

Bapco Energies B.S.C. Closed

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

31 December 2024

2024 Annual Report – Bapco Energies B.S.C. (Closed)

Chairman's Statement

On behalf of the Board of Directors, I am honored to present the 2024 Annual Report for Bapco Energies, reflecting a year of strategic transformation, operational excellence, and unwavering commitment to the Kingdom's energy future.

Guided by the vision of **His Majesty King Hamad bin Isa Al Khalifa** and **His Royal Highness Prince Salman bin Hamad Al Khalifa, Crown Prince and Prime Minister**, Bapco Energies continues to play a pivotal role in the Kingdom's energy security. As we align with the National Energy Strategy, we have reinforced our commitment to sustainability, innovation, and global competitiveness.

The most defining moment of 2024 was **the inauguration of the Bapco Modernization Project (BMP) by His Majesty King Hamad bin Isa Al Khalifa**. The completion of the BMP marks the **largest industrial investment in the Kingdom's history**, transforming Bapco Refining into one of the most competitive and environmentally responsible refineries in the region. This monumental achievement reinforces our commitment to operational excellence, emissions reduction and energy efficiency, ensuring that Bapco Energies remains at the forefront of the Kingdom of Bahrain's economic and industrial development.

Strengthening Global Partnerships and Investments

2024 saw Bapco Energies achieve several strategic milestones that underscore our evolution as a leading integrated energy company. Among our key achievements:

- **Global Trading Expansion:** We established a **trading joint venture with TotalEnergies** to expand the global reach of Bapco Energies' products. This partnership strengthens our commercial capabilities and ensures greater market access.
- **First Asset Monetization Exercise:** We successfully completed our first asset monetization in the **Saudi Bahrain Pipeline Company** through a partnership with **BlackRock, the world's largest investment fund**. This deal enhances our financial flexibility and reinforces Bahrain's position as a hub for global investments. Additionally, we signed an MoU with BlackRock to explore further collaboration on infrastructure and decarbonization projects in the Kingdom of Bahrain.
- **Expansion of Gas Exploration:** A long-term partnership was established with **EOG Resources** to expand **Bapco Energies' gas exploration and production** in the Bahrain Field. This strategic collaboration enhances our upstream capabilities and supports national energy security.
- **McLaren F1 Sponsorship:** As Bapco Energies continues to strengthen its presence on the global stage, we proudly became the **Presenting Partner of the Bahrain Championship (DP World Tour) in 2024**, further cementing our position in the international business and sports communities.

Additionally, our **partnership with the McLaren F1 Team during the Abu Dhabi 2024 Grand Prix** enhances our brand's global visibility, aligning us with excellence, innovation, and high-performance leadership.

Accelerating Renewable Energy and Decarbonization

Bapco Energies has made significant progress in advancing the Kingdom's renewable energy ambitions:

- **2GW Offshore Wind Development:** In a landmark agreement, Bapco Energies signed an MoU with **Masdar to develop a 2 Gigawatt offshore wind project** in the Kingdom of Bahrain. This initiative represents a major step in expanding the Kingdom's clean energy portfolio.
- **2.8GW Solar Project in Saudi Arabia:** In partnership with **ACWA Power**, we launched a **mega solar project** with a capacity of up to **2.8 Gigawatts** in Saudi Arabia, further reinforcing our regional leadership in renewable energy investments.
- **Strengthening LNG Infrastructure:** Bapco Energies successfully completed the **LNG regasification facility operational checks and audits** in 2024, ensuring readiness for its initial operating phase in early 2025.

Operational Excellence and Value Chain Optimization

In 2024, we continued to unify and optimize the energy value chain, enhancing efficiencies across our subsidiaries:

- **Record Aviation Fueling Operations:** Bapco Air Fueling achieved its **highest refueling record since 2012**, successfully **refueling 42,401 aircrafts and supplying 180 million gallons of fuel** in 2024. This milestone reinforces Bahrain's critical role in regional aviation logistics.
- **Cost Optimization and Financial Gains:** Through operational efficiencies, we successfully **captured US\$ 29 million in cost savings**, demonstrating our commitment to financial resilience and sustainable growth.
- **Strategic Subsidiary Growth:** Bapco Energies continues to strengthen its core businesses, including **Bapco Refining, Bapco Upstream, Bapco Gas, Bapco Tazweed, and Bapco Air Fueling**. In 2024, we successfully acquired **all the minority stakes in Bapco Gas making Bapco Energies the sole owner of Bapco Gas**, a strategic step toward integrating operations and enhancing synergies across our subsidiaries.

Innovation and Growth Through BeVentures

In 2024, we launched BeVentures, a subsidiary dedicated to fostering high-impact energy ventures aligned with the Bahrain National Energy Strategy. This initiative represents our commitment to innovation and investment in Bahraini and International start-ups with cutting-edge solutions that will shape the future of the Kingdom's energy ecosystem.

A Historic Step for Leadership and Inclusion

Bapco Energies has long championed gender diversity and leadership excellence, with women holding key leadership positions across the organization, including executive and board levels. The year 2024 saw the continuation of this commitment with the appointment of the first two female CEOs within the Bapco Energies Group, leading Bapco Tazweed and BeVentures. This milestone builds on a legacy of strong female participation at all levels from the Board of Directors to Deputy CEOs to General Counsels to Chief Financial Officers. This underscores our dedication to fostering inclusive leadership and empowering talent. By enhancing representation and enabling leadership opportunities, we reaffirm our commitment to shaping a progressive and dynamic organization that reflects the future of Bahrain's energy sector.

A Future Defined by Innovation and Sustainability

As Bapco Energies moves forward, our mission remains clear—to secure the Kingdom's energy future, unlock new economic opportunities, and contribute meaningfully to the Kingdom's sustainable development.

I extend my sincere gratitude to our Board of Directors, leadership teams, employees, and stakeholders for their dedication and resilience. With our strategic vision firmly in place, we are well-positioned to **power the next generation** and shape an exciting and dynamic, energy landscape for the Kingdom of Bahrain and beyond.

A handwritten signature in blue ink, appearing to read 'Nasser bin Hamad Al Khalifa'.

Nasser bin Hamad Al Khalifa
Chairman of the Board of Directors
Bapco Energies B.S.C. (Closed)



Independent auditor's report to the shareholder of Bapco Energies 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 2024, 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 2024;
- 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
	- Accounting and presentation for the sale of shares in a subsidiary

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 (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
<i>Accounting for oil and gas activities and relationship with the government</i> 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); - Liquefied Natural Gas procurement and management (agent); - 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. <i>Refer to note 3 (iii) for the significant accounting judgements, estimates and assumptions.</i>	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 (continued)

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

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<i>Accounting and presentation for the sale of shares in a subsidiary</i> As described in note 19.5 to the accompanying consolidated financial statements, the Company sold a 0.1% equity interest in its subsidiary Saudi Bahrain Pipeline Company W.L.L. ("SBPC") to Oryx Bidco Holding Limited on 29 August 2024 ("completion date") for a consideration of BD 152 million (USD 403 million). According to the Shareholders' agreement, dividend distributions shall be made on a calendar quarterly basis by SBPC. Of these distributions, 99.9% will be allocated to Oryx Bidco Holding Limited, while 0.1% will be allocated to the Company. As part of this transaction, the Company granted a put option to Oryx Topco Holding Limited, exercisable on or after the 25th anniversary of the completion date. Considering the grant of the put option to Oryx Topco Holding Limited, obligations related to quarterly dividend payments, certain compulsory transfer events and certain indemnified risks events stipulated in the Shareholders' agreement, the sale proceeds have been recorded as a liability in the consolidated financial statements. We considered this to be a key audit matter given the nature and materiality of the transaction as well as the judgment involved in classification of financial liability. <i>Refer to note 3 (v) for the significant accounting judgements, estimates and assumptions.</i>	Our audit procedures included: - We held discussions with management to understand the legal structure of the arrangement and the nature of the transactions. - We read the relevant agreements and considered the consistency of the underlying terms and conditions with the accounting treatment. - With input from internal financial reporting experts, we considered the appropriateness of the accounting treatment of classification of sale proceeds as a liability in accordance with the requirements of IAS 32 – Financial Instruments: Presentation. - Assessed the reasonableness of key judgements in the classification of financial liability and non-recognition of non-controlling interest. - We considered the appropriateness of the related accounting policies and disclosures in the consolidated financial statements.

Independent auditor's report to the shareholder of Bapco Energies 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 (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.
- Plan and perform the Group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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 (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) except for the fact that, as stated in note 2, the consolidated financial statements for the year ended 31 December 2024 were not submitted to the Ministry of Industry and Commerce within six months from the reporting date, 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 2024 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
25 August 2025

Bapco Energies B.S.C. Closed

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

	Note	2024 BD '000	2023 BD '000
ASSETS			
Non-current assets			
Property, plant and equipment	5	986,180	1,080,482
Capital work-in-progress	6	3,019,778	2,525,805
Right-of-use assets	7	159,469	170,047
Investments in associates and joint venture	8	158,091	149,408
Long-term assets	9	17,888	21,141
Restricted cash and bank balances	10	129,548	128,476
Due from a related party	13	312,437	191,010
Derivative financial instruments	23	180,341	168,803
Trade, other receivables and other assets	12	7,237	11,310
		4,970,969	4,446,482
Current assets			
Inventories	11	276,181	265,095
Trade, other receivables and other assets	12	404,652	384,605
Due from a related party	13	64,877	25,788
Derivative financial instruments	23	1,406	3,747
Cash and bank balances	14	805,329	1,164,036
		1,552,445	1,843,271
TOTAL ASSETS		6,523,414	6,289,753
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	45,182
Sinking fund reserve	16	160,125	160,125
Statutory reserve	17	406,075	395,021
Cash flow hedge reserve		176,839	166,765
Retained earnings		297,017	195,390
Equity attributable to the shareholder		1,848,029	1,725,274
Non-controlling interests	18	58	7,260
Total equity		1,848,087	1,732,534


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 40 form part of these consolidated financial statements

Bapco Energies B.S.C. Closed

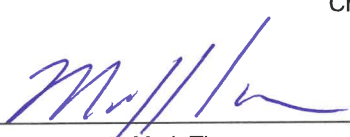
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 31 December 2024

	Note	2024 BD '000	2023 BD '000
Liabilities			
Non-current liabilities			
Borrowings	19	3,627,435	3,334,005
Employees' end of service benefits	20	16,972	21,615
Trade and other payables	22	21,347	21,347
Lease liabilities	24	136,964	148,050
		3,802,718	3,525,017
Current liabilities			
Current maturities of long-term borrowings	19	220,426	272,363
Trade and other payables	22	562,947	721,205
Lease liabilities	24	40,358	37,377
Short term borrowings	25	47,963	3
Income taxes payable	26	915	970
Derivative financial instruments	23	-	284
		872,609	1,032,202
Total liabilities		4,675,327	4,557,219
TOTAL EQUITY AND LIABILITIES		6,523,414	6,289,753


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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

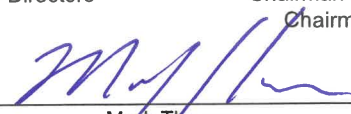
For the year ended 31 December 2024

	Note	2024 BD '000	2023* BD '000
Revenue	27	3,597,969	3,723,556
Cost of materials	28	(2,854,481)	(2,887,054)
Other income	29	11,080	6,229
Staff costs	30	(168,572)	(141,918)
Maintenance expenses		(71,229)	(65,513)
Impairment for of trade and other receivables	12	(4,195)	(106)
Other expenses	30	(127,022)	(154,733)
Depreciation	5 & 7	(207,973)	(213,611)
Operating profit		175,577	266,850
Finance income	31	61,009	54,288
Finance costs	31	(133,865)	(117,367)
Finance costs - net		(72,856)	(63,079)
Share of profit from associates and joint venture - net	8	8,996	14,051
Profit before income tax		111,717	217,822
Income tax expense	26	(915)	(1,470)
Net profit for the year		110,802	216,352
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Gain on cash flow hedges	23	79,158	6,279
Share of gain/ (loss) on cash flow hedge from an associate	8 & 23	133	(210)
Reclassified from cash flow hedge reserve to profit or loss	23	(69,217)	(69,071)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Actuarial loss arising on defined benefit retirement scheme	20	-	(109)
Share of actuarial gain from associates	8	83	9
Total other comprehensive gain/ (loss) for the year		10,157	(63,102)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		120,959	153,250

* Refer to Note 40 for certain reclassifications made in respect of the 2023 comparative year.


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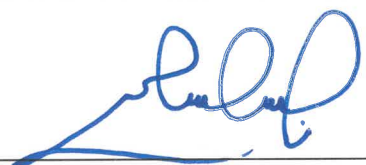
Bapco Energies B.S.C. Closed

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME (continued)

For the year ended 31 December 2024

	Note	2024 BD '000	2023* BD '000
Net profit for the year attributable to:			
Shareholder		110,540	216,254
Non-controlling interests	18	262	98
		<u>110,802</u>	<u>216,352</u>
Total comprehensive income attributable to:			
Shareholder		120,697	153,152
Non-controlling interests	18	262	98
		<u>120,959</u>	<u>153,250</u>

* Refer to Note 40 for certain reclassifications made in respect of the 2023 comparative year.


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Bapco Energies B.S.C. Closed

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

		2024	2023
	Note	BD '000	BD '000
OPERATING ACTIVITIES			
Net profit before tax for the year		111,717	217,822
Adjustments for:			
Depreciation			
Property, plant and equipment	5	168,148	173,267
Right-of-use assets	7	39,825	40,202
Finance income	31	(61,009)	(54,288)
Finance costs	31	133,865	117,367
Share of (profit) from associates and joint venture - net	8	(8,996)	(14,051)
Property, plant and equipment and capital work-in-progress written-off	30	3,512	1,318
Provision for slow-moving inventories	11	295	3,905
Provision for doubtful trade and other receivables	12	4,195	106
Provision for employees' end of service benefits	20	3,480	3,235
Fair valuation (gain)/loss on derivatives, net		(1,505)	211
Loss on remeasure of lease liability	24	338	-
ECL for restricted cash	10	13	-
		393,878	489,094
Working capital changes:			
Inventories	11	(11,381)	23,924
Trade and other receivables	12	(21,832)	52,592
Net movements in amounts due from a related party	13	17,307	7,435
Trade and other payables	22	(123,408)	106,858
Net cash flows from operations		254,564	679,903
Employees' end of service benefits paid	20	(8,123)	(1,714)
Income tax paid	26	(970)	(4,104)
Net cash flows from operating activities		245,471	674,085
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	(5,072)	(10,704)
Additions to capital work-in-progress	6	(485,342)	(269,916)
Dividends received from associates	8	7,540	-
Movement in long-term assets	9	3,253	448
Movement in restricted cash	10	(1,085)	(809)
Deposits placed with banks	14	(234,777)	-
Finance income received		58,878	52,292
Net cash flows used in investing activities		(656,605)	(228,689)
FINANCING ACTIVITIES			
Movements in amounts due from a related party	33	(177,824)	(141,615)
Proceeds from borrowings and short term borrowings	25	406,723	834,558
Repayment of borrowings	19	(296,637)	(357,732)
Net finance and transaction costs paid		(210,158)	(215,268)
Loan from an Investor shareholder	19	152,107	-
Acquisition of non-controlling interests	39	(5,406)	-
Principal portion of repayment to an Investor shareholder	32	(148)	-
Finance costs paid to investor shareholder	32	(1,229)	-
Repayment of leases	24	(49,740)	(49,526)
Net cash flows (used in)/from financing activities		(182,312)	70,417
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(593,446)	515,813
Cash and cash equivalents at 1 January		1,164,047	648,234
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	14	570,601	1,164,047

Non cash items:

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

Bapco Energies B.S.C. Closed

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	<i>Equity attributable to shareholder</i>									
	<i>Share capital</i>	<i>Capital adjustment</i>	<i>Contribution from shareholder</i>	<i>Sinking fund reserve</i>	<i>Statutory reserve</i>	<i>Cash flow hedge reserve</i>	<i>Retained earnings*</i>	<i>Total</i>	<i>Non-controlling interests</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>
At 1 January 2024	1,184,400	(421,609)	45,182	160,125	395,021	166,765	195,390	1,725,274	7,260	1,732,534
Net profit for the year	-	-	-	-	-	-	110,540	110,540	262	110,802
Other comprehensive income	-	-	-	-	-	10,074	83	10,157	-	10,157
Total comprehensive income	-	-	-	-	-	10,074	110,623	120,697	262	120,959
Transactions with owners in their capacity as owners:										
Acquisition of non-controlling interests (note 39)	-	-	-	-	-	-	2,058	2,058	(7,464)	(5,406)
Transfer to statutory reserve (note 17)	-	-	-	-	11,054	-	(11,054)	-	-	-
At 31 December 2024	1,184,400	(421,609)	45,182	160,125	406,075	176,839	297,017	1,848,029	58	1,848,087

* Retained earnings include non-distributable reserves arising from consolidation of subsidiaries amounting to BD 192,047 thousand.

The attached notes 1 to 40 form part of these consolidated financial statements.

Bapco Energies B.S.C. Closed

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2024

	<i>Equity attributable to shareholder</i>								
	<i>Share capital</i>	<i>Capital adjustment account</i>	<i>Contribution from shareholder</i>	<i>Sinking fund reserve</i>	<i>Statutory reserve</i>	<i>Cash flow hedge reserve</i>	<i>Retained earnings*</i>	<i>Total</i>	<i>Non-controlling interests</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>
At 1 January 2023	1,184,400	(421,609)	438,912	160,125	373,396	229,767	57,261	2,022,252	7,162
Net profit for the year	-	-	-	-	-	-	216,254	216,254	98
Other comprehensive loss	-	-	-	-	-	(63,002)	(100)	(63,102)	-
Total comprehensive (loss)/income	-	-	-	-	-	(63,002)	216,154	153,152	98
Transactions with owners in their capacity as owners:									
Dividends proposed and paid (note 32)	-	-	-	-	-	-	(56,400)	(56,400)	-
Return of contribution to the shareholder (note 4)	-	-	(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

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

The attached notes 1 to 40 form part of these consolidated financial statements.

At 31 December 2024

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 referred 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 objective 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 operation:

Bapco Energies B.S.C. Closed

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

1 ACTIVITIES (continued)

Subsidiaries

<i>Name of the entity</i>	<i>Country of incorporation</i>	<i>Ownership interest</i>		<i>Year end</i>	<i>Principal activity</i>
		<i>2024</i>	<i>2023</i>		
Bapco Refining B.S.C. Closed ("Bapco")	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")	Kingdom of Bahrain	100%	75%	31 December	Processing and marketing of hydrocarbon liquids from associated gas.
Bapco Gas Expansion Company W.L.L. ("Banagas Expansion")	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")	Kingdom of Bahrain	60%	60%	31 December	Managing and operating the jet fuel pipeline.
Bapco Upstream W.L.L. ("Bapco Upstream")	Kingdom of Bahrain	100%	100%	31 December	Producing oil and gas from Bahrain onshore field.
Bapco Gasoline Blending W.L.L. ("BGB") ***	Kingdom of Bahrain	100%	85%	31 December	Sale and trade of solid, liquid and gaseous fuels and related

Bapco Energies B.S.C. Closed

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

1 ACTIVITIES (continued)

Subsidiaries (continued)

<i>Name of the entity</i>	<i>Country of incorporation</i>	<i>Ownership interest</i>		<i>Year end</i>	<i>Principal activity</i>
		<i>2024</i>	<i>2023</i>		
Saudi Bahrain Pipeline Company W.L.L. ("SBPC") *	Kingdom of Bahrain	99.9%	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.
Bapco Tazweed W.L.L. ("Bapco Retail")	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") ***	Kingdom of Bahrain	100%	100%	31 December	Manufacturing of lube based oil products.
Bapco Upstream Holding Company W.L.L.	Kingdom of Bahrain	100%	100%	31 December	Activities of holding companies
Bapco Gas Distribution Holding Company W.L.L.	Kingdom of Bahrain	100%	100%	31 December	Activities of holding companies
Bapco Gas Distribution Company W.L.L.	Kingdom of Bahrain	100%	100%	31 December	Production and distribution of natural gas

Bapco Energies B.S.C. Closed

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

1 ACTIVITIES (continued)

Subsidiaries (continued)

<i>Name of the entity</i>	<i>Country of incorporation</i>	<i>Ownership interest</i>		<i>Year end</i>	<i>Principal activity</i>
		<i>2024</i>	<i>2023</i>		
Bapco Fuel Distribution Holding Company W.L.L.	Kingdom of Bahrain	100%	100%	31 December	Production and distribution of natural gas
Bapco Trading Holding Company W.L.L.	Kingdom of Bahrain	100%	100%	31 December	Activities of holding companies
Bapco Sustainable Solutions Holding Company W.L.L.	Kingdom of Bahrain	100%	100%	31 December	Activities of holding companies
BE Tech Ventures Holding Company W.L.L.	Kingdom of Bahrain	100%	100%	31 December	Activities of holding companies
Bapco Trading Company W.L.L.	Kingdom of Bahrain	100%	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
Awali Hospital Company W.L.L. ("Awali Hospital")	Kingdom of Bahrain	100%	100%	31 December	Healthcare services and sale of pharmaceutical and medical goods.
Bapco Properties W.L.L.	Kingdom of Bahrain	100%	0%	31 December	Real estate activities with own or leased property.

Bapco Energies B.S.C. Closed

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

1 ACTIVITIES (continued)

Subsidiaries (continued)

<i>Name of the entity</i>	<i>Country of incorporation</i>	<i>Ownership interest</i>		<i>Year end</i>	<i>Principal activity</i>
		<i>2024</i>	<i>2023</i>		
Bapco Reinsurance Limited**	Guernsey	100%	0%	31 December	Underwriting insurance business

Associates

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. (formerly Arab Shipbuilding and Repair Yard Company B.S.C (c)) ("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.

Joint venture

Trident Logistics Bahrain W.L.L. ("Trident") - joint venture	Kingdom of Bahrain	49%	49%	31 December	Warehousing and storage, Management consultancy activities, Packaging activities.
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Joint operations

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.
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At 31 December 2024

1 ACTIVITIES (continued)

* During the year ended 31 December 2024, the Company sold 0.1% shareholding in SBPC, a subsidiary of the Company to ORYX Bidco Holding Limited ("ORYX" or "Investor shareholder"), a company incorporated in the United Arab Emirates, for a consideration of BD 152,107 thousand (US\$ 403,468 thousand). Refer to note 19.5.

** Bapco Reinsurance Limited was established by the Company as a wholly-owned subsidiary on 19 April 2024, with share capital of BD 0.376 million (US\$ 1 million) to participate in insuring the risks of Bapco Energies, its subsidiaries, and related companies. Bapco Reinsurance Limited is established in Guernsey in order to benefit from the captive insurance expertise and infrastructure in Guernsey (including its mature regulatory framework, banking and investment facilities).

*** The Company passed a resolution on 29 January 2025 and on 19 May 2024, respectively, for the plans to divest the Company's shares in BLBOC and BGB, respectively, and subsequently making them wholly owned subsidiaries of Bapco Refining B.S.C. Closed ("Bapco"). On 5 March 2024, the Board of Directors of Bapco passed a resolution to amalgamate these companies' businesses with Bapco and then to dissolve these Companies. The shares held by Bapco Energies in BLBOC and BGB were transferred to Bapco Refining on 15 April 2025 and 21 May 2025, respectively.

The consolidated financial statements were approved by the Board of Directors through a resolution dated 30 July 2025.

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"). As of 31 December 2024, the BMP project is included in Capital Work-In-Progress (note 6). 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 that result in various rights and obligations of the Group. Refer to note 3 (iii) for further details of the principal vs agent considerations.

2 MATERIAL ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with IFRS Accounting Standards and the Bahrain Commercial Companies Law ("BCCL") except for the fact that the consolidated financial statements for the year ended 31 December 2024 were not submitted to the Ministry of Industry and Commerce ("MOIC") within six months from the reporting date, however, an extension letter has been submitted by the Company's management to MOIC which is valid up to 30 September 2025. 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 consolidated 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 Group's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3 to the consolidated 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 Group's consolidated financial statements continue to be prepared on a going concern basis.

Basis of preparation

The consolidated financial statements have been prepared under the historical cost basis, except for derivative financial instruments, certain trade receivables related to contracts with provisional pricing arrangements, certain trade payables and accruals related to contracts with provisional pricing arrangements and investment at FVOCI which are 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 2024

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 2024.

The following amendments to existing standards and interpretations have been published and are effective for the financial year beginning on or after 1 January 2024:

- Classification of Liabilities as Current or Non-current and Non-current liabilities with covenants – Amendments to IAS 1;
- Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7; and
- Lease Liability in a Sale and Leaseback - Amendments to IFRS 16.

The above new and amended standards and interpretations had no impact on the Group's consolidated financial statements.

2 MATERIAL ACCOUNTING POLICIES (continued)

Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2024 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 2024:

(a) Amendments to IAS 21 - Lack of Exchangeability (effective for annual periods beginning on or after 1 January 2025)

In August 2023, the IASB amended IAS 21 to help entities to determine whether a currency is exchangeable into another currency, and which spot exchange rate to use when it is not. The Group is assessing the impact of these amendments on its consolidated financial statements.

(b) Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7 (effective for annual periods beginning on or after 1 January 2026)

On 30 May 2024, the IASB issued targeted amendments to IFRS 9 and IFRS 7 to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. These amendments:

- clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- clarify and add further guidance for assessing whether a financial asset meets the sole payments of principal and interest (SPPI) criterion;
- add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and
- update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

The Group is assessing the impact of these amendments on its consolidated financial statements.

(c) IFRS 19 Subsidiaries without Public Accountability: Disclosures (effective for annual periods beginning on or after 1 January 2027)

Issued in May 2024, IFRS 19 allows for certain eligible subsidiaries of parent entities that report under IFRS Accounting Standards to apply reduced disclosure requirements. The Group is assessing the impact of these amendments on its consolidated financial statements.

(d) IFRS 18 Presentation and Disclosure in Financial Statements (effective for annual periods beginning on or after 1 January 2027)

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

(d) IFRS 18 Presentation and Disclosure in Financial Statements (effective for annual periods beginning on or after 1 January 2027) (continued)

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

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2024. 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.

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;
- derecognises other components of 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.

2 MATERIAL ACCOUNTING POLICIES (continued)

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.

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

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:

2 MATERIAL ACCOUNTING POLICIES (continued)**Fair value measurement (continued)**

- 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:

Buildings	8 to 40 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 de-recognised. 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.

2 MATERIAL ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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.

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'.

2 MATERIAL ACCOUNTING POLICIES (continued)**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:

<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.

2 MATERIAL ACCOUNTING POLICIES (continued)

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.

Trade payables and accruals related to contracts with provisional pricing arrangements measured at FVTPL. The fair value was calculated using forward curves and future prices. These balances are classified as level 3 in the fair value hierarchy due to the inclusion of unobservable inputs, including counterparty credit risk in the fair value calculation.

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.

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.

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 Group'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.

Trade payables and accruals related to contracts with provisional pricing arrangements measured at FVTPL. The fair value was calculated using forward curves and future prices. These balances are classified as level 3 in the fair value hierarchy due to the inclusion of unobservable inputs.

(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 certain 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.

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. Effective 1 March 2024, all Bahrain based employers are required to make monthly contributions in relation to the expatriate indemnity to SIO, who would be responsible to settle leaving indemnities for expatriates at the time of end of service. Any indemnity liability prior to 1 March 2024 and pending transfer to the SIO in subsequent periods remains the obligation of the Group.

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.

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.

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

Sales of refined petroleum products at international prices

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.

Revenue contracts from sales made at international prices provide for provisional pricing at the time of shipment, with final pricing based on the average market price for a particular future period. Revenue on these contracts is recorded based on the estimate of the final price at the time control is transferred to the customer. Any difference between the estimate and the final price is recorded as a change in fair value of the related receivable, as part of revenue, in the consolidated statement of profit or loss.

Sales of refined petroleum products at domestic prices

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.

2 MATERIAL ACCOUNTING POLICIES (continued)

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:

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 the Government's behalf:

- distribute gas to the end users and manage the gas distribution network;
- the procurement and management of Liquefied Natural Gas ("LNG"); 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.

2 MATERIAL ACCOUNTING POLICIES (continued)

Income tax (continued)

Bahrain Domestic Minimum Top-Up Tax

On 1 September 2024, Bahrain released Decree-Law No. (11) of 2024 (DMTT Law) regarding the Implementation of Tax on Multinational Enterprise (MNE) Groups located in Bahrain which is aligned with the Organization for Economic Cooperation and Development (OECD) BEPS Pillar Two Inclusive Framework. The DMTT Law applies the Global Minimum Tax (GMT) of 15% on Bahrain Constituent Entities (CEs) of MNE Groups and contains key operative provisions of the OECD GloBE rules. In essence, Bahrain's DMTT is a GloBE rules compliant domestic corporate income tax (CIT) applicable only to large MNE Groups. The newly enacted tax legislation is effective from fiscal years commencing 1 January 2025. Since the newly enacted tax legislation is only effective from 1 January 2025, there is no current tax impact for the year ended 31 December 2024. The Group is currently engaged with tax specialists to assist it with applying the legislation and the Group has also availed an exemption for a period up to 5 years from the date the MNE group became an in-scope group for DMTT Law. The eligibility to avail the exemption will be assessed on an annual basis.

The Group has applied the temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

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.

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.

Government grant

Government grants are recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the related costs towards which they are intended to compensate are recognised as expenses.

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:

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

3 (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 (e.g., construction of significant leasehold improvements or significant customisation to the leased asset). The Group included the renewal period as part of the lease term for leases. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

(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.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

3 (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:

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.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

3 (continued)

Judgements (continued)

(iii) Principal vs agent considerations (continued)

a) Oil producing activities

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 Refining 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.

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.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

3 (continued)

Judgements (continued)

(iii) Principal vs agent considerations (continued)

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.

(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.

(v) Sale of shares in SBPC

As mentioned in note 19.5, due to the terms and conditions set out therein, management has not accounted for the sale of 0.1% of its shares in its subsidiary Saudi Bahrain Pipeline Company W.L.L. ("SBPC") as a sale of a non-controlling interest. Management has considered the various contractual terms to provide the Investor shareholder with the contractual right to receive payments of quarterly dividends. As such, the sale of 0.1% should be accounted for as a financial liability in accordance with IAS 32 – Financial Instruments: Presentation.

As the sale of the 0.1% shareholding in SBPC was not accounted for as a sale, and as all risks and rewards of the 0.1% are effectively retained by the Group, management determined that non-controlling interest would not be recognised for the 0.1%. Accordingly, Bapco Energies retained control of SPBC and continued to consolidate SPBC as at 31 December 2024.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

3 (continued)

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:

(vi) 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 impairment of property, plant and equipment as at year ended 31 December 2024 and 31 December 2023.

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.

(vii) 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.

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.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

3 (continued)

Estimates and assumptions (continued)

(viii) Useful lives of property, plant and equipment

The Directors determines 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.

(ix) 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 2024, gross inventories were BD 294,127 thousand (2023: BD 282,746 thousand) against which provisions for old and obsolete inventories made amounted to BD 17,946 thousand (2023: BD 17,651 thousand) (note 11).

(x) 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 2024, gross trade receivables were BD 358,060 thousand (2023: BD 331,954 thousand) against which provisions for ECL made amounted to BD 16,184 thousand (2023: BD 11,961 thousand) (note12).

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

3 (continued)

Estimates and assumptions (continued)

(xi) 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.

(xii) 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 2024, the Group used an IBR ranging between 6.5% - 8.5% 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 1,773 thousand (2023: BD 1,854 thousand).

(xiii) 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.

(xiv) 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 2024 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 2023, 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). There is no movement in the contribution from the shareholder during the year ended 31 December 2024.

Bapco Energies B.S.C. Closed

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

5 PROPERTY, PLANT AND EQUIPMENT

At 31 December 2024

	Freehold land BD '000	Buildings BD '000	Oil and gas producing assets BD '000	Pipeline assets BD '000	Plant and machinery BD '000	Furniture and equipment BD '000	Motor vehicles BD '000	Hardware and software BD '000	Site work & aviation assets BD '000	Other assets* BD '000	Total BD '000
Cost:											
At 1 January 2024	121	213,404	1,310,622	117,082	1,398,099	12,407	11,437	11,133	5,595	134	3,080,034
Additions during the year	-	2,353	-	-	2,169	8	133	409	-	-	5,072
Transfers from capital work-in-progress (note 6)	-	735	64,311	-	2,667	637	107	940	-	-	69,397
Disposals	-	-	-	-	-	-	(133)	-	-	-	(133)
Assets written-off	-	(886)	-	-	(4,491)	(108)	(4,623)	(2)	-	-	(10,110)
At 31 December 2024	121	215,606	1,374,933	117,082	1,398,444	12,944	6,921	12,480	5,595	134	3,144,260
Depreciation:											
At 1 January 2024	-	103,100	793,272	13,903	1,051,624	11,575	10,130	10,814	5,134	-	1,999,552
Charge for the year	-	8,118	108,286	2,927	47,619	170	347	635	46	-	168,148
Disposals	-	-	-	-	-	-	(133)	-	-	-	(133)
Assets written-off	-	(879)	-	-	(4,473)	(108)	(4,025)	(2)	-	-	(9,487)
At 31 December 2024	-	110,339	901,558	16,830	1,094,770	11,637	6,319	11,447	5,180	-	2,158,080
Net carrying value:											
At 31 December 2024	121	105,267	473,375	100,252	303,674	1,307	602	1,033	415	134	986,180

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

As at 31 December 2024, the gross carrying amount of fully depreciated property, plant and equipment balance that is still in use is BD 657 million (2023: BD 644 million).

Property, Plant and Equipment with a carrying value of BD 124,032 thousand (2023: BD 147,347 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

5 PROPERTY, PLANT AND EQUIPMENT (continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

5 PROPERTY, PLANT AND EQUIPMENT (continued)**5.1 Depreciation charged to profit or loss**

	2024 BD '000	2023 BD '000
Depreciation relating to:		
- Property, plant and equipment	168,148	173,267
- Right-of-use assets (note 7)	39,825	40,202
	207,973	213,469

6 CAPITAL WORK-IN-PROGRESS

	<i>Note</i>	2024 BD '000	2023 BD '000
At 1 January		2,525,805	2,206,810
Additions during the year	6.1 & 6.2	566,259	464,941
Transfer to property, plant and equipment	5	(69,397)	(144,639)
Others		-	(1)
Capital work-in-progress written-off		(2,889)	(1,306)
As at 31 December		3,019,778	2,525,805

6.1 This includes staff costs amounting to BD 12,083 thousand (2023: BD 15,057 thousand) and borrowing costs [net of Interest income on interest rate swaps] amounting to BD 117,599 thousand (2023: BD 124,847 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% (2023: 6.95%) (note 31.2).

6.2 The amount of finance costs on lease liabilities capitalised during the year amounted to BD 3 thousand (2023: BD 11 thousand) and depreciation on right-of-use assets capitalised during the year amounted to BD 142 thousand (2023: BD 142 thousand).

7 RIGHT-OF-USE ASSETS

	2024 BD '000	2023 BD '000
At 1 January	170,047	150,788
Additions during the year	22,135	48,341
Remeasurement	7,254	11,262
Depreciation during the year*	(39,967)	(40,344)
As at 31 December	159,469	170,047

* Depreciation during the year includes BD 142 thousand (2023: BD 142 thousand) that has been capitalised in capital work-in-progress.

7 RIGHT-OF-USE ASSETS (continued)

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

	2024	2023
	BD '000	BD '000
Compressors	94,326	111,250
Drilling rigs	46,795	39,173
Workover rigs	7,409	16,127
Others	10,939	3,497
As at 31 December	159,469	170,047
	2024	2023
	BD '000	BD '000
Depreciation charge of right of use assets		
Compressors	17,219	18,177
Drilling rigs	12,232	12,070
Workover rigs	8,761	8,684
Others	1,755	1,413
As at 31 December	39,967	40,344

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

8 INVESTMENTS IN ASSOCIATES AND JOINT VENTURE**8.1 Investment in Arab Shipbuilding and Repair Yard Co. (Asry) (formerly Arab Shipbuilding and Repair Yard Company B.S.C (c))**

On 24 October 2019, the Government transferred its interest in Asry, which was held by the Government through Bahrain Mumtalakat Holding B.S.C. (c) ("Mumtalakat"), to the Company. As of 31 December 2024, 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 provided an interest free shareholder loan of BD 11 million (US\$ 30 million.) The management is of the view that this shareholder loan takes 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

	<i>2024</i>	<i>2023</i>
	<i>BD '000</i>	<i>BD '000</i>
Investment in associates and joint venture	158,091	149,408
	158,091	149,408

The investment in Bahrain LNG W.L.L. includes convertible loan of BD 35,737 thousand (2023: BD 34,189 thousand) for which settlement is neither planned nor likely in the foreseeable future. This loan can be converted to equity at the option of Bapco Energies at any time prior to settlement.

Bapco Energies B.S.C. Closed

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

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%	30%	36.96%	36.96%	33.33%	33.33%	49%	49%		
	<i>Bahrain LNG W.L.L.</i>		<i>Arab Shipbuilding and Repair Yard Co.</i>		<i>Gulf Petrochemical Industries Co. B.S.C. (c)</i>		<i>Trident Logistics Bahrain W.L.L.</i>		<i>Total</i>	
	2024 BD '000	2023 BD '000	2024 BD '000	2023 BD '000	2024 BD '000	2023 BD '000	2024 BD '000	2023 BD '000	2024 BD '000	2023 BD '000
1 January	38,410	37,703	11,569	7,585	98,922	87,978	507	296	149,408	133,562
Additions during the year**	2,131	1,996	4,880	-	-	-	-	-	7,011	1,996
Share of profit/(loss) for the year	98	(1,079)	(594)	3,984	9,221	10,935	271	211	8,996	14,051
Share of other comprehensive income/(loss) for the year	133	(210)	-	-	83	9	-	-	216	(201)
Share of total comprehensive (loss)/income for the year	231	(1,289)	(594)	3,984	9,304	10,944	271	211	9,212	13,850
Dividends received from associates	-	-	-	-	(7,540)	-	-	-	(7,540)	-
31 December	40,772	38,410	15,855	11,569	100,686	98,922	778	507	158,091	149,408
Share of associates equity at 31 December was as follows:										
	2024 BD '000	2023 BD '000	2024 BD '000	2023 BD '000	2024 BD '000	2023 BD '000	2024 BD '000	2023 BD '000	2024 BD '000	2023 BD '000
Non-current assets	358,353	360,353	56,962	56,717	155,550	162,187	3,880	4,148	574,745	583,405
Current assets	80,720	89,118	52,085	62,276	161,020	144,793	3,984	3,264	297,809	299,451
Non-current liabilities	(274,452)	(289,520)	(47,830)	(38,261)	(2)	(73)	(991)	(1,092)	(323,275)	(328,946)
Current liabilities	(28,716)	(31,917)	(31,524)	(49,430)	(14,509)	(10,140)	(5,284)	(5,285)	(80,033)	(96,772)
Equity	135,905	128,034	29,693	31,302	302,059	296,767	1,589	1,035	469,246	457,138
Capital contributions made by Bapco Energies	-	-	4,880	-	-	-	-	-	4,880	-
31 December	40,772	38,410	15,855	11,569	100,686	98,922	778	507	158,091	149,408

** Additions during the year includes an amount of BD 2,131 thousand (2023: BD 1,996) of capitalised interest due on a convertible loan given to Bahrain LNG W.L.L. and interest free loan of BD 4,880 thousand provided to Asry during the year 2023.

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At 31 December 2024

8 INVESTMENTS IN ASSOCIATES AND JOINT VENTURE (continued)

8.4 Reconciliation to carrying amounts

	<i>Bahrain LNG W.L.L.</i>		<i>Arab Shipbuilding and Repair Yard Co.</i>		<i>Gulf Petrochemical Industries Co. B.S.C. (c)</i>		<i>Trident Logistics Bahrain W.L.L.</i>	
	2024	2023	2024	2023	2024	2023	2024	2023
	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000
Opening net assets at 1 January	128,036	125,676	31,302	20,523	296,767	263,934	1,035	604
Additions during the year	7,103	6,653	13,203	-	-	-	-	-
Profit/(loss) for the period	328	(3,595)	(1,608)	10,779	27,664	32,806	553	431
Other comprehensive income/(loss)	442	(699)	-	-	248	27	-	-
Dividends paid	-	-	-	-	(22,565)	-	-	-
Closing net assets at 31 December	135,909	128,036	42,897	31,302	302,114	296,767	1,588	1,035
Group's share in %	30%	30%	36.96%	36.96%	33%	33%	49%	49%
Group's share in BD	40,772	38,410	15,855	11,569	100,686	98,922	778	507
Carrying amount	40,772	38,410	15,855	11,569	100,686	98,922	778	507

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

Ownership interest	30%		36.96%		33.33%		49%			
	<i>Bahrain LNG W.L.L.</i>		<i>Arab Shipbuilding and Repair Yard Co.</i>		<i>Gulf Petrochemical Industries Co. B.S.C. (c)</i>		<i>Trident Logistics Bahrain W.L.L.</i>		<i>Total</i>	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000
Revenue	39,626	41,205	71,713	94,091	136,786	146,736	-	-	248,125	282,032
Cost of sales	(10,366)	(10,079)	(55,920)	(60,927)	(93,658)	(96,545)	(267)	(346)	(160,211)	(167,897)
Other income	-	-	2,965	4,332	7,709	6,023	933	1,078	11,607	11,433
Expenses	(28,932)	(34,721)	(20,366)	(26,717)	(23,173)	(23,408)	(113)	(301)	(72,584)	(85,147)
Profit/(loss) for the year	328	(3,595)	(1,608)	10,779	27,664	32,806	553	431	26,937	40,421
Other comprehensive income/(loss) for the year	442	(699)	-	-	248	27	-	-	690	(672)
Total comprehensive income/(loss) for the year	770	(4,294)	(1,608)	10,779	27,912	32,833	553	431	27,627	39,749
Group's share of total comprehensive income/(loss) for the year	231	(1,289)	(594)	3,984	9,304	10,944	271	211	9,212	13,850
Capital and other commitments	1,821	6,783	2,218	1,692	13,230	12,968	-	-	17,269	21,443

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9 LONG-TERM ASSETS

	<i>Note</i>	2024 BD '000	2023 BD '000
Home ownership loans – non-current portion	9.1	14,011	16,775
Long-term staff loans	9.1	3,677	3,873
Investment at FVOCI	9.2	200	200
Other long-term assets		-	293
		17,888	21,141

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% (2023: 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

	2024 BD '000	2023 BD '000
Bank balances		
- BAPCO expatriate employees' end of service benefits (note a)	16,476	15,391
- BMP Project (note b)	113,085	113,085
Restricted Bank balances	129,561	128,476
Less: ECL for restricted cash	(13)	-
	129,548	128,476

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 5.6% to 7% (31 December 2023: between 6% to 7%) per annum.

Note 'b'

This represents an account held with a bank outside the Kingdom of Bahrain for the 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 (2023: daily USD LIBOR minus 0.25% per annum). This deposit is required to be held till actual completion of the BMP project.

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11 INVENTORIES

	2024	2023
	BD '000	BD '000
<i>Petroleum inventories:</i>		
Crude oil	12,517	14,149
Work-in-process	70,320	61,957
Refined finished products	93,574	87,677
Gasoline inventories	1,573	6,178
	177,984	169,961
<i>Gas inventories:</i>		
Processed gas	8,925	10,350
<i>Lube inventories</i>		
Lube based oil	11,320	10,619
<i>Materials and supplies inventories:</i>		
Refinery / production	32,354	27,388
Spares and materials	63,544	64,428
	95,898	91,816
Less: provision for slow moving inventories for		
- refinery / production	(6,902)	(7,815)
- spares and materials	(11,044)	(9,836)
	(17,946)	(17,651)
	77,952	74,165
	276,181	265,095

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

	2024	2023
	BD '000	BD '000
At 1 January	17,651	16,745
Charge for the year	482	3,905
Reversal during the year	(187)	(2,999)
At 31 December	17,946	17,651

The charge for the year been recognised in cost of materials in the consolidated statement of profit and loss and other comprehensive income. The pricing adjustment of inventories to their net realisable value is BD 3,790 thousand (2023: BD 18,651 thousand), the movement for the year is recognised in cost of materials in the consolidated statement of profit or loss and other comprehensive income.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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12 TRADE, OTHER RECEIVABLES AND OTHER ASSETS

	2024	2023
	BD '000	BD '000
<i>Trade receivables</i>		
Third parties	286,945	275,767
Related parties (note 33a)	71,115	56,187
	358,060	331,954
Less: Provision for ECL / impairment of trade receivables	(16,184)	(11,961)
	341,876	319,993
<i>Others</i>		
Other receivables*	34,199	49,674
Due from Ministry of Oil and Environment (note 33a)	29,339	26,252
Advances to contractors	5,476	3,066
Prepayments	12,217	12,467
Home ownership loans – current portion	4,744	3,647
Staff loans – current portion	231	578
	86,206	95,684
Less: ECL for other receivables	(16,193)	(19,762)
	411,889	395,915
<i>Trade and other receivables</i>		
- Non-current portion	7,237	11,310
- Current portion	404,652	384,605
	411,889	395,915
<i>Trade and other receivables</i>		
- Measured at FVTPL	268,636	298,283
- Measured at amortised cost	143,253	97,632
	411,889	395,915

*Other receivables include a loan provided to an associate of the Group amounting to BD 7,237 thousand (2023: BD 11,310 thousand). During the year, the Group has transferred BD 4,880 relating to the interest free loan provided to an associate (note 8.3).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

12 TRADE, OTHER RECEIVABLES AND OTHER ASSETS (continued)

The movements in the provision for ECL / impairment of trade receivables during the year were as follows:

	2024	2023
	BD '000	BD '000
At 1 January	31,723	31,708
Charge for the year	4,195	106
Write-offs during the year	(3,541)	(91)
At 31 December	32,377	31,723

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</i>	<i>61 to 180</i>	<i>181 to 365</i>	<i>Over</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>60 days</i>	<i>days</i>	<i>days</i>	<i>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>
2024	341,876	287,250	39,129	6,777	2,958	5,762
2023	319,993	240,034	44,864	3,483	4,255	27,357

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.

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13 DUE FROM A RELATED PARTY

During 2018, the Group entered into various agreements with the Government including Crude Oil Supply Agreement ("COSA") , Crude Oil Sale and Purchase Agreement ("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:

	2024	2023
	BD '000	BD '000
Receivable from the Government	435,755	275,239
Less: Provision for ECL	(58,441)	(58,441)
	377,314	216,798
Non-current portion	312,437	191,010
Current portion	64,877	25,788
	377,314	216,798

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.
- f) Amount receivable with respect to COSA shortfall.

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.

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14 CASH AND BANK BALANCES

	<i>Note</i>	2024 BD '000	2023 BD '000
Current and call accounts (14.1)			
- BMP project related		12,513	17,233
- Others	14.1	455,225	328,515
Short-term deposits (14.2)	14.2	102,454	818,133
Cash in transit		332	95
Cash on hand		77	71
Cash and cash equivalents		570,601	1,164,047
Deposits with banks with maturity more than 3 months (14.2)		234,777	-
Less: allowance for expected credit losses		(49)	(11)
Cash and bank balances		805,329	1,164,036

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 2024, deposits held with banks in the Kingdom of Bahrain earn interest at rates ranging between 4% and 6.7% per annum (2023: 1.50% and 6.25% per annum).

14.3 The Group also holds a bank account on behalf of the Government amounting to US\$ 114,474 thousand as at 31 December 2024 (2023: US\$ 114,475 thousand) which does not form part of cash and bank balances within the consolidated statement of financial position.

The Group maintains certain bank accounts for the employees' savings scheme. These accounts are managed by the Group on behalf of the employees to facilitate the savings scheme arrangement. As a result, these bank accounts are not included in the Group's cash and bank balance. The bank balances in these accounts amount to BD 58,065 thousand as of 31 December 2024 (2023: BD 57,484 thousand).

Total contributions made by the Group towards employees' savings plan for the year ended 31 December 2024 amounts to BD 6,266 thousand (2023: BD 3,884 thousand) included within staff costs.

Non-cash transactions entered by the Group during the year ended 2024 and 2023 are as follows:

Non-cash items

	2024 BD '000	2023 BD '000
Transfer from capital-work-in-progress to property plant and equipment (notes 5 & 6)		
Property, plant and equipment	69,397	144,639
Capital work-in-progress	(69,397)	(144,639)

14 CASH AND BANK BALANCES (continued)**Finance cost capitalised (note 6)**

Capital work-in-progress	117,599	124,847
Borrowings	(117,596)	(124,836)
Lease liabilities	(3)	(11)

Depreciation capitalised (note 7)

Capital work-in-progress	142	142
Right-of-use assets	(142)	(142)

Additions to right-of-use assets (notes 7 & 24)

Right-of-use assets	22,135	48,341
Lease liabilities	22,135	48,341

Remeasurement of right-of-use assets (notes 7 & 24)

Right-of-use assets	7,254	11,262
Lease liabilities	7,592	11,475
Loss on remeasurement of lease liabilities	(338)	-

Additional investment in an associate (note 8.2)

	7,011	-
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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
2015 dividend declared in 2016 settled against		
Due from a related party	-	56,400

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15 SHARE CAPITAL AND CAPITAL ADJUSTMENT ACCOUNT

	2024	2023
	BD '000	BD '000
Share capital		
<i>Authorised:</i>		
1,619,400,000 shares of BD1 each		
(2023: 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		
(2023: 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 (2023: 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 (2023: 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 (2023: 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.

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16 SINKING FUND RESERVE

	2024 BD '000	2023 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 11,054 thousand (2023: BD 21,625 thousand) to the statutory reserve.

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	
		2024	2023
Bapco Gas Company B.S.C. Closed ("Banagas")	Kingdom of Bahrain	0%	25%
Bapco Air Fueling Company B.S.C. Closed ("Bafco")	Kingdom of Bahrain	40%	40%
Bahrain Gasoline Blending W.L.L. ("BGB")	Kingdom of Bahrain	0%	15%

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18 NON-CONTROLLING INTERESTS (continued)

	<i>Accumulated balances of non-controlling interests</i>		<i>Profit allocated to non-controlling interests</i>	
	2024	2023	2024	2023
	BD '000	BD '000	BD '000	BD '000
Banagas	-	6,280	-	404
- At 28 August 2024	-	-	168	-
- At 24 September 2024	-	-	189	-
Bafco	58	58	-	-
BGB	-	922	(95)	(306)
Total	58	7,260	262	98

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

	2024	2023
	BD '000	BD '000
At 1 January	7,260	7,162
Net profit and total comprehensive income attributable to non-controlling interest	262	98
Acquisition of non-controlling interest	(7,464)	-
	58	7,260

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19 BORROWINGS

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

	Note	2024 BD '000	2023 BD '000
Murabaha facility	19.1	942,500	829,400
Listed term bonds	19.2		
- first tranche		377,000	377,000
- second tranche		188,500	291,102
Commercial and Islamic facilities	19.3	980,408	816,348
BMP project borrowings	19.4	1,322,275	1,411,638
Loan from an Investor shareholder	19.5	151,959	-
		3,962,642	3,725,488
Interest payable on borrowings		40,732	37,584
less - unamortised transaction cost		(155,513)	(156,704)
At 31 December		3,847,861	3,606,368
Total borrowings		3,847,861	3,606,368
Less: Interest payable on borrowings		(40,732)	(37,584)
Less: Current maturities of long-term borrowings		(179,694)	(234,779)
Non-current portion		3,627,435	3,334,005
Current portion		220,426	272,363

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 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 (BD 603 million) on the same terms, and US\$ 200 million (BD 75 million) was drawn.

At 31 December 2024

19 BORROWINGS (continued)

19.1 On May 11, 2022 Bapco Energies successfully refinanced its US\$ 1,600 million (BD 603 million) Murabaha facility and upsized it to US\$ 2,200 million (BD 829 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

On November 27 2023, Bapco Energies concluded an Amend & Restate exercise on the US\$ 2,200 million (BD 829 million) dual tranche sustainability-linked Murabaha and conventional term facility. The transaction was upsized to US\$ 2,500 million (BD 943 million) by incorporating a US\$ 300 million (BD 113 million) green shoe option, which was drawn down on 30 May 2024. 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

The facility is fully drawn down. There are no financial covenants associated with this borrowing.

19.2 During 2017, Bapco Energies established a Global Medium Term Note programme (the "Programme") for an amount of US\$ 3 billion (BD 1.13 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 (BD 0.377 billion). 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 (BD 188.5 million) and a 6 year bond carrying interest rate of 7.625% per annum and amounting to US\$ 500 million (BD 188.5 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\$ 250 million (BD 94 million), 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\$ 500 million (BD 188.5 million) 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 (BD 180 million) in 2023, of the amounts which were due in 2024. The balance of US\$ 272 million (BD 102.6 million) has been paid on 6 November 2024.

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19 BORROWINGS (continued)

- 19.2 In Q2 2021, Bapco Energies (through Bapco Energies Sukuk Limited) issued US\$ 600 million (BD 226 million) 8-year Sukuk certificates due 2029 under the US\$ 3 billion (BD 1.13 billion) 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 (BD 283 million) 10-year Sukuk certificates due 2033 under the US\$ 3 billion (BD 1.13 billion) trust certificate program with a profit rate of 6.625%.

Bapco Energies Sukuk Limited, incorporated in Cayman Islands is held by Walkers on trust for charitable purposes.

- 19.3 As of 31 December 2019, the Group had an outstanding balance of US\$ 476.4 million (BD 179 million) against a long term borrowing (commercial and Islamic facilities) with a facility limit of US\$ 515 million (BD 193.6 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. During 2024, an amount of BD 24,440 thousand was paid (2023: BD 15,886 thousand).

On 14 October 2022, Bapco Energies, has signed a US\$ 300 million (BD 113 million) 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 of US\$ 18.75 million commencing on 14 April 2025. The rate of interest payable by the Borrower to the Lenders will be SOFR plus a 1.75% Margin payable semi-annually. Margin is increased/ decreased by 0.025 percentage points depending on compliance with certain pre-agreed annual Sustainability Performance Targets (SPT) as per below:

SPT-1 : -0.025 percentage points if the relevant objective in SPT-1 is met

+0.025 percentage points if the relevant objective in SPT-1 is not met

SPT -2: -0.025 percentage points if the relevant objective in SPT -2 is met

+0.025 percentage points if the relevant objective in SPT-2 is not met

The Facility will benefit from a SACE guarantee (the "SACE Guarantee") covering 80% of the principal and interest amounts due under the Facility. The facility was fully drawn down during the year ended 2023.

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 these covenants have been complied with as at 31 December 2024.

At 31 December 2024

19 BORROWINGS (continued)

19.3 On 10 July 2024, Bapco Energies signed a \$500m credit agreement with the Private Export Funding Corporation ("PEFCO"), which was guaranteed by the Export-Import Bank of the United States ("EXIM"). The facility was raised on a reimbursement basis on payments linked to Bahrain Field Expansion and Development Program. The Facility has two tranches: the size of Tranche A is \$443.5m and it has a door-to-door tenor of 10 years; the size of Tranche B is \$56.5m and it has a door-to-door tenor of 8 years. Repayment of both Tranches is on an equal and consecutive semiannual basis, with principal repayments commencing on the 8th of March 2025. The rate of interest payable by the Borrower to the Lenders is interpolated US Treasuries plus a 0.55% Margin payable semi-annually as below. The facility was fully drawn as of 30 September 2024.

- Tranche A (10 years): $4.108\% \text{ (interpolated UST)} + 0.55\% = 4.658\%$

- Tranche B (8 years): $4.147\% \text{ (interpolated UST)} + 0.55\% = 4.697\%$

19.4 Bapco Refining ("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 available financing facilities of US\$ 4.1 billion (BD 1.6 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 SOFR + spread ranging between 0.90% to 2.90% per annum and 4.04% per annum respectively (2023: 6 month SOFR + spread ranging between 0.90% to 2.90% per annum and 4.04% per annum respectively).

Transaction costs comprise of insurance premium, commitment fees, upfront fees and other fees that are paid by the Company and are not recoverable. During 2024, the Company paid BD 792 thousand (2023: BD 1,608 thousand) to the Facility Lenders and amortized over the useful life of loans. Upon amortization costs are capitalised to capital work in progress.

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 Refining has paid the first installment on 27 April 2023 as per the provisions of the Finance Documents and successfully paid the second, third and fourth installments on 31 October 2023, 30 April 2024 and 31 October 2024 respectively.

Subsequent to the year ended 31 December 2024, Bapco Refining has paid the fifth instalment on 30 April 2025.

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. The Group has drawn all the facilities.

At 31 December 2024

19 BORROWINGS (continued)

19.4 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.

19.5 During the year, Bapco Energies sold 0.1% of its shares in its subsidiary SBPC to the Investor shareholder on 29 August 2024 ("completion date") for a consideration of USD 403 million (BD 152 million). Effective from this date the Group and the Investor shareholder entered into a shareholders' agreement and a call/put option agreement was entered into between Bapco Energies and Oryx Topco Holding Limited. The following are the key terms and conditions of the transaction as outlined in these agreements:

Bapco Energies resolved to adopt a dividend distribution policy, whereby the dividend distributions will be paid on a quarterly basis by SBPC and 99.9% and 0.1% of the distributions will be allocated to the Investor shareholder and to Bapco Energies, respectively.

Further, the shareholders' agreement includes provisions for payment of dividends under certain indemnification risk events.

In terms of the call/put option agreement, Bapco Energies has a call option exercisable at any time after the completion date but the strike price may differ based on when the call option is exercised. In addition, the put option granted to Oryx Topco Holding Limited, exercisable on or after the 25th anniversary of the completion date ("Maturity Date") and if certain compulsory transfer events occur which are not under the control of Bapco Energies, may result in the full repayment of the dividends undistributed.

Given the above contractual terms and conditions, Bapco Energies has a contractual obligation to make quarterly dividend payments and the Group has not accounted for the sale of shares in SBPC as a sale of non-controlling interest, but as a financial liability and presented the financial liability in borrowings. As there is no sale of the 0.1% and as the Group retained all risks and rewards of the 0.1%, the Group has retained control over SPBC.

19.6 Bapco Energies signed an uncommitted overdraft facility with the National Bank of Bahrain ("NBB") amounting up to BD 25,000 thousand 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 is not utilized and stands undrawn.

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At 31 December 2024

19 BORROWINGS (continued)

- 19.7 On 22 December 2022, Bapco Energies signed a syndicated US\$ 200,000 thousand (BD 75,400 thousand) 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 till the year ended 31 December 2024 and stands undrawn.

20 EMPLOYEES' END OF SERVICE BENEFITS

	2024 BD '000	2023 BD '000
Expatriate employees' leaving indemnity (note 'a')	16,827	18,865
Bahraini pension plan	129	147
Pound sterling annuity plan	16	34
Defined benefit retirement scheme (note 'b')	-	2,569
	16,972	21,615

a) Expatriate employees' leaving indemnity

	2024 BD '000	2023 BD '000
At 1 January	18,865	17,472
Charge for the year	2,798	2,902
Paid during the year	(4,836)	(1,509)
At 31 December	16,827	18,865

b) Defined benefit retirement scheme

	2024 BD '000	2023 BD '000
At 1 January	2,569	2,378
Current service cost	682	129
Past service cost	-	-
Interest costs - net	-	204
Payments made during the year	(3,251)	(251)
Actuarial loss/(gain)	-	109
At 31 December	-	2,569

Banagas operates a defined benefit retirement scheme for its Bahraini employees. The retirement scheme was settled during the year and scheme has been closed.

c) Contribution to social insurance organisation (SIO)

Pension rights and other social benefits for Bahraini employees and non Bahraini employees (with effect from 1 March 2024) are covered by the SIO scheme to which the employer and employees contribute monthly at a fixed-percentage of salaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

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 an 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.

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 the 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	2024 BD '000	2023 BD '000
Trade payables		21,842	255,631
Accruals and other payables		507,459	431,822
Payable to contractors		2,733	37,148
Due to the Government	22.1 & 33(a)	52,223	17,951
Advance from customers		37	-
		584,294	742,552
<i>Trade and other payables</i>			
- Non-current portion		21,347	21,347
- Current portion		562,947	721,205
		584,294	742,552

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

22.1 These relate to product gas and fuel gas payments relating to the operations of Company's subsidiaries.

At 31 December 2024

22 TRADE AND OTHER PAYABLES (continued)

22.1

As of 31 December, amounts due to the Government include product and fuel gas charges BD 29,347 relating to Bapco Gas Expansion Company W.L.L.. This includes product gas charges relating to the year 2016 and 2018 amounts to BD 8,220 thousand (2023: BD 8,220 thousand) and BD 2,106 thousand (2023: BD 2,106 thousand) respectively and are subordinated until the liabilities under the syndicated loan facility is settled in full. In accordance with Ministry of Oil and Environment (formerly known as National Oil and Gas Authority "NOGA") letter dated 09 March 2017 and the terms & conditions of bank borrowings obtained in 2017, Product Gas charge for CGP- II & Fuel Gas charge for CGP-III from 1 January 2017 were subordinated. 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.

As of 31 December, amounts due to the Government include deferred product gas charges BD 14,925 thousand (2023: BD 14,973 thousand) and fuel gas charges BD 1,333 thousand (2023: BD 1,286 thousand) which are payable to the Government by Banagas. As per Board Resolution No. 1/140-2021 dated 1 July 2021, the Board of Directors resolve to recommence payment of outstanding Deferred Product Gas charges (BD 11.042 MM). The outstanding amount to be paid in equal instalments of BD 0.291 MM commencing July 2021. The instalment payment in a given month is subject to meeting the payment conditions. As of date, no instalment payment was made.

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 Group 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 Group aims to set the hedging ratio at 100% by matching the notional amount of the designated hedged items to the notional amount of the corresponding IRS used as the hedging instruments. To test the hedge effectiveness, the Group uses a combination of qualitative and quantitative methods. The Group 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.

At 31 December 2024

23 DERIVATIVE FINANCIAL INSTRUMENTS (continued)**Classification of derivatives**

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss.

The full fair value of hedging derivatives is classified as a non-current asset or liability where the remaining maturity of the hedged item is more than 12 months. It is classified as a current asset or liability where the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

The table below shows the positive and negative fair values of derivative financial instruments together with the notional amounts outstanding as at 31 December 2024 and 31 December 2023. 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.

	At 31 December 2024		At 31 December 2023	
	Notional amount BD '000	Positive fair value BD '000	Notional amount BD '000	Positive fair value BD '000
Current				
Derivatives under FVTPL				
Commodity derivatives	-	1,406	-	1,230
Interest rate swaps	-	-	-	2,517
Non-current				
Derivatives held as cash flow hedge				
Interest rate swaps	2,093,926	180,341	2,193,041	168,803
	At 31 December 2024		At 31 December 2023	
	Notional amount BD '000	Negative fair value BD '000	Notional amount BD '000	Negative fair value BD '000
Current				
Derivatives under FVTPL				
Commodity derivatives	-	-	-	284
Interest rate swaps	-	-	-	-
	-	-	-	284
Non-current				
Derivatives held as cash flow hedge				
Interest rate swaps	-	-	-	-

At 31 December 2024

23 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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 2024, 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 68 thousand (2023: BD 115 thousand).

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 2024 and 31 December 2023 are as follows:

	2024	2023
	BD '000	BD '000
<i>Recognised in the profit or loss</i>		
- Ineffective portion of cash flow hedges (note 30.2)	1,690	547
- Realised and unrealised gain/(loss) on derivative transactions (net) (note 30.2)	(185)	(2,641)
<i>Recognised in other comprehensive income</i>		
- Gain on cash flow hedges	79,158	6,279
- Share of gain / (loss) on cash flow hedge from an associate	133	(210)
- Reclassified from cash flow hedge reserve to profit or loss	(69,217)	(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.

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24 LEASE LIABILITIES

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

	2024 BD '000	2023 BD '000
As at 1 January	185,427	161,545
Additions during the year	22,135	48,341
Remeasurement	7,592	11,475
Finance cost for the year*	11,908	13,592
Payments during the year	(49,740)	(49,526)
As at 31 December	177,322	185,427
Current	40,358	37,377
Non-current	136,964	148,050
As at 31 December	177,322	185,427

* Finance cost for the year includes an amount of BD 3 thousand (2023: BD 11 thousand) capitalised in capital work-in-progress.

25 SHORT TERM BORROWINGS

	2024 BD '000	2023 BD '000
Short term loans	47,963	3

During 2024, Bapco Refining ("Bapco") has obtained short term loan facilities to meet its working capital requirements. These loans are repayable within one year of the draw down. These carry interest rate of SOFR plus margin ranging from 1.15% to 2.15% per annum (2023: 1 month LIBOR/BIBOR plus margin ranging from 0.75% to 2.50% per annum). The uncommitted amount under these facilities is BD 160,204 thousand (2023: BD 150,800 thousand). By the end of December 2024, Bapco Refining utilized BD 37.8 million working capital with National Bank of Bahrain.

Additionally, Bapco Refining has a new Working Capital facility under the Receivable Finance Program, also known as Receivable Factoring Facility ("RFF") with Bank ABC. The limit of the facility is BD 75,400 thousand (US\$ 200,000 thousand). The facility remains unutilized.

Bapco Gasoline Blending has utilised an overdraft facility amounting to BD 10,176 thousand (2023: 3 thousand) which carries annual interest rate at SOFR plus 2.25% (2023: Nil). Interest and commitment fees during the year amounted BD 10 thousand (2023: Nil).

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26 INCOME TAXES PAYABLE

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

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

	2024	2023
	BD '000	BD '000
At 1 January	970	3,604
Charge for the year	915	1,470
Payments made during the year	(970)	(4,104)
At 31 December	915	970

During the year, an amount of BD 915 thousand (31 December 2023: BD 1,470 thousand) income tax has been provided as Banagas has earned profit. Income tax at a rate of 46% (2023: 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 2024 and 31 December 2023. 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

	2024	2023
	BD '000	BD '000
Revenue from contracts with customers		
- Refined products	2,786,344	2,944,209
- Natural Gas and NGLs	463,228	430,978
- Lube based oil revenues	133,777	157,327
- Other revenue	214,620	191,042
External revenue	3,597,969	3,723,556

Disaggregation of revenue from contracts with customers

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

	2024	2023
	BD '000	BD '000
<i>Refined products</i>		
- Diesel	1,150,116	1,232,220
- Jet Fuel	903,919	899,607
- Fuel Oil	466,624	409,274
- Other refined products	265,685	403,108
	2,786,344	2,944,209

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27 REVENUE (continued)	2024	2023
	BD '000	BD '000
<i>Natural Gas and NGLs</i>		
- Naphtha	409,715	385,285
- Propane	25,160	21,785
- Butane	28,353	23,908
	463,228	430,978
<i>Lube based oil revenues</i>	133,777	157,327
	3,383,349	3,532,514
	2024	2023
	BD '000	BD '000
Other revenue		
Income relating to non-associated gas **	174,160	145,615
Service income from Ministry of Oil and Environment (formerly Noga)	6,498	5,008
Supply and services	572	10,252
Marketing fees - Abu Saafa	3,747	4,019
Berthing and unberthing charges	5,347	4,964
Medical services	6,827	6,425
Awali facilities	1,854	1,805
Management fees	15,615	12,954
	214,620	191,042

**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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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 2024					
Timing of revenue recognition					
- At a point in time	2,786,344	463,228	133,777	174,160	3,557,509
- Over time	-	-	-	40,460	40,460
	<u>2,786,344</u>	<u>463,228</u>	<u>133,777</u>	<u>214,620</u>	<u>3,597,969</u>
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>

28 COST OF MATERIALS

	<i>2024 BD '000</i>	<i>2023* BD '000</i>
Cost of crude oil consumed		
- Saudi Arabia	2,516,722	2,440,280
- Bahrain	5,282	5,316
Cost of gas consumed	114,834	98,284
Production overheads	25,678	21,663
Movement in petroleum inventories	(17,365)	9,526
Purchase of refined products	204,602	309,369
Movement between provisional price and final price	4,728	2,616
	<u>2,854,481</u>	<u>2,887,054</u>

* Refer to Note 40 for certain reclassifications made in respect of the 2023 comparative year.

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29 OTHER INCOME

	2024 BD '000	2023 BD '000
Miscellaneous income	11,080	6,229
	11,080	6,229

30 STAFF COSTS AND OTHER EXPENSES

30.1 Staff costs

	2024 BD '000	2023 BD '000
Staff costs	168,572	141,918

The employees' union of Bapco Refining 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 employees. Based on the legal opinion, the management has revised the estimated maximum liability to be BD 27,998 thousand (US\$ 74,275 thousand) relating to years from 2012 to 2024. During the year ended 31 December 2024, the management provided additional provisions amounting to BD 2,042 thousand (US\$ 5,418 thousand). The Company is pursuing this case through further legal appeals. The management expects to make payments only when all the legal possibilities are exhausted.

For employee saving scheme contributions and related balances as of 31 December 2024 refer to note 14.

30.2 Other expenses

	2024 BD '000	2023* BD '000
Materials and services**	53,825	47,826
Other operating expenses	59,687	74,583
Property, plant and equipment and capital work-in-progress written-off	3,512	1,316
Miscellaneous expenses	11,503	28,914
Realised and unrealised (gain)/loss on commodity derivative transactions (net)	185	2,641
Ineffectiveness on derivative instruments designated as cash flow hedges	(1,690)	(547)
	127,022	154,733

* Refer to Note 40 for certain reclassifications made in respect of the 2023 comparative year.

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

Auditor's remuneration for PwC for the statutory audit of the Group for the year ended 31 December 2024 amounts to BD 162 thousand (2023: BD 112 thousand).

Auditor's remuneration for non audit services during the year ended 31 December 2024 amounts to BD 297 thousand (2023: BD 227 thousand).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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31 FINANCE INCOME AND COSTS

31.1 Finance Income

	2024 BD '000	2023 BD '000
Interest income on loan to associate	2,937	1,996
Interest income on deposits	58,072	52,292
	61,009	54,288

31.2 Finance Costs

	2024 BD '000	2023 BD '000
Interest on borrowings and short term borrowings	308,776	237,388
Interest on lease liabilities (note 24)	11,905	13,592
Interest income on interest rate swaps	(69,217)	(8,766)
Less: capitalised finance costs (note 6)	(117,599)	(124,847)
	133,865	117,367

32 DIVIDEND PAYABLE

During 2024, no dividend was declared. During 2023 a final dividend of BD 56,400 thousand per share aggregating to BD 0.05 was declared and 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

33 RELATED PARTY BALANCES AND TRANSACTIONS (continued)

a) Balances with related parties

	Note	2024 BD '000	2023 BD '000
<i>Due from a related party</i>			
<i>Parent</i>			
Government of the Kingdom of Bahrain		<u>377,314</u>	<u>216,798</u>
<i>Trade receivables</i>			
Ministry of Oil and Environment		31,320	12,674
<i>Affiliates</i>		<u>39,795</u>	<u>43,513</u>
Others	12	<u>71,115</u>	<u>56,187</u>
<i>Others</i>			
<i>Related to Shareholder</i>			
Ministry of Oil and Environment	12	29,339	26,252
<i>Associates / joint venture</i>			
Gulf Petrochemical Industries Co. B.S.C. (c)		57	28
Asry		7,237	11,310
Others		1,371	4,822
<i>Amounts due to related parties</i>			
<i>Parent</i>			
Government of the Kingdom of Bahrain	22	52,223	17,951

b) Significant related party transactions

	2024 BD '000	2023 BD '000
<i>Amount due from a related party:</i>		
Balance as at 1 January	275,238	647,588
- Amounts paid to the Government	177,824	(308,515)
- Exploration costs paid on behalf of the Government	17,767	(12)
- Gas distribution network costs paid on behalf of the Government	(3,700)	3,539
- LNG costs paid on behalf of the Government	28	-
- Payment respect to COSA shortfall on behalf of Government	3,638	-
- Amounts from government on oil activities	(35,040)	(67,362)
Balance as at 31 December (note 13)	<u>435,755</u>	<u>275,238</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 contribution from shareholders of BD 394 million. Refer to Note 14.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

33 RELATED PARTY BALANCES AND TRANSACTIONS (continued)**b) Significant related party transactions (continued)**

	<i>Note</i>	2024 BD '000	2023 BD '000
Fee income received from the Government			
- Marketing fees - Abu Saafa	33 (c) & 27	3,747	4,019
- Service income	33 (c) & 27	6,498	5,008
- Management fees	27	15,615	12,954
- Income relating to non-associated gas	27	174,160	145,615
<i>Cost of materials consumed</i>			
- Product/ fuel gas	28	114,834	98,284
- Crude oil	28	5,282	5,316
- Khuff gas consumed for operations		81,043	68,304
<i>Associates / Joint Venture</i>			
Gulf Petrochemical Industries Co. B.S.C. (c)			
- Revenue from contracts with customer		44	46
- Other income		105	104
<i>Others (Entity related to the Shareholder)</i>			
- Jet fuel sales to Gulf Air		55,451	56,169

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)	2024 BD '000	2023 BD '000
Operating expenses	6,837	3,164
Capital projects and development costs	50,925	22,386
	57,762	25,550

The Group invoiced the corporate customers on behalf of Ministry of Oil and Environment (formerly Noga) for GDS sales at an amount of BD 500,464 thousand (2023: BD 771,682 thousand).

33 RELATED PARTY BALANCES AND TRANSACTIONS (continued)**d) Compensation of key management personnel**

	2024	2023
	BD '000	BD '000
Directors' remuneration	1,268	1,642
Compensation of other key management personnel	6,999	4,934
	8,267	6,576

34 COMMITMENTS**Capital commitments**

	2024	2023
	BD '000	BD '000
Bapco Energies	2,700	12,596
Bapco	248,454	482,262
Banagas	399	1,741
Banagas expansion	1,403	5,945
Bapco Upstream	2,262	2,262
	255,218	504,806

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 1,488 thousand with a maturity date of 28 February 2025. 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 50,815 thousand (2023: BD 57,802 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 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.

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, bank deposits 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.

	<i>Bahraini Dinars</i>	
	<i>2024</i>	<i>2023</i>
	<i>BD '000</i>	<i>BD '000</i>
Variable-rate instruments	19,633	14,424

At 31 December 2024

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**Market risk (continued)***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:

Cash flow hedge - Interest rate swaps

	Bahraini Dinars	
	2024	2023
	BD '000	BD '000
Carrying amount	180,341	168,803
Notional amount	2,093,926	2,193,041
Maturity year	2030-2035	2030-2035
Hedge ratio	1:0.86	1:0.77
Change in fair value of outstanding hedging instruments since 1 January	77,468	5,732
Change in value of hedged item used to determine hedge effectiveness	79,158	6,279
Weighted average hedged rate for the year	Range from 1.25 % to 2.5%	Range from 1.25 % to 2.5%

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 had exposures to IBORs on its financial instruments that was replaced or reformed as part of these market-wide initiatives. The Group has fully transitioned to SOFR in 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.

(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 2024. 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 2030/ 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 certain trade and other receivables as well as from due from a related party, restricted cash, cash and cash equivalents, short-term investments, debt securities, and derivatives with financial institutions. The maximum exposure to credit risk is the carrying value of these assets.

	Measurement	<u>ECL methodology</u>
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 2024, the Company's top 5 customers accounted for approximately 67% (2023: 66%) of all trade receivables excluding those receivables from related parties.

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**Credit risk (continued)**

An impairment analysis for trade receivables is performed at each reporting date using a rolling rate model to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type, and coverage by letters of credit). The calculation reflects the reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The letters of credit are used by the Company as credit risk mitigant of trade receivables relating to international sales.

The maximum credit risk exposure at 31 December 2024 and 2023 is equal to the carrying value of the financial assets shown in the statement of financial position, which are net of provisions for impairment and write-offs.

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:

	<i>Bahraini Dinars</i>	
	2024	2023
	BD '000	BD '000
Receivable from Government (Note 13)	435,755	275,239
Provision for ECL	(58,441)	(58,441)
	377,314	216,798

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 forwardlooking 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 36,888 thousand (2023: BD 5,637 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 2024 all balances due from a related party are unsecured.

At 31 December 2024

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

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.

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 undiscounted values approximate their carrying amounts as the impact of discounting is not significant.

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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 2024</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Trade payables	21,842	-	-	-	21,842
Accruals and other payables	507,459	-	-	-	507,459
Payables to contractors	2,733	-	-	-	2,733
Amount due to related party	30,876	-	21,347	-	52,223
Short term borrowings	47,963	-	-	-	47,963
Borrowings	14,123	373,875	2,820,629	1,527,856	4,736,483
Loan from a					
Investor shareholder	4,082	12,113	64,779	322,565	403,539
Lease liabilities	13,079	38,082	125,275	37,900	214,337
Total	642,157	424,070	3,032,030	1,888,321	5,986,579

	<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
Accruals 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
Lease liabilities	12,235	38,276	120,310	55,735	226,557
Derivative financial instrument	284	-	-	-	284
Total	822,443	453,196	2,631,257	1,642,411	5,549,308

Changes in liabilities arising from financing activities

	<i>As at 1 January 2024</i>	<i>Cash flows payments</i>	<i>Cash flows receipts</i>	<i>Others*</i>	<i>As at 31 December 2024</i>
<i>2024</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Lease liabilities	185,427	(49,740)	-	41,635	177,322
Short term borrowings	3	(57,833)	105,796	(3)	47,963
Borrowings	3,606,368	(450,339)	453,034	238,798	3,847,861
Derivatives	284	-	-	(284)	-
	3,792,082	(557,912)	558,830	280,146	4,073,146

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**Liquidity risk (continued)**

Changes in liabilities arising from financing activities

	As at 1 January 2023 BD '000	Cash flows payments BD '000	Cash flows receipts BD '000	Others* BD '000	As at 31 December 2023 BD '000
2023					
Lease liabilities	161,545	(49,526)	-	73,408	185,427
Short term borrowings	11,202	(58,703)	47,501	3	3
Borrowings	3,097,209	(514,298)	787,057	236,400	3,606,368
Derivatives	73	-	-	211	284
	<u>3,270,029</u>	<u>(622,527)</u>	<u>834,558</u>	<u>310,022</u>	<u>3,792,082</u>

* Other changes include accrued interest expenses, unamortised transaction cost, additions and remeasurement to lease liabilities and fair value changes which will be presented as operating cash flows in the consolidated statement of cash flows when paid.

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 2024 and 31 December 2023.

Management also manages capital through equity attributable to the shareholder comprises share capital, capital adjustment account, contribution from the shareholder, sinking fund reserve, statutory reserve, cash flow hedge reserve and retained earnings and is measured at BD 1,848,029 thousand (2023: BD 1,725,274 thousand).

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

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**Summary of net debt:**

This section sets out an analysis of net debt:

	<i>Bahraini Dinars</i>	
	2024	2023
	BD '000	BD '000
Cash and bank balances (note 14)	(805,329)	(1,164,036)
Borrowings (note 19)	3,847,861	3,606,368
Short-term borrowings (note 25)	47,963	3
Lease liabilities (note 24)	177,322	185,427
Derivative liabilities (note 23)	-	284
Net debt	3,267,817	2,628,046
Cash and liquid investments	(805,329)	(1,164,036)
Debt – fixed interest rates	1,592,231	1,362,479
Debt – variable interest rates	2,480,915	2,429,603
Net debt	3,267,817	2,628,046

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, lease liabilities and derivatives.

At 31 December 2024

36 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

		<i>Quoted prices in active markets (Level 1) BD '000</i>	<i>Significant observable inputs (Level 2) BD '000</i>	<i>Significant unobservable inputs (Level 3) BD '000</i>	<i>Total BD '000</i>
	<i>Date of valuation BD '000</i>				
Asset					
<i>Derivatives</i>	At 31 December 2024	-	181,747	-	181,747
	<i>At 31 December 2023</i>	1,230	171,320	-	172,550
<i>Trade and other receivables</i>					
	At 31 December 2024	-	-	268,636	268,636
	<i>At 31 December 2023</i>	-	-	298,283	298,283
<i>Investment at FVOCI</i>					
	At 31 December 2024	-	-	200	200
	<i>At 31 December 2023</i>	-	-	200	200
Liability					
<i>Derivatives</i>	At 31 December 2024	-	-	-	-
	<i>At 31 December 2023</i>	284	-	-	284
<i>Trade and other payables</i>					
	At 31 December 2024	-	-	214,935	214,935
	<i>At 31 December 2023</i>	-	-	425,082	425,082

The movement in trade receivables and trade payables related to contracts with provisional pricing arrangements is mainly arising from sales/purchase 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 2024 and 31 December 2023, 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 SEGMENT

The Group's senior executive management comprising of the Chief Executive 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.

The significant assets and operations of the Group are located in the Kingdom of Bahrain.

Bapco Energies B.S.C. Closed

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37 OPERATING SEGMENT (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.

	<i>Oil based assets and revenues</i>	<i>Gas based assets and revenues</i>	<i>Others</i>	<i>Eliminations</i>	<i>Total</i>
<u>At 31 December 2024</u>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Sales	3,453,289	131,156	8,380	5,144	3,597,969
Cost of materials	(2,784,172)	(62,624)	(7,685)	-	(2,854,481)
Other income	12,501	3,723	-	(5,144)	11,080
Staff costs	(157,777)	(10,795)	-	-	(168,572)
Maintenance and other expenses	(63,503)	(7,234)	(492)	-	(71,229)
Impairment for of trade and other receivables	(4,195)	-	-	-	(4,195)
Other expenses	(126,570)	-	(452)	-	(127,022)
Depreciation	(188,962)	(19,011)	-	-	(207,973)
Finance income	56,533	4,476	-	-	61,009
Finance costs	(127,024)	(6,841)	-	-	(133,865)
Share of profit from associates	8,996	-	-	-	8,996
Profit before income tax	79,116	32,850	(249)	-	111,717
Income tax expense	-	(915)	-	-	(915)
Net profit for the year	79,116	31,935	(249)	-	110,802
Segment assets	6,192,611	308,860	34,223	(12,280)	6,523,414
Segment liabilities	4,421,689	225,066	16,292	12,280	4,675,327
<u>At 31 December 2024</u>					
Other disclosures					
Investment in associates and joint venture	158,091	-	-	-	158,091
Impairment for doubtful trade other receivables	(32,377)	-	-	-	(32,377)

Bapco Energies B.S.C. Closed

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At 31 December 2024

37 OPERATING SEGMENT (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>At 31 December 2023</u>					
Sales	3,605,330	116,682	1,544	-	3,723,556
Cost of materials*	(2,834,870)	(52,184)	-	-	(2,887,054)
Other income	5,518	3,626	-	(2,915)	6,229
Staff costs	(131,232)	(9,939)	(747)	-	(141,918)
Maintenance and other expenses*	(59,203)	(8,883)	(342)	2,915	(65,513)
Impairment for doubtful trade and other receivables	(106)	-	-	-	(106)
Other expenses*	(154,733)	-	-	-	(154,733)
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	<u>189,417</u>	<u>26,453</u>	<u>482</u>	<u>-</u>	<u>216,352</u>
Segment assets	<u>5,975,649</u>	<u>310,912</u>	<u>15,472</u>	<u>(12,280)</u>	<u>6,289,753</u>
Segment liabilities	<u>4,289,616</u>	<u>255,001</u>	<u>24,882</u>	<u>(12,280)</u>	<u>4,557,219</u>

* Refer to Note 40 for certain reclassifications made in respect of the 2023 comparative year.

At 31 December 2023

Other disclosures

Investment in associates and joint venture	<u>149,408</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>149,408</u>
Impairment for doubtful trade and other receivables	<u>(11,961)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,961)</u>

Geographic information

The operations and all of the assets of the Group are majorly located in 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.

38 EVENTS AFTER BALANCE SHEET DATE

On 29 January 2025, the Company (through Bapco Energies Sukuk Limited) completed a US\$ 1 billion 10-year Sukuk issuance with a concurrent capped tender offer for up to 25% of its outstanding USD 7.5 % bond. The 10-year issuance was priced at a 6.25 % profit rate. The proceeds were used to conduct a liability management exercise as well as General Corporate Purposes. The liability management exercise, which concluded on 13 February 2025, led to the buyback of US\$ 202 million on bond, with the outstanding amount reaching US\$ 798 million for the bond repayable as bullet payment on 18 October 2027 (Note 19).

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

During Q2 2025, the Company had declared and approved dividend for the year ended 2023 amounting to BD 66.4 million. Out of the total dividend BD 42.1 million was paid in cash and remaining balance of BD 24.3 million was in the form of non cash settlement against related party balance.

A Concession Agreement ("Agreement") has been entered into between the Government of the Kingdom of Bahrain, acting by and through Ministry of Oil and Environment ("MOOE"), Bapco Energies and EOG Resources Bahrain Awali W.L.L ("EOG") on 6 August 2025 with respect to Juba and Pre-Tawil Formations in the Bahrain Field ("Concession Area"), wherein, MOOE grants Bapco Energies and EOG an exclusive concession in and to the Concession Area, including the right to conduct Petroleum Operations within the Concession Area and the right to transport Petroleum produced from the Concession Area to the points of delivery and, the right to ownership of all Petroleum brought to the surface and produced from the Concession Area other than Petroleum that MOOE is entitled to receive as Royalty and provided that title to all Petroleum will remain vested in the Kingdom of Bahrain until it is brought to the surface and produced.

The related Decree-Law No 33 of 2025 has been issued on 19 August 2025 and published in the Official Gazette on 21 August 2025.

Subsequent to the execution of the Agreement, Bapco Energies and EOG have entered into various ancillary agreements including joint venture agreement, gas sales agreement, and liquids sales agreement to enable fulfillment of their obligations and exercise their rights under the Agreement.

Bapco Lube Base Oil Company B.S.C Closed and Bapco Gas Company B.S.C Closed on 15 April 2025 and on 24 August 2025, respectively, have changed the Company type from a Bahraini Closed Joint Stock Company to a With Limited Liability Company.

39 BUSINESS COMBINATIONS**39.1 Acquisition of non-controlling interests**

On 28 August 2024 and 24 September 2024, Bapco Energies acquired 12.50 % of the share capital of Banagas from Chevron Asia Pacific Holdings Limited and Boubyan Petrochemical Company K.S.C, respectively. Accordingly, Banagas became a wholly owned subsidiary of Bapco Energies.

The Company also completed the acquisition of the minority stakes held by Greenergy International Limited (15%) in BGB on 30 September 2024.

	2024
	BD '000
Cash consideration paid to non-controlling shareholders	1,508
Carrying value of the additional interest in Banagas at date of acquisition on 28 August 2024	(3,308)
Difference recognised in retained earnings	(1,800)
Cash consideration paid to non-controlling shareholders	2,639
Carrying value of the additional interest in Banagas at date of acquisition on 24 September 2024	(3,329)
Difference recognised in retained earnings	(690)
Cash consideration paid to non-controlling shareholders	1,259
Carrying value of the additional interest in BGB at date of acquisition on 30 September 2024	(827)
Difference recognised in retained earnings	432
Cash consideration paid to non-controlling shareholders	5,406
Carrying value of the additional interest	(7,464)
Difference recognised in retained earnings	(2,058)

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At 31 December 2024

40 RECLASSIFICATION IN COMPARATIVE NUMBERS

During 2024, the Group has re-evaluated the presentation and classification of certain transactions recorded in the consolidated statement of profit or loss in the prior years to determine if such transactions have been accounted for appropriately under IFRS Accounting Standards. Where necessary, adjustments and reclassifications were made in accordance with IAS 8 "Accounting policies, changes in accounting estimates and errors".

These reclassification does not effect the previously reported Group's results, cash flow and equity.

Discrete effect on financial statement line items in the consolidated statement of profit or loss and other comprehensive income – 31 December 2023

Description	Statement of profit or loss and other comprehensive income (expressed in BD 000's)		
	31 December 2023 (previously reported)	Reclassificati ons	31 December 2023 (adjusted)
Cost of materials	2,819,291	67,763	2,887,054
Maintenance expenses	111,648	(46,135)	65,513
Other expenses	176,361	(21,628)	154,733
Operating profit	266,850	-	266,850
Net profit for the year	216,352	-	216,352
Total comprehensive income for the year	153,250	-	153,250