Energy Development Oman SAOC ("EDO") consolidated financial statements for the year ended 31 December 2023

Energy Development Oman SAOC

Contents

ENERGY DEVEOPMENT OMAN SAOC

Board of Directors report for the year ended 31 December 2023

Responsibilities of the Board of Directors for the Energy Development Oman ("EDO") Consolidated Financial Statements

The members of EDO Board hereby declare that, to the best of their knowledge, the consolidated financial statements for the year ended 31 December 2023, which have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and relevant requirements of Commercial Companies Law of 2019, present fairly, in all material respects, the consolidated financial position of EDO as at 31 December 2023 and the related consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and explanatory notes.

The Board of Directors of EDO have approved the information contained in the consolidated financial statements of EDO.

On behalf of the Board

Mazin Al Lamki
Chief Executive Officer
Energy Development Oman
22 February 2024

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ENERGY DEVELOPMENT OMAN S.A.O.C.

Sultan Al Mamari
Chief Financial Officer
Energy Development Oman
22 February 2024

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PR No. HMH/15/2015; HMA/9/2015

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF ENERGY DEVELOPMENT OMAN SAOC

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Energy Development Oman SAOC (the "Company") and its subsidiaries (together, "the Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss or other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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. For the matter below, our description of how our audit addressed the matter is provided in that context.

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF ENERGY DEVELOPMENT OMAN SAOC (CONTINUED)

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

Key audit matter	*How our audit addressed the key audit matter*
Estimation of crude oil and non-associated gas (NAG) reserves Oil and gas reserves are an indicator of the future potential of the Group's performance. Crude oil and NAG reserves estimates are used in the calculation of depreciation, depletion and amortisation (DD&A), impairment testing and in the estimation of abandonment provisions of production wells and production facilities. The principal risk is the impact of the crude oil and NAG reserves estimate on the consolidated financial statements through DD&A, impairment testing, and abandonment provisions estimate. Auditing the estimation of crude oil and NAG reserves is complex. There is significant estimation uncertainty in assessing the quantities of reserves and resources in place. The estimates are based on the Group's management and petroleum engineers' ("experts") assessments of petroleum initially in place, production curves and certain other inputs, including forecast production volumes, future capital and operating cost assumptions and estimated life of field. Also, technical uncertainties are involved in determining the level of reserves in each clusters/area. Due to significant estimation uncertainty involved, we have considered estimation of crude oil and NAG reserves as a key audit matter. Proved developed reserves, which are estimated by the Group's petroleum engineers in accordance with industry best practice and Securities and Exchange Commission (SEC) rules (as set forth in the Note 2 to the consolidated financial statements entitled "Significant judgments, estimates and assumptions"), change according to production, and the price of hydrocarbons. The accounting policies relating to estimation of crude oil and NAG reserves, DD&A and abandonment provisions are set out in Note 3 to the consolidated financial statements entitled "Material accounting policy information".	We obtained an understanding of the controls over the Group's crude oil and NAG reserves' estimation process. We then evaluated the design of these controls and tested their operating effectiveness. We involved professionals with crude oil and NAG reserves audit experience for evaluating the key assumptions and methodologies applied by management and experts. Our audit procedures in this area included the following, but were not limited to: • Testing whether significant additions or reductions in crude oil and NAG reserves were made in the period in which the new information became available, by understanding the changes in circumstances that drove the change; • Assessing that reserve movements were in compliance, in all material respects, with the Group's reserves and resources guidance; • Evaluating the professional qualifications, competence and objectivity of Group's experts' who are responsible for crude oil and NAG reserves estimation; • We assessed the assumptions used by the management and experts and compared the assumptions to the macroeconomic indicators, hydrocarbon production, operating costs, capital expenditures forecasts and other performance indicators, approved by the Company's management. We compared the estimates of reserves to the estimates included in the DD&A, impairment and abandonment provisions. • On a sample basis, performing look back analysis of historical data to identify indications of estimation bias, if any, over time.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF ENERGY DEVELOPMENT OMAN SAOC (CONTINUED)

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

Other information
Other information comprises the Board of Directors' report. Those charged with governance and management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do 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 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, we conclude that there is a material misstatement of this other information, we are required to report the fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and the relevant requirements of the Commercial Companies Law of 2019, as amended, and for such internal control as those charged with governance 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, management 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 management either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF ENERGY DEVELOPMENT OMAN SAOC (CONTINUED)

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

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

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

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

- 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 management.

- Conclude on the appropriateness of those charged with governance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF ENERGY DEVELOPMENT OMAN SAOC (CONTINUED)

Report on other legal and regulatory requirements

As required by the applicable provisions of the Commercial Companies Law of 2019 and the Ministerial Decision 146/2021, we report that:

- we have obtained all the information and explanations we considered necessary for the purposes of our audit;
- the Group has maintained accounting records and the consolidated financial statements are in agreement therewith;
- the Group has carried out physical verification of inventories;
- the financial information included in the Board of Directors' report is consistent with the books of accounts of the Group; and
- based on the information that has been made available to us, nothing has come to our attention, which causes us to believe that the Group has contravened, during the year ended 31 December 2023, any of the applicable provisions of the Commercial Companies Law of 2019 or its Articles of Association, which would materially affect the financial performance of the Group for the year ended 31 December 2023 or its consolidated financial position as at 31 December 2023.

Imtiaz Ibrahim
22 February 2024
Muscat

ERNST & YOUNG LLC

Energy Development Oman SAOC
Consolidated statement of profit or loss and other comprehensive income
For the year ended

	Notes	31-Dec-23 US$'000	31-Dec-22 US$'000
Revenue	4	**16,422,914**	17,281,524
Other operating income	5.a	**176,172**	193,456
Finance income	5.d	**7,559**	2,385
Total revenues and other income		**16,606,645**	17,477,365
Production expenses	7	**(1,115,911)**	(1,412,711)
Royalty expenses	8	**(6,525,451)**	(7,397,206)
Depreciation, depletion and amortisation	6	**(3,840,790)**	(3,567,022)
Other expenses	5.b	**(30,348)**	(19,932)
Profit before interest and tax		**5,094,145**	5,080,494
Finance costs	5.c	**(606,604)**	(396,605)
Profit before tax		**4,487,541**	4,683,889
Income tax expenses			
Income tax expenses	27	**(3,790,479)**	(3,914,669)
Profit for the year		**697,062**	769,220
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods			
Re-measurement of pension fund obligation	22	**12,990**	(91,457)
Total comprehensive income for the year		**710,052**	677,763

The attached notes 1 to 30 form part of these consolidated financial statements

Energy Development Oman SAOC
Consolidated statement of financial position
As at 31 December

	Notes	31-Dec-23 US$'000	31-Dec-22 US$'000
Non-current assets			
Property, plant and equipment	10a	23,495,057	22,898,658
Right-of-use assets	10b	777,853	823,721
Net retirement benefit assets	22	358,258	241,575
Receivables and prepayments	16	16,549	18,593
Housing loans	13	8,359	9,357
Other non-current assets		3,745	4,623
Total of non-current assets		24,659,821	23,996,527
Current assets			
Inventories	15	528,721	413,470
Receivables and prepayments	16	85,763	105,355
Due from related parties	19	1,689,100	2,302,550
Housing loans	13	1,866	2,804
Cash and bank balances	11	706,318	249,403
Other current assets		-	4,834
Total of current assets		3,011,768	3,078,416
Assets held for sale	24	-	52,315
Total assets		27,671,589	27,127,258
Shareholders' equity			
Share capital	12	1,300	1,300
Retained earnings		11,047,791	14,086,975
Total equity		11,049,091	14,088,275
Non current liabilities			
Provision for staff end-of-service and other retirement benefits	23	8,447	11,962
Lease liabilities	20	637,416	681,110
Abandonment provision	21	3,176,514	2,506,968
Deferred tax liabilities	27	2,514,762	1,535,363
Loans and borrowings	18	6,000,069	4,447,903
Total of non-current liabilities		12,337,208	9,183,306
Current liabilities			
Loans and borrowings	18	1,624,105	1,445,292
Payables and accruals	17	2,122,526	1,983,133
Tax payables		140,516	49,973
Due to related parties	19	172,976	98,324
Lease liabilities	20	225,167	226,640
Total of current liabilities		4,285,290	3,803,362
Liabilities associated with assets held for sale	24	-	52,315
Total liabilities		16,622,498	13,038,983
Total equity and liabilities		27,671,589	27,127,258

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 22 February 2024 and are signed on their behalf by the Chief Executive Officer and the Chief Financial Officer of Energy Development Oman SAOC on 22 February 2024:

Mazin Al Lamki
Chief Executive Officer
Energy Development Oman SAOC

Sultan Al Mamari
Chief Financial Officer
Energy Development Oman SAOC

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Sultanate of Oman
ENERGY DEVELOPMENT OMAN S.A.O.C.

The attached notes 1 to 30 form part of these consolidated financial statements.

Energy Development Oman SAOC
Consolidated statement of changes in equity
For the year ended 31 December

	Notes	Share capital US$ 000	Retained earnings US$ 000	Total equity US$ 000
Balance at 1 January 2023		**1,300**	**14,086,975**	**14,088,275**
Profit for the year		**-**	**697,062**	**697,062**
Other comprehensive income - re-measurement of pension fund obligation	***22***	**-**	**12,990**	**12,990**
Interim dividend	***19***	**-**	**(3,703,783)**	**(3,703,783)**
Distribution of assets in specie	***19***	**-**	**(45,453)**	**(45,453)**
At 31 December 2023		**1,300**	**11,047,791**	**11,049,091**
Balance at 1 January 2022		1,300	18,757,909	18,759,209
Profit for the year		-	769,220	769,220
Other comprehensive loss - re-measurement of pension fund obligation	*22*	-	(91,457)	(91,457)
Interim dividend	*19*	-	(5,308,158)	(5,308,158)
Distribution of assets in specie	*19*	-	(40,539)	(40,539)
At 31 December 2022		1,300	14,086,975	14,088,275

The attached notes 1 to 30 form part of these consolidated financial statements

Energy Development Oman SAOC
Consolidated statement of cash flows
For the year ended

	Notes	31-Dec-23 US$'000	31-Dec-22 US$'000
Operating activities:			
Profit before tax		**4,487,541**	4,683,889
Adjustments for:			
Pension scheme costs	22	**66,873**	75,445
Depreciation, depletion and amortization	6	**3,768,420**	3,498,355
Depreciation on right of use assets	6	**72,370**	68,667
Royalty expenses	8	**6,525,451**	7,397,206
Gain on changes in abandonment estimates	5.a	**(111,215)**	(92,627)
Gains on disposals of property, plant and equipment	5.a	**(3,235)**	(20,970)
Finance income	5.d	**(7,559)**	(2,385)
Finance cost	5.c	**606,604**	396,605
Net movement in National objective investments		**4,834**	22,160
Net movement in employee's end of service and other retirement benefits		**(3,515)**	(4,501)
		15,406,569	16,021,844
Working capital changes:			
Changes in inventories		**(115,251)**	71,184
Changes in receivables and prepayments		**21,636**	36,671
Changes in amounts due from related parties		**613,450**	(1,238,886)
Changes in payables and accruals		**45,990**	97,619
Changes in amounts due to related parties		**74,652**	2,508
		16,047,046	14,990,940
Income tax paid		**(2,736,413)**	(2,488,562)
Contribution towards Omani staff pension scheme	22	**(154,691)**	(148,925)
Royalty paid		**(6,591,835)**	(7,160,642)
Cost associated with distribution of assets in specie	19	**(45,453)**	(40,539)
Net cash from operating activities		**6,518,654**	5,152,272
Investing activities:			
Acquisition of property, plant, and equipment		**(3,400,290)**	(3,110,772)
Expenditure on exploration and evaluation assets	10a	**(222,828)**	(183,629)
Proceeds from disposal of property, plant, and equipment		**38,616**	55,445
Finance income	5.d	**7,559**	2,385
Net movement in housing loans and other non-current assets		**2,814**	1,299
Net cash used in investing activities		**(3,574,129)**	(3,235,272)
Financing activities:			
Loan received		**1,965,718**	-
Loan repaid		**(3,944,073)**	-
Dividend paid	19	**-**	(1,655,268)
Finance cost		**(244,036)**	(109,758)
Payment of principal portion of lease liabilities	20	**(265,219)**	(243,351)
Net cash used in financing activities		**(2,487,610)**	(2,008,377)
Increase (Decrease) in cash and bank balances		**456,915**	(91,377)
Cash and bank balances at beginning of the year	11	**249,403**	340,780
Cash and bank balances at end of year	11	**706,318**	249,403

For details of non-cash transactions refer note 10a, 10b, 19, 20, 21, 22 and 24

The attached notes 1 to 30 form part of these consolidated financial statements.

Notes to the consolidated financial statements of the Energy Development Oman SAOC (continued)

1. Background and Basis of preparation

1.1 Background

Formation of EDO

Energy Development Oman SAOC ("EDO" or the "Company") was established on 3 December 2020 in the Sultanate of Oman. EDO was registered on 24 December 2020 through Royal Decree as a 100% owned subsidiary of the Government of the Sultanate of Oman (the "Government"). The Company together with its subsidiaries (hereinafter referred to as 'the Group') has a presence in Oman.

The Group has taken over the participating rights/interests of the Oil and Gas Operations of Block 6 from the Ministry of Energy and Minerals (the "MoEM"). Block 6 is the Sultanate's largest and most significant oil and gas operation and covers a geographic area of approximately 90,000 square km., which includes a substantial part of the Oman Mountain Fold belt and Rub al Khali basins, including the Ghaba and Fahud salt basins.

The MoEM's 60% interest in Petroleum Development Oman LLC ("PDO"), a limited liability company registered in the Sultanate of Oman in accordance with the Commercial Companies Law, as amended, and 100% interest in Gas Operations were transferred to the Group on 24 February 2021 and 6 May 2021, respectively (also referred to as the "Royal Decree"). Gas Operations are managed by PDO.

PDO is responsible for the following activities:

i. undertaking all projects, operations, and activities directly or indirectly related to the exploration, development, extraction, transportation, storage, and delivery of crude oil in accordance with the terms of an "Oil Concession Agreement" (see below) for Block 6 (the "Oil Operations"); and
ii. undertaking all projects, operations, and activities directly or indirectly related to the exploration, development, extraction, and transportation of NAG in accordance with the terms of "Gas Agreements" (see below) between the Government and PDO (the "Gas Operations").

After the formation of EDO, EDO incorporated the following five subsidiaries:

- Hydrogen Oman SPC ("HDO") on 13 June 2022 having commercial registration certificate number 1428787. The objective of HDO is to structure and accelerate the development of the green hydrogen sector in Oman.
- Oman New Energies SPC ("ONE") on 24 November 2022 having commercial registration number 1458799. One is incorporated to explore future power-related business. As of 31 December 2023, ONE is not operational, and no transactions are recorded in its books.
- EDO Gas SPC ("GasCo") on 25 June 2023 having commercial registration certificate number 1491751. GasCo has taken over the participating right/interest of the Gas Operations of Block 6 from the EDO (w.e.f. 1 July 2023).
- EDO InfraCo SPC ("Infra") on 11 December 2023 having commercial registration number 1521732. As of 31 December 2023, Infra is not operational, and no transactions are recorded in its books.
- On 26 June 2023, the Company established EDO Sukuk Limited, a special purpose vehicle incorporated in the Cayman Islands. EDO Sukuk Limited was established as a means to fund the Group by acting as issuer and trustee of the Sukuk trust certificates.

Under the Fiscal Protocol, which applies to the Group's share of crude oil and gas production, including the applicability of royalties and taxes under the pre-existing Block 6 Oil Concession agreement, various additional agreements have been entered into between the Government and the Group. The agreements define the fiscal terms applicable to the Group's revenue from the Block 6 Operations. The key agreements entered between the Government and the Group are as follows:

- Oil concession agreement
- Oil operating agreement
- PDO shareholders' agreement
- the Block 6 Gas Concession Agreement which applies to Non-Associated Gas ('NAG') and condensate, including its related taxes

Notes to the consolidated financial statements of the Energy Development Oman SAOC (continued)

1. Background and Basis of preparation (continued)

1.1 Background (continued)

Formation of EDO (continued)

- the Oman Export Blend sale and purchase agreement; and
- the Natural gas sales agreement
- Fiscal Protocol
- Shareholder's bridge facility agreement

Oil Concession Agreement

The Government and Private Oil Holdings Oman Limited ("POHOL") had entered into an Oil Concession Agreement for Block 6 effective 1 January 2005 and expiring on 31 December 2044. Under this agreement, PDO operated as a cost centre, wherein all costs related to the Block 6 oil operations were incurred. PDO had no entitlement to proceeds from crude oil. The property, plant, and equipment ("PPE") relating to the Oil Operations were recognised in the books of PDO. The investment in PPE, operational costs and other costs were funded 60% by the Government and 40% by POHOL as shareholders' contributions. The Oil Concession Agreement includes the right to use associated gas, which was internally consumed by PDO as part of the production process relating to the Oil Operations. The Government has novated the Oil Concession Agreement in favour of the Group effective 24 February 2021.

Oil Operating Agreement

The Government and POHOL (acting in their capacities as participants in the Oil Concession Agreement) and PDO (acting in its capacity as the Block 6 operator) entered into an operating agreement for Block 6, which took effect on 1 January 2005 (the "Oil Operating Agreement"). The Oil Operating Agreement will remain in effect for as long as the Oil Concession Agreement remains in force. On 24 December 2020, the Government transferred its rights and obligations under the Oil Operating Agreement to EDO with effect from 24 February 2021 in accordance with the terms of the Oil Operating Agreement.

Under the terms of the Oil Operating Agreement, PDO is authorised to act as operator of the Block 6 operations under the terms of the Oil Concession Agreement

PDO Shareholders' Agreement

The Government, PDO, Shell, TotalEnergies and PTTEP entered into the Petroleum Development Oman LLC shareholders' agreement (the "PDO Shareholders' Agreement"). The PDO Shareholders' Agreement became effective on 1 January 2005. On 24 December 2020, the Government transferred its rights and obligations under the agreement to EDO with effect from 24 February 2021 in accordance with the terms of the PDO Shareholders' Agreement.

The purpose of the PDO Shareholders' Agreement is to regulate the parties' respective rights and obligations with respect to the management and operation of PDO.

Gas Agreements and Gas Concession Agreements

In the capacity of the manager of the Gas Operations, PDO undertook all projects, operations, and activities directly or indirectly related to the exploration, development, extraction, and transportation of NAG in accordance with the directions of the Government. PDO had no entitlement to the proceeds from the sale of NAG. The gas sales agreements were entered into by the MoEM with the end customers. PDO had no ownership of the PPE relating to the Gas Operations. The investment in PPE, operational costs, and other costs was fully funded by the Government.

The Government has granted the Group the rights to explore, search and drill for, produce, develop, and sell NAG and Condensate in the Gas Concession Area in accordance with the terms of this Gas Concession Agreement effective 6 May 2021 and expiring on 31 December 2044. By virtue of this Gas Concession Agreement, the Group has exclusive ownership of all NAG at the point of gas production, exclusive ownership of condensate, and exclusive ownership of all gas assets, in accordance with the terms of this Gas Concession Agreement.

On 16 July 2023, EDO Board approved the amendment and novation of the Gas Concession Agreement and the NAG sales agreement, and the transfer thereof to GasCo by the Company.

Notes to the consolidated financial statements of the Energy Development Oman SAOC (continued)

1. Background and Basis of preparation (continued)

1.1 Background (continued)

Formation of EDO (continued)

Oman Export Blend Sale and Purchase Agreement

The Group has entered into an agreement with the Government for the sale of ‘Oman Export Blend’ crude oil (OEB). Under the terms of this agreement, the Group shall sell its share of crude oil and condensate production to the MoEM or designated MoEM customers at the Mina Al Fahal (“MAF”) terminal or at the designated delivery point. The MoEM maintains all the contracts with the end customers. The sale price for OEB is set out in the relevant oil sales agreement between the MoEM and the MoEM’s customers. The Group will deliver the OEB to the relevant MoEM customer at the vessel’s permanent manifold flange connection.

Natural Gas Sales Agreement

The Group has entered into an agreement with the Government to sell its entire NAG production to the Government at agreed fixed prices for the first 5 years of the agreement as determined in the agreement effective 6 May 2021. The agreed fixed price (per MMBTU) for 2021, 2022, 2023, 2024, and 2025 is US$ 2.51, US$ 2.59, US$ 2.69, US$ 2.77, and US$ 2.89 respectively. Post the first 5 years, annual prices shall be determined for each subsequent 5-year period according to a blended transfer price calculation methodology, as defined in the agreement.

Fiscal Protocol

The Government has issued a fiscal guideline in relation to the Group’s participating interest in the concession agreement for Block 6. This guideline (referred to as the “Fiscal Protocol”), also provides detailed information on royalties and taxes relavant to the Group.

Shareholder’s bridge facility agreement

The Group’s funding policy requires Block 6 capital costs to be funded (i) through debt up to the debt capacity of FFO (Funds From Operations) / Debt of 45%, and (ii) the remaining balance of the Block 6 capital cost through Block 6 revenue.

The Group (“Borrower”) entered into a shareholder bridge facility agreement (“Shareholder Loan Agreement” or “the bridge facility”) with The Government of the Sultanate of Oman represented by the Ministry of Finance (“Government” or “Lender”). Under this agreement, Government makes available to the Group a finance facility. Any amounts drawn down pursuant to the Bridge Facility may be effected by way of cash funds transfer or through Offsets (Offsets means any Bridge Loan or part thereof which, rather than being paid by way of a funds transfer, is satisfied / paid by way of making an adjustment / offset agreed by the Parties against funds payable by the Borrower to the Lender).

In the meeting held on 26 February 2023, the EDO Board approved the treatment of 2023 residual cash paid to MOF as a repayment of the shareholder loan balance (rather than a dividend payment).

The Block 6 Operations

Prior to the “formation of EDO”, the Oil and Gas Operations of Block 6 (the “Block 6 Operations”) were conducted by the MoEM, the Ministry of Finance (the “MOF”), and PDO. PDO was a joint operation between the MoEM (60%) and Private Oil Holdings Oman Limited (“POHOL”) (40%).

1.2 Basis of Preparation

The Group’s consolidated financial statements for the year ended 31 December 2023 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (IASB).

Notes to the consolidated financial statements of the Energy Development Oman SAOC (continued)

1. Background and Basis of preparation (continued)

1.3 Going concern

Management 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 in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Group's consolidated financial statements have been prepared on the going concern basis.

2. Significant judgments, estimates and assumptions

The preparation of the 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. Management is required to make judgments, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The judgments, estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances. However, the resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions have a significant risk of causing a material adjustment to the carrying amounts of assets and/or liabilities in the future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected.

(a) Judgments

In the process of applying the accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant impact on the amounts recognised in the Group's consolidated financial statements.

Revenue from contracts with customers

The Group applied the following judgments that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Identifying performance obligations

At inception of the contract with customers, the Group assesses the performance obligations embedded in the contracts. Based on the assessment, the Group has concluded that there is generally only one performance obligation with respect to the sale of crude oil, condensate and NAG respectively. There are no other performance obligations or benefits derived by the customers from the contracts.

Determining the timing of satisfaction of performance obligation

The Group recognise revenue when (or as) it satisfies a performance obligation by transferring a promised good to customers. An asset is transferred when (or as) the customer obtains control of that asset, which is upon delivery of goods. Under the terms of existing contracts, the Group has determined that shipping or transportation services are not being provided to the customers, and the only performance obligation is sale of crude oil and petroleum products.

Determining transaction price and allocation

The Group considers the terms of the contract and its customary business practices to determine the transaction price. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods to a customer. Since sale of crude oil, condensate and NAG is the only performance obligation, the entire transaction price is allocated to sale of the product respectively.

Principal versus agent considerations

The Group enters into contracts with its customers for supply of crude oil, condensate and NAG. The Group determined that it controls the goods before they are transferred to customers, and it has the ability to direct the use of goods or obtain benefits from the goods. The following factors indicate that

Notes to the consolidated financial statements of the Energy Development Oman SAOC (continued)

2. Significant judgments, estimates and assumptions (continued)

(a) Judgments (continued)

Revenue from contracts with customers (continued)

Principal versus agent considerations (continued)

the Group controls the goods before they are being transferred to customers. Therefore, the Group determined that it is a principal in all its revenue arrangements.

- The Group is primarily responsible for fulfilling the promise to provide the specified goods.
- The Group has inventory risk before the specified goods have been transferred to the customers.
- The Group has discretion in establishing the price for the specified goods.

Consideration of significant financing component in a contract

Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised goods to the customer and when the customer pays for that goods will be one year or less. The Group concluded that there is no significant financing component for those contracts where the customer elects to pay in advance considering the length of time between the customer's payment and the transfer of goods to the customer.

Determining the lease term of contracts with renewal and termination options – The Group as lessee

Management 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 lease contracts that include extension and termination options. Management applies judgment 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 option. 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).

Management included the renewal period as part of the lease term for leases of rigs, hoists, facilities, well service units, vehicles and cargo haulage equipment with a shorter non-cancellable period of 1-2 years. The Group typically exercises its option to renew these leases because based on the previous experience and the future intention of the management to continue, there is a significant negative effect on production if a replacement asset is not readily available. The renewal periods for leases of certain production facilities, for example rigs, hoists, vehicles and well service units with longer non-cancellable lease periods (i.e., >5 years) are not included as part of the lease term as these are not reasonably certain to be exercised. Management has considered and evaluated the following factors before determining not to embrace the extension options beyond the original term:

- management's long-term strategy is to re-tender rig contracts and move towards mechanised rigs wherever possible.
- the economic benefit for continuing with the same supplier (same lease) is not proven, hence it is not reasonably certain to exercise the extension option, due to the fact that there are competitors in the market who are expected to offer competitive prices. which may result in a retendering process.
- the expected changes in technologies in the ensuing five years.
- New technologies in the market and strategic studies would reassess the economic feasibility of leases.

With reference to certain drilling equipment, hub offices, electronic equipment and certain equipment relating to rigs and hoists, these contracts are less than 12 months at the transition date and the management is of the view that most of the extension options may not be exercised. The Group could replace these assets without significant cost or business disruption. Therefore, these have not been included in the lease liabilities.

Notes to the consolidated financial statements of the Energy Development Oman SAOC (continued)

2. Significant judgments, estimates and assumptions (continued)

(a) Judgments (continued)

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

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. The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

Identification of non-lease components

In addition to containing a lease, the Group's service arrangement involves additional services, including personnel cost, maintenance, production related activities and other items. These are considered to be non-lease components and the Group has decided to separate these from the lease components. Judgment is required to identify these. The consideration in the contract is then allocated between the lease and non-lease components on a relative stand-alone price basis. This requires the Group to estimate stand-alone prices for each lease and non-lease component.

Accounting for leases and joint operations

Where the Group participates in a joint operation, determining whether to recognise and whether to measure a lease obligation involves judgment and requires identification of which entity has primary responsibility for the lease obligations entered into in relation to the joint operation's activities. Where the joint operation (including all parties to that arrangement) has the right to control the use of the identified asset and all parties have a legal obligation to make payments to the third-party supplier, each joint operation participant would recognise its proportionate share of the lease-related balances. This assessment would be based on the terms and conditions of each arrangement. The Group does not have any direct primary legal obligation to pay the third-party suppliers for the lease payments. Therefore, the Group has recognised only its share of lease liabilities, in addition to its share of right of use assets.

Identifying in-substance fixed rates versus variable lease payments

The lease payments used to calculate the lease-related balances under IFRS 16 include fixed payments, in- substance fixed payments and variable payments based on an index or rate. Variable payments not based on an index or rate are excluded from the measurement of lease liabilities and related assets. For some of the Group's drilling rig contracts, in addition to the fixed payments, there are payments that are contractually described as variable but are in-substance fixed payments because the contract terms require the payment of a fixed amount that is unavoidable. The payments are expressed as a rate paid for each operating day, hour or fraction of an hour and can change depending on when and how the asset is being used. Therefore, the management has had to apply judgment to identify in-substance fixed payments included in the lease payments used to calculate the lease-related balances. Other payments identified as variable, not based on an index or rate, are excluded from recognition and measurement of the lease related balances. Management has assessed that while there is variability in the pricing, there is a minimum rate which is considered to be the lowest rate that it would pay while the asset is available for its use, which is the standby or cold-stack rate. The major maintenance and inclement weather rates do not represent the minimum as these are only payable when the asset is not available for use. The additional full operating rates represent variable lease payments.

Functional currency

The functional currency for the Group, is the currency of the primary economic environment in which the Group operates. The functional currency of the Group is the US dollar (US$). Determination of functional currency may involve certain judgments to identify the primary economic environment in which the Group operates. This includes consideration of the currency which influences sales prices, the country whose competitive forces and regulations mainly determine the sale price of its goods, and the currency which influences the labour, materials, and other costs of providing goods or services differ.

Notes to the consolidated financial statements of the Energy Development Oman SAOC (continued)

2. Significant judgments, estimates and assumptions (continued)

(a) Judgments (continued)

***Functional currency* (continued)**

Management considers US$ to be, the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. US$ is the currency in which the Group measures its performance and reports its results, as well as the currency in which it receives funds from the MoEM.

Exploration and evaluation expenditure

The application of the the Group's accounting policy for exploration and evaluation expenditure requires judgment to determine whether future economic benefits are likely from future exploitation or sale, or whether activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of reserves and resources is, in itself, an estimation process that involves varying degrees of uncertainty depending on how the resources are classified. These estimates have a direct impact on when the Group defers exploration and evaluation expenditure.

Assessment of contingencies and claims

In the ordinary course of business, the Group is subject to a number of contingencies arising from litigation and claims brought by private parties, including contractors and employees. The operations of the Group continue, from time to time, to be affected to varying degrees by political, legislative, fiscal and regulatory developments, including those relating to the protection of the environment and indigenous groups in the clusters in which it operates. The industry in which the Group is engaged is also subject to physical risks of various types. The nature and frequency of these developments and events, as well as their effect on future operations and costs, are unpredictable. While these matters are not expected to have a material impact on the Group, no assurance can be provided.

(b) Estimates and assumptions

The preparation of the consolidated financial statements, in conformity with IFRS, requires that the management make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from these estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Proved hydrocarbon reserve and resource estimates

The determination of the Group's reserves requires significant degree of estimates and assumptions to be applied. Hydrocarbon reserves are estimates of the measure of hydrocarbons that can be economically and legally extracted from the Group's oil and gas properties.

Management estimates the hydrocarbon reserves according to the Code of Practice for Hydrocarbon Resource Volume Classification, Estimation and Reporting; CP-186. In relation to proven reserves, the Group complies with rules set by the Security and Exchange Commission (SEC) (except for the calculation of NAG prices, which is based on the management's internal estimate). Management complies with the principles contained in the Petroleum Resources Management System (PRMS) framework as issued by the Society of Petroleum Engineers (SPE). The Group's resources classification is set in conjunction with the industrial standard petroleum resource classification.

Notes to the consolidated financial statements of the Energy Development Oman SAOC (continued)

2. Significant judgments, estimates and assumptions (continued)

(b) Estimates and assumptions (continued)

Proved hydrocarbon reserve and resource estimates (continued)

Management estimates its commercial reserves and resources based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the hydrocarbon body and suitable production techniques and recovery rates. Commercial reserves are determined using estimates of oil and gas in place, recovery factors and future commodity prices, the latter having an impact on the total amount of recoverable reserves and the proportion of the gross reserves that are attributable to private shareholders as per the concession agreements. Future development costs are estimated using assumptions as to the number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs. These are regularly reviewed and updated.

Future commodity price assumptions tend to be stable because management does not consider short-term increases or decreases in prices as being indicative of long-term levels, but they are nonetheless subject to change. Expected production volumes, which comprise proved reserves, are used for the depreciation calculation of production wells and facilities. As discussed above, hydrocarbon reserves estimates are inherently imprecise. For 2023, the long-term Brent oil price assumption used in the estimation of commercial reserves is US$ 82.77 /bbl. (2022: US$ 96.19 /bbl.). For 2023, long-term gas price assumption used in the estimation of commercial reserves is based on the Group's existing NAG sales agreements (valid till the end of 2025) and the managements forecast of future gas price till the end of concession period. As the economic assumptions used may change and as additional geological information is obtained during the operation of a cluster, estimates of recoverable reserves may change. Such changes may impact the Group's reported consolidated financial position and results, which include:

- The carrying value of property, plant and equipment due to changes in estimated future cash flows and depreciation.
- Depreciation, depletion and amortisation charges in the consolidated statement of profit or loss and other comprehensive income may change where such charges are determined using the Unit of Production (UOP) method, or where the useful life of the related assets change.
- Provisions for decommissioning may require revision — where changes to reserves estimates affect expectations about when such activities will occur and the associated cost of these activities.

Depreciation, depletion and amortisation (Unit-Of-Production (UOP) method)

Property, plant and equipment related to hydrocarbon production activities are depreciated on a unit-of-production basis over the proved developed oil and gas reserves of the cluster concerned, other than assets whose useful lives differ from the lifetime of the cluster which are depreciated applying the straight-line method. This results in a depreciation charge proportional to the depletion of the anticipated remaining production from the cluster. For the purpose of proved developed reserves, management uses the SEC-mandated yearly average oil prices and management's estimate of the fixed gas prices. Yearly average oil prices and the fixed gas prices are applied in the determination of proved reserves. Estimates of proved reserves are inherently imprecise, require the application of judgment and are subject to regular revision, either upward or downward, based on new information including details relating to the drilling of additional wells, the observation of long-term reservoir performance under producing conditions and the changes in economic factors, including commodity prices, unforeseen operational issues, contract terms, legislation or development plans.

Changes to estimates of proved developed reserves affect prospectively the amounts of depreciation, depletion and amortisation charged and, consequently, the carrying amounts of production assets. The life of each item, which is assessed at least annually, has regard to both its physical life limitations and present assessments of economically recoverable reserves of the cluster at which the asset is located. The calculation of the UOP rate of depreciation will be impacted to the extent that actual production in the future is different from current forecast production based on total proved reserves, or future capital expenditure estimates change.

Notes to the consolidated financial statements of the Energy Development Oman SAOC (continued)

2. Significant judgments, estimates and assumptions (continued)

(b) Estimates and assumptions (continued)

Development, exploration and evaluation expenditure

Expenditure on the construction, installation and completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including services are capitalised within property, plant and equipment and is depreciated from the commencement of production. The capitalisation policy requires management to make certain estimates and assumptions about future events and circumstances, in particular, whether an economically viable extraction operation can be established. Cost incurred on unsuccessful development or delineation wells are written-off.

Significant estimates and assumptions are required to determine whether it is appropriate to continue to carry costs associated with exploration wells and exploratory type stratigraphic test wells on the balance sheet. This includes costs relating to exploration, seismic evaluation, geological and geophysical or other related costs. It is not unusual to have such costs being capitalised on the balance sheet while additional appraisal drilling and seismic work on the potential oil and natural gas cluster is performed or while the optimum development plans and timing are established. However, these seismic costs are part of the cluster that are producing developed petroleum resources.

The costs are carried based on the current regulatory and political environment or any known changes to that environment. All such carried costs are subject to regular technical, commercial and management review on at least an annual basis to confirm the continued intent to develop, or otherwise extract value from, the discovery. These costs are incurred on the producing clusters and therefore, management estimates that the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. The carrying amount of capitalised costs are included as part of property, plant and equipment under producing assets.

Decommissioning (abandonment provision)

Liabilities for decommissioning costs are recognised when the Group has an obligation to plug and abandon a well, dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reliable estimate of that liability can be made. Decommissioning costs will be incurred by the Group at the end of the operating life of some of the Group's facilities and properties. The Group assesses its decommissioning provision at each reporting date. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors, including changes to relevant legal requirements, estimates of the extent and costs of decommissioning activities, the emergence of new restoration techniques or experience at other production sites. The discount rate used for computing the abandonment provision for the year ended 31 December 2023 is 6.85%. (7.26% - 31 December 2022) which is based on long-dated Oman government bonds.

The provision for the costs of decommissioning wells, production facilities and pipelines at the end of their economic lives is estimated using existing technology, at future prices, depending on the expected timing of the activity, and discounted using the nominal discount rate. Therefore, significant estimates and assumptions are made in determining the provision for decommissioning. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

External valuers may be used to assist with the assessment of future decommissioning costs. The involvement of external valuers is determined on a case-by-case basis, taking into account factors such as the expected gross cost or timing of abandonment. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The provision at the reporting date represents management's best estimate of the present value of the future decommissioning costs required. A +0.5% change in the nominal discount rate could reduce the Group's provisions by approximately US$ 203,016 ('000) (2022: US$ (161,525) ('000)). A -0.5% change in the nominal discount rate could increase the Group's provisions by approximately US$ 220,201 ('000) (2022: US$ 174,938 ('000)). A two-year change in the timing of expected future decommissioning expenditures does not have a material impact on the value of the Group's decommissioning provision. Management does not consider a change of greater than two years to be reasonably possible either in the next financial year or as a result of changes in the longer-term economic environment.

Notes to the consolidated financial statements of the Energy Development Oman SAOC (continued)

2. Significant judgments, estimates and assumptions (continued)

(b) Estimates and assumptions (continued)

Provision for expected credit losses of financial assets

Due from related parties, other receivables and other assets

For these categories of assets, management applies a general approach in calculating ECLs. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's

historical experience and informed credit assessment, that includes forward-looking information. the Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

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. The areas requiring significant judgment related to the valuation of inventories include estimating the shrinkage that has occurred between physical inventory counts. These judgments and estimates, under certain circumstances, produce varying financial results.

Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the consolidated statement of profit or loss and other comprehensive income (Note 15).

Leases - Estimating the incremental borrowing rate

Management cannot readily determine the interest rate implicit in its leases. Therefore, it uses the relevant 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 and to make adjustments to reflect the terms and conditions of the lease. Management estimates the IBR using observable inputs (such as market interest rates) when available and is required to consider certain contract and entity-specific judgments.

Estimated useful lives of property, plant and equipment (excluding production wells and facilities) (straight line method)

Management determines the estimated useful lives of property, plant and equipment for calculating depreciation. The cost of property, plant and equipment is depreciated over the estimated useful life, which is based on the expected usage of the asset, expected physical wear and tear, and the repairs and maintenance program and the residual value. Management reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. Management reviews the residual value at the end of each reporting period and changes are adjusted prospectively. For line fill, management believes that the residual value of the line fill is greater than the cost.

Notes to the consolidated financial statements of the Energy Development Oman SAOC (continued)

2. Significant judgments, estimates and assumptions (continued)

(b) Estimates and assumptions (continued)

Useful lives of right-of-use assets

Management determines the estimated useful lives of its right-of-use assets for calculating amortisation. The cost of right-of-use assets are amortised over the estimated useful lives of the assets, which is based on shorter of the lease term and the estimated useful lives of the assets. Management reviews the estimated useful lives of right-of-use assets at the end of each annual reporting period. Any change in the lease term or pattern of consumption of these assets are adjusted prospectively.

Impairment of property, plant and equipment

Management assesses, at each reporting date, whether there is any indication that an asset or a group of assets is impaired. If any such indication exists, Management estimates the recoverable amount of the asset or group of assets. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset if the asset generates cash inflows that are largely independent of those from other assets or groups 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 pre-tax 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, an appropriate valuation model is used. These calculations are corroborated by valuation multiples like available fair value indicators.

The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate present value. The assessments require the use of estimates and assumptions such as long-term oil prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, decommissioning costs, exploration potential, reserves and operating performance (which includes production and sales volumes). Significant estimates and associated assumptions are involved in determining the cash-generating units, expected future cash flows and discount rates. These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs.

Pension and other post-employment benefits

Accounting for defined benefit pensions involves making significant estimates when measuring the Group's pension plan surpluses and deficits. These estimates require assumptions to be made about many uncertainties. Pensions and other post-retirement benefit assumptions are reviewed by management at the end of each year. These assumptions are used to determine the projected benefit obligation at the year end and hence the surpluses and deficits recorded in the Group's consolidated statement of financial position, and pension and other post-retirement benefit expense for the following year.

The present value of defined benefit pension plans is determined using actuarial valuations. The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate, future salary increases, mortality rates and future pension increases. Any changes in these assumptions will impact the carrying amount of pension obligations. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. The assumptions used vary from year to year, with resultant effects on future net income and net assets. Changes to some of these assumptions, in particular the discount rate and inflation rate, could result in reasonable changes to the carrying amounts of the Group's pension and other post-retirement benefit obligations within the next financial year. Any differences between these assumptions and the actual outcome will also affect future net income and net assets.

The values ascribed to these assumptions and a sensitivity analysis of the impact of changes in the assumptions on the benefit expense and obligation used are provided in Note 22.

Notes to the consolidated financial statements of the Energy Development Oman SAOC (continued)

3. Material accounting policy information

The accounting policies set out below, which comply with IFRS, have been applied consistently to all periods presented in these consolidated financial statements, unless stated otherwise. These describe the Group's significant accounting policies adopted in the preparation of these consolidated financial statements, which are relevant for an understanding of the consolidated financial statements.

Revenue from contracts with customers

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The 5-step approach for revenue recognition is as follows:

- Step 1: Identify contracts with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

In addition to revenue, the standard also applies to:

- the cost to fulfil the contract; and
- the incremental costs of obtaining a contract.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is the principal in all of its revenue arrangements since it controls the goods or services before transferring them to the customer

Revenue from sale of crude oil, condensate and NAG

The crude oil produced by the upstream operations is sold to external customers. Revenue from the sale of crude oil is recognised at the point in time when control of the product is transferred to the customer, which is generally when the product is physically transferred into a vessel, pipe or other delivery mechanism and the customer accepts the product and takes physical possession. For export sales of crude oil and condensate, the control passes to the customer when the crude oil or condensate passes the flange connection between the delivery hose and the customer's receiving vessel's permanent manifold connection. For domestic sales of crude oil and condensate, the control passes on to the customer once the oil is transported through the Main Oil Line ("MOL") from the the Group's tank farm connect to the customer's tank farm, i.e., at the Mina Al Fahal ("MAF") connect point. For NAG sales, the control of the natural gas transfers to the customer at the gas delivery point i.e., the inlet flange of the customer's plant. Consequently, the Group's performance obligations are considered to relate only to the sale of crude oil, condensate and NAG.

Under the terms of the relevant concession arrangements, the Group is entitled to its participating share in the crude oil based on its participating interest. Revenue from contracts with customers is recognised based on the actual volumes sold to customers. No adjustments are made to revenue for any differences between volumes sold to customers and unsold volumes which the Group is entitled to sell based on its participating interest. Revenue in respect of such volumes is only recognised when there is a transfer of output to the Group's customers.

Notes to the consolidated financial statements of the Energy Development Oman SAOC (continued)

3. Material accounting policy information (continued)

Revenue from contracts with customers (continued)

Revenue from sale of crude oil, condensate and NAG **(continued)**

Further, as regards to the pricing mechanism, the Group's sales of crude oil and condensate are priced based on market prices. The crude oil price is determined based on the daily market prices of the Oman Export Blend Crude Oil Future Contract, which is fixed and agreed at the time of delivery of crude oil and condensate. The Group also charges a premium for additional barrels nominated by the customers over and above the designated limit of oil barrels. The transaction price does not vary significantly under the terms of the contract. At the time of delivery, there is only a minimal risk of a change in the transaction price to be allocated to the crude oil volume sold. Accordingly, at the point of sale there is not a significant risk of revenue reversal relative to the cumulative revenue recognised, and there is no need to constrain any variable consideration under IFRS 15. The NAG price is determined based the Natural Gas Sales agreement between the Group and MoEM with effect from 6 May 2021.

The transportation and shipping cost associated with the transfer of the product to the point of sale is recognised as a selling cost. Revenue resulting from arrangements that are not considered contracts with customers is presented as other operating income.

Significant financing component

Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less. The Group does not receive any long terms advances from customers in relation to its revenue arrangements.

Other operating revenue

Other operating revenue relates to the Group's share of compensation for the lower grade of crude oil and condensate produced by one of the oil fields that is blended and commingled with the Oman Crude Oil Blend in accordance with the Oman Blend Revenue Distribution Agreement ("OBRDA"). As per OBRDA a compensation is paid by the Operator of Mukhaizna Block to other oil producers in the Sultanate. The calculation is performed by a third party and the compensation is split based on the production volumes of each respective oil producer. These are recognised on a monthly basis when the calculation of the compensation is ascertained and agreed with the parties.

Finance income

For all financial instruments measured at amortised cost, interest income is calculated using the effective interest rate (EIR) method. EIR is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included as finance income in the consolidated statement of profit or loss and other comprehensive income.

Supply of crude oil barrels to the Government

The Government raised a loan of US$ 4 billion in the form of a Pre-Export Facility (PXF) through Yibal Export B.V. The facility was structured as a pre-export financing ("PXF"). The Group shall transfer to the Government such barrels of crude oil as may be required and notified by the Government to perform its obligations under a Forward Sale Arrangement ('FSA Barrels') to satisfy the requirements under the PXF. These FSA barrels are transferred at free of charge and on a 'first priority basis', that is, from the first barrels of crude oil to reach the Petroleum Delivery Point in that month. The Government has the ownership rights of these FSA Barrels and is entitled to dispose of these barrels. The Group's obligations to transfer these FSA Barrels to the Government shall at all times take priority over other obligations. On 21 October 2022, Government's obligation under the PXF arrangement was settled in full. Further, the Group and the Government has agreed that from 21 October 2022, the Group is entitled to the FSA barrels and the settlement of the receivables (sale proceeds) and payables (royalty and taxes) on these FSA barrels would be done on net basis for the year ended on 31 December 2022. Since, the FSA barrels (21 October 2022 to 31 December 2022) were transferred to the Government and there is no other performance obligation pending for the Group to perform, the Group has recognised revenue on the FSA barrels. The Group and the Government has also agreed to consider

Notes to the consolidated financial statements of the Energy Development Oman SAOC (continued)

3. Material accounting policy information (continued)

Supply of crude oil barrels to the Government (continued)

the stand alone selling price (monthly official selling price) as the transaction price for the FSA barrels. (Note 19)

Joint arrangements

Under IFRS 11, Joint Arrangements, an arrangement in which two or more parties have joint control is a joint arrangement. 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. Investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligation for the liabilities, relating to the arrangement.

Where the Group acts as a joint operator, the Group recognises its interest in relation to a joint operation. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of a joint arrangement. In relation to its interests in joint operations, 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; and
- Expenses, including its share of any expenses incurred jointly.

PDO is classified as a joint operation by the Group, where the Group holds 60% participating interest in the joint operation.

Basis of consolidation

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

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

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.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Notes to the consolidated financial statements of the Energy Development Oman SAOC (continued)

3. Material accounting policy information (continued)

Basis of consolidation (continued)

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 related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

The Group's consolidated financial statements include entities listed in note 1.1.

Property, plant and equipment (Oil and gas properties – production wells and facilities)

Initial recognition

Production wells and facilities are stated at cost, less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost (if the asset was previously classified as assets in development), and any costs directly attributable to bringing the asset into operation. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

In certain cases, expenditure is transferred from 'exploration and evaluation assets' to 'production wells and facilities' once the work completed to date supports the future development of the asset and such development receives appropriate approvals. After transfer of the exploration and evaluation assets, all subsequent expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, is capitalised within 'production wells and facilities'. Expenditure incurred on exploration, seismic and other geological and geophysical costs are capitalised as part of 'production wells and facilities' as these are incurred on various clusters that are part of producing assets. Costs incurred on exploration and drilling of unsuccessful development or delineation wells are written off.

Expenditure on major maintenance refits, inspections or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset, or part of an asset that was separately depreciated and is now written off, is replaced and it is probable that future economic benefits associated with the item will flow to the Group, the expenditure is capitalised. Where part of the asset replaced was not separately considered as a component and therefore not depreciated separately, the replacement value is used to estimate the carrying amount of the replaced asset and is immediately written off. All other day-to-day repairs and maintenance costs are expensed as incurred.

Depreciation, depletion and amortisation

Production wells and facilities are in principle depreciated/amortised over the proved developed reserves of the field concerned, other than assets whose useful lives differ from the lifetime of the field which are depreciated applying the straight-line method. The unit-of-production rate calculation for the depreciation/amortisation of field development costs takes into account expenditures incurred to date. Estimates of oil and natural gas reserves determined in accordance with US Securities and Exchange Commission (SEC) guidelines, including the application of oil prices using 12-month historical price data in assessing the commerciality of technical volumes and management's estimate of the fixed gas prices, are typically used to calculate depreciation, depletion and amortisation charges for the Group's

Notes to the consolidated financial statements of the Energy Development Oman SAOC (continued)

3. Material accounting policy information (continued)

Property, plant and equipment (Oil and gas properties – production wells and facilities) (continued)

Depreciation, depletion and amortisation (continued)

oil and gas properties. Therefore, where this approach is adopted, charges are not dependent on management forecasts of future oil prices.

Other assets which are part of production wells and facilities are generally depreciated on a straight-line basis over their estimated useful lives, which is generally 20 years.

Derecognition

An item of property, plant and equipment and any significant part initially recognised 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 the consolidated statement of profit or loss and other comprehensive income when the asset is derecognised. The asset's residual values, useful lives and methods of depreciation/amortisation are reviewed at each reporting period and adjusted prospectively, if appropriate.

Property, plant and equipment (Exploration and evaluation assets)

Exploration, evaluation and development costs that relate to the acquisition and installation of production facilities, development drilling costs and applicable exploration costs that are expected to generate probable future economic benefits are capitalised. These costs are initially classified as 'exploration and evaluation assets' pending determination of successful exploration using the successful efforts method. Under the successful efforts method, exploration costs associated with exploratory wells are initially capitalised until the drilling of the well is complete and the results have been evaluated. If potential commercial quantities of hydrocarbons are found, these costs continue to be capitalised subject to further appraisal activities that would determine the commercial viability and technical feasibility of the reserves. If potentially commercial quantities of hydrocarbons have not been found, and no alternative use of the well is determined, the previously capitalised costs are written off.

Exploratory wells remain capitalised while additional appraisal drilling on the potential oil and/or gas field is performed or while optimum development plans are established. All such capitalised costs are not subject to amortisation, but are subject to technical, commercial and management review, as well as review for indicators of impairment at least once a year. This is to confirm the continued intent to develop or otherwise extract value from the discovery. When proved reserves of hydrocarbons are determined and there is a firm plan for development approved by management, the relevant capitalised costs are transferred to production wells and facilities.

The determination of whether potentially economic oil and natural gas reserves have been discovered by an exploration well is usually made within one year of well completion, but can take longer, depending on the complexity of the geological structure. Exploration wells that discover potentially economic quantities of oil and natural gas and are in areas where major capital expenditure (e.g., a platform or a pipeline) would be required before production could begin, and where the economic viability of that major capital expenditure depends on the successful completion of further exploration or appraisal work in the area, remain capitalised as long as such work is under way or firmly planned.

All other research and development expenditure are recognised in the consolidated statement of profit or loss and other comprehensive income as incurred. The expenditure incurred on drilling development wells is capitalised and written off when found to be dry.

Property, plant and equipment (Main oil / gas line, line fill and other facilities)

The main oil and gas pipelines are stated at cost less any depreciation or impairment in value. Minimum quantities of crude oil, condensate and NAG ('line fill'), which is necessary to bring a pipeline into working order, is treated as a part of the related pipelines and is classified as a part of property, plant and equipment. This is on the basis that it is not held for sale or consumed in a production process but is necessary to the operation of a facility during more than one operating cycle.

Notes to the consolidated financial statements of the Energy Development Oman SAOC (continued)

3. Material accounting policy information (continued)

Property, plant and equipment (Capital work-in-progress)

Capital work-in-progress is not depreciated. Capital work-in-progress is recorded at cost, less impairment. Allocated costs along with borrowing costs directly attributable to the construction of the asset are capitalised. Other capital work-in-progress is recorded at cost which represents the purchase price or cost of service required to complete an asset. The capital work-in-progress is transferred to the appropriate asset category and depreciated in accordance with the Group's policies when construction of the asset is completed and commissioned.

Property, plant and equipment (Abandonment assets)

Abandonment and restoration costs associated with provisions for asset retirement are capitalised and depreciated as per classified asset categories (either unit-of-production method or based on the useful life of the asset). The Group records a provision and a corresponding asset for abandonment/decommissioning activities in upstream operations for well plugging, site restorations and other abandonment activities. The abandonment asset and the related obligation for a well is recognised when it is drilled. For other assets, these are recognised in the period when sufficient information becomes available to estimate a range of potential settlement dates.

Property, plant and equipment (all other assets)

Other property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Concession and preliminary expenses	Over the period of concession
Buildings, repair shop, airport and instrumentation	20 to 33 years
Movables, vehicles, software, computing and communication	5 years

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 amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated financial statements during the financial period in which they are incurred. An item of property 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 fair value less costs to sell and the carrying amount of the asset) is included in the consolidated financial statements in the year the asset is derecognised.

The carrying values are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, 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.

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 written-off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the consolidated financial statements as the expense is incurred.

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted prospectively, if appropriate at each reporting date.

Inventories

Crude oil

Crude oil inventory is stated at the lower of cost and net realisable value. Cost is determined by the first-in-first-out method. The cost of crude oil includes the purchase cost, the cost of refining, including the proportion of depreciation, depletion and amortisation, and overheads based on normal operating capacity. Net realisable value is determined by reference to sales prices existing at the reporting date, adjusted where the sale of inventories after the reporting period gives evidence about their net realisable value at the end of the period. Crude oil inventories include the Group's stock entitlement, with adjustment for over lift / under lift stock.

Notes to the consolidated financial statements of the Energy Development Oman SAOC (continued)

3. Material accounting policy infomation (continued)

Inventories (continued)

Consignment stock

NAG owned by the Group that is stored in pipelines owned by a related party is classified as inventory, under consignment stock. Since, these pipelines are not owned by the Group, the related line fill inventories used to operate the pipelines are not classified as part of property, plant and equipment. The Group recognise these line fill inventories as consignment stock, as they are possessed by a related party. Consignment stock is stated at cost of production.

Other inventories

Material stock, project bulk material stock and well advance stock are materials and supplies to be consumed in the production process and are valued at cost on a weighted average basis. Inventories are valued at cost less provision for obsolete, slow-moving and defective items. Cost is determined on the weighted average cost basis and includes expenditure incurred in acquiring inventories and bringing them to their existing location and condition.

Leases

The Group as a lessee

The Group assesses at contract inception whether a contract is, or contains, a lease. If the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, the contract is considered as a lease. The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

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

i) 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. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Production wells and facilities	
- Crude oil production facilities	10 to 25 years
- Rigs and hoists	2 to 25 years
- Well service units	2 to 12 years
Movables, vehicles, software, computing and communication	
- Logistics and other equipment	7 to 17 years
- Vehicles	2 to 15 years
- Corporate equipment	2 to 4 years

If ownership of the leased asset transfers to the the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in section impairment of non-financial assets.

Notes to the consolidated financial statements of the Energy Development Oman SAOC (continued)

3. Material accounting policy information (continued)

Leases (continued)

The Group as a lessee (continued)

ii) 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. The lease payments include fixed payments (including in- substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses unless they are incurred to produce inventories in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. The carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

iii) Use of hindsight

The Group applies the use of hindsight practical expedients to leases where the Group has determined the lease term as the lease contract contains an option to extend or terminate the lease. Based on this the Group has determined different lease terms for different leases based on the contract option.

iv) Short term leases and low-value assets

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

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset 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 (FVLCS) and its value-in-use (VIU) 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. Where 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 pre-tax 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. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group’s cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a five-year period.

Notes to the consolidated financial statements of the Energy Development Oman SAOC (continued)

3. Material accounting policy information (continued)

Impairment of non-financial assets (continued)

An assessment is made at each reporting date as to 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 cash-generating unit'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 the consolidated statement of profit or loss and other comprehensive income.

Financial instruments

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

i) Financial assets

Initial recognition and measurement

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

The classification of financial assets 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 trade receivables and due from related parties that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price.

In order for a financial asset 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 marketplace (regular way trades) are recognised on the trade date, i.e., the date that The Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost

This category is the most relevant to the Group. 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.

Notes to the consolidated financial statements of the Energy Development Oman SAOC (continued)

3. Material accounting policy information (continued)

Financial instruments (continued)

i) Financial assets (continued)

Subsequent measurement (continued)

Financial assets at amortised cost (continued)

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

The Group's financial assets at amortised cost includes bank balances and cash, trade and other receivables, due from related parties, housing loan receivables and other non-current assets.

The Group does not have any financial assets at fair value through OCI or financial assets carried at fair value through profit or loss.

Impairment of financial assets

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

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

For trade receivables, the Group applies a simplified approach in calculating ECLs as these financial assets do not contain a significant financing component and usually have a maturity of one year or less. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on ECLs at each reporting date.

The Group has established default rates that is based on its historical credit loss experience and the probability of default associated with the Oman Government, adjusted for forward-looking factors specific to the customers and the economic environment, and taking into account any coverage by letters of credit. The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, The Group may also consider a financial asset to be in default when internal or external information indicates that The Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Derecognition of financial assets

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

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

Notes to the consolidated financial statements of the Energy Development Oman SAOC (continued)

3. Material accounting policy information (continued)

Financial instruments (continued)

i) Financial assets (continued)

Derecognition of financial assets (continued)

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

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include borrowings, trade and other payables, lease liabilities, due to related parties and other liabilities.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation

process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss and other comprehensive income.

This category generally applies to borrowings, trade and other payables, lease liabilities, due to related parties and other liabilities.

Derecognition

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

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on a 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.

Notes to the consolidated financial statements of the Energy Development Oman SAOC (continued)

3. Material accounting policy information (continued)

Current versus non-current classification (continued)

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.

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 bank

Cash and bank balances in the consolidated statement of financial position comprise cash at banks and cash in hand. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consists of cash in hand and cash at bank, as defined above, as they are considered an integral part of the Group’s cash management.

Borrowing costs

Borrowing costs include interest and direct costs such as underwriting, stamp duty, legal and other related costs in connection with borrowings. Costs other than interest are deferred when incurred and amortised over the contractual term of the debt. Interest costs are computed using the effective interest rate method in accordance with IFRS 9. Borrowing costs incurred for the purpose of acquiring, constructing or producing a qualifying asset are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway and cease once the asset is substantially complete or suspended if the development of the asset is suspended.

Borrowing costs which are directly attributable to the construction of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which they are incurred.

Fair value measurements

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

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

The principal or the most advantageous market must be accessible by 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 is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Notes to the consolidated financial statements of the Energy Development Oman SAOC (continued)

3. Material accounting policy information (continued)

Fair value measurements (continued)

There are no assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements. The fair values of financial assets and financial liabilities are not significantly different from their carrying values largely due to the short-term nature of these instruments.

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 the consolidated statement of profit or loss and other comprehensive income, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Abandonment provision (Decommissioning costs)

Liabilities for decommissioning costs are recognised when the Group has an obligation to plug and abandon a well, dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reliable estimate of that liability can be made. Where an obligation exists for a new facility or item of plant, such as oil and natural gas production or transportation facilities, this liability will be recognised on construction or installation. Similarly, where an obligation exists for a well, this liability is recognised when it is drilled. An obligation for abandonment may also crystallise during the period of operation of a well, facility or item of plant through a change in legislation or through a decision to terminate operations; an obligation may also arise in cases where an asset has been sold but the subsequent owner is no longer able to fulfil its abandonment obligations. The provision for the costs of decommissioning wells, production facilities and pipelines at the end of their economic lives is estimated using existing technology, at future prices, depending on the expected timing of the activity, and discounted using the nominal discount rate. Abandonment obligations are provided for at the present value of expected costs to settle the obligation using estimated cash flows. The value of the obligation is added to the carrying amount of the related asset and amortised over the useful life of the asset.

Changes in the estimated timing, cash flows or cost of decommissioning are dealt with prospectively by recording an adjustment to the provision and a corresponding adjustment to abandonment assets. Any reduction in the decommissioning liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to the consolidated statement of profit or loss and other comprehensive income. If the change in estimate results in an increase in the abandonment provision and, therefore, an addition to the carrying value of the asset, the Group considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment. If, for mature fields, the estimate for the revised value of oil and gas assets net of abandonment provisions exceed the recoverable value, that portion of the increase is charged directly to expense.

The discounted liability is increased for the change in present value based on the discount rate that reflects current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in the consolidated statement of profit or loss as a finance cost. Other than the unwinding of discount on or utilisation of the provision, any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the corresponding asset where that asset is generating or is expected to generate future economic benefits.

Environmental expenditures and liabilities

Expenditures that relate to an existing condition caused by past operations and do not contribute to current or future earnings are expensed. Liabilities for environmental costs are recognised when a clean-up is probable, and the associated costs can be reliably estimated. Generally, the timing of recognition of these provisions coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites. The amount recognised is the best estimate of the

Notes to the consolidated financial statements of the Energy Development Oman SAOC (continued)

3. Material accounting policy information (continued)

Abandonment provision (Decommissioning costs) (continued)

Environmental expenditures and liabilities (continued)

expenditure required to settle the obligation. Provisions for environmental liabilities have been estimated using existing technology, at future prices and discounted using a nominal discount rate.

Contingencies

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Omani staff pension scheme

PDO operates a defined benefit pension scheme (“the Scheme”) for its Omani staff engaged in the oil and gas operations, which requires contributions to be made to a separately administered unregistered fund which is governed by rules set out by PDO.

All Omani employees employed on a full-time basis are eligible to be a Member of the Scheme from the date of joining PDO if he or she is able to complete 15 actual years of service effective from 1 January 2014 with PDO before they reach the age of 60 years for male and 55 years for female (with an option to work until the age of 60 years). PDO contributes into the Scheme each month as determined by the Pensions Committee acting on Actuarial Advice and classifies the Scheme as a Plan Asset under IAS 19 Employee Benefits. The cost of providing benefit under the plan is determined by using the projected unit credit method with actuarial valuation being carried out at the end of each annual reporting period.

Re-measurement, comprising actuarial gain and losses, and the return of plan assets (excluding interest), is reflected immediately in the balance sheet with a charge/credit recognised in other comprehensive income in the period in which they occur. Re-measurement recognised in other comprehensive cost is reflected immediately in retained earnings and will not be reclassified to the consolidated statement of other comprehensive income. Past service cost is recognised in the consolidated statement of profit or loss in the period of the plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined liability/asset.

Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service costs as well as gains and losses on curtailment and settlements)
- Net interest expense/income
- Re-measurement

The Group presents the first two components of the defined benefit costs in the consolidated statement of profit or loss and third component in other comprehensive income. The retirement benefit obligation recognised in the balance sheet represents the actual deficit or surplus in the defined benefit plan. Further details are contained in Note 22.

Non-Omani staff pension liabilities

Non-Omani terminal benefits are accounted for on an accrual’s basis. End-of-service benefits for seconded expatriate staff is based upon the liability accrued in accordance with the defined contributions of the irrespective pension schemes. End-of-service benefits for other expatriate staff are accrued in accordance with the provisions of the Oman Labour Law, 2003 (as amended). Further details are contained in Note 23.

Notes to the consolidated financial statements of the Energy Development Oman SAOC (continued)

3. Material accounting policy information (continued)

Foreign currencies

The Group's consolidated financial statements are presented in United States Dollars, which is also the parent company's functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of profit or loss and other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates 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 translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

Distribution of assets

Any transfer of non-financial assets, including inventories, under common control, without consideration is considered to be an equity transaction either in specie distribution or contribution. The Group which gives away the non-financial asset reflects the transaction as a distribution in specie to the Government and accounts for the transfer by derecognising the distributed asset at its carrying value against the equity.

Tax

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The charge for current tax is calculated based on the income reported by the Group, as adjusted for items that are non-taxable or disallowed elements, and other allowable expenses. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the jurisdiction where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Notes to the consolidated financial statements of the Energy Development Oman SAOC (continued)

3. Material accounting policy information (continued)

Tax (continued)

Deferred tax (continued)

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Royalties

In accordance with the Fiscal Protocol, the Group shall pay royalties to the Government based in the Group's weekly revenue from the sale of its participating interest share of crude oil and condensate. The Group pays royalties to the Government based on sliding scale royalty rate on the weekly revenue from the sale of crude oil and condensate calculated by applying the Oman export blend crude oil price (MOG Prices) for the nominated month of lifting times the number of barrels of crude oil and condensate lifted by the Group at the petroleum delivery point in such month after deduction of the Government's share of FSA Barrels. The royalties payable by the Group meet the criteria to be treated as an expense, and accordingly, recognised in the consolidated statement of profit or loss.

Cash dividend

EDO recognises a liability to pay a dividend when the distribution is authorised, and the distribution is no longer at the discretion of EDO. A distribution is authorised when it is approved by the shareholder of EDO. A corresponding amount is recognised directly in equity. Dividends for the year that is approved after the reporting date is dealt with as an event after the reporting date.

However, in the meeting held on 26 February 2023, the EDO Board approved the treatment of 2023 residual cash paid to MOF as a repayment of the shareholder loan balance (rather than a dividend payment).

Changes in significant accounting policies

New and amended standards and interpretations

Deferred tax related to assets and liabilities arising from a single transaction

The Group has adopted Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) from 1 January 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. For leases and decommissioning liabilities, an entity is required to recognise the associated deferred tax assets and liabilities from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment

Notes to the consolidated financial statements of the Energy Development Oman SAOC (continued)

3. Material accounting policy information (continued)

Changes in significant accounting policies (continued)

New and amended standards and interpretations (continued)

Deferred tax related to assets and liabilities arising from a single transaction (continued)

to retained earnings or other components of equity at that date. For all other transactions, an entity applies the amendments to transactions that occur on or after the beginning of the earliest period presented. These amendments had no impact on the consolidated financial statements of the Group.

Global minimum top-up tax

The Group has adopted International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12) upon their release on 23 May 2023. The amendments provide a temporary mandatory exception from deferred tax accounting for the top-up tax, which is effective immediately, and require new disclosures about the Pillar Two exposure. These amendments had no impact on the consolidated financial statements of the Group.

Material accounting policy information

The Group also adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the consolidated financial statements.

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the consolidated financial statements. These amendments had no impact on the consolidated financial statements of the Group.

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

The new standard had no impact on the Group's consolidated financial statements.

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group's consolidated financial statements.

Notes to the consolidated financial statements of the Energy Development Oman SAOC (continued)

4. Revenue

2023	***Crude oil US$'000***	***NAG & condensate US$'000***	***Total US$'000***
External customers - Crude oil	**11,612,126**	**-**	**11,612,126**
External customers - NAG	**-**	**1,934,498**	**1,934,498**
External customers - Condensate	**-**	**2,876,290**	**2,876,290**
Total revenue from contracts with customers	**11,612,126**	**4,810,788**	**16,422,914**
2022			
External customers - Crude oil	11,711,655	-	11,711,655
External customers - NAG	-	2,055,460	2,055,460
External customers - Condensate	-	3,514,409	3,514,409
Total revenue from contracts with customers	11,711,655	5,569,869	17,281,524

In terms of the timing of revenue recognition, revenue is recognised at a point in time, when the control of goods is transferred to the customer. The Group does not render any other services. There are no financing components with respect to the contracts with customers.

Contract balances

Refer note 16 for trade receivables

Contract liabilities represent advances received to deliver goods and are short-term in nature. These advances do not have any financing component and are customary in nature. The duration between the transfer of a promised goods or services to a customer and the payment for that goods or services will be less than a year. Therefore, it is not considered as variable consideration and did not have any impact on the transaction price.

There were no contract liabilities at the beginning of the year and at the beginning of the earliest period presented, as a result no revenue was recognised during 2023 and 2022 from the contract liabilities.

Information about the Group's performance obligation is summarised in Note 3 "Material accounting policy information" under '*Revenue from contracts with customers*'.

Notes to the consolidated financial statements of the Energy Development Oman SAOC (continued)

5. Other income and expenses

5.a Other operating income

	31-Dec-23	*31-Dec-22*
	US$'000	*US$'000*
OBRDA compensation (Note 3, 'Other operating revenue')	**50,493**	76,429
Changes in abandonment estimates (Note 21)	**111,215**	92,627
Gains on disposals of property, plant and equipment	**3,235**	20,970
Foreign exchange gain	**3,786**	2,475
Tender fee	**1,773**	955
Land fee	**5,670**	-
	176,172	193,456

5.b Other expenses

	31-Dec-23	*31-Dec-22*
	US$'000	*US$'000*
Manpower Overheads	**(8,584)**	(4,259)
General Administration expenses	**(3,774)**	(1,440)
Consulting and Advisory	**(16,304)**	(7,016)
IT - Tools and Services	**(1,268)**	(409)
Bank charges	**(174)**	(4)
Reversal (Additions) to ECL provisions (Note 16 and Note 19)	**582**	(5,969)
Miscellaneous expense	**(826)**	(835)
	(30,348)	(19,932)

Other expenses include fees relating to external auditor amounting to US$ 1,136 ('000) (2022: 848 ('000)). Out of this, audit fees for the year amounts to US$ 806 ('000) (2022: 848 ('000)) and the balance relates to non-audit services.

5.c. Finance costs

	31-Dec-23	*31-Dec-22*
	US$'000	*US$'000*
Unwinding cost on abandonment provision (Note 21)	**(168,705)**	(173,635)
Interest expense on lease liabilities (Note 20)	**(28,525)**	(24,804)
Bank interest	**(237,859)**	(125,050)
Shareholder's loan interest (Note 19)	**(155,576)**	(73,116)
Sukuk bond	**(15,939)**	-
	(606,604)	(396,605)

5.d. Finance income

	31-Dec-23	*31-Dec-22*
	US$'000	*US$'000*
Interest income	**7,559**	2,385
	7,559	2,385

Notes to the consolidated financial statements of the Energy Development Oman SAOC (continued)

6. Depreciation, depletion, and amortisation

	31-Dec-23 US$'000	31-Dec-22 US$'000
Depreciation on property, plant and equipment (Note 10a)	**(3,768,420)**	(3,498,355)
Depreciation on right-of-use assets (Note 10b)	**(72,370)**	(68,667)
	(3,840,790)	(3,567,022)

7. Production expenses

	31-Dec-23 US$'000	31-Dec-22 US$'000
Well production expenses	**(293,273)**	(280,001)
Change in inventory (crude oil inventory and consignment stock)	**44,267**	(138,316)
Throughput and other income	**105,054**	103,718
Surface operations and maintenance expenses	**(540,627)**	(556,316)
Other production expenses	**(431,332)**	(541,796)
	(1,115,911)	(1,412,711)

The production expenses include staff costs of US$ 452,337 (‘000) and US$ 429,851 (‘000) for the years ended 31 December 2023 and 2022, respectively (Note 9).

8. Royalty expenses (Note 19)

	31-Dec-23 US$'000	31-Dec-22 US$'000
Royalty expense on crude oil	**(5,231,426)**	(5,679,359)
Royalty expense on condensate	**(1,294,025)**	(1,717,847)
	(6,525,451)	(7,397,206)

9. Staff cost

	31-Dec-23 US$'000	31-Dec-22 US$'000
Basic salaries and allowances	**(510,375)**	(494,968)
Retirement benefit costs	**(3,508)**	(4,300)
Staff pension scheme	**(167,477)**	(157,955)
Other associated costs	**(73,577)**	(64,428)
	(754,937)	(721,651)

During the years ended 31 December 2023 and 2022, staff costs of US$ 302,600 (‘000) and US$ 291,800 (‘000) respectively, were capitalised in “Production wells & production facilities” and “Work in progress”.

Staff costs of US$ 452,337 (‘000) and US$ 429,851 (‘000) for the years ended 31 December 2023 and 2022, respectively, are included within production expenses (Note 7) .

Notes to the consolidated financial statements of the Energy Development Oman SAOC *(continued)*

10.a Property, plant, and equipment

	Production wells & production facilities US$'000	*Concession & preliminary expenses US$'000*	*Building, repair shop, air port and instrumentation US$'000*	*Movables, vehicle, software, computing & communication US$'000*	*Main Oil/Gas Line & other facilities US$'000*	*Exploration and evaluation assets US$'000*	*Work in progress US$'000*	*Abandonment assets US$'000*	*Total US$'000*
Cost									
At 1 January 2023	**56,829,764**	**4,620**	**1,717,683**	**935,176**	**726,344**	**47,803**	**2,031,765**	**1,507,478**	**63,800,633**
Additions	**1,384,241**	**-**	**43,031**	**50,934**	**9,611**	**222,828**	**2,108,173**	**271,652**	**4,090,470**
Change in estimates	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**423,776**	**423,776**
Transfer within assets classes/ to other assets	**2,360,941**	**-**	**15,217**	**21,667**	**1,228**	**(209,322)**	**(2,189,731)**	**-**	**-**
Assets written-off and/ or disposed	**(102,977)**	**-**	**-**	**(2,473)**	**-**	**(25,359)**	**(81)**	**(83,372)**	**(214,262)**
At 31 December 2023	**60,471,969**	**4,620**	**1,775,931**	**1,005,304**	**737,183**	**35,950**	**1,950,126**	**2,119,534**	**68,100,617**
Depreciation									
At 1 January 2023	**(38,020,245)**	**(4,620)**	**(838,928)**	**(769,633)**	**(449,491)**	**-**	**(846)**	**(818,212)**	**(40,901,975)**
Charge for the year	**(3,476,742)**	**-**	**(61,492)**	**(46,566)**	**(16,246)**	**-**	**-**	**(167,374)**	**(3,768,420)**
Transfer within assets classes/ to other assets	**(593)**	**-**	**-**	**-**	**-**	**-**	**593**	**-**	**-**
Assets written-off and/ or disposed	**62,362**	**-**	**-**	**2,473**	**-**	**-**	**-**	**-**	**64,835**
At 31 December 2023	**(41,435,218)**	**(4,620)**	**(900,420)**	**(813,726)**	**(465,737)**	**-**	**(253)**	**(985,586)**	**(44,605,560)**
Net book value at 31 December 2023	**19,036,751**	**-**	**875,511**	**191,578**	**271,446**	**35,950**	**1,949,873**	**1,133,948**	**23,495,057**

1. The net book value of assets written-off and/ or disposed (excluding abandonment assets) for the year ended 31 December 2023 amounting to 66,055 ('000) and the sale consideration received against the disposal of asset is US$ 69,290 ('000). Therefore the gain/loss on disposals of property, plant and equipment amounting to US$ 3,235 ('000) is charged to 'other operating income' in the consolidated statement of profit or loss and other comprehensive income.
2. Work-in-progress also includes depreciation expenses relating to right-of-use assets that were capitalised amounting to US$ 140,715 ('000). (Note 10b). This is considered as a non-cash transaction and therefore, excluded from the consolidated state of cash flows.
3. Interest expense on lease liabilities capitalised as part of property, plant, and equipment amounting to US$ 24,308 ('000). This is considered as a non-cash transaction and therefore, excluded from the consolidated state of cash flows (Note 20).

Notes to the consolidated financial statements of the Energy Development Oman SAOC *(continued)*

10.a Property, plant, and equipment (continued)

	Production wells & production facilities US$'000	*Concession & preliminary expenses US$'000*	*Building, repair shop, air port and instrumentation US$'000*	*Movables, vehicle, software, computing & communication US$'000*	*Main Oil Line & other facilities US$'000*	*Exploration and evaluation assets US$'000*	*Work in progress US$'000*	*Abandonment Assets US$'000*	*Total US$'000*
Cost									
At 1 January 2022	52,390,271	4,620	1,615,030	807,801	658,893	4,258	3,425,822	1,889,924	60,796,619
Additions	761,482	-	34,225	44,088	8,804	183,629	2,423,186	129,048	3,584,462
Change in estimates								(443,498)	(443,498)
Transfer within assets classes/ to other assets	3,732,582	-	68,656	87,605	58,869	(130,468)	(3,817,244)	-	-
Assets written-off and/ or disposed	(54,570)	-	(228)	(4,318)	(222)	(9,616)	-	(67,996)	(136,950)
At 31 December 2022	56,829,765	4,620	1,717,683	935,176	726,344	47,803	2,031,764	1,507,478	63,800,633
Depreciation									
At 1 January 2022	(34,772,798)	(4,620)	(778,823)	(728,391)	(433,762)	-	(846)	(718,859)	(37,438,099)
Charge for the year	(3,277,316)	-	(60,177)	(45,558)	(15,951)	-	-	(99,353)	(3,498,355)
Assets written-off and/ or disposed	29,869	-	72	4,316	222	-	-	-	34,479
31 December, 2022	(38,020,245)	(4,620)	(838,928)	(769,633)	(449,491)	-	(846)	(818,212)	(40,901,975)
Net book value at 31 December 2022	18,809,520	-	878,755	165,543	276,853	47,803	2,030,918	689,266	22,898,658

1. The net book value of assets written-off and/ or disposed (excluding abandonment assets) for the year ended 31 December 2022 amounting to 34,475 ('000) and the sale consideration received against the disposal of asset is US$ 55,445 ('000). Therefore the gain/loss on disposals of property, plant and equipment amounting to US$ 20,970 ('000) is charged to 'other operating income' in the consolidated statement of profit or loss and other comprehensive income.

2. Work-in-progress also includes depreciation expenses relating to right-of-use assets that were capitalised amounting to US$ 135,719 ('000). (Note 10b). This is considered as a non-cash transaction and therefore, excluded from the consolidated state of cash flows.

3. Interest expense on lease liabilities capitalised as part of property, plant, and equipment amounting to US$ 25,290 ('000). This is considered as a non-cash transaction and therefore, excluded from the consolidated state of cash flows (Note 20).

Notes to the consolidated financial statements of the Energy Development Oman SAOC *(continued)*

10.b Right-of-use assets

	Production wells & production facilities *US$'000*	Movables, vehicle, software, computing & communication *US$'000*	Total *US$'000*
Cost			
At 1 January 2023	**1,604,896**	**123,220**	**1,728,116**
Modification adjustment [1]	**17,986**	**16,932**	**34,918**
Additions	**210,535**	**-**	**210,535**
Disposals	**(132,728)**	**(26,940)**	**(159,668)**
At 31 December 2023	**1,700,689**	**113,212**	**1,813,901**
Accumulated depreciation			
At 1 January 2023	**(801,608)**	**(102,787)**	**(904,395)**
Charge for the period	**(194,782)**	**(18,304)**	**(213,086)**
Disposals	**62,490**	**18,943**	**81,433**
At 31 December 2023	**(933,900)**	**(102,148)**	**(1,036,048)**
Net book value on 31 December 2023	**766,789**	**11,064**	**777,853**

Depreciation for the year was reported as follows:	
Depreciation expense charged to consolidated statement of profit or loss (Note 6)	**72,370**
Depreciation expense capitalised as part of property, plant and equipment (Note 10a)	**140,716**
	213,086

[1]Modifications to a lease agreement beyond the original terms and conditions are accounted for as a re-measurement of the lease liability with a corresponding adjustment to the right of use assets. This is considered as a non-cash transaction and therefore, excluded from the consolidated state of cash flows. The Group also had non-cash additions to right-of-use assets and lease liabilities of US$ 210,535 ('000) in 2023 (US$ 114,537 ('000) in 2022) (Note 20).

Notes to the consolidated financial statements of the Energy Development Oman SAOC *(continued)*

10.b Right-of-use assets (continued)

31 December 2022

	Production wells & production facilities US$'000	Movables, vehicle, software, computing & communication US$'000	Total US$'000
Cost			
At 1 January 2022	1,731,680	121,934	1,853,614
Modification adjustment [1]	(199,607)	1,374	(198,233)
Additions	114,537	-	114,537
Disposals	(41,714)	(88)	(41,802)
At 31 December 2022	1,604,896	123,220	1,728,116
Accumulated depreciation			
At 1 January 2022	(677,456)	(85,338)	(762,794)
Charge for the period	(184,085)	(20,301)	(204,386)
Disposals	59,933	2,852	62,785
At 31 December 2022	(801,608)	(102,787)	(904,395)
Net book value on 31 December 2022	803,288	20,433	823,721

Depreciation for the year was reported as follows:	
Depreciation expense charged to consolidated statement of profit or loss (Note 6)	68,667
Depreciation expense capitalised as part of property, plant and equipment (Note 10a)	135,719
	204,386

[1]Modifications to a lease agreement beyond the original terms and conditions are accounted for as a re-measurement of the lease liability with a corresponding adjustment to the right of use assets.

Notes to the consolidated financial statements of the Energy Development Oman SAOC *(continued)*

11. Cash and bank balances

	31-Dec-23	*31-Dec-22*
	US$'000	*US$'000*
Cash at bank	**706,236**	249,248
Cash in hand	**82**	155
	706,318	249,403

Cash at bank includes US$ 11,765 ('000) (2022: US$ 21,502 ('000)) balances relating to Block 10 & 11 under the Master Services Agreement between EDO and Shell Development Oman LLC (SDO) (Refer Note 24 b).

	31-Dec-23	*31-Dec-22*
	US$'000	*US$'000*
Balances with:		
Energy Development Oman S.A.O.C.	**684,908**	216,006
Petroleum Development Oman LLC	**7,807**	10,293
EDO Gas Operations (managed by PDO LLC)	**13,603**	23,104
	706,318	249,403

For the Group, cash equivalents comprise of cash at bank (in current accounts). These balances earn some small amount of interest and can be withdrawn on demand. Considering the macroeconomic factors, the management has not assumed any probability of default relating to these financial assets.

The Group is required to maintain a separate cash balance as per Debt Service Reserve Account (DSRA) requirement. The Group has obligation to maintain next 3 month's of principal and interest obligations under DSRA requirement to serve its future payments. Currently the Group is maintaining balance as per DSRA requirement to cover liability associated with US$ 2,500,000 ('000) term loan, OMR 375,000 ('000) term loan and Sukuk trust certificates.

12. Issued capital and reserves

Authorised shares

	31-Dec-23	*31-Dec-22*
	US$ 000	*US$ 000*
Ordinary shares of OMR 1 each	**1,300**	1,300
	1,300	1,300

Ordinary shares issued and fully paid

	31-Dec-23	*31-Dec-22*
	US$ 000	*US$ 000*
Issued on 06 December 2020	**1,300**	1,300
	1,300	1,300

Notes to the consolidated financial statements of the Energy Development Oman SAOC *(continued)*

12. Issued capital and reserves (continued)

OCI items, net of tax:

The disaggregation of OCI in retained earnings is shown below:

	31-Dec-23	*31-Dec-22*
	US$'000	*US$'000*
Re-measurement of pension fund obligation	**28,866**	(203,237)
Deferred tax related to items recognised in OCI during the year	**(15,876)**	111,780
	12,990	(91,457)

13. Housing loans

	31-Dec-23	*31-Dec-22*
	US$'000	*US$'000*
Current assets	**1,866**	2,804
Non-current assets	**8,359**	9,357
	10,225	12,161

Housing loans comprise loans disbursed by PDO to Omani staff for the purchase or construction of accommodation under PDO's Housing Loan Scheme. The loans are secured by a mortgage over the title deeds of the accommodation purchased or constructed. The loans are non-interest bearing and have a term ranging from 18 to 20 years.

PDO's housing loan receivables balances were neither past due nor impaired as of the reporting date.

Expected credit loss for housing loans receivables

	31-Dec-23	*31-Dec-22*
	US$'000	*US$'000*
At 1 January and 31 December	**690**	690

14. Disclosure segment information

The Group is a combination of the following three components:

- exploration and production of crude oil from Oil Operations,
- exploration and production of NAG and condensate from the Gas Operations, and
- the sales & marketing of the crude oil, NAG and condensate undertaken by the MoEM.

For the purpose of the consolidated financial statements, the operating segment is organised into business units based on the types of products and various activities in which the Group is engaged and thus has three reportable segments, as follows:

- Crude oil segment - includes all activities related to the crude oil exploration, production, sales and marketing. This segment is further split into export and domestic sales categories.
- NAG & Condensate segment - includes activities related to:
    - the non-associated gas reserves that are developed; and
    - the condensate exploration, production, sales and marketing, which is blended with crude oil and sold at the same price.
- Corporates & others – includes leading strategic initiative for new business streams, accelerate the development of the green hydrogen sector, raising external debt, etc.

Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

Notes to the consolidated financial statements of the Energy Development Oman SAOC *(continued)*

14. Disclosure segment information (continued)

Adjustments and eliminations

Finance income, finance costs and capital expenditures are allocated to individual segments to which the expenditure is attributable to. Finance income relates to interest income accrued on bank balances. Finance cost relates to the interest component for the lease liabilities, abandonment provisions and loans and borrowings. Capital expenditure consists of additions to property, plant and equipment.

The Group's organisational structure reflects the various activities in which the Group is engaged. At 31 December 2023 and 31 December 2022, the Group had three reportable segments: crude oil, NAG & Condensate and corporate & others.

The following table represents the information on the segments noted above:

2023	Crude oil US$'000	NAG & condensate US$'000	Corporate and others US$'000	Adjustments & eliminations US$'000	Total US$'000
External customers -crude oil	11,612,126	-	-	-	11,612,126
External customers - NAG	-	1,934,498	-	-	1,934,498
External customers - Condensate	-	2,876,290	-	-	2,876,290
Total revenue	11,612,126	4,810,788	-	-	16,422,914
Depreciation on property, plant and equipment	2,518,537	1,249,883	-	-	3,768,420
Depreciation on right-of use assets	57,895	13,959	516	-	72,370
Other operating income - land fee	-	-	5,670	-	5,670
Interest income	(1,156)	-	(6,403)	-	(7,559)
Interest expense on lease liabiities	22,905	5,483	137	-	28,525
Interest expense on loans and borrowings	-	-	(409,374)	-	(409,374)
Profit before tax	2,915,310	1,995,274	(423,043)	-	4,487,541
Segment Assets	16,261,333	10,742,031	670,665	(2,440)	27,671,589
Segment Liabilities	6,072,020	2,778,141	7,774,777	(2,440)	16,622,498
<u>Other disclosures</u>					
Capital expenditure	2,721,155	1,097,663	-	-	3,818,818

Notes to the consolidated financial statements of the Energy Development Oman SAOC *(continued)*

14. Disclosure segment information (continued)

2022	Crude oil US$'000	NAG & condensate US$'000	Corporate and others US$'000	Adjustments & eliminations US$'000	Total US$'000
External customers -crude oil	11,711,655	-	-	-	11,711,655
External customers - NAG	-	*2,055,460*	-	-	2,055,460
External customers -Condensate	-	*3,514,409*	-	-	3,514,409
Total revenue	11,711,655	5,569,869	-	-	17,281,524
Depreciation on property, plant and equipment	2,107,956	1,390,399	-	-	3,498,355
Depreciation on right-of use assets	51,456	16,778	433	-	68,667
Interest income	(47)	-	(2,338)	-	(2,385)
Interest expense on lease liabiities	17,627	7,052	125	-	24,804
Interest expense on loans and borrowings	-	-	198,166	-	198,166
Profit before tax	2,747,648	2,143,511	(207,270)	-	4,683,889
Segment Assets	15,733,132	10,825,014	604,161	(35,049)	27,127,258
Segment Liabilities	4,034,065	2,236,568	6,751,084	(35,049)	12,986,668
<u>Other disclosures</u>					
Capital expenditure	2,482,495	972,919	-	-	3,455,414

15. Inventories

	31-Dec-23 ***US$'000***	*31-Dec-22* *US$'000*
Material stock	**190,199**	178,690
Project bulk material stock (flowlines and hook-up)	**241,588**	185,221
Crude oil inventory	**79,499**	34,585
Consignment stock	**9,171**	9,818
Well advance stock	**8,264**	5,156
	528,721	413,470

The below table presents the movement in provision for material stock.

	31-Dec-23 ***US$'000***	*31-Dec-22* *US$'000*
At 1 January	**29,435**	31,978
Additions to provisions (recognised in consolidated statement of profit or loss)	**7,807**	10,800
Write-offs	**(4,192)**	(13,343)
At 31 December	**33,050**	29,435

Notes to the consolidated financial statements of the Energy Development Oman SAOC *(continued)*

16. Receivables and prepayments

	31-Dec-23 US$'000	31-Dec-22 US$'000
Trade receivables	**20,820**	17,764
Prepayments	**35,098**	44,454
Hardship loan to employees	**30,054**	25,866
VAT recoverable	**19,182**	32,129
Other receivables	**12,980**	19,857
	118,134	140,070
Less: expected credit losses	**15,822**	16,122
At 31 December	**102,312**	123,948
Less: non-current portion of receivables and prepayments	**16,549**	18,593
Current portion of receivables and prepayments	**85,763**	105,355

Trade receivables are non-interest bearing and are normally settled within 30-60-day terms.
Other receivables include US$ 72 ('000) (2022: US$ 8,049 ('000)) relating to Block 10 & 11 under the Master Services Agreement between EDO and Shell Development Oman LLC (SDO) (Refer Note 24 b).

Ageing of the trade receivables is as follows:

	31-Dec-23 US$'000	31-Dec-22 US$'000
Less than 1 month	**8,905**	4,397
2 to 3 months	**5,412**	6,245
3 to 6 months	**1,307**	1,592
6 to 12 months	**1,936**	2,097
More than 1 year	**3,260**	3,433
	20,820	17,764

Expected credit loss for trade and other receivables

	31-Dec-23 US$'000	31-Dec-22 US$'000
At 1 January	**16,122**	10,403
Charge for the Period	**-**	-
(Reversals)/additions to provisions	**(300)**	5,719
At 31 December	**15,822**	16,122

The Group applies a simplified approach to calculate ECLs. The Group considers the receivables in default when contractual payments are 90 days past due. The Group has established default rates that is based on its historical credit loss experience and the probability of default associated with Oman Government, adjusted for forward-looking factors specific to the customers.

Notes to the consolidated financial statements of the Energy Development Oman SAOC *(continued)*

17. Payables and accruals

	31-Dec-23	*31-Dec-22*
	US$'000	*US$'000*
Trade payables		
Foreign:	**392,523**	332,584
Domestic:	**-**	1,759
	392,523	334,343
Accrued expenses	**660,043**	626,324
Deferred income	**1,575**	2,331
Other payables and provisions	**124,939**	231,999
Royalty payables	**714,755**	781,139
Interest payable on shareholder loan	**228,691**	-
National objective liability	**-**	6,997
	2,122,526	1,983,133

Trade payables and other payables are non-interest bearing and are normally settled within a 30–45 day term.

Other payables and provisions include US$ 32,501 (‘000) (2022: US$ 50,066 (‘000)) relating to Block 10 & 11 under the Master Services Agreement between EDO and Shell Development Oman LLC (SDO) (Refer Note 24).

For details of the Group’s liquidity risk management processes (Note 25).

Notes to the consolidated financial statements of the Energy Development Oman SAOC *(continued)*

18. Loans and borrowings

	31-Dec-23	*31-Dec-22*
	US$'000	*US$'000*
Outstanding loan		
USD 2.5 billion term loan	**2,414,474**	2,500,000
Less: net upfront charges on term loan	**(20,867)**	(25,368)
	2,393,607	2,474,632
OMR 375 million term loan	**975,292**	-
Less: net upfront charges on term loan	**(2,539)**	-
	972,753	-
Issuance of sukuk bonds	**1,000,000**	-
Less: net upfront charges on Sukuk bonds	**(5,985)**	-
	994,015	-
Shareholder's loan (Note 19)	**3,263,799**	3,418,563
	7,624,174	5,893,195

The maturity analysis of loans and borrowings are as follows:

Current		
USD 2.5 billion term loan	**342,105**	85,526
Shareholder's loan (Note 19)	**1,282,000**	1,359,766
	1,624,105	1,445,292
Non-current		
USD 2.5 billion term loan	**2,051,502**	2,389,106
OMR 375 million term loan	**972,753**	-
Issuance of sukuk bonds	**994,015**	-
Shareholder's loan (Note 19)	**1,981,799**	2,058,797
	6,000,069	4,447,903
	7,624,174	5,893,195

Movement in shareholder loan presented below:

At 1 January	3,418,563	-
Interim dividend converted to shareholder's loan (refer note 19)	3,703,783	3,418,563
Repayments during the year	(3,858,547)	-
At 31 December	3,263,799	3,418,563

The USD 2.5 billion term loan is repayable in equal instalments of US$ 85,526 ('000) from twenty-seven months after the date of the facility agreement dated 11 August 2021. The instalments will be paid once every three months up to 81 months from the date of the facility agreement, aggregating nineteen instalments. This loan is repayable in full in 2028 with a final instalment of US$ 875,000 ('000). The rate of interest on each instalment is the aggregate of the margin (2.05% per annum) and applicable SOFR.

OMR 375 million term loan amounting to US$ 975,292 ('000) is raised during February 2023. Principal amount will be repaid after 42 months as a bullet payment. Interest is payable quarterly at 4.4% per annum.

On 26 June 2023, the Company established EDO Sukuk Limited, a special purpose vehicle incorporated in the Cayman Islands. EDO Sukuk Limited was established as a means to fund the Group by acting as issuer and trustee of the Sukuk trust certificates. Sukuk trust certificates amounting to US$ 1,000,000 ('000) were issued in September 2023. The Sukuk trust certificates are listed on the London Stock Exchange's International Securities Market and is payable after 10 years from the date of issuance. Profits are payable half yearly at 5.875% per annum.

Notes to the consolidated financial statements of the Energy Development Oman SAOC *(continued)*

19. Related party transactions

The Group is ultimately held and controlled by the Government of the Sultanate of Oman. The Group operates in an economic environment dominated by entities directly or indirectly controlled by the Government of the Sultanate of Oman through its government authorities, agencies, affiliations, and other organisations, collectively referred to as government-related entities.

The Group has elected to take the exemption available under IAS 24 Related Party Disclosures, to disclose only the key transactions and outstanding balances, including commitments, with the Government of the Sultanate of Oman and any other entity that is considered to be a related party because the same government has control, joint control or significant influence over itself and the other entity.

The Group has transactions with other government-related entities, including but not limited to sales and purchases of goods, rendering and receiving services, and use of public utilities. These transactions are conducted in the ordinary course of the Group on terms comparable to those with other entities that are not government related.

The nature of the related party transaction with the Government entities that are considered to be significant transactions and that have significant balances outstanding as at the end of the reporting periods are detailed below:

Revenue

The Group's 100% NAG revenue is from Government entities amounting to US$ 1,934,498 ('000) for the year ended 31 December 2023 (31 December 2022: US$ 2,055,460 ('000)) with corresponding receivables of US$ 303,609 ('000) as at 31 December 2023 (31 December 2022: US$ 516,921 ('000)).

With respect to crude oil, 100% revenue is from Government amounting to US$ 11,612,126 ('000) during the year ended 31 December 2023 (31 December 2022: US$ 11,711,655 ('000)) with a corresponding receivable of US$ 931,681 ('000) as at 31 December 2023 (31 December 2022: US$ 1,290,714 ('000)).

With respect to condensate revenue, 100% revenue is from the Government amounting to US$ 2,876,290 ('000) during the year ended 31 December 2023 (31 December 2022: US$ 3,514,409 ('000)) with a corresponding receivable of US$ 422,610 ('000) as at 31 December 2023 (31 December 2022: US$ 425,054 ('000)).

Other operating income

Other operating income includes compensation received from a related Government entity for the lower grade of crude oil and condensate of US$ 50,493 ('000) during the year ended 31 December 2023 (31 December 2022: US$ 76,429 ('000)) with corresponding receivables of US$ 4,599 ('000) as at 31 December 2023 (31 December 2022: US$ 38,208 ('000)).

Royalty

The Royalty paid by the Group to the Government on its weekly revenue. For the year ended 31 December 2023 the Group has recognised royalty expense of US$ 6,525,451 ('000) (31 December 2022: US$ 7,397,206 ('000)) with a corresponding payable of US$ 714,755 ('000) as of 31 December 2023 (31 December 2022: US$ 781,139 ('000)).

Purchase cost

The purchase of residue reinjected by a related Government entity amounts to US$ 8,974 ('000) for the year ended 31 December 2023 (31 December 2022: US$ 2,017 ('000)) and the cumulative payables to to this related Government entity as of 31 December 2023 is US$ 31,368 ('000) (31 December 2022: US$ 30,528 ('000)).

Distribution of assets in specie

During the year ended on 31 December 2023, out of the total the Group's share of oil production, the Group transferred production volumes of 1,825 ('000) barrels (31 December 2022: 1,825 ('000)) to the Government (non-cash transaction). This arrangement amounting to US$ 45,453 ('000) (31 December 2022: 40,539 ('000)) for the year ended 31 December 2023 is considered as an equity transaction and accounted for as a distribution of asset in specie to the Government under retained earnings.

Notes to the consolidated financial statements of the Energy Development Oman SAOC *(continued)*

19. Related party transactions (continued)

Supply of crude oil barrels to the Government

Production expenses and depreciation, depletion and amortisation include the cost of FSA barrels transferred to the Government for the year ended 31 December 2023 amounted to Nil and Nil respectively (31 December 2022: US$ 274,824 (‘000) and US$ 438,327 (‘000)). The total cost of FSA barrels amounted to Nil for year ended 31 December 2023 (31 December 2022: US$ 713,151 (‘000)).

Distribution of interim dividends

During the year ended 31 December 2023, the Group has declared interim dividends amounting to US$ 3,703,783 ('000) (31 December 2022: US$ 5,308,158 (‘000)) out of which it has paid Nil (31 December 2022: US$ 1,655,268 ('000)) to its shareholder.

The remaining dividend is settled in the following manner:

1. The Group has agreed with its shareholder to classify interim dividend payable amounting to US$ 3,703,783 (‘000) as a “Shareholder’s loan” to fund the Block 6 capital costs (non-cash transaction). The repayment of this loan will be based on terms specified in an agreement, along with an interest of 5% p.a. payable on the outstanding amount. During the year ended 31 December 2023 Interest expense on the shareholder loan amounted to US$ 155,576 (‘000) (2022: 73,116 (“000”).
2. In the meeting held on 26 February 2023, the EDO Board approved the treatment of 2023 residual cash paid to MOF as a repayment of the shareholder loan balance (rather than a dividend payment).
3. During the year ended 31 December 2023, the Group had no obligation under the Fiscal Protocol to transfer petroleum barrels under the Forward Sale Agreement. However, during the year ended 31 December 2022, out of the Group’s obligation under the Fiscal Protocol to transfer petroleum barrels under the Forward Sale Agreement, the Group transferred an additional 10,613 ('000) barrels of crude oil to the Government. The sale proceeds towards these additional barrels of crude oil aggregated to US$ 1,012,075 ('000) and the related royalty and taxes aggregated to US$ 491,349 ('000) and US$ 286,399 ('000) respectively. The Group has agreed with it’s shareholder to settle these balances (i.e. receivable from shareholder amounting to US$ 1,012,075 ('000) (sale proceeds) and payable to shareholder amounting to US$ 777,748 (‘000) (royalty and taxes)) on a net basis. The Group further agreed with it’s shareholder to settle the remaining balance of US$ 234,327 (‘000) (sale proceeds net off royalty and taxes) against the interim dividend payable by the Group to it’s shareholder.

Loan from the Omani Pension Fund

PDO has entered into a credit facility with the Omani Pension Fund, under which PDO has utilised the loan proceeds in the development of a project in Ras Al Hamra (“RAH”). The amount due to the Omani Pension Fund and related accrued interest amounts to 63,854 for the year ended 31 December 2023 (31 December 2022: US$ 63,855 (‘000)). Interest is charged at 4.8% per annum on the loan. Principal repayment will start annually from FY 2024 and it will be fully repaid by 2043.

Transactions with Key managerial personnel (“KMP”)

The Group had following transactions with key managerial personnel in 2023 and 2022.

	31-Dec-23	*31-Dec-22*
	US$'000	*US$'000*
Salaries and other benefits	26,404	25,776
	26,404	25,776

The table below shows the amounts due to related parties and due from related parties as at 31 December 2023 and 31 December 2022.

	31-Dec-23	*31-Dec-22*
	US$'000	*US$'000*
Due from related parties	**1,689,100**	2,302,550
Due to related parties	**172,976**	98,324

Notes to the consolidated financial statements of the Energy Development Oman SAOC *(continued)*

19. Related party transactions (continued)

Expected credit loss for related party receivables

	31-Dec-23 US$'000	31-Dec-22 US$'000
At 1 January	**1,612**	1,362
Amount provided during the year	**-**	250
Amounts reversed during the year	**(282)**	-
At 31 December	**1,330**	1,612

20. Lease liabilities

	31-Dec-23 US$'000	31-Dec-22 US$'000
Opening balance	**907,750**	1,163,719
Modification adjustments [1]	**34,919**	(169,896)
Additions [2]	**210,535**	114,537
Disposals	**(78,235)**	(7,352)
Accretion of interest	**52,833**	50,094
Payments	**(265,219)**	(243,352)
Total	**862,583**	907,750

1. Modifications to a lease agreement beyond the original terms and conditions are accounted for as a re-measurement of the lease liability with a corresponding adjustment to the right of use assets. This is a non-cash transaction.

2. The additions during the year amounting to US$ 210,535 ('000) for 2023 and US$ 114,537 ('000) for 2022 are non-cash transactions (Note 10b).

	31-Dec-23 US$'000	31-Dec-22 US$'000
Current	**225,167**	226,640
Non-current	**637,416**	681,110
	862,583	907,750

The following is the break up of interest expense on lease liability:

	31-Dec-23 US$'000	31-Dec-22 US$'000
Interest expense on lease liabilities (Note 5.c)	**28,525**	24,804
Interest expense on lease liabilities capitalised as part of property, plant, and equipment (Note 10a)	**24,308**	25,290
	52,833	50,094

Notes to the consolidated financial statements of the Energy Development Oman SAOC *(continued)*

20. Lease liabilities (continued)

The Group has lease contracts that include extension and termination options. The Group may reconsider and re-evaluate whether it will exercise these extension or termination options. These options will be evaluated by management to provide flexibility in managing the leased-asset portfolio and align with the business needs. Extension and termination options that are subject to future reconsideration are not reflected as part of lease liabilities. Currently, there is no exposure to these potential additional payments in excess of the recognised lease liabilities until these decisions have been taken by the Group. Management exercises significant judgment in determining whether these extension and termination options are reasonably certain to be exercised (Note 2).

21. Abandonment provision

	31-Dec-23	*31-Dec-22*
	US$'000	*US$'000*
Non-current		
At 1 January	**2,506,968**	2,808,406
Additions in provision due to asset acquisition	**271,652**	129,048
Reduction in provision due to disposals	**(83,372)**	(67,996)
Remeasurements and change in estimates	**312,561**	(536,125)
Unwinding of interest cost	**168,705**	173,635
At 31 December	**3,176,514**	2,506,968

The Group makes full provision for the future cost of the decommissioning of oil and gas wells and production facilities on a discounted basis on the installation of those wells and infrastructure. The abandonment provision represents the present value of the abandonment costs relating to oil and gas properties, which are expected to be incurred up to 2044 for oil and gas, when the producing oil and gas properties are expected to cease operations. These provisions have been created based on the Group's internal estimates. Assumptions are based on the current economic environment adjusted for suitable inflation, which management believes form a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. The movements in the abandonment provision are due to the change in inputs for the discounting factor, the estimated lifetime of clusters and the estimated cost of abandoned wells based on the average expected cost of the wells.

However, actual decommissioning costs will ultimately depend upon the future market prices for the necessary decommissioning works required that will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This, in turn, will depend upon future oil and gas prices, which are inherently uncertain.

Abandonment cost recognised in the consolidated statement of profit or loss and other comprehensive income:

	31-Dec-23	*31-Dec-22*
	US$'000	*US$'000*
Abandonment asset depreciation (Note 10a)	**167,374**	99,353
Impact of changes in estimate during the year	**(111,215)**	(92,627)
Unwinding of interest cost	**168,705**	173,635
	224,864	180,361

The abandonment provision has been estimated using existing technologies at current prices and discounted using a discount rate of 6.85% in 2023 and 7.26% in 2022.

The utilization of the provision in the next twelve months period is not expected to be significant and therefore, the entire abandonment provision is classified as non-current liabilities.

The additions, reductions and remeasurements and change in estimates are non-cash transactions.

Notes to the consolidated financial statements of the Energy Development Oman SAOC *(continued)*

22. Due to Omani pension scheme

PDO has a separately administered pension scheme for the benefit of its Omani staff. The Omani Staff Pension Scheme ("the pension scheme") is a defined benefit retirement scheme. The contribution by Omani staff is 7% of their basic salaries plus allowances whilst the contributions made by PDO are 36.6% of their basic salaries plus allowances. The last actuarial valuation of the Omani Staff Pension Scheme, performed as at 31 December 2023, showed the described pension scheme's position.

The following tables summarise the components of the pension expense recognised in the consolidated statement of profit or loss and other comprehensive income and the funded status and amounts recognised in the consolidated statement of financial position for the pension scheme.

	31-Dec-23 US$'000	*31-Dec-22 US$'000*
Return on plan assets (other than net interest)	**157,134**	(416,608)
Actuarial (loss) / gain from changes in financial assumptions	**(140,765)**	182,712
Actuarial gain from changes in experience adjustments	**12,497**	30,659
Amount recognised in other comprehensive income / (loss)	**28,866**	(203,237)
Deferred tax related to items recognised in OCI during the year	**(15,876)**	111,780
Remeasurement gain on pension fund obligation	**12,990**	(91,457)

<u>Pension scheme costs</u>

	31-Dec-23 US$'000	*31-Dec-22 US$'000*
Current service costs	**86,797**	101,840
Net interest expense	**(20,003)**	(26,455)
Past service cost	**79**	60
Total charge	**66,873**	75,445
Less: contribution paid by PDO	**(154,691)**	(148,925)
Surplus contribution to Omani staff pension scheme	**(87,818)**	(73,480)

<u>Consolidated statement of financial position – Net retirement benefit assets/(liabilities)</u>

	31-Dec-23 US$'000	*31-Dec-22 US$'000*
Fair value of pension scheme net assets	**2,419,648**	2,025,432
Present value of funded obligations	**(2,061,390)**	(1,783,857)
Net retirement benefit assets	**358,258**	241,575

Notes to the consolidated financial statements of the Energy Development Oman SAOC *(continued)*

22. Due to Omani pension scheme (continued)

Movement in present value of pension scheme assets

	31-Dec-23	*31-Dec-22*
	US$'000	*US$'000*
Opening fair value of scheme	**2,025,432**	2,220,932
Interest income	**150,200**	151,145
Return on plan assets (other than net interest)	**157,134**	(416,608)
Contribution paid by PDO	**154,691**	148,925
Contribution paid by the employees	**24,064**	20,715
Benefits paid	**(91,873)**	(99,677)
Fair value of pension scheme assets	**2,419,648**	2,025,432

Movement in present value of funded obligations

	31-Dec-23	*31-Dec-22*
	US$'000	*US$'000*
Opening funded obligations	**1,783,857**	1,849,600
Current service costs	**86,797**	101,840
Interest costs	**130,198**	124,690
Past service	**79**	60
Re-measurement loss/(gain):		
- Actuarial loss/(gain) from changes in financial assumptions	**140,765**	(182,712)
- Actuarial gain from change in experience adjustment	**(12,497)**	(30,659)
Benefit paid	**(91,873)**	(99,677)
Contribution paid by the employees	**24,064**	20,715
Present value of funded obligations	**2,061,390**	1,783,857

The principal assumptions used in determining the pension scheme obligations are shown below:

	2023	*2022*
	%	%
Discount rate at 31 December	**6.85%**	7.26%
Inflation rate	**2.00%**	2.00%
Expected rate of return on assets	**6.85%**	7.26%
Future salary increases	**3.00%**	3.00%
Future pension increases	**2.00%**	2.00%
Mortality rate	**59% of ELT13* improving to 50% in 18 years**	59% of ELT13* improving to 50% in 18 years

**English Life Table No.13 (“ELT 13”) reflects the assumed mortality of Omanis covered by the Public Authority of Social Insurance (“PASI”).*

Notes to the consolidated financial statements of the Energy Development Oman SAOC *(continued)*

22. Due to Omani pension scheme (continued)

Salary risk

The present value of the defined benefit plan liability is calculated by reference to future salaries of the plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant

Change in defined benefit obligation.

	2023		2022	
	Increase* *US$'000	***Decrease* *US$'000***	*Increase* ***US$'000***	*Decrease* ***US$'000***
Discount rate (1% movement)	**(339,600)**	**388,800**	(324,000)	284,400
Future salary growth (1% movement)	**162,000**	**(148,800)**	138,000	(126,000)

Restructuring of Oman pension and social protection system

In April 2021, Royal Decree 33/2021 was issued, in which the subject of integration of pension funds was addressed. The decree stipulated that all local pension funds be merged into two funds, one concerned with civil funds and the other with military and security funds.

In July 2023, Royal Decrees 50/2023 and 52/2023 (the "Royal Decrees"), establishing the Social Protection Fund (SPF), and concurrently, the Social Protection Law (the "Law") has been enacted. The Law, as per the Royal Decrees, will take effect on 1 January 2024. The PDO Omani Pension Fund (OPF) is mandated to transfer a segment of the OPF's assets and liabilities to the Social Protection Fund. Under the SPF, the contribution by Omani staff is 7.5% of their basic salaries plus allowances whilst the contributions made by PDO are 11% of their basic salaries plus allowances.

Subsequent to the reporting date, the SPF has clarified to the Group that the revised transfer date would be 1 January 2025 and the Group is to continue finalizing its post-integration arrangements and certain assumptions which will enable PDO to quantify the liability (and associated assets) which needs to be transferred to the SPF. This exercise is expected to be completed during 2024. From 1 January 2024, the contribution by Omani staff is 7.5% of their basic salaries plus allowances whilst the contributions made by PDO are 11% of their basic salaries plus allowances as prescribed by the SPF.

23. Provision for staff end-of-service and other retirement benefits

The defined contribution pension schemes to which seconded staff contribute are funded by payments to trusts, which are administered independently of PDO. PDO's obligations are limited to these contributions, which are expensed when due.

Provision for Omani end-of-service benefits represents amounts due to Omani staff who are not members of the Omani pension scheme and who have contracts that provide for the payment of end-of-service benefits upon termination or expiration of their employment contracts. Provision for non-Omani end-of-service benefits represents amounts due to non-Omani staff who are not members of any pension scheme and who have contracts that provide for the payment of end-of-service benefits upon termination or expiration of their employment contracts.

Notes to the consolidated financial statements of the Energy Development Oman SAOC *(continued)*

23. Provision for staff end-of-service and other retirement benefits (continued)

Following are the balances of Non-Omani and other staff pension provisions:

	31-Dec-23 ***US$'000***	*31-Dec-22* *US$'000*
Provision for Omani staff voluntary enhanced early retirement scheme	**5,942**	9,489
Provision for non-Omani staff end-of-service benefits	**1,444**	1,476
Provision for Omani staff end-of-service benefits (Not under Omani Pension Fund)	**1,061**	997
	8,447	11,962

PDO's obligations are limited to these contributions, which are expensed when due. The tables below provide details of the provisions created (and utilised) during the year.

Provision for Omani staff voluntary enhanced early retirement scheme

	31-Dec-23 ***US$'000***	*31-Dec-22* *US$'000*
At 1 January	**9,489**	13,493
Paid during the year	**(3,547)**	(4,004)
At 31 December	**5,942**	9,489

Provision for Omani staff early enhanced retirements (not under Omani Pension Fund)

	31-Dec-23 ***US$'000***	*31-Dec-22* *US$'000*
At 1 January	**-**	155
Paid during the year	**-**	(155)
At 31 December	**-**	-

Provision for non-Omani staff terminal benefits

	31-Dec-23 ***US$'000***	*31-Dec-22* *US$'000*
At 1 January	**1,476**	2,066
Provision made during the year	**3,049**	3,484
Paid during the year	**(3,081)**	(4,074)
At 31 December	**1,444**	1,476

Provision for Omani staff terminal benefits (not under Omani Pension Fund)

	31-Dec-23 ***US$'000***	*31-Dec-22* *US$'000*
At 1st January	**997**	749
Provision made during the year	**103**	364
Paid during the year	**(39)**	(116)
31 December	**1,061**	997

Notes to the consolidated financial statements of the Energy Development Oman SAOC *(continued)*

24. (a) Assets held for sale

During 2019, EDO Gas Operations entered into a draft agreement with Shell Integrated Gas Oman BV and Total E&P Oman Development BV ("Shell & Total") wherein Shell & Total required that EDO Gas Operations design, develop and execute services related to operations in the Concession Area of Block 10 and Block 11 (Mabrouk North East Area 1 and Area 2 respectively) (together the 'Concession Area').

In 2022, the Royal Decree was issued for Block 10 (Mabrouk North East Area 1), ratifying the Concession Agreement that was signed by the Government of Oman and Shell, along with its partners, OQ and Marsa Liquefied Natural Gas LLC (a joint venture between Total and OQ). This resulted in the relinquishment of EDO Gas Operations' interest and rights in the exploration and exploitation of NAG and NAG condensate in the Block 10 area, in 2022. Hand over of related assets having a value of USD 733 million, and operations to Shell Development Oman L.L.C was completed in 2022.

In 2022 Royal Decree was issued for Block 11 (Mabrouk North East Area 2). Accordingly handover of the related assets having a value of USD 52 million, and operations to Shell Development Oman LLC was completed in 2023.

Assets held for sale (Mabrouk north east):

	31-Dec-23	*31-Dec-22*
	US$'000	*US$'000*
Gross Block: Exploration and evaluation assets	-	52,056
Less: Accumulated depreciation	-	-
Net Block: Exploration and evaluation assets	-	52,056
Cash at bank	-	84
Receivables	-	-
Payables	-	(19)
Due to a related party	-	194
	-	52,315

Liabilities associated with assets held for sale

	31-Dec-23	*31-Dec-22*
	US$'000	*US$'000*
Funds from Mabrouk North East participants	-	52,315
	-	52,315

(b) Mabrouk North East (Block 10 & Block 11)

A Master Services Agreement (the Agreement) between Gas Operations and Shell Development Oman LLC (SDO) was executed on March'22 for Block 10 and November'22 for Block 11. The agreement provides a framework to enable Gas Operations to provide certain services to SDO on an "at cost" basis. Accordingly Gas Operations, for the purposes of providing services under the Agreement maintains certain working capital items in Gas Operation's books such as cash at bank, payable to vendors etc. which are offset by the receivable due from SDO.

Notes to the consolidated financial statements of the Energy Development Oman SAOC *(continued)*

24. (b) Mabrouk North East (Block 10 & Block 11) (continued)

The position of various working capital items for Block 10 & 11 as on reporting date is as follows:

	31-Dec-23	*31-Dec-22*
	US$'000	US$'000
Cash at bank	**11,765**	21,502
Other receivables (VAT)	**72**	317
Prepayments	**-**	7,732
Payables and accruals	**(32,501)**	(50,066)
Receivable from SDO	**20,664**	20,515
	-	-

25. Financial risk management objectives and policies

The Group operates internationally but has limited exposure to financial risks. The financial risks that could adversely affect the Group's financial assets, liabilities or future cash flows are market risk (including commodity price risk, interest rate risk and foreign currency risk), credit risk, and liquidity risk.

Market risk - The risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market risk comprises three types of risk: commodity price risk, interest rate risk and foreign currency risk.

Commodity price risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in commodity prices. The Group is exposed to the risk of fluctuations in prevailing market commodity prices on the mix of crude oil and condensate it produces. The Group does not hedge the risk, as there is no active risk management.

Commodity price sensitivity

Based on the assumption that the crude oil price moves +/- 20% this would result in a change of US$ 16/bbl. for the year ended 31 December 2023 (31 December 2022: US$ 19/bbl.), with a consequent change in royalties expense. Following is the net impact of +/- 20% change in crude oil price:

- increase in profit before tax of US$ 343,414 ('000) in case of 20% increase in crude oil price for the ended 31 December 2023 (31 December 2022: US$ US$ 900,423 ('000)) and
- decrease in profit before tax of US$ 849,836 ('000) in case of 20% decrease in crude oil price for the year ended 31 December 2023 (31 December 2022: US$ 890,162 ('000)), respectively, where all other variables are held constant.

There is no commodity price risk associated with NAG produces, because the Group has entered into an agreement with the Government to sell its entire NAG production to the Government at agreed fixed price.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's term loan obligations with floating interest rates.

The sensitivity analyses below have been determined based on the exposure to interest rates for instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 50-basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax for the period (through the impact on floating rate borrowings rates). There is no direct impact on the Group's equity.

Notes to the consolidated financial statements of the Energy Development Oman SAOC *(continued)*

25. Financial risk management objectives and policies (continued)

Market risk (continued)

Interest rate risk (continued)

31 December 2023	***Increase/Decrease in basis points***	***Effect on profit before tax US$ 000***
	+50	**(12,072)**
	-50	**12,072**

31 December 2022	*Increase/Decrease in basis points*	*Effect on profit before tax US$ 000*
	+50	(12,500)
	-50	12,500

Foreign currency risk

Currency risk in respect of the Group is mitigated significantly via a policy of awarding contracts and purchase orders mainly in US$ or Omani Rials only. The Omani Rial is effectively pegged to the US$. Only in exceptional cases, based on a commercial evaluation, are contracts/purchase orders awarded denominated in other currencies and therefore are not considered to have significant impact on the Group.

Credit risk - Credit risk is the risk that counterparties might not fulfil their contractual payment obligations towards an entity.

The Group is exposed to credit risk in respect of its trade and other receivables, housing loans, due from related parties and bank balances. Credit risk is controlled as balances are regularly reviewed and, where necessary an appropriate recovery action is taken. The expected credit loss model is applied for recognition and measurement of impairments in financial assets measured at amortised cost. Such credit losses have historically been nominal and the loss allowance for trade and other receivables, housing loans, due from related parties is presented in Note 16, Note 13 and Note 19 respectively. Other financial assets consist of cash and cash at bank held with leading and reputed banks. (Note 11).

The expected credit loss in 2023 is US$ 17,152 (‘000) (2022: US$ 17,736 (‘000)), which represents 0.96% (2022: 0.73%) of all trade receivables, prepayments and related parties on account of crude oil and NAG sales. The increase in percentage compared with prior year is mainly due to changes in the macroeconomic environment.

Liquidity risk – This is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Management regularly monitors future liquidity requirements. Trade payables are normally settled within 30 to 45 days of receipt of invoice based on the contractual terms. The table below summarises the maturities of the Group’s undiscounted financial liabilities at each reporting date, based on contractual payment dates.

Notes to the consolidated financial statements of the Energy Development Oman SAOC *(continued)*

25. Financial risk management objectives and policies (continued)

Contractual maturities of financial liabilities

	Up to one year	*1-5 years*	*More than 5 years*	*Total contractu-al cash flows*	*Carrying amount*
	US$ 000	*US$ 000*	*US$ 000*	*US$ 000*	*US$ 000*
31 December, 2023					
Trade payables	**392,523**	**-**	**-**	**392,523**	**392,523**
Trade payables and accruals (Note 24)	**32,501**	**-**	**-**	**32,501**	**32,501**
Accrued expenses	**660,043**	**-**	**-**	**660,043**	**660,043**
Other payables	**92,438**	**-**	**-**	**92,438**	**92,438**
Royalty payables	**714,755**	**-**	**-**	**714,755**	**714,755**
Due to related party	**66,303**	**73,254**	**93,413**	**232,970**	**172,976**
Loans and borrowings	**615,856**	**7,019,342**	**1,276,288**	**8,911,486**	**7,624,174**
Lease liabilities	**231,456**	**573,084**	**244,129**	**1,048,669**	**862,583**
Total	**2,805,875**	**7,665,680**	**1,613,830**	**12,085,385**	**10,551,993**

	Up to one year	*1-5 years*	*More than 5 years*	*Total contractual cash flows*	*Carrying amount*
	US$ 000	*US$ 000*	*US$ 000*	*US$ 000*	*US$ 000*
31 December, 2022					
Trade payables	334,343	-	-	334,343	334,343
Trade payables and accruals (Note 24)	50,066	-	-	50,066	50,066
Accrued expenses	626,324	-	-	626,324	626,324
Other payables	181,933	-	-	181,933	181,933
Royalty payables	781,139	-	-	781,139	781,139
Due to related party	98,324	-	-	98,324	98,324
Loans and borrowings	1,635,569	5,048,984	-	6,684,553	5,893,195
Lease liabilities	233,381	633,358	228,641	1,095,380	907,750
Total	3,941,079	5,682,342	228,641	9,852,062	8,873,074

26. Capital Commitments

	31-Dec-23	*31-Dec-22*
	US$'000	*US$'000*
Future capital expenditure authorised by the Board of Directors of PDO and Gas Operations	**19,769,000**	21,156,280

Notes to the consolidated financial statements of the Energy Development Oman SAOC *(continued)*

26. Capital Commitments (continued)

Supply of crude oil barrels to the Government

The Government raised a loan of US$ 4 billion in the form of a Pre-Export Facility (PXF) through Yibal Export B.V. The facility was structured as a pre-export financing ("PXF"). Under the Fiscal Protocol, the Group transfers to the Government such barrels of Petroleum as may be required and notified by the Government to perform its obligations under a Forward Sale Arrangement ('FSA Barrels') to satisfy the requirements under the PXF. These FSA barrels are transferred at free of charge and on a 'first priority basis', that is, from the first barrels of Petroleum. The Government has the ownership rights of these FSA Barrels and is entitled to dispose of these barrels. The Group's obligations to transfer these FSA Barrels to the Government shall at all times take priority over other obligations. On 21 October 2022, Government's obligation under the PXF arrangement was settled in full. Further, the Group and the Government has agreed that from 21 October 2022, the Group is entitled to the FSA barrels and the settlement of the receivables (sale proceeds) and payables (royalty and taxes) on these FSA barrels would be done on net basis for the year ended on 31 December 2022. Since, the FSA barrels (21 October 2022 to 31 December 2022) were transferred to the Government and there is no other performance obligation pending for the Group to perform, the Group has recognised revenue on the FSA barrels. The Group and the Government has also agreed to consider the standalone selling price (monthly official selling price) as the transaction price for the FSA barrels (Note 19). From 1 January 2023, the Group does not have any obligations to transfer these FSA Barrels to the Government.

27. Income tax

The Group's obligation to pay current tax is defined in the Fiscal Protocol and shall be recurring in nature. The Group is liable to pay tax at an amount equal to fifty-five percent (55%) of its income chargeable to tax from 24 February 2021 for oil operations and from 06 May 2021 for NAG & condensate operations.

Since, the taxes were applicable only from FY 2021 year there is an opening non-deductible element arising on account of difference between accounting base (IFRS) and continuing tax base (as per concession agreement) of depreciation on property, plant, and equipment as the Group availed the initial recognition exception under IAS 12 - *'Income Taxes'*. Accordingly, the effective tax rate is expected to be significantly higher than the tax rate of 55% due to non-deductible element on initial recognition. The major components of income tax expense in the consolidated statement of profit or loss and other comprehensive income are:

	31-Dec-23 US$'000	*31-Dec-22 US$'000*
Income taxes		
Current income tax expense	**(2,826,956)**	(2,742,854)
Deferred income tax expense relating to origination and reversal of temporary differences:		
Deferred tax asset	**426,026**	414,496
Deferred tax liabilities	**(1,389,548)**	(1,586,311)
Income tax expense recognised in consolidated statement of profit or loss	**(3,790,478)**	(3,914,669)

Tax liability amounting to US$ 140,516 ('000) is payable as of 31 December 2023 (31 December 2022: 49,973).

Notes to the consolidated financial statements of the Energy Development Oman SAOC *(continued)*

27. Income tax (continued)

Reconciliation of income tax expense and the accounting profit multiplied by the domestic tax rate:

	31-Dec-23	*31-Dec-22*
	US$'000	*US$'000*
Profit before tax	**4,487,541**	4,683,889
Income tax @ 55% on profit before tax	**2,468,148**	2,576,139
Tax impact of non-deductible expenses and tax-exempt revenue	**358,808**	166,715
Net deferred tax liability	**963,522**	1,171,815
Income tax expense recognised in consolidated statement of profit or loss	**3,790,478**	3,914,669

Reconciliation of effective tax rate:

Accounting profit before tax:	**4,487,541**	4,683,889
Tax using Company's statutory tax rate of 55% (2022: 55%)	**2,468,148**	2,576,139
Less: tax effect items which are taxed at a lower rate	**(3,024)**	(954)
Add: tax effect on permanent difference expenses in accordance with Fiscal Protocol	**225,156**	108,991
Add: tax effect of the unwinding of the permanent difference on IRE of PPE	**1,122,378**	1,252,790
Less: tax effect on special arrangement	**(24,999)**	(22,297)
Items not taxed (HDO)	**2,820**	-
At the effective income tax rate of 84% (2022: 83%)	**3,790,479**	3,914,669
Income tax expense reported in the statement of profit or loss	**3,790,479**	3,914,669

Deferred tax
Deferred tax related to items recognised in OCI during in the year

	31-Dec-23	*31-Dec-22*
	US$'000	*US$'000*
Re-measurement of pension fund obligation	**(15,876)**	111,780
Deferred tax (asset) / liability recognised in OCI during in the year	**(15,876)**	111,780

Notes to the consolidated financial statements of the Energy Development Oman SAOC *(continued)*

27. Income tax (continued)

Deferred tax (continued)

Deferred tax relates to the following:

	Consolidated statement of financial position		*Consolidated statement of profit or loss*	
	31-Dec-23	*31-Dec-22*	***31-Dec-23***	*31-Dec-22*
	US$'000	*US$'000*	***US$'000***	*US$'000*
Property, plant and equipment	**(3,522,882)**	(2,448,468)	**(1,074,414)**	(1,236,741)
Due to related parties (Due to OETC)	**35,151**	-	**35,151**	-
Abandonment asset	**(623,671)**	(379,096)	**(244,575)**	264,989
Abandonment provision	**1,747,083**	1,378,832	**368,251**	(165,791)
Right of use asset	**(427,820)**	(450,444)	**22,624**	149,508
Lease liability	**474,419**	496,679	**(22,260)**	(143,366)
Net retirement benefit assets	**(197,042)**	(132,866)	**(48,299)**	(40,414)
Net Deferred tax liability	**(2,514,762)**	(1,535,363)	**(963,522)**	(1,171,815)

28. New standards, interpretations and amendments issued but not yet effective

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

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed.

The amendments will not have a material impact on the Group's consolidated financial statements as the Group does not have have any sale and lease back transactions.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification
- In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively.

The amendments will not have a material impact on the Group's consolidated financial statements.

Notes to the consolidated financial statements of the Energy Development Oman SAOC *(continued)*

28. New standards, interpretations and amendments issued but not yet effective (continued)

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: *Disclosures* to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of consolidated financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted, but will need to be disclosed.

The amendments will not have a material impact on the Group's consolidated financial statements.

29. Comparative figures

Certain figures in the comparative financial information as at and for the year ended 31 December 2022 have been reclassified. These changes have been made to improve the quality of information presented and to conform with the presentation in the current year. Such reclassification does not affect previously reported profit or equity. The following previous year's figures are reclassified:

- 'Assets written-off and/ or disposed' amounting to US$ 34,475 ('000) for the year ended 31 December 2022 were originally presented under other expenses in the 2022 financial statements. In the comparative financial information for the year ended 31 December 2022, this amount was netted off against 'gains on disposal of property, plant, and equipment' under 'other operating income'.
- 'National objective investment' of US$ 4,834 ('000) as at 31 December 2022, have been reclassified to 'other current assets' and 'national objective liability' of US$ 6,997 ('000) as at 31 December 2022 have been reclassified to 'payables and accruals'.
- Assets and liabilities relating to Mabrouk North East (Block 10 & Block 11) were previously presented on a net basis. In the comparative financial information as at 31 December 2022 these assets and liabilities are presented on a gross basis. As at 31 December 2022, this change resulted in a corresponding additions to 'receivables and prepayments' by US$ 8,049 ('000), 'cash and bank balances' by US$ 21,502 ('000), 'due from related parties' by US$ 20,515 ('000) and 'payables and accruals' by US$ 50,066 ('000).
- In the consolidated statement of cash flows for the year ended 31 December 2022, net movements in royalties were presented as part of 'changes in payables and accruals' under 'working capital changes'. In the comparative financial statements for the year ended 31 December 2022, royalty expenses of US$ 7,397,206 ('000) are added back as an adjustment to profit before tax and royalty paid of US$ 7,160,642 ('000) are presented after 'working capital changes'. This change does not affect the 'net cash from operating activities'.

  Additionally, the impact of reclassification of Mabrouk North East (Block 10 & Block 11), as detailed above, has led to changes in 'net cash flows from operating activities'.

- In the comparative financial information for the year ended 31 December 2022, certain elements of 'staff costs' are reclassified within 'staff costs' under Note 10. Additionally, in 2023, medical expense reimbursements are included in staff costs, resulting in amendments to the comparatives for the year ended 31 December 2022.

30. Approval of the consolidated financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 22 February 2024 and are signed on their behalf by the Chief Executive Officer and the Chief Financial Officer of Energy Development Oman SAOC on 22 February 2024.