Property, plant and equipment

Property, plant and equipment is stated at historical cost, less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items. All other repair and maintenance costs are charged to profit or loss as incurred.

Property, plant and equipment related to oil and natural gas production activities are depreciated on a unit-of-production basis over the proven developed reserves of the field concerned, except in the case of assets whose useful life is shorter than the lifetime of the field, in which case the straight-line method is applied. Other property, plant and equipment are generally depreciated on a straight-line basis over the estimated useful lives of the assets as follows:

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

2 MATERIAL ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Buildings	8 to 40 years
Oil and gas producing assets	5 to 15 years
Plant and machinery	6 to 20 years
Furniture and equipment	4 to 8 years
Motor vehicles	4 to 15 years
Hardware and software	3 to 5 years
Site work and aviation assets	10 years
Pipeline assets	40 years

Freehold land is not depreciated.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is derecognised. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end, and adjusted prospectively if appropriate.

Capital work-in-progress

Capital work-in-progress represents capitalised expenditure incurred in setting up or constructing new facilities or other assets. Depreciation on capital work-in-progress is not charged until such time as the construction or set-up of these assets is completed and the asset is transferred to the respective category of property, plant and equipment i.e. when the asset is ready for usage as intended by management. Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset or group of the assets.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

2 MATERIAL ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

The Group's investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in associates or a joint venture is carried in the consolidated statement of financial position at cost, plus post acquisition changes in the Group's share of net assets of the associate or a joint venture, less any impairment in value. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

The consolidated statement of profit or loss and other comprehensive income reflects the share of results of operations of the associates or a joint venture. Where there has been a change recognised directly in the OCI of the associates or a joint venture, the Group recognises its share of any changes and discloses this, when applicable, in OCI. Unrealised profits and losses resulting from transactions between the Group and the associates or joint venture are eliminated to the extent of the Group's interest in the associates or joint venture.

The reporting dates of the associates or joint venture and the Group are identical and the associates' or joint venture's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2 'Impairment of non-financial assets'.

Joint operations

Joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Group recognises its:

- Assets, including its share of any assets held jointly;
- Liabilities, including its share of any liabilities incurred jointly;
- Revenue from the sale of its share of the output arising from the joint operation;
- Share of the revenue from the sale of the output by the joint operation; and
- Expenses, including its share of any expenses incurred jointly.

Reimbursement of the costs of the operator of the joint arrangement

When the Group, acting as an operator or manager of a joint arrangement, receives reimbursement of direct costs recharged to the joint arrangement, such recharges represent reimbursements of costs that the operator incurred as an agent for the joint arrangement and therefore have no effect on the consolidated statement of profit or loss and other comprehensive income.

Inventories

Inventories are stated at the lower of cost or net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. This is further explained below:

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

2 MATERIAL ACCOUNTING POLICIES (continued)

Inventories (continued)

<i>Inventory categories</i>	<i>Valuation basis</i>
Refined finished products	Valued at the cost of production. Cost of production consisting of cost of purchased crude oil, an appropriate allocation of overheads and refining expenses. Cost is determined using the first-in, first-out (FIFO) method.
Work-in-process	Valued at the cost of production. Cost of production consisting of cost of purchased crude oil, an appropriate allocation of overheads and refining expenses. Cost is determined using the average cost method.
Raw material - crude oil	Purchase cost on a weighted average basis.
Stored and materials	Purchase cost on a weighted average basis.
Fully processed gas	Cost of feed gas consumed, production labour and allocation of fixed and variable production overheads based on normal level of activity, on weighted average basis.
Other inventories	Purchase cost on a weighted average basis.

Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

Accounts receivable

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally settled within the contract terms which varies by customers. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

In addition, certain revenue contracts provide for provisional pricing at the time of shipment with the final pricing based on an average market price for a particular future period. Such trade receivables are measured at fair value because the contractual cash flows are not solely payments of principal and interest.

Accounts payable

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

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset or a group of assets - cash-generating unit ("CGU") may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

2 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

The Group bases its impairment calculation on detailed approved budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to projected future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in profit or loss.

An assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

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

a) Initial recognition

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL).

The classification of debt instrument at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of financial assets at FVTPL, trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus transaction costs.

Certain revenue contracts provide for provisional pricing at the time of shipment with the final pricing based on an average market price for a particular future period. Such trade receivables are measured at fair value because the contractual cash flows are not solely payments of principal and interest. All other trade receivables meet the criteria for amortized cost measurement under IFRS 9.

In order for a debt instrument to be classified and measured at amortised cost or fair value through OCI, 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.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

2 MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

i) Financial assets (continued)

b) Subsequent measurement

For purposes of subsequent measurement, all of the debt instruments of the Group, except for derivative financial instruments and certain trade receivables are classified in amortised cost category. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR)/ effective profit rate (EPR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade, other receivables and other assets, long-term assets, cash, restricted cash and bank balances and due from a related party.

c) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

d) Impairment of financial assets

The Group applies a simplified approach in calculating ECLs for trade receivables. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group 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. Further disclosures relating to impairment of trade and other receivables are provided in note 12.

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables measured at amortized cost, the Group applies the simplified approach permitted by IFRS 9.

The Group considers that there has been significant increases in credit risk since initial recognition when financial assets are more than 30 days past due. The financial asset is considered to be in default if the financial assets are more than 90 days past due.

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

2 MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

ii) Financial liabilities

a) Initial recognition

Financial liabilities are classified, at initial recognition, as financial liabilities at amortised cost.

Borrowings are recognised initially at fair value net of directly attributable transaction costs.

The Groups's financial liabilities are:

(i) Financial liabilities at FVTPL

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and they 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.

(ii) Financial liabilities at amortised cost

Financial liabilities other than financial liabilities at FVTPL are classified as financial liabilities measured at amortised cost. Such financial liabilities are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. Financial liabilities at amortised cost mainly include trade and other payables, borrowings, lease liabilities, dividend payable and short-term borrowings. Financial liabilities are disclosed separately from financial assets in the consolidated statement of financial position unless there is a right to offset.

Fees paid on the establishment of bank borrowings are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Gains and losses are recognised in profit or loss when the liabilities are derecognised. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

b) 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 between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non cash assets transferred or liabilities assumed, is recognised in profit or loss.

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

2 MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

ii) Financial liabilities (continued)

Offsetting of financial instruments

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

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

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise of cash in hand, bank balances, net of outstanding bank overdrafts and short term deposits with an original maturity of three months or less. Any restricted balances with banks are also excluded from cash and cash equivalents.

Provisions

Provisions are recognised when the Group 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. Where the Group 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 profit or loss.

Derivative financial instruments and hedge accounting

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

2 MATERIAL ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

The Group enters into derivative transactions with various counterparties. These include interest rate swaps and commodity derivatives. Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

All derivatives are measured at FVTPL except for when the derivative is designated and qualifies as a hedging instrument, and if so, the nature of the item being hedged determines the method of recognising the resulting gain or loss. The group designates derivatives as hedges of a particular risk associated with the cash flows of recognised liabilities. (cash flow hedges).

The Group documents, at the inception of the hedge, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts accumulated in equity are recycled to the profit or loss in the periods when the hedged item affects profit or loss. They are recorded in the income or expense lines in which the income or expense associated with the related hedged item is reported.

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 equity at that time remains in equity and is recognised in the periods when the hedged item affects profit or loss. When a forecast transaction is no longer expected to occur (for example, the recognised hedged asset is disposed of), the cumulative gain or loss previously recognised in other comprehensive income is immediately reclassified to the profit or loss.

Employees' end of service benefits

The Group makes contributions to the Social Insurance Organisation (SIO) scheme for its Bahraini employees calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

The Group also provides end of service benefits to its expatriate employees and certain Bahraini employees in accordance with the Bahrain labour Law. The entitlement to these benefits is based upon the employees' final salary and length of service. The expected costs of these benefits are accrued over the period of employment. The carrying value of the employees' end of service benefits approximates its present value of the obligation at the reporting date.

The Group also operates two retirement plans for Bahraini employees and expatriates retired prior to October 1976. The cost of providing benefits under the plans is determined separately for each plan using the projected unit credit method.

The Group also operates a defined benefit retirement scheme for its Bahraini employees, which requires contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

2 MATERIAL ACCOUNTING POLICIES (continued)

Employees' end of service benefits (continued)

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the consolidated statement of changes in equity and in the consolidated statement of financial position.

Leases

Right-of-use assets

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

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value (i.e., below US\$ 5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset or group of the assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Non-controlling interests

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statements of profit or loss and other comprehensive income, changes in equity and financial position respectively.

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

2 MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition

The Group is engaged in the business of refining crude oil and selling of refined products both locally in the Kingdom of Bahrain and in international markets and selling of processed gas and lube based oil in international markets. Revenue from contracts with customers is recognised when control of the goods are transferred to the customer.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or an agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements except for agency arrangement (as described in note 3 (iii) below). The revenue arrangements of the Group are described below.

a) Oil revenues

International sales of refined petroleum products

Revenue from the international sale of petroleum products is recognised at a point in time upon the satisfaction of performance obligations, which occurs when control transfers to the customer, which is generally when the product is physically transferred into a vessel or tanker. Consequently the Group's performance obligations are considered to relate only to the sale of petroleum product, with each barrel of oil equivalent considered to be a separate performance obligation under the contractual arrangements in place. The products are sold based on market prices plus a margin as per the contractual arrangements. The final quality testing of the product is also carried out prior to the loading and the acceptance happens at that point in time. Invoices are typically paid on 30 day terms.

Domestic sales of refined petroleum products

Sales are recognised at a point in time upon the satisfaction of performance obligations, which occurs when control transfers to the customer, usually on delivery of the goods. Rates for the domestic sales are notified by the Government of the Kingdom of Bahrain and the prevailing market prices as applicable. The transportation cost associated with the transfer of the product to the point of sale is recognised in cost of materials.

b) Gas revenues

Gas revenue represents the sales made by Banagas and Banagas Expansion and are recognised when the control of the goods have passed to the buyer, usually on delivery of the goods at prevailing market prices.

c) Lube based oil revenues

Lube based oil revenues represents the Group's share of sales made by BLBOC and are recognised when control of the goods is transferred to the buyer, usually on delivery of the goods at prevailing market prices.

Interest / profit income

Interest / profit income is recognised on an effective interest method.

Other income

Other income is recognised on an accrual basis when income is earned.

Principal vs agent considerations

The Group has assessed itself as an agent for the following arrangements:

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

2 MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

i) Sale of crude oil on behalf of the Government

The Group also sells crude oil in its capacity as agent on behalf of the Government in relation to the Abu Saafa field. In such transactions the Group does not control the goods before they are transferred to customers, and hence, is an agent in these contracts because it does not have the ability to direct the use of the crude oil or obtain benefits from it. The Group charges a marketing fee on providing such services, which is recognised in other income.

ii) Service income

The Group has a service agreement to provide the following services to the Government or its customers on its behalf:

- distribute gas to the end users and manage the gas distribution network;
- the procurement of LNG and the management; and
- carry out oil and gas exploration activities, on the Government's behalf, in the Bahrain field as approved by the Government in advance.

The Group has concluded that it is acting as an agent in these arrangements. Accordingly, the Group records revenue on net basis for such arrangements (note 3). The revenue is recorded over time as the Group provides services and amounts are considered recoverable from the Government.

When another party is involved in providing goods or services to its customer, the Group determines whether it is a principal or an agent in these transactions by evaluating the nature of its promise to the customer. The Group is a principal and records revenue on a gross basis if it controls the promised goods or services before transferring them to the customer. However, if the Group's role is only to arrange for another entity to provide the goods or services, the Group is an agent and records revenue at the net amount that it retains for its agency services.

The above service income is included in other income.

Income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rate and tax law used to compute the amount are those that are enacted or substantively enacted at the reporting date in the country where the Group operates and generates taxable income.

Value Added Tax ("VAT")

Expenses and assets are recognised net of the amount of associated VAT, unless the VAT incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense. Receivables and payables are stated inclusive of the amount of VAT receivable or payable. The net amount of VAT recoverable from, or payable to, the tax authority is included in prepayments and advances or other payables in the consolidated statement of financial position. Commitments and contingencies are disclosed net of the amount of VAT recoverable from, or payable to, the tax authority.

Foreign currencies

The Group's consolidated financial statements are presented in Bahraini Dinars ("BD"). Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using the functional currency.

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

2 MATERIAL ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Transactions and balances

Transactions in foreign currencies are initially recorded at their respective functional currency spot rates at the date the transaction.

Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency spot rate of exchange at the reporting date. All differences arising on settlement or translation of monetary items are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

Group companies

Upon consolidation, the assets and liabilities of foreign operations are translated into Bahraini Dinars ("BD") at the rate of exchange prevailing at the reporting date and income and expenses for each statement of profit or loss and other comprehensive income. are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in the other comprehensive income. On disposal of a foreign operation, the component of exchange differences relating to that particular foreign operation is recognised in profit or loss.

Other capital accounts

The shareholder contribution and the sinking fund reserve relates to amounts contributed by the shareholder in addition to the share capital. These amounts are not repayable to the shareholder and can only be redeemed at the discretion of the Group. The instrument includes no contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements

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

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)
Judgements (continued)

(i) Determining the lease term of contracts with renewal and termination options – the Group as lessee

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

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate. Management did not include the extension options in those lease terms stipulating that the lease cannot be renewed without the consent of both parties.

(ii) Joint arrangements

Judgement is required to determine when the Group has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Group has determined that the relevant activities for its joint arrangements are those relating to the operating and capital decisions of the arrangement, including the approval of the annual capital and operating expenditure work program and budget for the joint arrangement, and the approval of chosen service providers for any major capital expenditure as required by the joint operating agreements applicable to the entity's joint arrangements. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

Judgement is also required to classify a joint arrangement. Classifying the arrangement requires the Group to assess their rights and obligations arising from the arrangement. Specifically, the Group considers:

- the structure of the joint arrangement – whether it is structured through a separate vehicle;
- when the arrangement is structured through a separate vehicle, the Group also considers the rights and obligations arising from:
 - (a) the legal form of the separate vehicle; or
 - (b) the terms of the contractual arrangement.
- other facts and circumstances, considered on a case by case basis.

For joint control, judgment is applied when assessing whether the arrangement is jointly controlled by all of its parties or by a group of the parties by taking decisions about relevant activities through unanimous consent of the parties sharing control. For joint control, judgment is also applied as to whether the joint arrangement is classified as a joint venture or joint operation taking into account specific facts and circumstances, such as the purpose and design of the arrangement, including with respect to its output, its relationship to the parties and its source of cash flows.

This assessment often requires significant judgement. A different conclusion about both joint control and whether the arrangement is a joint operation or a joint venture, may materially impact the accounting.

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgements (continued)

(iii) Principal vs agent considerations

The Group is party to a number of complex agreements with its shareholder/Government of Bahrain and the Ministry of Oil and Environment in relation to its portfolio of oil and gas activities. Under these contracts, the Group undertakes, among other activities, exploration, appraisal, production, development and delivery of petroleum and operation and maintenance of the gas distribution network on its own behalf or on behalf of the Government.

Where the Group is acting as a principal, it is able to recognise revenue based on the gross amount received or receivable in respect of its performance under a sales contract. When the Group is acting as an agent, it does not recognise revenue for any amounts received from a customer to be paid to the principal. The Group considers its overall risk profile in determining whether it has a service agreement or a working interest with respect to each of its respective functions.

Since the determination of whether the Group is acting as a principal or an agent is critical to the accounting for the various transactions involved in a given activity the Directors and management therefore carefully assess the substance of all transactions that meet the above mentioned criteria to determine in which capacity the Group is acting. In making these assessments, the Directors and management consider the following key criteria:

- if the Group is primarily responsible for delivering goods or services;
- if the Group does or does not have inventory risk;
- if the Group does or does not have latitude or discretion in establishing prices.

In addition, the Group takes into account the constructive rights and obligations established by the existing contracts and past precedents created, by mutual agreement between the parties. In particular, the Group seeks to determine whether it is responsible for the petroleum operations or is acting as an agent for the provision of petroleum services with respect to each of the functions. A further detailed assessment for each of the key respective functions is outlined below:

a) Oil producing activities

The Group considers itself to be the principal with respect to oil and gas production. The Group entered into an agreement with the Government for supply of Bahrain crude oil with effect from 1 January 2005. Under this agreement, the Government contracted to supply Bahrain crude oil at a fixed price of US\$ 1 per barrel for a fixed quantity of 900,000 barrels per month as compared to the prevailing market prices ("Old Arrangement"). On, and effective from, 22 October 2018, the Group entered into a revised Crude Oil Sale Agreement (COSA) with the Government.

In accordance with COSA, the Group continued to receive a minimum monthly quantity of 900,000 barrels up to 21 October 2018 under the Old Arrangement and from 22 October 2018 onward the Group started receiving a minimum monthly quantity of 38,700 barrels per day at a rate of US\$ 1 per barrel ("Baseline Crude Quantity"). Bapco, the Company's principal subsidiary, has also entered into a Crude Oil Sale and Purchase Agreement (COSPA) with Ministry of Oil and Environment, Bapco Energies and Bapco Upstream effective from 1 January 2018 under which, Bapco pays a production cost contribution of US\$ 11 per barrel to Bapco Energies on the Baseline Crude Quantity, which is indexed by 2.5% on the 1st January each year. Any additional quantity is supplied to Bapco at the prevailing market price. However, the market value of these additional quantities is not paid to the Government, instead it is received by Bapco Energies from Bapco and used against its own oil production costs. Under the new arrangement, any cash amounts equal to the excess of income above production cost of the Group are remitted to the Government. However the Group retains the substantive right to the remitted cash, and therefore shows this as a receivable balance due from the Government.

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgements (continued)

(iii) *Principal vs agent considerations (continued)*

a) *Oil producing activities (continued)*

Under the current arrangement, the Group remits cash to the Government which is recorded as a receivable in the consolidated statement of financial position. The remittance made on a monthly basis is calculated as the aggregate of:

- the sum of (A) production cost contribution relating to Baseline Crude Quantity and (B) fair market value relating to the quantity in excess of Baseline Crude Quantity; less (C) actual oil production costs incurred by Bapco Upstream. A resulting shortfall, if any, is recoverable by the Government and recorded as a payable to the Government.

- the (A) fair market value of the total production of crude oil; less the sum of (B) payments made to the Government under COSA (at US\$ 1 per barrel of oil for Baseline Crude Quantity); (C) production cost contribution relating to Baseline Crude Quantity; (D) fair market value relating to excess quantity (over Baseline Crude Quantity); and (E) any subsidies provided by Bapco for local sales.

Given that the Group is acting as a principal in relation to the oil producing activities and bears the risk and economic benefits of the Bahrain Field, a constructive obligation is created whereby the Group retains the substantive right to the remitted cash, and therefore shows this as a receivable balance due from the Government.

The Group is also responsible for the production of non-associated gas. In line with the underlying agreements, the Group is able to utilise the produced gas on a first priority basis, free of cost for its petroleum activities. The Directors and management have assessed that the Group is responsible for the production and has control over the non-associated gas as determined by the respective agreements. The recognition of revenue relating to non-associated gas also involves estimates in relation to values attributable to performance obligations in accordance with various agreements between the Group and the Government.

The Group accordingly recognised Oil and Gas producing assets as it has determined that it is a principal with respect to oil and gas producing activities, has the ability to direct the use of the assets and has the rights to the resulting economic benefits of such activities.

b) *Gas distribution services*

The Group determined that it does not control the goods relating to Gas beyond the respective delivery points specified in the respective agreement and it does not have the ability to direct the use of or obtain benefits from the assets used in gas distribution services. Therefore, the Group has determined that it is an agent for this function based on the following factors:

- The Group is not primarily responsible for fulfilling the promise to provide the specified gas.
- The Group does not have inventory risk before or after the specified gas has been transferred to the customer as it merely supplies the gas in accordance with the end user agreements which are approved by the Government.
- The Group has no discretion in establishing the price for gas. The Group's consideration in these contracts is only based on an agreed percentage of mark-up on costs incurred by the Group for provision of services to the Government.

c) *Petroleum Exploration activities*

In relation to the petroleum exploration operations, the Group has determined that it is providing a service to the Government in accordance with its existing contracts. The assessment has incorporated factors around the risks and rewards from the exploration activities, which the Group has determined lie with the Government. The Group has concluded that it transfers control over its services over time as the services are provided and therefore considers itself as acting as an agent for this function.

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgements (continued)

(iv) Consolidation

The determination of whether an investment in a company is accounted for as a subsidiary or investment in associate/joint venture requires significant judgement. The management considers various factors including its economic ownership, representation in the respective board of directors or management of the investee Company, the Group's exposure, or rights to, variable returns from its involvement in an investee company, its ability to use the power over the investee to affect its returns.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the date of consolidated statement of financial position, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(v) Impairment of property, plant and equipment

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the time value of money and the risks specific to the assets. The Directors do not believe that there is any indicator of impairment of property, plant and equipment as at year ended 31 December 2023 and 31 December 2022

For oil and natural gas producing assets, expected future cash flows are estimated using management's best estimate of future oil and gas prices and production and reserves volumes. The estimated future level of production in all impairment tests is based on assumptions about future commodity prices, production and development costs, field decline rates, and other factors. Reserves assumptions for value-in-use tests are restricted to proved reserves which can be extracted at minimum level of future capital expenditure. The Group acquires services of both internal and external technical expert / consultants for the purposes of assessing proven reserves who carry out their assessment based on internationally accepted guidelines and best industry practices.

There are no reasonably possible changes in any of the key assumptions that would have resulted in an impairment write-down.

(vi) Estimation of oil and gas reserves

Significant technical and commercial judgements are required to determine the Group's estimated oil and gas proved reserves. Reserves estimates are reviewed and updated on annual basis. Factors such as the availability of geological and engineering data, reservoir performance data, drilling of new wells, and oil prices all impact on the determination of the Group's estimates of its oil and gas proved reserves. The Group bases its proved reserves estimates on the requirement of reasonable certainty with rigorous technical and commercial assessments based on conventional industry practice and internationally accepted guidelines.

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

(vi) Estimation of oil and gas reserves (continued)

Estimates of oil and gas proved reserves determined by applying internationally accepted guidelines and best industry practices are used to calculate depreciation and amortisation charges for the Group's oil and gas producing assets. The impact of changes in estimated proved reserves is dealt with prospectively by depreciating / amortising the remaining carrying value of the asset over the expected future production. Oil and gas reserves estimates also have a direct impact on the assessment of the recoverability of asset carrying values reported in the consolidated financial statements. If proved reserves estimates determined by applying management's assumptions are revised downwards, earnings could be affected by changes in depreciation and amortisation expense or an immediate write-down of the oil and gas producing asset's carrying value.

Information on the carrying amounts of the Group's oil and gas producing assets is contained in Note 5.

(vii) Useful lives of property, plant and equipment

The Directors determine the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual values and useful lives annually and future depreciation charges would be adjusted where the management believes the useful lives differ from previous estimates.

(viii) Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

At 31 December 2023, gross inventories were BD 282,746 thousand (2022: BD 309,669 thousand) against which provisions for old and obsolete inventories made amounted to BD 17,651 thousand (2022: BD 16,745 thousand) (note 11).

(ix) Provision for impairment of financial assets

The Group uses a provision matrix to calculate ECLs for financial assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e. by customer types).

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e. inflation rate) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical default rates are updated and changes to the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is an estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers actual default in future.

At 31 December 2023, gross trade receivables were BD 331,954 thousand (2022: BD 371,912 thousand) against which provisions for ECL made amounted to BD 31,723 thousand (2022: BD 31,708 thousand) (note12).

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

(x) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(xi) Leases - Estimating the incremental borrowing rate and extension period

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

As at 31 December 2023, the Group used an IBR ranging between 6.5% - 7% on its leases. An increase or decrease of 1% in IBR would result in a increase or decrease in lease liabilities at year end of BD 1 442 thousand (2022: BD 1 442 thousand)

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

(xii) Interest rate benchmark reform

The Group has completed its transition activities through engagement with various stakeholders to support an orderly transition. The Group was exposed to the effects of USD LIBOR reform on its financial assets and liabilities.

(xiii) Impact of climate change

Bapco Energies is performing a review of its overall energy strategy which will include the impact of climate change. A by-product of that energy strategy will include an assessment of risks due to climate change on material financial statement line items, significant judgments, and material estimation uncertainties.

Estimates, such as the pace of energy transition and demand forecasts, and their impact on commodity prices, margins, and growth rates, include assumptions and inherent uncertainties that will be subject to change as market factors, policy and regulation evolve. The directors believe that the judgments and estimates used in the preparation of the 2023 consolidated financial statements are consistent with Bapco Energies' long-term strategy and the profile of its operations. Bapco Energies will continue to update its financial plans, estimates, and assumptions concerning the economic environment and the pace of the energy transition.

4 CONTRIBUTION FROM THE SHAREHOLDER

During 2016, Ministry of Oil and Environment acquired 49% equity shares (representing 80% interest in assets) of Bapco Upstream, a limited liability company incorporated in the Kingdom of Bahrain, specialising in production of oil and gas from onshore fields in the Kingdom of Bahrain. The Company made a payment amounting to BD 58,248 thousand to the outgoing shareholders of Bapco Upstream on behalf of the Government in accordance with the cabinet resolution number 2324-05 dated 17 August 2015 and incentivisation agreement dated 25 August 2015. The shares of Bapco Upstream were transferred to the Company on behalf of the Government and the regulatory formalities in connection with the changes in shareholding were completed on 18 July 2016.

Subsequent to the acquisition of Bapco Upstream by the Government, on 1 July 2016 Ministry of Oil and Environment assigned on behalf of the Government of the Kingdom of Bahrain its 80% interest in the oil and gas producing assets and related abandonment and restoration obligations of Bapco Upstream to the Company. Accordingly, on 1 July 2016, the Company recorded the oil and gas producing assets and related abandonment and restoration obligations of Bapco Upstream. Consequently, Bapco Upstream became a wholly owned subsidiary of the Company.

The Company has recorded the transfer of above assets over time after verification and appropriate approvals from Ministry of Oil and Environment as a contribution from the shareholder.

During 2018, the Company transferred abandonment and restoration obligations along with the related asset in property, plant and equipment to Ministry of Oil and Environment resulting in a net increase in contribution from shareholder by BD 91,509 thousand (Refer note 21 for details).

During the year, the Company returned contribution from the Shareholder amounting to BD 394 million and settled (non cash) it against due from a related party (note 13).

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

5 PROPERTY, PLANT AND EQUIPMENT

At 31 December 2023

	<i>Freehold land</i>	<i>Buildings</i>	<i>Oil and gas producing assets</i>	<i>Pipeline assets</i>	<i>Plant and machinery</i>	<i>Furniture and equipment</i>	<i>Motor vehicles</i>	<i>Hardware and software</i>	<i>Site work & aviation assets</i>	<i>Other assets*</i>	<i>Total</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Cost:											
At 1 January 2023	121	209,522	1,177,442	117,082	1,384,988	12,292	11,531	11,078	5,556	134	2,929,746
Additions during the year	-	1,300	-	-	8,437	886	-	81	-	-	10,704
Transfers from capital work-in-progress (note 6)	-	2,854	133,180	-	8,286	8	272	-	39	-	144,639
Disposals	-	-	-	-	(117)	-	(52)	-	-	-	(169)
Reclassifications	-	(191)	-	-	(900)	(68)	(10)	-	-	-	(1,169)
Assets written-off	-	(81)	-	-	(2,595)	(711)	(304)	(26)	-	-	(3,717)
At 31 December 2023	121	213,404	1,310,622	117,082	1,398,099	12,407	11,437	11,133	5,595	134	3,080,034
Depreciation:											
At 1 January 2023	-	96,620	680,528	10,976	1,005,967	11,802	10,095	10,394	4,928	-	1,831,310
Charge for the year	-	6,752	112,744	2,927	49,241	553	398	446	206	-	173,267
Disposals	-	-	-	-	(118)	-	(49)	-	-	-	(167)
Reclassifications	-	(191)	-	-	(882)	(68)	(10)	-	-	-	(1,151)
Assets written-off	-	(81)	-	-	(2,584)	(712)	(304)	(26)	-	-	(3,707)
At 31 December 2023	-	103,100	793,272	13,903	1,051,624	11,575	10,130	10,814	5,134	-	1,999,552
Net carrying value:											
At 31 December 2023	121	110,304	517,350	103,179	346,475	832	1,307	319	461	134	1,080,482

* Other assets represent Bahrain Oil Museum items which are not depreciated due to its unique nature.

Property, Plant and Equipment with a carrying value of BD 207,433 (2022: BD 234,522) thousand are part of the total assets of a subsidiary which are mortgaged to secure certain borrowings (Note 19).

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

5 PROPERTY, PLANT AND EQUIPMENT (continued)

At 31 December 2022

	<i>Freehold land</i>	<i>Oil and gas producing assets</i>	<i>Pipeline assets</i>	<i>Plant and machinery</i>	<i>Furniture and equipment</i>	<i>Motor vehicles</i>	<i>Hardware and software</i>	<i>Site work & aviation assets</i>	<i>Other assets*</i>	<i>Total</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Cost:										
At 1 January 2022	121	175,063	1,090,982	117,082	1,364,510	15,938	11,244	5,556	134	2,792,191
Additions during the year	-	21,863	-	-	19,904	88	23	-	-	41,878
Reclassifications	-	-	-	-	-	-	-	-	-	-
Transfers from capital work-in-progress (note 6)	-	1,867	86,460	-	12,005	78	290	-	-	100,700
Disposals	-	(39)	-	(40)	(4)	-	-	-	-	(83)
Reclassifications	-	10,836	-	(7,434)	(3,352)	-	-	-	-	50
Assets written-off	-	(68)	-	(3,957)	(456)	(320)	(189)	-	-	(4,990)
At 31 December 2022	121	209,522	1,177,442	117,082	1,384,988	12,292	11,078	5,556	134	2,929,746
Depreciation:										
At 1 January 2022	-	90,565	560,305	8,049	959,548	12,488	9,949	4,886	-	1,655,760
Charge for the year	-	6,255	120,223	2,927	49,705	206	633	-	-	180,338
Disposals	-	(1)	-	(111)	(4)	-	-	-	-	(116)
Reclassifications	-	(132)	-	630	(432)	-	-	-	-	66
Assets written-off	-	(67)	-	(3,805)	(456)	(264)	(188)	-	-	(4,780)
At 31 December 2022	-	96,620	680,528	10,976	1,005,967	11,802	10,394	4,886	-	1,831,268
Net carrying value:										
At 31 December 2022	121	112,902	496,914	106,106	379,021	490	1,436	670	134	1,098,478

* Other assets represent Bahrain Oil Museum items which are not depreciated due to its unique nature.

Property, Plant and Equipment with a carrying value of BD 234,523 thousand (2021: BD 268,063 thousand) are part of the total assets of a subsidiary which are mortgaged to secure certain borrowings (Note 19).

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

5 PROPERTY, PLANT AND EQUIPMENT (continued)

5.1 Depreciation charged to profit or loss

	2023	2022
	BD '000	BD '000
Depreciation relating to:		
- Property, plant and equipment	173,267	180,338
- Right-of-use assets (note 7)	40,202	34,639
	213,469	214,977

6 CAPITAL WORK-IN-PROGRESS

	<i>Note</i>	2023	2022
		BD '000	BD '000
At 1 January		2,206,810	1,791,914
Additions during the year	6.1	464,941	516,176
Transfer to property, plant and equipment	5	(144,639)	(100,700)
Others		(1)	-
Capital work-in-progress written-off		(1,306)	(580)
As at 31 December		2,525,805	2,206,810

6.1 This includes staff costs amounting to BD 15,057 thousand (December 31, 2022: BD 15,509 thousand) and borrowing costs amounting to BD 154,281 thousand (December 31, 2022: BD 75,441 thousand) capitalised during the year. The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's general borrowings during the year, in this case 6.95% (December 31, 2022: 6.95%)

6.2 The amount of finance costs on lease liabilities capitalised during the year ended 31 December 2023 amounted to BD 11 thousand (2022: BD 9 thousand)

7 RIGHT-OF-USE ASSETS

	2023	2022
	BD '000	BD '000
At 1 January	150,788	185,303
Additions during the year	48,341	40,082
Remeasurement	11,262	(39,820)
Depreciation during the year*	(40,344)	(34,777)
As at 31 December	170,047	150,788

* Depreciation during the year includes BD 142 thousand (2022: BD 138 thousand) that has been capitalised in capital work-in-progress.

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

7 RIGHT-OF-USE ASSETS (continued)

The consolidated statement of financial position shows the following amounts relating to leases (net of depreciation):

	2023	2022
	<i>BD '000</i>	<i>BD '000</i>
Compressors	111,250	80,919
Drilling rigs	39,173	42,390
Workover rigs	16,127	22,203
Others	3,497	5,276
As at 31 December	170,047	150,788
	2023	2022
	<i>BD '000</i>	<i>BD '000</i>
Depreciation charge of right of use assets		
Compressors	18,177	13,426
Drilling rigs	12,070	11,646
Workover rigs	8,684	7,829
Others	1,413	1,876
As at 31 December	40,344	34,777

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

8 INVESTMENTS IN ASSOCIATES AND JOINT VENTURE

8.1 Investment in Arab Shipbuilding and Repair Yard Co. B.S.C. (c)

On 24 October 2019, the Government transferred its interest in Arab Shipbuilding and Repair Yard Co. B.S.C. (c) ("Asry"), which was held by the Government through Bahrain Mumtalakat Holding B.S.C. (c) ("Mumtalakat"), to the Company. As of the reporting date, the economic ownership of the Company in Asry is 36.96%. The process of transferring the legal ownership to other shareholders is in progress as of the approval date of the consolidated financial statements.

As the Company owns a 36.96% in Asry and has representation on its board of directors, a judgement is required on classification of this investment. As the Company's exposure, or rights, to variable returns from its involvement with Asry is limited to its current economic ownership, the management of the Company has concluded that the Company only exercises significant influence over Asry, accordingly, has accounted it as an investment in an associate.

As part of debt restructuring of Asry, the Company has a constructive obligation to provide an interest free shareholder loan up to an amount of BD 11. million (US\$ 30 million.) The management is of the view that this shareholder loan will take priority over equity of Asry without any exposure to variable returns.

8.2 Classification of carrying value of associates and joint venture in the consolidated statement of financial position

	2023	2022
	BD '000	BD '000
Investment in associates and joint venture	149,408	133,562
	149,408	133,562

The investment includes convertible loan of BD 34,189 thousand (2022: BD 33,512 thousand) for which settlement is neither planned nor likely in the foreseeable future.

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

8 INVESTMENTS IN ASSOCIATES AND JOINT VENTURE (continued)

8.3 Movements in the carrying amount of the investments in associates and joint ventures during the year is as follows:

Ownership interest	30.00%		36.96%		33.33%		49.00%			
	<i>Bahrain LNG W.L.L.</i>		<i>Arab Shipbuilding and Repair Yard Co. B.S.C. (c) ("Asry")</i>		<i>Gulf Petrochemical Industries Co. B.S.C. (c)</i>		<i>Trident Logistics Bahrain W.L.L.</i>			
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000
Balance at 1 January	37,703	25,569	7,585	6,052	87,978	80,812	296	470	133,562	112,903
Addition during the year**	1,996	1,885	-	-	-	-	-	-	1,996	1,885
Share of profit/(loss) for the year	(1,079)	(835)	3,984	1,533	10,935	37,934	211	286	14,051	38,918
Share of other comprehensive income/(loss) for the year	(210)	11,084	-	-	9	146	-	-	(201)	11,230
Share of total comprehensive (loss)/income for the year	(1,289)	10,249	3,984	1,533	10,944	38,080	211	286	13,850	50,148
Dividends received from associates	-	-	-	-	-	(30,914)	-	(460)	-	(31,374)
Balance at 31 December	38,410	37,703	11,569	7,585	98,922	87,978	507	296	149,408	133,562

Share of associates equity at 31 December was as follows:

	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000
Non-current assets	360,353	366,933	56,719	55,544	162,187	166,760	4,148	4,691	583,407	593,928
Current assets	89,118	85,353	62,276	50,708	144,793	110,394	3,264	2,445	299,451	248,900
Non-current liabilities	(289,520)	(300,758)	(38,261)	(40,046)	(73)	(135)	(1,092)	(1,188)	(328,946)	(342,127)
Current liabilities	(31,917)	(25,853)	(49,430)	(45,683)	(10,140)	(13,085)	(5,285)	(5,344)	(96,772)	(89,965)
Equity	128,034	125,675	31,304	20,523	296,767	263,934	1,035	604	457,140	410,736
Share of associates equity at 31 December	38,410	37,703	11,569	7,585	98,922	87,978	507	296	149,408	133,562

** Additions during the year includes an amount of BD 1,996 thousand (2022: 1,885) of capitalised interest due on a convertible loan given to Bahrain LNG W.L.L.

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

8 INVESTMENTS IN ASSOCIATES AND JOINT VENTURE (continued)

8.3 Reconciliation to carrying amounts

	<i>Bahrain LNG W.L.L.</i>		<i>Arab Shipbuilding and Repair Yard Co. B.S.C. (c) ("Asry")</i>		<i>Gulf Petrochemical Industries Co. B.S.C. (c)</i>		<i>Trident Logistics Bahrain W.L.L.</i>	
	2023 BD '000	2022 BD '000	2023 BD '000	2022 BD '000	2023 BD '000	2022 BD '000	2023 BD '000	2022 BD '000
Opening net assets at 1 January	125,676	85,230	20,523	16,375	263,934	242,435	604	960
Addition during the year	6,653	6,283	-	-	-	-	-	-
(Loss)/profit for the period	(3,595)	(2,782)	10,779	4,148	32,806	113,803	431	584
Other comprehensive income/(loss)	(699)	36,945	-	-	27	438	-	-
Dividends paid	-	-	-	-	-	(92,742)	-	(940)
Closing net assets at 31 December	128,036	125,676	31,302	20,523	296,767	263,934	1,035	604
Group's share in %	30%	30%	36.96%	36.96%	33%	33%	49%	49%
Group's share in BD	38,410	37,703	11,569	7,585	98,922	87,978	507	296
Carrying amount	38,410	37,703	11,569	7,585	98,922	87,978	507	296

8.4 Share of associates' and joint ventures summarised statement of profit or loss and other comprehensive income during the year is as follows:

	30%		36.96%		33.33%		49%			
	<i>Bahrain LNG W.L.L.</i>		<i>Arab Shipbuilding and Repair Yard Co. B.S.C. (c) ("Asry")</i>		<i>Gulf Petrochemical Industries Co. B.S.C. (c)</i>		<i>Trident Logistics Bahrain W.L.L.</i>			
	2023 BD '000	2022 BD '000	2023 BD '000	2022 BD '000	2023 BD '000	2022 BD '000	2023 BD '000	2022 BD '000	2023 BD '000	2022 BD '000
Revenue	41,205	39,912	94,091	79,294	146,736	224,686	-	-	282,032	343,892
Cost of sales	(10,079)	(9,518)	(60,927)	(55,752)	(96,545)	(87,447)	(346)	(438)	(167,897)	(153,155)
Other income	-	336	4,332	2,227	6,023	1,948	1,078	1,287	11,433	5,798
Expenses	(34,721)	(33,512)	(26,717)	(21,621)	(23,408)	(25,384)	(301)	(265)	(85,147)	(80,782)
(Loss)/profit for the year	(3,595)	(2,782)	10,779	4,148	32,806	113,803	431	584	40,421	115,753
Other comprehensive (loss)/income for the year	(699)	36,955	-	-	27	438	-	-	(672)	37,393
Total comprehensive (loss)/income for the year	(4,294)	34,173	10,779	4,148	32,833	114,241	431	584	39,749	153,146
Group's share of total comprehensive (loss)/income for the year	(1,289)	10,249	3,984	1,533	10,944	38,080	211	286	13,850	50,148
Capital and other commitments	6,783	12,350	1,692	3,808	12,968	18,362	-	-	21,443	34,520

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

9 LONG-TERM ASSETS

	Note	2023 BD '000	2022 BD '000
Home ownership loans – non-current portion	9.1	16,775	16,971
Long-term staff loans	9.1	3,873	4,418
Investment at FVOCI	9.2	200	200
Other long-term assets		293	-
		21,141	21,589

9.1 Home ownership loans and long-term staff loans represent amounts advanced to employees under different schemes of the Group. The loans are sanctioned in accordance with the Group's policies and are repayable in monthly installments over the period of the loans.

9.2 The Group holds non-controlling interest 2.86% (2022: 2.86%) in the Bahrain International Golf Course Company. This investment was irrevocably designated at FVOCI at the time of adoption of IFRS 9, as the Group considers the investment to be strategic in nature.

10 RESTRICTED CASH AND BANK BALANCES

	2023 BD '000	2022 BD '000
Bank balances		
- BAPCO expatriate employees' end of service benefits (note a)	15,391	14,582
- BMP Project (note b)	113,085	113,085
Restricted Bank balances	128,476	127,667

Note 'a'

These are held with Islamic and conventional banks in the Kingdom of Bahrain and include current accounts and fixed deposits. These bank balances are held in the name of "BAPCO Expatriate Employees' End of Service Benefits" in various currencies and are fully funded by the Company and cannot be utilised in the Company's operations. Current account balances with the banks are non-interest bearing. Bank deposits earn interest / profit rates ranging between 6.00% to 7.00% (2022: between 2.75% to 6.25%) per annum.

Note 'b'

This represents an account held with a bank outside the Kingdom of Bahrain for BMP project and is restricted by the project debt finance arrangement and cannot be utilised for routine operations of the Company except for specific items as mentioned in the project debt finance arrangement. This account earns interest at daily USD SOFR minus 0.25% per annum (2022: daily USD LIBOR minus 0.25% per annum). This deposit is required to be held till actual completion of BMP project.

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

11 INVENTORIES

	2023	2022
	BD '000	BD '000
<i>Petroleum inventories:</i>		
Crude oil	14,149	23,096
Work-in-process	61,957	56,259
Refined finished products	87,677	94,283
Gasoline inventories	6,178	10,328
	169,961	183,966
<i>Gas inventories:</i>		
Processed gas	10,350	7,207
<i>Lube inventories</i>		
Lube based oil	10,619	7,870
<i>Materials and supplies inventories:</i>		
Refinery / production	27,388	26,263
Spares and materials	64,428	84,363
	91,816	110,626
Less: provision for slow moving inventories for		
- refinery / production	(7,815)	(8,504)
- spares and materials	(9,836)	(8,241)
	(17,651)	(16,745)
	74,165	93,881
	265,095	292,924

The movements in provision for slow-moving inventories are as follows:

	2023	2022
	BD '000	BD '000
At 1 January	16,745	16,530
Charge for the year	3,905	215
Reversal during the year	(2,999)	-
At 31 December	17,651	16,745

The movement for the year been recognised in cost of materials in the consolidated statement of profit and loss

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

12 TRADE, OTHER RECEIVABLES AND OTHER ASSETS

	2023	2022
	BD '000	BD '000
<i>Trade receivables</i>		
Third parties	275,767	300,040
Related parties (note 33a)	56,187	71,872
	331,954	371,912
Less: Provision for ECL / impairment of trade receivables	(31,723)	(31,708)
	300,231	340,204
<i>Others</i>		
Other receivables*	32,872	31,284
Due from Ministry of Oil and Environment (note 33a)	26,252	25,173
Advances to contractors	3,066	9,243
Prepayments	29,269	45,765
Home ownership loans – current portion	3,647	3,206
Staff loans – current portion	578	357
	95,684	115,028
	395,915	455,232
<i>Trade and other receivables</i>		
- Non-current portion	11,310	14,075
- Current portion	384,605	441,157
	395,915	455,232
<i>Trade and other receivables</i>		
- Measured at FVTPL	298,283	403,872
- Measured at amortised cost	97,632	51,360
	395,915	455,232

*Other receivables include a loan provided to an affiliate (note 8.1) of the Group amounting to BD 11,310 thousand (2022: BD 11,310 thousand).

Trade receivables are generally on 30 days credit terms. Provision for ECL on trade receivables includes BD 27,297 thousand (2022: BD 17,618) thousand pertaining to related party receivables. The movements in the provision for ECL / impairment of trade receivables during the year were as follows:

	2023	2022
	BD '000	BD '000
At 1 January	31,708	31,160
Charge for the year	106	548
Provision written-off	(64)	-
At 31 December	31,750	31,708

At 31 December, the ageing of not impaired trade and other receivables (net of ECL) is as follows:

	<i>Total</i>	<i>Current</i>	<i>Less than 60 days</i>	<i>61 to 90 days</i>	<i>91 to 180 days</i>	<i>181 to 365 days</i>	<i>Over 365 days</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
2023	300,231	219,386	44,864	886	3,483	4,255	27,357
2022	340,204	143,510	93,521	2,890	32,256	28,115	39,912

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

12 TRADE, OTHER RECEIVABLES AND OTHER ASSETS (continued)

A substantial portion of the Company's sales are to international customers and the majority of these receivables are secured by letters of credit issued by reputable financial institutions. The loss rate for all receivables ranges from 100% to .08% (2022: 100% to .08%) depending upon the ageing and type of counterparty of receivables.

The carrying amounts of the Group's trade receivables are denominated in both Bahraini Dinars and United States Dollars.

Amounts due from a related party are unsecured, bear no interest and have no fixed repayment terms.

13 DUE FROM A RELATED PARTY

During 2018, the Group entered into various agreements with the Government including COSA, COSPA, services agreement, gas sale and purchase agreement (GASPA), etc. These mainly relate to the following:

- purchase of crude oil from the Government;
- distribution of gas to the end users and managing of the gas distribution network; and
- carrying out oil and gas exploration activities, on behalf of the Government, etc.

During 2019, the Company has agreed a framework with the Government for cash receipts and payments mechanism with respect to the above and certain additional items. Consequently, the Group has the following outstanding balances with the Government:

	2023	2022
	BD '000	BD '000
Receivable from the Government		
<i>Non-current portion</i>	249,451	572,161
<i>Current portion</i>	25,788	75,426
Receivable from the Government	275,239	647,587
Less: Provision for ECL	(58,441)	(58,441)
	216,798	589,146
Payable to the Government	-	(890)
Due from a related party	275,239	646,697

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

13 DUE FROM A RELATED PARTY (Continued)

Receivable balances arise due to following transactions:

- a) Service income as explained in note 33 (c);
- b) Amounts paid by the Company on behalf of the Government;
- c) Exploration costs paid by Bapco Energies on behalf of the Government;
- d) Payments with respect to management of gas distribution network on behalf of the Government;
- e) Amounts paid to the Government for:
 - i) sum of (A) production cost contribution relating to Baseline Crude Quantity and (B) fair market value relating to excess quantity (over Baseline Crude Quantity) (less) actual production costs incurred by Bapco Upstream. In case of a shortfall, it is recovered from the Government and disclosed under payables.
 - ii) the fair market value (of the Baseline Crude Quantity and excess quantity (over Baseline Crude Quantity)) less payments made to the Government under COSA (at US\$ 1 per barrel of oil for Baseline Crude Quantity), production cost contribution relating to Baseline Crude Quantity, fair market value relating to excess quantity (over Baseline Crude Quantity), point 'b' above and any subsidies provided by Bapco for local sales.

Payable balance arise due to following transaction:

- a) Purchase of crude oil at US\$ 1 per barrel of oil for Baseline Crude Quantity under COSA.

The Group has classified the balances that are expected to be realised within 12 months from reporting period as current and remaining balances as non current. The Group has assessed that these amounts are fully recoverable from the Government.

14 CASH AND BANK BALANCES

	<i>Note</i>	2023 BD '000	2022 BD '000
Current and call accounts			
- BMP project related		17,233	112,636
- Others	14.1	328,515	373,774
Deposits with banks	14.2	818,133	161,675
Cash in transit		95	103
Cash on hand		71	46
		<hr/>	<hr/>
Cash and cash equivalents		1,164,047	648,234
Less: allowance for expected credit losses		(11)	(11)
		<hr/>	<hr/>
Cash and bank balances		1,164,036	648,223

14.1 Current and call accounts are held with reputable banks in the Kingdom of Bahrain and United Kingdom. These balances are denominated in Bahraini Dinars and US Dollars.

14.2 As of 2023, short term deposits held with banks in the Kingdom of Bahrain earn interest at rates ranging between 1.50% and 6.25% per annum and have original maturities of three months or less (2022: 1.50% and 6.25% per annum).

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

14 CASH AND BANK BALANCES (continued)

14.3 The Group also holds a bank account on behalf of the Government amounting to USD 114,475 thousand as at 31 December 2023 which does not form part of cash and bank balances within the consolidated statement of financial position.

Non-cash transactions entered by the Group during the year ended 2023 and 2022 are as follows:

Non-cash items

	2023	2022
	BD '000	BD '000
Transfer from capital-work-in-progress to property plant and equipment (notes 5 & 6)		
Property, plant and equipment	144,639	100,700
Capital work-in-progress	(144,639)	(100,700)
Finance cost capitalised (note 6)		
Capital work-in-progress	154,281	75,303
Borrowings	6	(75,294)
Lease liabilities	(11)	(9)
Depreciation capitalised (note 7)		
Capital work-in-progress	142	138
Right-of-use assets	(142)	(138)
Additions to right-of-use assets (notes 7 & 24)		
Right-of-use assets	48,341	40,082
Lease liabilities	48,341	(40,082)
Remeasurement of right-of-use assets (notes 7 & 24)		
Right-of-use assets	11,262	(39,820)
Lease liabilities	11,475	40,670
Settlement of balance with shareholder		
Contribution from shareholder returned (note 4)	394,000	-
2022 dividend declared in 2023 and settled against		
Due from a related party	56,400	112,800
2015 dividend declared in 2016 settled against		
Due from a related party	56,400	-

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

15 SHARE CAPITAL AND CAPITAL ADJUSTMENT ACCOUNT

	2023	2022
	BD '000	BD '000
Share capital		
<i>Authorised:</i>		
1,619,400,000 shares of BD1 each		
(2022: 1,619,400,000 shares of BD1 each)	1,619,400	1,619,400
<i>Issued and fully paid:</i>		
1,184,400,000 shares of BD1 each		
(2022: 1,184,400,000 shares of BD1 each)	1,184,400	1,184,400

The entire capital is held by the Government of the Kingdom of Bahrain.

Capital adjustment account

On formation of the Company, the capital was issued as a consideration based on the value of the subsidiaries transferred. It was noted that the legal capital issued was based on the gross assets of the subsidiaries, rather than the net assets transferred resulting in recognition of additional intangible assets of BD 421,609 thousand (2022: BD 421,609 thousand) in the form of accounting goodwill (as a balancing figure). This resulted in an overstatement of equity and gross assets by BD 421,609 thousand (2022: BD 421,609 thousand).

On 13 December 2011, the Board of Directors passed a resolution to restate the consolidated financial statements to reflect the true position of equity and total assets. Accordingly, this resulted in creating a debit balance in equity in capital adjustment account of BD 421,609 thousand (2022: BD 421,609 thousand) with a corresponding credit to goodwill. The debit balance may be eliminated against issued capital on obtaining the requisite regulatory and shareholder approvals.

16 SINKING FUND RESERVE

	2023	2022
	BD '000	BD '000
At 1 January and 31 December	160,125	160,125

As required by the Amiri Decree number 42 of 1999, a sinking fund reserve has been created by Bapco through transfers from prior years gross profits. The reserve is not available for distribution in the form of dividend and is to be utilised to:

- (a) purchase materials, machineries and facilities or for their repairs;
- (b) cover any decrease in the value of Bapco's property, plant and equipment; and
- (c) meet Bapco's obligations under the labour and social insurance laws.

17 STATUTORY RESERVE

In accordance with the Bahrain Commercial Companies Law and the Company's Memorandum and Articles of Association, 10% of the net profit for the year is to be transferred to a statutory reserve. Such annual transfer ceases when the reserve balance has reached 50% of the paid-up share capital. The statutory reserve cannot be utilised for the purpose of distribution, except in such circumstances as stipulated in the Bahrain Commercial Companies Law. The Company has transferred BD 21,625 (2022: BD 39,176) thousand to the statutory reserve.

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

18 NON-CONTROLLING INTERESTS

Financial information of subsidiaries that have non-controlling interests are provided below:

Proportion of equity interest held by non-controlling interests:

Name	Country of incorporation	Ownership interest	
		2023	2022
Bapco Gas Company B.S.C. Closed ("Banagas") (formerly known as Bahrain National Gas Company B.S.C. Closed)	Kingdom of Bahrain	25%	25%
Bapco Air Fueling Company B.S.C. Closed ("Bafco") (formerly known as The Bahrain Aviation Fueling Company B.S.C. Closed)	Kingdom of Bahrain	40%	40%
Bahrain Gasoline Blending W.L.L. ("BGB")	Kingdom of Bahrain	15%	15%

	<i>Accumulated balances of non-controlling interests</i>		<i>Profit allocated to non-controlling interests</i>	
	2023	2022	2023	2022
	BD '000	BD '000	BD '000	BD '000
Banagas	6,280	5,876	404	1,286
Bafco	58	58	-	-
BGB	922	1,228	(306)	859
Total	7,260	7,162	98	2,145

The movements in the non-controlling interest during the year are as follows:

	2023	2022
	BD '000	BD '000
At 1 January	7,162	6,104
Net profit and total comprehensive income attributable to non-controlling interest	98	2,145
Dividend paid by a subsidiary to non-controlling shareholders	-	(1,087)
	7,260	7,162

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

19 BORROWINGS

The details of the borrowings together with interest / profit and repayment terms are as follows:

	Note	2023 BD '000	2022 BD '000
Murabaha facility	19.1	829,400	829,400
Listed term bonds	19.2		
- first tranche		377,000	377,000
- second tranche		291,102	471,250
Commercial and Islamic facilities	19.3	816,348	436,384
BMP project borrowings	19.4	1,411,638	1,123,426
		3,725,488	3,237,460
Interest payable on borrowings		37,584	39,901
less - unamortised transaction cost		(156,704)	(180,152)
At 31 December		3,606,368	3,097,209
Total borrowings		3,606,368	3,097,209
Less: Interest payable on borrowings		(37,584)	(39,901)
Less: Current maturities of long-term borrowings		(234,779)	(120,642)
Non-current portion		3,334,005	2,936,666

The Group has entered into long-term financing arrangements with various lenders. These financing arrangements limit the creation of additional liens and/or financing obligations and certain of these arrangements are secured over assets of the Group.

Additionally, the financing arrangements under note 19.3 require compliance by the Group with covenants to maintain certain financial and other conditions. The Group has complied with these covenants throughout the reporting period.

19.1 Bapco Energies has Murabaha Shari'a compliant Islamic facilities. In 2019, the Company entered into a new murabaha facility arrangement with a consortium of banks through Gulf International Bank (B.S.C.), acting as an agent, with a facility limit of US\$ 1,400 million (BD 528 million) at profit rates ranging from 2.25% to 2.65% plus 1, 3 or 6 months LIBOR (2021: 2.25% to 2.65% plus 1, 3 or 6 months LIBOR) depending upon respective murabaha transaction period. This facility was used to early settle the old murabaha facility of 2018 which had profit rate of 2.25% plus 6 months LIBOR. The new facility is unsecured and full principal amount is payable as bullet payment on 25 October 2024. In Q4 2021, the facility was upsized to US\$ 1,600 million on the same terms, and US\$ 200 million was drawn.

On May 11, 2022 Bapco Energies successfully refinanced its US\$ 1,600 million Murabaha facility and upsized it to US\$ 2,200 million. The new facility was structured as a dual tranche (conventional and Islamic) sustainability-linked loan based on secured overnight financing rate (SOFR), with a maturity date of September 2026. The interest payable by the Borrower to the lenders will be a SOFR plus Credit Adjustment Spread 90 days and Margin of 2.10%. Margin adjustments will be capped at minus 2 bps per annum depending on compliance with certain pre-agreed annual Sustainability Performance Targets (SPTS) as per below:

- One SPT satisfied: Margin decreased by 0.67bps
- Two SPT satisfied: Margin decreased by 0.67 bps
- Three SPT satisfied: Margin decreased by 0.67bps

The facility was fully drawn by 31 December 2022. There are no financial covenants associated with this borrowing.

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

19 BORROWINGS (continued)

On November 27 2023, Bapco Energies concluded an Amend & Restate exercise on the US\$ 2,200 million dual tranche sustainability-linked Murabaha and conventional term facility. The transaction was upsized to US\$ 2,500 million by incorporating a US\$ 300 million green shoe option, which remained undrawn on 31 December 2023. Under the amended and restated facility, the maturity date has been extended from September 2026 to November 2030, and an equal quarterly repayment schedule was introduced, commencing from May 2026. The interest payable by the Borrower to the lenders will be a SOFR plus Margin of 1.95%. Margin adjustments will be capped at minus 2 bps per annum depending on compliance with certain pre-agreed annual Sustainability Performance Targets (SPTS) as per below:

- No SPT satisfied: no Margin decrease
- One SPT satisfied: Margin decreased by 1 bp
- Two SPT satisfied: Margin decreased by 2 bps

19.2 During 2017, Bapco Energies established a Global Medium Term Note programme (the "Programme") for an amount of US\$ 3 billion on Euronext Dublin. On 18 October 2017, Bapco Energies issued first tranche under the Programme, a 10 year bond carrying interest rate of 7.5% per annum and amounting to US\$ 1 billion under the Programme. The principal amount is repayable as bullet payment on 18 October 2027.

On 7 November 2018, Bapco Energies issued second tranche under the Programme, a 10 year bond carrying interest rate of 8.375% per annum and amounting to US\$ 500 million and a 6 year bond carrying interest rate of 7.625% per annum and amounting to US\$ 500 million. The principal amount is repayable as bullet payment on 7 November 2028 and 7 November 2024 respectively.

In Q1 2021, Bapco Energies issued new notes of the Programme amounting to US\$250m, and carrying an interest rate of 7.625%. The principal amount is repayable as a bullet payment in 2024 and the new issuance is to be consolidated and form a single series with the existing US\$ 500m 7.625% notes due 2024 issued in 2018.

The proceeds of the Liability Management exercise conducted in 2023 were used to repay US\$ 478 million of the amounts due in 2024.

In Q2 2021, Bapco Energies issued US\$ 600m 8-year Sukuk certificates due 2029 under the US\$ 3bn Trust Certificate Issuance Program, carrying an interest rate of 5.25%. A Sukuk is a financial instrument similar to a bond that complies with Islamic financing principles. There are no financial covenants associated with this borrowing.

In May 2023 Bapco Energies conducted a Liability Management exercise by issuing US\$ 750 million 10-year Sukuk certificates due 2033 under the US\$ 3 billion trust certificate program with a profit rate of 6.625%.

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

19 BORROWINGS (continued)

19.3 As of 31 December 2019, the Group had an outstanding balance of US\$ 476,375,000 (BD 179,117,000) against a long term borrowing (commercial and Islamic facilities) with a facility limit of BD 193.6 million (US\$ 515 million) denominated in US\$, from a consortium of international and local banks with Gulf International Bank B.S.C., acting as the facility agent. The refinanced facility is BD 244,400 thousand, with maturity to 30 June 2030 and interest rate of 6-months LIBOR plus spread of 2.90% per annum. The Company transitioned the interest rate to 6-months SOFR plus spread of 2.40% per annum in December 2022. During the month of March 2021, the Company have upsized the facility by BD 50,760 thousand to BD 244,400 thousand. Further, the Company have drawdown BD 50,760 thousand, which resulted in utilisation of total facility amount of BD 244,400 thousand. The outstanding balance of Syndicated Loan Facility was adjusted for up-front fees of BD 4,176 thousand and shall be amortized over the loan period. An amount of BD 15,886 thousand was paid during the year towards 5th and 6th instalment of the refinanced syndicated loan.

There are no financial covenants associated with these borrowings.

19.4 Bapco embarked on the BMP project during 2018 which is a major expansion and upgrade project of the Bahrain Refinery. In order to finance the BMP project Bapco signed debt financing facilities agreements ("project debt finance arrangement") on 20 December 2018 with an available financing facilities of US\$ 4.1 billion. The financing facilities comprise of covered export credit facilities and uncovered commercial and Islamic financing facilities with a consortium of banks to support and fund the implementation of BMP project. These facilities can only be utilised for BMP project related payments and include floating and fixed rate facility which carry interest of 6 month LIBOR + spread ranging between 0.90% to 2.90% per annum and 4.04% per annum respectively (2022: 6 month LIBOR + spread ranging between 0.90% to 2.90% per annum and 4.04% per annum respectively). Due to LIBOR rate discontinuation on 31 October 2023 and the transition to SOFR rate, the SOFR rate as at 31 October 2023 was not available for the interest period from 31 October 2023 to 30 April 2024. Hence, the Company made an estimated interest provision for the period from 31 October 2023 to 31 December 2023.

Transaction costs comprise of insurance premium, commitment fees, upfront fees and other fees that are paid by the Company and are not recoverable. During 2023, the Company paid BD 1,608 thousand (2022: BD 3,666 thousand) to the Facility Lenders and capitalised.

These loans are repayable in 25 semi-annual instalments with the first instalment payable earlier of six months after the actual project completion date or scheduled completion date of 31 October 2022 of the BMP being the first Repayment Date is 30 April 2023. Bapco has paid the first installment on 27 April 2023 as per the provisions of the Finance Documents and successfully paid the second installment on 31 October 2023.

BMP financing contain certain requirements to meet certain financial and non-financial covenants and there is no instance of non compliance at the reporting date. At 31 December 2023, the Company had withdrawn all the facilities (2022: BD 423,577 thousand).

These facilities are secured against:

- Mortgage of commercial registration of Bapco along with all its assets;
- Mortgage of investments of Bapco in BLBOC and BGB;
- Mortgage of the shares held by Bapco Energies in Bapco;
- Assignment of reinsurance of Bapco;
- Assignment of material contracts and insurances of Bapco;
- Assignment of AB pipelines lease agreement of Bapco;
- Amount pledged over Awali Hospital Company Account;
- Pledge of amounts outstanding of Bapco in the offshore bank accounts with a commercial bank; and
- Assignment of crude oil sales agreement between Bapco and Saudi Aramco.

Bapco Energies signed an uncommitted overdraft facility with the National Bank of Bahrain ("NBB") amounting up to 25 million BD for general corporate purposes. The tenor of the facility is 1 year and renewable on annual basis up on the mutual agreement of the Bank and the Borrower. The interest rate payable in case of utilization is 1.5% per annum over one month Bahrain Interbank Offered Rate (BHIBOR). The facility was not utilized during 2022 and stands undrawn.

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

19 BORROWINGS (continued)

On 22 December 2022, Bapco Energies, signed a syndicated \$200m Uncommitted Revolving Credit (Murabaha) Facility led by Albaraka Islamic Bank with participation from Khaleeji Commercial Bank, Bahrain Islamic Bank, and the National Bank of Kuwait, for general corporate purposes. The Facility has a tenor of 5 years with the option to renew for an additional year subject to lender approval. The rate of interest payable by the Borrower to the Lenders is Term SOFR plus a 2% p.a. margin on the utilized amount. The facility was not utilized during 2022 and stands undrawn.

On 14 October 2022, Bapco Energies, has signed a \$300m Push Facility with the Italian Export Credit Agency (SACE), for general corporate purposes. The Facility will have a door to door tenor of 10 years comprising (i) a 12-month Availability Period, followed by (ii) a 12-month Grace Period (principal repayment moratorium) and (iii) an eight-year repayment period comprising 16 equal and consecutive semi-annual instalments. The rate of interest payable by the Borrower to the Lenders will be SOFR plus a 1.75% Margin payable semi-annually. The Facility will benefit from a SACE guarantee (the "SACE Guarantee") covering 80% of the principal and interest amounts due under the Facility.

The financial covenants associated with the SACE facility are at a consolidated level and are as follows:

- Consolidated tangible net worth to be maintained at USD 2 (BD 0.75) billion.
- Cash or cash equivalent be not less than USD 200 (BD 75.4) million.

Both the these covenants have been complied with as at 31 December 2023.

20 EMPLOYEES' END OF SERVICE BENEFITS

	2023 BD '000	2022 BD '000
Expatriate employees' leaving indemnity (note 'a')	18,865	17,472
Bahraini pension plan	147	110
Pound sterling annuity plan	34	25
Defined benefit retirement scheme (note 'b')	2,569	2,378
	21,615	19,985

a) *Expatriate employees' leaving indemnity*

	2023 BD '000	2022 BD '000
At 1 January	17,472	18,066
Charge for the year	2,902	2,392
Paid during the year	(1,509)	(2,986)
At 31 December	18,865	17,472

b) *Defined benefit retirement scheme*

	2023 BD '000	2022 BD '000
At 1 January	2,378	2,736
Current service cost	129	112
Past service cost	-	-
Interest costs - net	204	189
Payments made during the year	(251)	(331)
Actuarial loss/(gain)	109	(328)
At 31 December	2,569	2,378

Banagas operates a defined benefit retirement scheme for its Bahraini employees. The retirement scheme is valued by an independent actuary every year using the projected unit cost method. As per actuarial valuation, an actuarial loss of BD -109 thousand (2022: loss of BD -328 thousand) has been recognised in (accumulated deficit)/retained earnings through OCI for the years ended 31 December 2023 and 31 December 2022.

c) *Contribution to social insurance organisation (SIO)*

Pension rights and other social benefits for Bahraini employees are covered by the SIO scheme to which the employer and employees contribute monthly at a fixed-percentage of salaries.

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

21 ABANDONMENT AND RESTORATION OBLIGATIONS

Prior to 1 January 2018, in accordance with the Development and Production Sharing Agreement ("DPSA"), the Group recognised the fair value of a liability for abandonment and restoration obligations in the period in which the liability is incurred and becomes reasonably estimable to dismantle the asset and reclaim or remediate the property at the end of its useful life. As per terms of DPSA, the Group was required to make payments to the abandonment fund of Ministry of Oil and Environment in future. On 21 February 2019, Ministry of Oil and Environment terminated DPSA with effect from 1 January 2018 and thereby no payments are required to be made to Ministry of Oil and Environment to fund the Group's obligation to abandonment fund. Subsequent to termination of DPSA, the Group is no longer liable for abandonment or restoration obligations and these liabilities have been taken over by Ministry of Oil and Environment, being the shareholder of the Company.

Subsequent to termination of DPSA and Ministry of Oil and Environment taking over the related restoration obligations, the Group has transferred the abandonment and restoration obligations along with the corresponding asset in the property, plant and equipment to its shareholder, Ministry of Oil and Environment, resulting in a net increase in contribution from shareholder by BD 91,509 thousand during the year ended 31 December 2018.

22 TRADE AND OTHER PAYABLES

	Note	2023 BD '000	2022 BD '000
Trade payables		255,631	182,823
Accruals and other payables		431,822	232,647
Payable to contractors		37,148	101,138
Due to the Government	22.1 & 33(a)	17,951	54,751
Advance from customers		-	17
		742,552	571,376
<i>Trade and other payables</i>			
- Non-current portion		21,347	21,347
- Current portion		721,205	550,029
		742,552	571,376

Trade payables are normally settled within 30 days of the suppliers' invoice date.

22.1 The Group had deferred product gas payments relating to the operations of Banagas' operations with effect from 1 July 2016, in accordance with a resolution of the Board Of Directors "BOD" of Banagas. These product gas charges were deferred till 31 October 2018 (hereinafter referred to as "deferred product gas charges") and amounted to BD 20,901 thousand as of that date. On 22 October 2018, the Group received a letter no 225/2018 from Ministry of Oil and Environment to pay the product gas charges on revised formula with effect from 1 November 2018. Accordingly, the Group started making payments for product gas charges from November 2018 onwards on revised formula.

Since, the revised formula was effective prospectively from 1 November 2018, the Group decided to make 24 monthly payments of BD 726 thousand each starting from May 2019 against a total payment of BD 17,434 thousand, out of its total liability against deferred product gas charges till 31 October 2018 of BD 20,901 thousand, calculated based on revised formula. It further resolved that the mechanism for payment of remaining amount of BD 3,468 thousand will be agreed with Gas Pricing Committee once these monthly installments have been paid in full. This payment arrangement has been discussed and agreed by the Group with the Gas Pricing Committee.

Accordingly, the Group has paid an amount of BD 5,811 thousand in 8 monthly installments as of December 2019 against deferred product gas charges. In December 2019, the Group approached Ministry of Oil and Environment, through the Product Gas Pricing Committee to reschedule the monthly installments to 40 monthly installments of BD 290 thousand each for deferred product gas charges aggregating to BD 11,622 thousand. The Group approved this rescheduled repayment installments with effect from January 2020. Such rescheduling arrangement has also been agreed by Ministry of Oil and Environment. During the year, the Group has made 2 monthly installments of BD 290 thousand for the deferred product gas charges and stopped making monthly installments.

22.1 In accordance with the terms & conditions of bank borrowings obtained in 2017, Product Gas for CGP-II & Fuel Gas for CGP-III from 1 January 2017 were subordinated. Furthermore, as a precondition of the bank borrowing, Ministry of Oil and Environment also waived off product gas charges for CGP-III for the duration of the loan. Under the financing conditions, subordinated amounts can only be paid after ensuring that the Company has surplus cash available after taking into account the repayments of the next 6 months, 2 months working capital, and will be able to meet all the loan covenants after making such payments of subordinated gas charges.

Ministry of Oil has continued to implement the subordination of product gas charges for CGP II and fuel gas charges for CGP III following the restructuring of the bank borrowings.

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

23 DERIVATIVE FINANCIAL INSTRUMENTS

The Group does not engage in proprietary trading activities in derivatives. However, the Group enters into certain derivative transactions to hedge economic risks under its risk management guidelines. Where derivatives do not meet the hedging criteria, they are classified fair value through profit or loss (FVTPL) for accounting purposes. Consequently, gains or losses resulting from the remeasurement to fair value of these derivatives are taken directly to the profit or loss.

The Group has adopted a comprehensive system for the measurement and management of risk. Part of the risk management process involves managing the Group's exposure to fluctuations in interest rates (interest rate risk) through entering into interest rate swaps (IRS). It is the Group's policy to reduce its exposure to interest rate risks to acceptable levels as determined by the Board of Directors. The Board of Directors has established levels of interest rate risk by setting limits on the interest rate gaps for stipulated periods. Interest rate gaps are reviewed on an ongoing basis and hedging strategies used to reduce the interest rate gaps to within the limits established by the Board of Directors.

The Group is exposed to certain risks relating to its ongoing business operations. The primary risk managed using derivative instruments is interest rate risk. The Company has entered into interest rate swaps (IRS) to hedge its risk associated with interest rate fluctuations. These IRSs are designated as hedging instruments in cash flow hedges for designated hedged items (i.e. designated portion of its bank borrowings). There is an economic relationship between the designated hedged items and the hedging instruments as the terms of the IRS match with the terms of the bank borrowings (i.e., notional amount and expected payment dates). The Company aims to set the hedging ratio at 100% by matching the notional of the designated hedged items to the notional amount of the corresponding IRS used as the hedging instruments. To test the hedge effectiveness, the Company uses a combination of qualitative and quantitative methods. The Company uses critical terms matching method as qualitative test, and regression analysis / dollar offset methods as quantitative test under which it compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

The table below shows the positive and negative fair values of derivative financial instruments together with the notional amounts outstanding as at 31 December 2023 and 31 December 2022. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year-end but are neither indicative of the market risk nor credit risk.

	<i>At 31 December 2023</i>		<i>At 31 December 2022</i>	
	<i>Notional amount</i>	<i>Positive fair value</i>	<i>Notional amount</i>	<i>value value</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Current				
Derivatives under FVTPL				
Commodity derivatives	-	1,230	-	1,079
Interest rate swaps	-	2,517	-	1,967
Non-current				
Derivatives held as cash flow hedge				
Interest rate swaps	2,193,041	168,803	2,077,504	224,233

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

23 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	At 31 December 2023		At 31 December 2022	
	Notional amount	Negative fair value	Notional amount	Negative fair value
	BD '000	BD '000	BD '000	BD '000
Current				
Derivatives under FVTPL				
Commodity derivatives	-	284	-	73
Interest rate swaps	-	-	2,574	-
	-	284	2,574	73
Non-current				
Derivatives held as cash flow hedge				
Interest rate swaps	0	-	0	0

The above commodity derivatives have been entered into by the Group for the purpose of hedging its oil price risk, however, these have been classified as held for trading.

Commodity derivatives are in the form of futures and options traded on a recognised exchange such as the International Petroleum Exchange or the New York Mercantile Exchange. The fair value of these derivatives changes with movements in the underlying commodity price. The Group is generally obliged to make margin calls to the exchange where the fair value of the instrument is in favour of the exchange. The Group generally closes out any futures contracts prior to crystallisation.

At 31 December 2023, if the closing price for each of the Group's exchange-traded commodity derivatives had been 1 US Dollar per metric barrel lower with all other variables held constant, profit for the year would have been higher by BD 115 thousand.

The above interest rate swaps have been entered into by the Group in order to hedge the interest payments on its floating rate borrowings. These have been classified as cash flow hedges by the Group. The interest rate swaps which did not meet qualifying criteria for hedge accounting have been classified as held for trading. The group entered into a plain vanilla interest rate swap and executed a forward hedge for 4 years from 30th September 2022 to 30th September 2026 at a fixed rate of 1.5265%.

Due to the regulatory transition from LIBOR to SOFR, the group is required to transition the hedge as per the ISDA and regulatory banking requirements, noting that the transition fall-back language is already embedded in the ISDA documentation. Therefore, the group unwinded the current LIBOR hedge, and embedded the positive market value of the existing Interest Rate Swap resulting in a subsidy in the fixed rate, and entered into a SOFR hedge at a market rate of 1.28%, excluding a credit adjustment spread (CAS).

The fair value of derivative financial instruments resulted in the following fair value gains and losses in the consolidated statement of profit or loss and other comprehensive income for the years ended 31 December 2023 and 31 December 2022 are as follows:

	2023	2022
	BD '000	BD '000
<i>Recognised in the profit or loss</i>		
- Ineffective portion of cash flow hedges (note 30.2)	547	3,536
- Realised and unrealised gain/(loss) on derivative transactions (net) (note 30.2)	(2,641)	(1,992)
<i>Recognised in other comprehensive income</i>		
- Loss on cash flow hedges	6,279	268,207
- Share of loss gain on cash flow hedge from an associate	(210)	11,230
- Reclassified from cash flow hedge reserve to profit or loss	(69,071)	-

Hedge effectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument.

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

24 LEASE LIABILITIES

The movement in the lease liabilities during the year is as follows:

	2023	2022
	BD '000	BD '000
As at 1 January	161,545	193,165
Additions during the year	48,341	40,082
Remeasurement	11,475	(40,670)
Finance cost for the year*	13,592	9,909
Payments during the year	(49,526)	(40,941)
As at 31 December 2023	185,427	161,545
Current	37,377	24,847
Non-current	148,050	136,698
As at 31 December 2023	185,427	161,545

* Finance cost for the year includes an amount of BD 11 thousand capitalised in capital work-in-progress.

25 SHORT TERM BORROWINGS

	2023	2022
	BD '000	BD '000
Short term loans	3	11,202

The financial covenants associated with the short term facility(overdrafts) are at a consolidated level and are as follows:

- Ratio of (Value of inventory + Account balance) / (Amounts outstanding under facility) to be greater than 1.2x. [tested quarterly]
- Maintain a minimum net worth of USD 2 million at all times

Both the these covenants have been complied with as at 31 December 2023.

26 INCOME TAXES PAYABLE

Banagas pays income taxes on its net profit in accordance with the Article 2 of the Bahrain Income Tax Law.

Movements in income tax payable during the year are as follows:

	2023	2022
	BD '000	BD '000
At 1 January	3,604	2,703
Charge for the year	1,470	4,104
Payments made during the year	(4,104)	(3,203)
At 31 December	970	3,604

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

26 INCOME TAXES PAYABLE (continued)

During the year, an amount of BD 1,470 thousand (31 December 2022: BD 4,104 thousand) income tax has been provided as Banagas has earned profit. Income tax at a rate of 46% (2022: 46%) of the profit was provided during the year. Other entities within the Group are not subject to the same taxes which are applicable on entities with foreign shareholders.

Virtually, all of the Group's profit is not subject to income tax and accordingly, there is no difference between the taxable profit and accounting profit for the years ended 31 December 2023 and 31 December 2022. Hence, no reconciliation is required between taxable profit and accounting profit. No deferred tax has been recognised as there is no difference between the tax base and accounting base.

27 REVENUE

	2023 BD '000	2022 BD '000
Revenue from contracts with customers		
- Refined products	2,944,209	3,206,054
- Natural Gas and NGLs	430,978	632,925
- Lube based oil revenues	157,327	132,121
- Other revenue	191,042	186,016
External revenue	3,723,556	4,157,116

Disaggregation of revenue from contracts with customers

Revenue from contracts with customers according to product type and source is as follows:

	2023 BD '000	2022 BD '000
<i>Refined products</i>		
- Diesel	1,232,220	1,554,494
- Jet Fuel	899,607	621,130
- Fuel Oil	409,274	515,469
- Other refined products	403,108	514,961
	2,944,209	3,206,054
<i>Natural Gas and NGLs</i>		
- Naphtha	385,285	566,499
- Propane	21,785	31,278
- Butane	23,908	35,148
	430,978	632,925
<i>Lube based oil revenues</i>	157,327	132,121
	3,532,514	3,971,100

	2023 BD '000	2022 BD '000
Other revenue		
Income relating to non-associated gas **	145,615	152,867
Service income from Ministry of Oil and Environment (formerly Noga)	5,008	5,668
Supply and services	10,252	271
Marketing fees - Abu Saafa	4,019	4,110
Berthing and unberthing charges	4,964	3,847
Medical services	6,425	2,529
Awali facilities	1,805	1,783
Management fees	12,954	14,941
	191,042	186,016

**Based on the new arrangement with the Government in 2019, the Group has concluded that it is acting as principal with respect to production of non-associated gas and has recognised the amounts received from the Government as other revenue.

Revenue from contracts with customers is measured at a transaction price agreed under the contract and the payment is due within 30 days from the invoice date depending on specific terms of the contract.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

27 REVENUE (Continued)

	<i>Refined products BD '000</i>	<i>Natural Gas and NGLs BD '000</i>	<i>Lube based oil revenues BD '000</i>	<i>Other revenue BD '000</i>	<i>Total BD '000</i>
31 December 2023					
Timing of revenue recognition					
- At a point in time	2,944,209	430,978	157,327	145,615	3,678,129
- Over time	-	-	-	45,427	45,427
	<u>2,944,209</u>	<u>430,978</u>	<u>157,327</u>	<u>191,042</u>	<u>3,723,556</u>
31 December 2022					
Timing of revenue recognition					
- At a point in time	3,206,054	632,925	132,121	152,867	4,123,967
- Over time	-	-	-	33,149	33,149
	<u>3,206,054</u>	<u>632,925</u>	<u>132,121</u>	<u>186,016</u>	<u>4,157,116</u>

The Group's revenue from contracts with customers amounted to BD 278,368 thousand (2022: BD 733,395 thousand) from it within its country of domicile and BD 2,980,137 thousand (2022: BD 3,423,721) from international sales. The Group does not have a concentration risk on its international and domestic revenue.

28 COST OF MATERIALS

	2023 BD '000	2022 BD '000
Cost of crude oil consumed		
- Saudi Arabia	2,442,896	3,002,598
- Bahrain	5,316	5,325
Cost of feed gas consumed	30,521	43,153
Production overheads	21,663	19,650
Movement in petroleum inventories	9,526	(31,571)
Purchase of gasoline	309,369	120,272
	<u>2,819,291</u>	<u>3,159,427</u>

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

29 OTHER INCOME

	<i>Note</i>	2023 BD '000	2022 <i>BD '000</i>
Gain on bargain purchase	39.1	-	5,122
Gain on previously held equity	39.1	-	35,327
Miscellaneous income		6,229	10,912
		6,229	51,361

30 STAFF COSTS OTHER EXPENSES

30.1 Staff costs

	2023 BD '000	2022 <i>BD '000</i>
Staff costs	141,918	136,165

The employees union of Bapco had filed a legal case with respect to payments of overtime claiming that the overtime has to be calculated based on total wages instead of Bapco's practice of paying overtime based on basic salary. During 2019, the court decided the case in favour of the employees. Based on the legal opinion, the management has revised the estimated maximum liability to be BD 25,955 thousand relating to years from 2012 to 2023. During the year ended December 2023, the management provided additional provisions amounting to BD 2,174 thousand. The Group is pursuing this case through further legal appeals and the management expects to make payments only when all the legal possibilities are exhausted.

30.2 Other expenses

	<i>Note</i>	2023 BD '000	2022 <i>BD '000</i>
Materials and services*		69,454	54,116
Other operating expenses		74,583	59,866
Property, plant and equipment and capital work-in-progress written-off	5 & 6	1,316	700
Miscellaneous expenses		28,914	13,539
Unrealised loss on derivatives at FVTPL		-	-
Realised and unrealised (gain)/loss on commodity derivative transactions (net)		2,641	1,992
Ineffectiveness on derivative instruments designated as cash flow hedges	23	(547)	(3,536)
		176,361	126,677

*Materials and services consists of primarily spare parts and services costs.

Auditor's remuneration for PwC for the statutory audit of the Group's consolidated financial statements and the financial statements of its subsidiaries for the year ended 31 December 2023 amounts to BHD 112 thousand (2022: BHD 53 thousand).

Auditor's remuneration for non audit services during the year ended 31 December 2023 amounts to BHD 227 thousand (2022: BHD 57 thousand).

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

31 FINANCE INCOME AND COSTS

31.1 Finance Income

	2023	2022
	BD '000	BD '000
Interest income on loan to associate	1,996	1,885
Interest income on deposits	52,292	13,630
	<u>54,288</u>	<u>15,515</u>

31.2 Finance Costs

	2023	2022
	BD '000	BD '000
Finance costs on borrowings and short term borrowings	259,305	155,751
Finance costs on lease liabilities	13,592	9,909
Transfer from cash flow hedge reserve on redesignation of cash flow hedge	(8,766)	-
Others	7,517	895
less: capitalised finance costs (note 6)	(154,281)	(75,450)
	<u>117,367</u>	<u>91,105</u>

	2023	2022
	BD '000	BD '000
Interest on borrowings and short term borrowings	105,024	80,311
Interest on lease liabilities (note 24)	13,592	9,899
Transfer from cash flow hedge reserve on redesignation of cash flow hedge	(8,766)	-
Others	7,517	895
	<u>117,367</u>	<u>91,105</u>

32 DIVIDEND PAYABLE

During 2023, dividend of BD 56,400 thousand was declared aggregating to BD 0.05 per share (during 2022 a final dividend of BD 112,800 thousand per share aggregating to BD 0.01) was declared and used to settle against receivables from shareholder.

Dividend payable representing dividend of BD 56,400 thousand declared in 2016 relating to the year 2015 was used to settle against receivables from shareholder.

33 RELATED PARTY BALANCES AND TRANSACTIONS

A related party is a party which directly, or indirectly through one or more intermediaries:

- controls the Group or has an interest in the Group that gives it significant influence over the Group;
- is a joint venture in which the Group is a venture;
- is a member of the key management personnel of the Group;
- is director of the Group or any close member of the family of any director; and
- is an entity that is controlled or significantly influenced by, or significant voting power in such entity resides with, directly or indirectly, the Group.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the directors of the Group.

A summary of the related party balances and transactions is as follows:

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

33 RELATED PARTY BALANCES AND TRANSACTIONS (continued)

a) Balances with related parties

	<i>Note</i>	2023 BD '000	2022 BD '000
<i>Due from a related party</i>			
<i>Parent</i>			
Government of the Kingdom of Bahrain		<u>275,239</u>	<u>647,588</u>
<i>Trade receivables</i>			
<i>Ministry of Oil and Environment</i>			
		12,674	13,865
<i>Affiliates</i>			
Others		<u>43,513</u>	<u>58,007</u>
	12	56,187	71,872
<i>Others</i>			
<i>Parent</i>			
Ministry of Oil and Environment	12	26,252	25,173
<i>Associates / joint venture</i>			
Gulf Petrochemical Industries Co. B.S.C. (c)		28	10
Others		16,132	5,788
<i>Amounts due to related parties</i>			
<i>Ultimate parent</i>			
Government of the Kingdom of Bahrain	22	17,951	54,751

b) Significant related party transactions

	2023 BD '000	2022 BD '000
<i>Amount due from a related party:</i>		
Balance as at 1 January	647,588	619,371
- Net movement in amounts paid to the Government	(308,515)	167,053
- Net movement in exploration costs paid on behalf of the Government	(12)	(112,597)
- Net movement in payments with respect to gas distribution network	3,539	(175)
- Net movement in amounts paid to the government from oil activities	(67,362)	(26,064)
Balance as at 31 December	<u>275,238</u>	<u>647,588</u>

During 2023, the Company settled BD 509 million (non cash settlement) of due from related party by settling 2015 dividend payable of BD 56 million, 2022 dividend payable of BD 56 million, and returning contribution from shareholders of BD 394 million (2022: BD 112,800 thousand dividend was declared and used to settle exploration costs paid on behalf of the Government). Refer to Note 14.

<i>Fee income received from the Government</i>			
- Marketing fees - Abu Saafa	33 (c) & 29	4,019	4,110
- Service income	33 (c) & 29	5,008	5,668

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

33 RELATED PARTY BALANCES AND TRANSACTIONS (continued)

b) Significant related party transactions

	<i>Note</i>	2023 BD '000	2022 BD '000
- Management fees	27	12,954	14,941
- Income relating to non-associated gas	27	145,615	152,867
<i>Associates / Joint Venture</i>			
Gulf Petrochemical Industries Co. B.S.C. (c)			
- Domestic sales		46	54
- Other income		104	99
Others			
- International sales		56,169	59,727

c) Services as an agent

The Group has entered into various agreements with the Government to carry out the following activities on behalf of the Government for which the Group charges an agreed fee / mark-up;

- Sale of crude oil from Abu Saafa field.
- Distribute gas to the end users and manage the gas distribution network.
- Carry out oil and gas exploration activities, on the Government's behalf, in the Bahrain field as approved by the Government in advance.

The Group also manages the collection accounts on behalf of the Government with respect to above gas distribution network.

Expenses on behalf of Ministry of Oil and Environment (Agent expenses)

	2023 BD '000	2022 BD '000
Operating expenses	3,164	2,181
Capital projects and development costs	22,386	11,639
	25,550	13,820

The Group invoiced the corporate customers on behalf of Ministry of Oil and Environment (formerly Noga) for GDS sales at an amount of BD 771,682 thousand (2022: BD 616,125).

d) Compensation of key management personnel

	2023 BD '000	2022 BD '000
Directors' remuneration	1,642	879
Compensation of other key management personnel	4,934	4,688
	6,576	5,567

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

34 COMMITMENTS

Capital commitments

	2023	2022
	BD '000	BD '000
Bapco Energies	12,596	8,897
Bapco	482,262	398,086
Banagas	1,741	1,196
Banagas expansion	5,945	891
Bapco Upstream	2,262	2,262
	504,806	411,332

Others

The Group has provided a financial guarantee in the form of letter of credit through a financial institution for an associate amounting to BD 1,575 thousand with a maturity date of 28 February 2023. For all capital commitments pertaining to the Group's investment in associates and joint ventures, refer to note 8.4.

As part of certain agreements, a contingent liability of BD 57,802 (2022: BD 72,708) thousand is to be paid to the supplier if the agreement is cancelled by the Group before the end of the agreed term.

The Group has contingent assets and liabilities concerning certain disputed matters, including claims by and against contractors and lawsuits and arbitrations involving various issues. These contingencies arise in the ordinary course of business. It is not anticipated that any material adjustments will result from these contingencies.

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, other than derivatives, comprise borrowings, lease liabilities, dividend payable, short term borrowings and a certain portion of trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group has a certain portion of trade and other receivables, long-term assets, due from a related party and cash and bank balances which are derived directly from its operations. The Group also enters into derivative transactions. The Group's accounting policies in relation to derivatives are set out in note 2.

The Group is exposed to market risk (including interest / profit rate risk, currency risk and commodity price risk), credit risk and liquidity risk.

The Group's management oversees the management of these risks. The management advises on the financial risks and an appropriate financial risk governance framework for the Group. The management also ensures that financial risks are identified, measured and managed in accordance with the Group's policies and risk appetite. It is the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

Market risk

Interest / profit rate risk

Interest / profit 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 / profit rates. The Group's exposure to the risk of changes in market interest / profit rates relates primarily to the Group's borrowings with floating interest / profit rates and interest/profit bearing assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

Interest / profit rate risk (continued)

The Group reviews the market analysis and expectations for interest / profit rate movements as the basis on which the Group decides to utilise floating or fixed rates for its interest / profit bearing liabilities.

The Group enters into interest rate swaps to hedge its risk of interest rate fluctuations for floating rate borrowings. As part of the risk management structure, the hedge relationships are recommended by management and approved by the Board of Directors. The effectiveness of hedges is monitored monthly by the Group. In situations of ineffectiveness, management recommends appropriate action to the Board of Directors for mitigation of risks.

The sensitivity of the profit or loss is the effect of the assumed changes in interest / profit rates on the Group's results for one year, based on the floating rate liabilities held at 31 December.

The sensitivity analysis below has been determined based on the exposure to interest / profit rates. For floating rate assets / liabilities, the analysis is prepared assuming the amount of assets / liabilities outstanding at 31 December were outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest / profit rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest / profit rates.

The following table demonstrate the sensitivity of the profit or loss to possible changes in the interest / profit rates on borrowings, with all other variables held consistent.

A reasonably possible change of 100 basis points in interest rates on bank borrowings and derivative financial instruments at the reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	Bahraini Dinars	
	2023	2022
	BD '000	BD '000
Variable-rate instruments	(4,180)	(11,234)

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

Interest / profit rate risk (continued)

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) statement of changes in equity by BD 64,998 thousand (2022: BD 75,258 thousand).

Swaps currently in place cover approximately 79% (2022: 88%) of the variable loan principal outstanding. The fixed interest rates of the swaps range between 0.1% and 2.5% (2022: 0.1% and 2.5%), and the variable rates of the loans are between 5% and 6%. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

Effects of hedge accounting on the financial position and performance

The effects of the interest rate swaps on the Group's consolidated financial position and performance are as follows:

	Bahraini Dinars	
	2023	2022
	BD '000	BD '000
Fair value [non-current assets/(non-current liability)]	168,803	224,233
Notional amount	2,193,041	2,077,504
Maturity date	2035	2035
Hedge ratio	1:1	1:1
Change in fair value of outstanding hedging instruments since 1 January	6,279	268,207
Change in value of hedged item used to determine hedge effectiveness	6,279	268,207

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's financial instruments are mainly denominated in US Dollars and Bahraini Dinars. As the Bahraini Dinar is pegged to the US Dollar, balances in Bahraini Dinars are not considered to represent significant currency risk.

Commodity price risk

Commodity price risk is the risk that future profitability is affected by changes in crude and refined product prices at various commodity exchanges. The Group is exposed to commodity price risk as its selling prices are based on market prices. However the Group does not hedge against fluctuations in market prices for future sales commitments.

Managing interest rate benchmark reform and associated risk

(i) Overview

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Group has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. The Group has transitioned to SOFR in 2023.

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

Managing interest rate benchmark reform and associated risk (continued)

(ii) Derivatives

The Group holds interest rate swaps for risk management purposes which are designated in cash flow hedging relationships. The interest rate swaps have floating legs that are indexed to dollar SOFR. The Group's derivative instruments are governed by contracts based on the International Swaps and Derivatives Association (ISDA)'s master agreements.

Managing interest rate benchmark reform and associated risk

(iii) Hedge accounting

The Group's has evaluated the extent to which its cash flow hedging relationships are subject to the SOFR reform as at 31 December 2023. The Group's hedged items and hedging instruments are indexed to the 3 and 6 Month dollar SOFR. The 3 and 6 Month SOFR will be quoted at every settlement date till IRS maturity in 2035.

The Group's exposure to dollar SOFR designated in hedging relationships is BD 2,193,041 thousand (2022: BD 2,077,504 thousand) nominal amount at 31 December 2023, representing both the nominal amount of the hedging interest rate swap and the principal amount of the hedged dollar-denominated secured bank loan liability maturing in April 2035.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customers contract, leading to a financial loss.

The Group is exposed to credit risk on its bank balances, long-term assets, trade and other receivables and amount due from a related party.

The Group is exposed to credit risk related to its counterparties not performing or honoring their obligations, which could result in financial loss. Credit risk arises from credit exposures on trade and other receivables as well as from due from a related party, cash

	<i>Measurement</i>	<i>ECL methodology</i>
Trade receivables	Amortised cost	Simplified approach
Receivable from Government (Note 13)	Amortised cost	General approach
Other financial assets at amortised cost	Amortised cost	General approach

Trade receivables

The Group's trade receivables arise predominantly from a global customer base, which limits geographic concentrations of credit risk. Moreover, a credit risk policy is in place to ensure credit limits are extended to creditworthy counterparties and risk mitigation measures are defined and implemented accordingly. The Group performs ongoing evaluations of its counterparties' financial standing and takes additional measures to mitigate credit risk when considered appropriate, including but not limited to letters of credits or bank guarantees. The Group manages credit risk with respect to receivables from customers by obtaining advances, letters of credit, by granting credit terms and by monitoring the exposure to customers on an ongoing basis. At 31 December 2023, the Group had 5 customers that accounted for approximately 84% (2022: 47%) of all trade receivables excluding those receivables from a related party.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a 12 month expected loss allowance for all financial assets. To measure the expected credit losses, the financial assets have been based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over the period of 12 months before 31 December 2023 or 1 January 2023 and the corresponding historical credit losses experienced within this period. Such credit losses have historically been nominal and the loss allowance for trade receivables (Note 13) is not material.

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Due from a related party

Amounts due from a related party represents amounts due from the Government of the Kingdom of Bahrain and it relates to transactions arising in the normal course of business. The Group also has a concentration risk to the Government of Bahrain through its balance Due from a Related Party (Note 13) as summarized below:

	Bahraini Dinars	
	2023	2022
	BD '000	BD '000
Receivable from Government (Note 13)	275,239	647,587
Provision for ECL	(58,441)	(58,441)
	216,798	589,146

The external credit rating of the counterparty i.e. the Government of Bahrain is utilized for the purposes of the ECL and an estimate for the LGD is determined using available market information. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross domestic product ('GDP') of the countries from which the receivables arise to be the most relevant factor (i.e. Kingdom of Bahrain), and accordingly adjusts the historical loss rates based on expected changes in this factor. A 10% increase in the LGD would result in an increase in ECL by BD 64,759 thousand.

The credit loss allowance for Due from a Related Party recognised in the period is impacted by a variety of factors. The movements in the table above are described below:

- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments derecognised in the period; and
- Impact on the measurement of ECL due to changes to model assumptions, including changes in PDs, EADs and LGDs in the period, arising from update of inputs to ECL models.

As at 31 December 2023 all balances due from a related party are unsecured

Other financial assets

Other financial assets mainly consist of bank balances, deposits and other receivables. Bank balances are placed with reputable banks having good credit ratings. Bank deposits and term deposits are limited to high-credit-quality financial institutions ranging between A1 and B2 based on Moody's ratings. Derivative contracts are entered into with counterparties with good credit ratings and are not subject to significant credit risk. The Group's investment policy limits exposure to credit risk arising from investment activities.

Deposits and other receivables are from reputable counter-parties with no history of defaults and therefore these balances have been considered to have low credit risk and the ECL on these balances is immaterial.

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at or close to its fair value.

The Group's liquidity risk management includes maintaining sufficient cash and cash equivalents and ensuring the availability of incremental funding through credit facilities (Note 25). Management also monitors and forecasts the Group's liquidity requirements based on current and non-current expected cash flows. The Group further manages its liquidity by maintaining a balance between continuity of funds and flexibility through the use of borrowings. The Group's terms of sales normally require the amounts to be paid within 30 days of the date of sales. Trade payables are normally settled within 30 days from the date of receipt of the supplier's invoice.

The Group invests surplus cash in current accounts, time deposits, money market instruments and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to meet forecasted cash flow requirements. The Group prioritizes security and liquidity over yield. The group closely monitors its sources and applications of cash and executes various financing programs to effectively manage its exposures.

The table below summarises the maturities of the Group's undiscounted financial liabilities at 31 December, based on contractual payment dates and current market interest / profit rates. For balances due within 12 months, the undiscounting values approximate their carrying amounts as the impact of discounting is not significant.

	<i>Less than 3 months</i>	<i>3 to 12 months</i>	<i>1 to 5 years</i>	<i>More than 5 years</i>	<i>Total</i>
<i>At 31 December 2023</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Trade payables	255,631	-	-	-	255,631
Accrual and other payables	431,822	-	-	-	431,822
Payables to contractors	37,148	-	-	-	37,148
Amount due to related party	60,444	-	-	21,347	81,791
Short term borrowings	3	-	-	-	3
Borrowings	24,876	414,920	2,510,947	1,565,329	4,516,072
Dividend payable	-	-	-	-	-
Lease liabilities	-	3,085	138,779	388,716	530,580
Derivative financial instruments	284	-	-	-	284
Total	810,208	418,005	2,649,726	1,975,392	5,853,331

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

	<i>Less than 3 months</i>	<i>3 to 12 months</i>	<i>1 to 5 years</i>	<i>More than 5 years</i>	<i>Total</i>
<i>At 31 December 2022</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Trade payables	182,823	-	-	-	182,823
Accrual and other payables	232,647	-	-	-	232,647
Payables to contractors	101,138	-	-	-	101,138
Amount due to related party	12,634	21,455	11,022	10,325	55,436
Short term borrowings	11,202	-	-	-	11,202
Borrowings	-	316,188	2,008,599	1,908,575	4,233,362
Dividend payable	56,400	-	-	-	56,400
Lease liabilities	4,148	12,370	1,899	387,502	405,919
Derivative financial instruments	73	-	-	-	73
Total	601,065	350,013	2,021,520	2,306,402	5,279,000

Changes in liabilities arising from financing activities

	<i>As at 1 January 2023</i>	<i>Cash flows payments</i>	<i>Cash flows receipts</i>	<i>Others*</i>	<i>As at 31 December 2023</i>
2023	BD '000	BD '000	BD '000	BD '000	BD '000
Lease liabilities	161,545	(49,526)	-	73,408	185,427
Short term borrowings	11,202	(58,703)	47,501	-	-
Borrowings	3,097,209	(514,298)	787,057	236,400	3,606,368
Derivatives	73	-	-	211	284
	3,270,029	(622,527)	834,558	310,019	3,792,079

Changes in liabilities arising from financing activities

	<i>As at 1 January 2022</i>	<i>Cash flows payments</i>	<i>Cash flows receipts</i>	<i>Others*</i>	<i>As at 31 December 2022</i>
2022	BD '000	BD '000	BD '000	BD '000	BD '000
Lease liabilities	193,165	(40,941)	-	9,321	161,545
Short term borrowings	44,938	(598,413)	564,677	-	11,202
Borrowings	2,752,862	(191,398)	331,203	204,542	3,097,209
Derivatives	48,826	-	-	(48,753)	73
	3,039,791	(830,752)	895,880	165,110	3,270,029

* Other changes include accrued interest expenses and fair value changes which will be presented as operating cash flows in the consolidated statement of cash flows when paid.

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The Group seeks to maintain a prudent capital structure, comprised of borrowings and shareholders' equity, to support its capital investment plans. The Group manages the capital structure based on internal assessments and obtains advice from key stakeholders and subject matter experts. The Group follows its bye-laws and the relevant laws of the Kingdom of Bahrain to obtain necessary approvals for any changes to the capital structure. The capital management is focused on the net debt position of the Group.

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to the shareholder. No changes were made in the objectives, policies or processes during the years ended 31 December 2023 and 31 December 2022

Management also manages capital through equity attributable to the shareholder of the parent comprises share capital, capital adjustment account, contribution from the shareholder, sinking fund reserve, statutory reserve, cash flow hedge reserve and accumulated deficit and is measured at BD 1,725,274 thousand (2022: BD 2,022,252 thousand).

The Board of Directors is responsible to set out risk management policies and guidelines.

Summary of net debt:

This section sets out an analysis of net debt:

	Bahraini Dinars	
	2023	2022
	BD '000	BD '000
Cash and bank balances	(1,164,036)	(648,223)
Borrowings	3,606,368	3,097,209
Short-term borrowings	3	11,202
Lease liabilities	185,427	161,545
Derivative liabilities	284	73
Net debt	2,628,046	2,621,806
Cash and liquid investments	(1,164,036)	(648,223)
Gross debt – fixed interest rates	3,606,368	3,097,209
Gross debt – variable interest rates	185,430	172,747
Derivative financial instruments – variable to fixed interest rates	284	73
Net debt	2,628,046	2,621,806

36 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets, financial liabilities and derivative financial instruments.

Financial assets consist of cash and bank balances, long-term assets, restricted cash, trade and other receivables, amounts due from a related party and derivatives. Financial liabilities consist of trade and other payables, borrowings, short term borrowings, dividend payable, lease liabilities and derivatives.

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

36 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

As at 31 December 2023, the Group's derivative financial instruments, consisting of interest rate swaps and commodity derivatives are measured at fair value. These are level 1 and 2 as per the hierarchy mentioned in note 2 for the years ended 31 December 2023 and 31 December 2022 as shown below:

	<i>Date of valuation</i> <i>BD '000</i>	<i>Quoted prices in active markets (Level 1)</i> <i>BD '000</i>	<i>Significant observable inputs (Level 2)</i> <i>BD '000</i>	<i>Significant unobservable inputs (Level 3)</i> <i>BD '000</i>	<i>Total</i> <i>BD '000</i>
Asset					
<i>Derivatives</i>	At 31 December 2023		172,550	-	172,550
	<i>At 31 December 2022</i>	3,046	224,233	-	227,279
<i>Trade and other receivables</i>	At 31 December 2023	-	-	298,283	298,283
	<i>At 31 December 2022</i>	-	-	403,872	403,872
Liability					
<i>Derivatives</i>	At 31 December 2023	284	-	-	284
	<i>At 31 December 2022</i>	73	-	-	73

The movement in trade receivables related to contracts with provisional pricing arrangements is mainly arising from sales transactions made during the year, net of settlements. Unrealized fair value movements on these trade receivables are not significant.

Transfers between level 1, level 2 and level 3

During the reporting year ended 31 December 2023 and 31 December 2022, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Fair value of financial instruments not carried at fair value

The fair value of financial instruments which are not carried at fair value are not materially different from their carrying value.

37 OPERATING SEGMENTS

The Group's senior executive management comprising of the Chief Executive Officer and senior management (heads of departments) examine the Group's performance based on the performance of its subsidiaries and affiliates and their activities. The Group has identified following three operating segments of its business:

- Oil based assets and revenues: this represents Bapco Upstream, Bapco and Bapco Retail which are operating the Bahrain Oil Field and Bahrain Refinery and marketing of refined petroleum products.
- Gas based assets and revenues: this comprises of Banagas and Banagas Expansion which are involved in processing and marketing of hydrocarbon liquids from associated and refinery off gas.
- Others: this comprises of remaining part of the Group.

All of the Group's assets and operations are located in the Kingdom of Bahrain.

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

37 OPERATING SEGMENTS (continued)

The Group's senior executive management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net profit or loss and is measured consistently with net profit or loss in the consolidated financial statements.

<u>At 31 December 2023</u>	<i>Oil based assets and revenues BD '000</i>	<i>Gas based assets and revenues BD '000</i>	<i>Others BD '000</i>	<i>Eliminations BD '000</i>	<i>Total BD '000</i>
Sales	3,605,330	116,682	1,544	-	3,723,556
Cost of materials	(2,767,107)	(52,184)	-	-	(2,819,291)
Other income	5,518	3,626	-	(2,915)	6,229
Staff costs	(131,232)	(9,939)	(747)	-	(141,918)
Maintenance and other expenses	(105,338)	(8,883)	(342)	2,915	(111,648)
Impairment for doubtful trade and other receivables	(106)	-	-	-	(106)
Other expenses	(176,361)	-	-	-	(176,361)
Depreciation	(194,656)	(18,933)	(22)	-	(213,611)
Finance income	49,195	5,044	49	-	54,288
Finance costs	(109,877)	(7,490)	-	-	(117,367)
Share of profit from associates	14,051	-	-	-	14,051
Profit before income tax	189,417	27,923	482	-	217,822
Income tax expense	-	(1,470)	-	-	(1,470)
Net profit for the year	189,417	26,453	482	-	216,352
Segment assets	5,975,649	310,912	15,472	(12,280)	6,289,753
Segment liabilities	4,289,616	255,001	24,882	(12,280)	4,557,219
<u>At 31 December 2023</u>					
Other disclosures					
Investment in associates and joint venture	149,408	-	-	-	149,408
Impairment for doubtful trade other receivables	(31,723)	-	-	-	(31,723)

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

37 OPERATING SEGMENTS (continued)

	<i>Oil based assets and revenues BD '000</i>	<i>Gas based assets and revenues BD '000</i>	<i>Others BD '000</i>	<i>Eliminations BD '000</i>	<i>Total BD '000</i>
<u><i>At 31 December 2022</i></u>					
Sales	4,001,644	154,142	1,330	-	4,157,116
Cost of materials	(3,097,104)	(62,323)	-	-	(3,159,427)
	904,540	91,819	1,330	-	997,689
	0				
Other income	49,087	3,948	-	(1,674)	51,361
Staff costs	(127,058)	(9,107)	-	-	(136,165)
Maintenance and other expenses	(101,166)	(5,450)	(278)	1,674	(105,220)
Impairment for doubtful trade and other receivables	(31,327)	-	-	-	(31,327)
Other expenses	(126,609)	(68)	-	-	(126,677)
Depreciation	(196,405)	(18,550)	(22)	-	(214,977)
Finance income	12,925	2,581	9	-	15,515
Finance costs	(81,121)	(9,982)	(2)	-	(91,105)
Share of profit from associates	38,918	-	-	-	38,918
Profit before income tax	341,784	55,191	1,037	-	398,012
Income tax expense	-	(4,104)	-	-	(4,104)
Net profit for the year	<u>341,784</u>	<u>51,087</u>	<u>1,037</u>	<u>-</u>	<u>393,908</u>
Segment assets	<u>5,494,561</u>	<u>447,234</u>	<u>21,293</u>	<u>(12,280)</u>	<u>5,950,808</u>
Segment liabilities	<u>3,545,825</u>	<u>390,758</u>	<u>14,369</u>	<u>(29,558)</u>	<u>3,921,394</u>
<u><i>At 31 December 2022</i></u>					
Other disclosures					
Investment in associates and joint venture	<u>133,562</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>133,562</u>
Impairment for doubtful trade and other receivables	<u>(31,708)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(31,708)</u>

Geographic information

The operations and all of the assets of the Group are located in only one geographic location, Kingdom of Bahrain. The revenue of the Group comprise of both local and international sales which are global and not concentrated to a specific country. None of the revenue from single customer exceeded 10% of the Group's consolidated revenue.

Bapco Energies B.S.C. Closed (formerly known as The Oil and
Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

38 EVENTS AFTER BALANCE SHEET DATE

Subsequent to the year ended 31 December 2023, the shares of the Government of Qatar in relation to ASRY have been fully transferred to Bapco Energies B.S.C. (Closed)

The Group considers this to be a non-adjusting post balance sheet event.

Bapco Energies B.S.C. Closed (formerly known as The Oil and Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

39 BUSINESS COMBINATIONS

39.1 STEP ACQUISITIONS IN 2022

On 1 July 2009, Bapco Energies, BAPCO and Neste Bahrain W.L.L. ("Neste") set up Bapco Lube Base Oil Company B.S.C. (c) ("BLBOC"), a closed Bahraini Joint Stock Company. The business of BLBOC is to undertake production of lube base oil products using the feedstock supplied by the Company, Bapco Energies and Neste in their participating interest share of 27.5%, 27.5% and 45%, respectively.

On 29 September 2021, the Board of Directors of Bapco Energies, in their capacity as a Joint Operation partner in BLBOC, agreed to be a party to a Sale and Purchase Deed (the "agreement") with Neste for the transfer of Neste's 45% equity shareholding in BLBOC to Bapco Energies. The agreement was completed on 22 March 2022 where Neste transferred its net liability position of USD 3,000,000 in BLBOC to Bapco Energies as part of its sale of 45% of participating interest share. As at 31 December 2022, Bapco Energies and BAPCO hold 72.5% and 27.5% in equity shareholding and participating interest share at BLBOC, respectively (Note 39).

The fair value of the identifiable assets and liabilities of BLBOC:

	<i>Fair value recognised on acquisition 2022 BD '000</i>
Total assets	<u>80,431</u>
Total liabilities	<u>1,926</u>
Total identifiable net assets at fair value	<u><u>78,505</u></u>
Fair value of the previously held equity interest (at 55%)	43,178
Carrying value of the previously held equity interest	38,056
Gain on previously held equity*	<u><u>81,234</u></u>
Fair value of total net identifiable assets	78,505
Carrying value of the previously held equity interest	38,056
Gain on previously held equity	(81,234)
Cash consideration paid	-
Bargain purchase/(Goodwill)*	<u><u>35,327</u></u>

*Gain on previously held equity and bargain purchase has been recognised in the statement of profit and loss through other income note 29.

Bapco Energies B.S.C. Closed (formerly known as The Oil and
Gas Holding Company B.S.C. (Closed))

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

**39 BUSINESS COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTERESTS
(continued)**

39.1 ACQUISITIONS IN 2022 (conitnued)

The below tables provide a summary of assets and liabilities transferred to BLBOC at 30 March 2022:

	<i>2022</i> <i>BD '000</i>
Property, plant and equipment	72,437.00
Inventory	7,124.00
Trade and Other payables	(1,324.00)
	<u>78,237</u>