

24 February 2024

Chairman Report

Dear Shareholders,

The Board of Directors is pleased to welcome the Shareholders to the eighth Annual General Meeting of Abraj Energy Services SAOG- (Abraj) and to present the Annual Report for the financial year ended 31st December 2024.

Abraj had, sustainably, performed well throughout the year 2024, with good steady results from the Drilling and workover services and a remarkable contribution from Well Services. Abraj has successfully managed to grow outside Oman by commencing the WJO project on schedule for the provision of drilling rigs in Kuwait, reflecting its commitment to operational efficiency and project execution excellence. This achievement not only strengthens Abraj's foothold in the regional market but also enhances its reputation as a reliable and capable service provider. With a solid track record and a growing presence, Abraj is well-positioned to sustain its current growth trajectory and explore further expansion opportunities in the industry."

Abraj is focused on providing services around Oil and Gas Wells, during and post wells construction. From building a wider service portfolio, Abraj now focuses on strategic top-tier services coupled with strong operational efficiency to realize maximum financial returns and sustainable growth. Abraj continues to benefit from the strength of long-term contracts in generating sufficient cash flow for growth.

Abraj Energy Services SAOG Performance:

HSE:

Abraj had a very good HSE Performance in the year 2024. Abraj did not had any LTI in 2024 and as a result LTIF remained zero against the threshold of 0.25, whereas TRCF by end of the year was 0.19 against the threshold of 1.0. RTAF remain 0.08 against the threshold of 0.20. Management site audits were completed successfully as per plan in 2024. Also, level 1 contractor audit completed as per set plan in 2024.

Medical fitness to work compliance achieved 99% by the end of 2024.

All Abraj units (Rigs, Workover and Well Services) achieved LTI free year in 2024 however below units LTI free years are among the top:

- ◊ Rig 207 completed 13 years LTI free in 2024.
- ◊ Rig 202 completed 12 years LTI free in 2024.
- ◊ Hoist 2 completed 12 years LTI free in 2024.
- ◊ Muscat warehouse achieved 11 years LTI free in 2024.
- ◊ Rig 209 and Rig 303 achieved 10 years LTI free in 2024.
- ◊ Rig 204, Rig 210, Hoist 1 & Rig 304 achieved 8 years LTI free in 2024.
- ◊ Rigs 105, 201 and Muscat workshop achieved 7 years LTI free in 2024.
- ◊ Rigs 208, PDO Cementing, OQ Cementing and Adam yard completed 6 years LTI free

To enhance employee and stakeholder engagement, the HSE department conducted a series of dedicated HSE forums and workshops, including:

- CCTV Workshops & Engagements with Supervisors.
- HSE Forums with Business Partners, Drivers and Journey Managers.

In 2024, Abraj HSE team participation and recognition in key industry events highlighted our leadership in safety innovation:

- Achieved the Gold Award for CCTV Support Center and the Silver Award for HSE Management System at the ASSP GCC HSE Forum.
- Won the PDO HSE Contractor Award for Personal Safety & Health Projects with the CCTV initiative.
- Recognized at the OPAL Knowledge Exchange Forum for sharing best practices in contractor management.
- Presented the “Abraj CCTV Support Center” at the IADC Middle East Conference.

Additionally, Abraj dominated the Top 10 positions among 79 Global Shell rigs and proudly secured First place in HSE performance.

Drilling & Workover:

In 2024, Abraj achieved a significant milestone by commencing its first international project in Kuwait (WJO), deploying two rigs in February and July respectively. This expansion has increased Abraj's fleet to 27 drilling rigs, achieving an very good 86% utilization for drilling rigs and 100% utilization for workover rigs. With a 29% market share in drilling rigs, Abraj has solidified its position as the leader and national champion of Oman's oilfield services sector

Well Services:

- All WS units closed the year with an excellent record of LTI free operations
- Achieved >98% operational efficiency across all WS units resulting high client satisfaction
- Improved overall asset utilization, specifically enhancing fracturing asset efficiency despite the delayed start of the project
- Successfully passed the comprehensive Operational Readiness Audit by PDO for the second fracturing fleet, facilitating a smooth launch of the Gas Frac campaign—a key milestone for competing in the next major Frac tender.
- Secured a major cementing tender with PDO and made strong progress in technical validation and scope allocation, positively impacting financial performance.
- Successfully renewed API Q2 certification.
- Successful participation in technical papers at international forums (IADC) under well integrity and digitalization categories
- Made notable progress in collaboration discussion with Sonatrach, which promises future regional expansion opportunities for well services.
- Made significant progress in Omanizing key technical roles and developing Omani fresh graduates through an extensive training and development program, preparing them for key positions within Well Services. This initiative received positive feedback from customers

Acknowledgements:

The Board of Directors expresses their sincere and deep gratitude to the vision and wise great leadership of the country’s leader for maintaining sustainable growth and prosperity of the Omani Economy. Abraj Board also wishes to place on record its thanks and gratitude to the Ministry of Oil & Gas, Ministry of Commerce & Industry, Ministry of Manpower, and Capital Markets Authority for their guidance and support. Abraj Board also would like to appreciate and thank you for the valuable support and guidance from the Shareholders, Bankers, and Suppliers. The Board thanks the Management team and all Abraj employees for their dedication and commitment to meeting challenging situations.

Ayad Al Balushi

Chairman of the Company

Statement of Financial Position, Current, Non-current	Thousands/Omani Rial/Audited	
	Standalone 31/12/2024	Standalone 31/12/2023
STATEMENT OF FINANCIAL POSITION		
CONSOLIDATED AND SEPARATE		
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	201,173	191,405
Intangible assets other than goodwill	173	231
Right-of-use assets	4,081	5,502
Deferred tax asset	403	426
Other non-current financial assets	982	4,546
Total non-current assets	206,812	202,110
CURRENT ASSETS		
Current inventories	28,416	23,786
Trade and other current receivables	42,951	42,385
Cash and bank balances	5,473	8,071
Other current financial assets	93	119
Total current assets other than non-current assets or disposal groups classified as held for sale or as held for distribution to owners	76,933	74,361
Total current assets	76,933	74,361
Total assets	283,745	276,471
EQUITY AND LIABILITIES		
EQUITY		
Share capital	77,020	77,020
Statutory reserve	12,405	10,718
Retained earnings (Accumulated losses)	56,895	58,040
Total equity	146,320	145,778
LIABILITIES		
NON-CURRENT LIABILITIES		
NON-CURRENT PROVISIONS		
Non-current provisions for employee benefits	2,398	2,218
Total non-current provisions	2,398	2,218
Borrowings, non-current	74,017	72,060
Non-current lease liabilities	3,178	3,565
Deferred tax liabilities	3,641	4,407
Contract liabilities, non-current / Deferred non-current revenue	1,058	1,094
Total non-current liabilities	84,292	83,344
CURRENT LIABILITIES		
CURRENT PROVISIONS		
Trade and other current payables	30,912	28,469
Borrowings, current	16,801	13,232
Current lease liabilities	1,012	2,212
Current tax liabilities, current	3,748	2,674
Contract liabilities, current/ Deferred current revenue	660	762
Total current liabilities other than liabilities included in disposal groups classified as held for sale	53,133	47,349
Total current liabilities	53,133	47,349
Total liabilities	137,425	130,693
Total equity and liabilities	283,745	276,471
Number of outstanding shares	770200000	770200000

Subclassifications of Assets, Liabilities and Equity, Current, Non-current	Thousands/Omani Rial/Audited	
	Standalone 31/12/2024	Standalone 31/12/2023
SUBCLASSIFICATIONS OF ASSETS, LIABILITIES AND EQUITIES		
CONSOLIDATED AND SEPARATE		
ASSETS		
NON-CURRENT ASSETS		
EXPLORATION AND EVALUATION ASSETS		
INVESTMENT PROPERTIES		
INVESTMENT PROPERTIES AT COST		
INVESTMENT PROPERTIES AT FAIR VALUE		
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD		
OTHER CURRENT NON-FINANCIAL ASSETS		
CURRENT ASSETS		
INVENTORIES		
Spares and consumables	29,075	24,289
Allowance for slow moving and obsolete inventories	659	503
Total current inventories	28,416	23,786
TRADE AND OTHER CURRENT RECEIVABLES		
Accounts receivables	29,009	25,837
Receivables due from related parties	2,348	5,129
PREPAYMENTS AND ACCRUED INCOME		
Prepayments	481	635
Advances	185	457
Total prepayments and accrued income	666	1,092
Other receivables	11,112	10,495
Allowance for expected credit losses	184	168
Total trade and other current receivables	42,951	42,385
CASH AND CASH EQUIVALENTS		
CASH		
Cash on hand	5	20
Balances with banks	5,468	8,051
Total cash	5,473	8,071

ANNUAL FINANCIAL STATEMENTS WERE APPROVED BY THE BOARD OF DIRECTORS ON 24 Feb 2025

CASH EQUIVALENTS		
Total cash and cash equivalents	5,473	8,071
Total cash and bank balances	5,473	8,071
OTHER CURRENT NON-FINANCIAL ASSETS		
EQUITY		
RESERVES		
LIABILITIES		
NON-CURRENT LIABILITIES		
NON-CURRENT PROVISIONS FOR EMPLOYEE BENEFITS		
Employee End of Term Benefits, non current	2,398	2,218
Total Non-current provisions for employee benefits	2,398	2,218
BORROWINGS, NON CURRENT		
Borrowings from banks and other financial institutions, non current	74,017	72,060
Total Borrowings, non current	74,017	72,060
CURRENT LIABILITIES		
BORROWINGS, CURRENT		
Borrowings from banks and other financial institutions, current	16,801	13,232
Total Borrowings, current	16,801	13,232
TRADE AND OTHER CURRENT PAYABLES		
Accounts payable	15,770	16,401
Payables to related parties	689	1,490
ACCRUALS AND DEFERRED INCOME		
Other payables	14,453	10,578
Total trade and other current payables	30,912	28,469
PROVISIONS FOR EMPLOYEE BENEFITS, CURRENT		

Income Statement, Function of expense	Thousands/Omani Rial/Audited	
	Standalone 01/01/2024-31/12/2024	Standalone 01/01/2023-31/12/2023
PROFIT OR LOSS		
CONSOLIDATED AND SEPARATE		
PROFIT OR LOSS		
Revenue	151,646	144,346
Cost of sales	113,666	111,430
Gross profit	37,980	32,916
Other income	659	10
General and administrative expense	8,548	7,270
Other expenses	1,730	736
Profit (loss) from operating activities	28,361	24,920
Impairment gain and reversal of impairment loss (impairment loss)	2,706	(757)
Finance income	270	142
Finance costs	5,966	6,323
Profit (loss) before income tax	19,959	19,496
Income tax expense, continuing operations	3,089	2,935
Profit (loss) from continuing operations	16,870	16,561
Profit (loss) for period	16,870	16,561
PROFIT (LOSS), ATTRIBUTABLE TO		
BASIC AND DILUTED EARNINGS PER SHARE		
BASIC EARNINGS PER SHARE		
Basic earnings (loss) per share from continuing operations	0.022	0.022
Total basic earnings (loss) per share	0.022	0.022
DILUTED EARNINGS PER SHARE		
Diluted earnings (loss) per share from continuing operations	0.022	0.022
Total diluted earnings (loss) per share	0.022	0.022

Statement of comprehensive income - Net of tax	Thousands/Omani Rial/Audited	
	Standalone 01/01/2024-31/12/2024	Standalone 01/01/2023-31/12/2023
STATEMENT OF COMPREHENSIVE INCOME		
CONSOLIDATED AND SEPARATE		
Net Profit / (Loss) for the Period	16,870	16,561
OTHER COMPREHENSIVE INCOME (LOSS) TO BE RECLASSIFIED TO STATEMENT OF INCOME IN SUBSEQUENT PERIODS		
OTHER COMPREHENSIVE INCOME (LOSS) NOT TO BE RECLASSIFIED TO STATEMENT OF INCOME IN SUBSEQUENT PERIODS		
Total comprehensive income for the Period	16,870	16,561
COMPREHENSIVE INCOME ATTRIBUTABLE TO		

Analysis of Income and Expense, Function of Expense	Thousands/Omani Rial/Audited	
	Standalone 01/01/2024-31/12/2024	Standalone 01/01/2023-31/12/2023
ANALYSIS OF INCOME AND EXPENSE		
CONSOLIDATED AND SEPARATE		
REVENUE		
Sale of goods	6,712	7,259
Revenue from rendering of services	122,436	115,693
LEASE REVENUE		
Operating lease rentals	22,498	21,394
Total lease revenue	22,498	21,394
Total revenue	151,646	144,346
OTHER INCOME		
Miscellaneous income	659	10
Total other income	659	10
EXPENSES		
COST OF SALES		
Cost of material consumed	20,297	22,818
Employee benefit expense	47,720	47,286
Fuel and electricity	93	259
Depreciation, depletion and amortisation	22,422	21,661
Other cost of goods sold	23,134	19,406
Total cost of sales	113,666	111,430
GENERAL AND ADMINISTRATIVE EXPENSES		
Rent and utility expenses	51	37
Employee benefit expense	5,672	5,117
Director's remuneration and sitting fees	191	192
Expected credit losses - trade and other receivables	16	(140)
Depreciation, depletion and amortisation	488	406
Legal and professional expense	739	571
Vehicle expenses	37	22
Printing and stationary	2	3
Advertisement and business promotion	198	84
Other expenses and fees	1,154	978
Total General and administrative expenses	8,548	7,270
SELLING, DISTRIBUTION AND MARKETING EXPENSES		

Statement of cash flows, indirect method	Thousands/Omani Rial/Audited	
	Standalone 01/01/2024-31/12/2024	Standalone 01/01/2023-31/12/2023
STATEMENT OF CASH FLOWS		
CONSOLIDATED AND SEPARATE		
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Profit for the period before taxation	19,959	19,496
ADJUSTMENTS TO RECONCILE PROFIT (LOSS)		
Adjustments for depreciation and amortisation expense	22,910	22,067
Adjustments for impairment loss (reversal of impairment loss) recognised in profit or loss	2,706	(757)
Adjustments for increase (decrease) in employee benefit liabilities	481	477
Adjustments for finance costs	5,966	6,323
Adjustments for finance income	270	142
Adjustments for gain (loss) on disposals, property, plant and equipment	(1,730)	(736)
Other adjustments to reconcile profit (loss)	(4,641)	(612)
Total adjustments to reconcile profit (loss)	28,882	28,092
Cash flows from (used in) operations before changes in working capital	48,841	47,588
WORKING CAPITAL CHANGES		
Adjustments for decrease (increase) in inventories	(4,786)	(4,716)
Adjustment for decrease (increase) in trade and other receivables	(703)	(6,582)
Adjustments for increase (decrease) in trade and other payables	1,971	5,030
Adjustments for decrease (increase) in other working capital items	121	1,803
Total adjustments to working capital changes	(3,397)	(4,465)
Net cash flows from (used in) operations	45,444	43,123
Income taxes paid (refund)	(2,759)	(3,138)
Interest paid, classified as operating activities	(5,493)	(6,301)
Employees end of service benefits paid	(301)	(214)
Other inflows (outflows) of cash	1,086	
Net cash flows from (used in) operating activities	37,977	33,470
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Proceeds from sales of property, plant and equipment	470	299
Purchase of property, plant and equipment	27,902	19,164
Purchase of intangible assets	25	111
Interest received	270	142
Other inflows (outflows) of cash, classified as investing activities	(98)	17,852
Net cash flows from (used in) investing activities	(27,285)	(982)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Proceeds from borrowings	34,721	85,157
Repayments of borrowings	29,195	95,659
Payments of lease liabilities	2,488	2,631
Dividends paid to equity holders of parent	16,328	15,404
Net cash flows from (used in) financing activities	(13,290)	(28,537)
Net increase (decrease) in cash and cash equivalents before effect of exchange rate changes	(2,598)	3,951
Net increase (decrease) in cash and cash equivalents	(2,598)	3,951
Cash and cash equivalents at beginning of period	8,071	4,120
Cash and cash equivalents at end of period	5,473	8,071

Statement of changes in equity	Thousands/Omani Rial/Audited							
	Share Capital	Retained earnings (accumulated Losses)	Statutory reserve	Standalone	Share Capital	Retained earnings (accumulated Losses)	Statutory reserve	Standalone
	Standalone	Standalone	Standalone	01/01/2024-31/12/2024	Standalone	Standalone	Standalone	01/01/2023-31/12/2023
	01/01/2024-31/12/2024	01/01/2024-31/12/2024	01/01/2024-31/12/2024		01/01/2023-31/12/2023	01/01/2023-31/12/2023	01/01/2023-31/12/2023	
STATEMENT OF CHANGES IN EQ UITY								
STATEMENT OF CHANGES IN EQ UITY								
Equity at beginning of period (before adjustments)	77,020	58,040	10,718	145,778	77,020	58,539	9,062	144,621
Equity at beginning of period (after adjustments)	77,020	58,040	10,718	145,778	77,020	58,539	9,062	144,621
CHANGES IN EQ UITY								
COMPREHENSIVE INCOME								
Net Profit / (Loss) for the Period		16,870		16,870		16,561		16,561
Total comprehensive income		16,870		16,870		16,561		16,561
Transfer to reserves		(1,687)	1,687	0		(1,656)	1,656	0
Dividends		16,328		16,328		15,404		15,404
Total increase (decrease) in equity		(1,145)	1,687	542		(499)	1,656	1,157
Equity at end of period	77,020	56,895	12,405	146,320	77,020	58,040	10,718	145,778

1 Legal status and principal activities

Abraj Energy Services SAOG (the “Company”) is a public joint stock company registered in the Sultanate of Oman. The Company was incorporated on 24 May 2006 and commenced its commercial operations on 4 March 2007. The Company was a closed joint stock company till 31 December 2022. During year 2022, the Company initiated the transformation from closed to a public joint stock Company. The Company became a public joint stock company on 14 March 2023. The Company is now a subsidiary of OQ SAOC (the “Parent”) following the transfer of all the shares from OQ Exploration and Production SAOG during 2024, OQ SAOC is a closed joint stock company incorporated in Sultanate of Oman. The ultimate controlling party is Oman Investment Authority (the “Ultimate Parent”), the investment arm of the Government of Sultanate of Oman.

The registered address of the Company is PO Box 1156, Postal Code 130, Azaiba, Sultanate of Oman.

The principal activities of the Company are to provide Oilfield Services which mainly includes services such as onshore drilling, workover, flowback, well testing, well intervention, cementing, fracturing, coil tubing, integrated project management, drilling fluids services and training services. This includes the leasing of assets and products for the aforementioned activities.

The Company has established two branches in the Kingdom of Saudi Arabia and Kuwait. In Kuwait, the Company signed a contract with Saudi Arabian Chevron Inc – Kuwait Gulf Oil Company to provide three rigs for a project in the Wafra fields of the Saudi Arabia-Kuwaiti neutral zone and has also provided performance guarantee of RO 5.4 million to Kuwait Gulf Oil Company. During January 2024, Rig-112 arrived in Kuwait and started the drilling operations from 19th March 2024. Further, the 2nd Rig arrived in Kuwait and started the drilling operations from 11th July 2024. A client, Kuwait Gulf Oil Company (KGOC), has advised the Company to mobilize the 3rd Rig in January 2026. For Saudi Arabia branch, no business activities have taken place as the Company is getting itself pre-qualified with Saudi Aramco.

2 Basis of preparation

2.1 Statement of compliance and basis of measurement

The financial statements of the Company have been prepared on the historical cost basis in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), the applicable requirements of the Commercial Companies Law of 2019 and requirements of Financial Services Authority (FSA).

Functional and presentation currency

The financial statements have been presented in Rial Omani (“RO”) which is the functional and presentation currency. The financial statements have been rounded off to the nearest thousand, unless otherwise stated.

2 Basis of preparation (continued)

2.2 Application of new and revised International Financial Reporting Standards

Following are the standards that are effective from 01 January 2024.

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

The Company has adopted Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants – Amendments to IAS 1, as issued in 2020 and 2022. The amendments apply retrospectively for annual reporting periods beginning on or after 1 January 2024.

They clarify certain requirements for determining whether a liability should be classified as current or non-current and require new disclosures for non-current liabilities that are subject to covenants within 12 months after the reporting period. Despite the change in policy, there is no impact in the current year or retrospective impact on the comparative statement of financial position as of 31 December 2024 and 31 December 2023 respectively.

The above standards and amendments do not have any material impact on the financial statements.

2.3 New standards and interpretations not yet adopted

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

New accounting standards or amendments	Effective for annual periods beginning on or after
Lack of Exchangeability – Amendments to IAS 21	1 January 2025
Classification and Measurement of Financial Instruments (Amendments to IFRS 9, Financial Instruments and IFRS 7, Financial Instruments: Disclosures)	1 January 2026
Annual Improvements to IFRS Accounting Standards – Volume 11	1 January 2026
IFRS 18, Presentation and Disclosure in Financial Statements- IFRS 18 replaces IAS 1, which sets out presentation and base disclosure requirements for financial statements.	1 January 2027
IFRS 19, Subsidiaries without Public Accountability: Disclosures	1 January 2027
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures	Available for optional adoption / effective date deferred indefinitely

There are no other standards, amendments and interpretations that are not yet effective that are expected to have a material impact in the current or future reporting periods or on foreseeable future transactions.

3 Material accounting policies

The material accounting policies are as follows which are applied consistently throughout the year and are consistent with those applied in prior years:

Property and equipment

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent expenditure

The cost of replacing part of an item of property and equipment and major repairs and inspections is recognized in the carrying amount of an item if it is probable that future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognized in the profit or loss as and when incurred.

Depreciation

Depreciation is charged on a straight-line basis over the estimated useful lives of items of property and equipment. The estimated useful lives current and comparative period are as follows:

	(Years)
Rigs and well services equipment	3 - 30
Furniture and fixtures	3
Office and computer equipment	3 - 5
Motor vehicles	5 - 10
Building	10 - 30

Land is not depreciated.

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

3 **Material accounting policies** (continued)

Property and equipment (continued)

Capital work-in-progress

Assets during construction for cash generating units, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees, costs of site preparation, installation and assembly costs and, for qualifying assets, borrowing costs capitalized in accordance with the Company's accounting policy. Such assets are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets commence when the assets are ready for their intended use.

Intangible assets

Intangible assets that are acquired by the Company, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

Amortization

Intangible assets are amortized on a straight-line basis over the estimated useful lives of individual assets. The estimated useful lives current and comparative period are as follows:

	(Years)
ERP software	7

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted annually if appropriate.

Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an non-financial asset (other than inventories and deferred tax assets) may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company 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 of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a 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 of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast covered period of five years and extrapolated for period beyond five years.

3 Material accounting policies (continued)

Impairment of non-financial assets (continued)

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized 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 recognized. 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 recognized for the asset in prior years.

Financial assets

Recognition and initial measurement

Financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument

At initial recognition, the Company measures a financial asset (unless it is a trade receivable without a significant financing component) at its fair value plus or minus, for a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. Transaction cost for financial assets carried at FVTPL are expensed in profit or loss. A trade receivable without a significant financing component is initially measured at the transaction price.

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

Classification

On initial recognition, a financial asset is classified and subsequently measured at:

- amortised cost;
- FVOCI – debt investment;
- FVOCI – equity investment; or
- FVTPL

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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

Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely of principal and interest on the principal amount outstanding are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses.

3 Material accounting policies (continued)

Financial assets (continued)

Impairment losses are presented as separate line item in the statement of profit or loss through the Expected Credit Loss method.

Fair value through Other Comprehensive Income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest on the principal amount outstanding, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

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

Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these are applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account.

Contractual cash flow characteristics test

For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. The Company assesses whether the financial instruments' cash flows represent Solely for Payments of Principal and Interest (the 'SPPI'). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk.

In making this assessment, the Company considers:

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

The Company reclassifies a financial asset only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent.

3 Material accounting policies (continued)

Financial assets (continued)

Derecognition

The Company derecognizes a financial asset when:

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

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

Impairment

The Company assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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

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

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

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

General approach

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

Simplified approach

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

3 Material accounting policies (continued)

Financial assets (continued)

Significant increase in credit risk

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

The Company assumes that the credit risk on a financial asset has increased significantly based on the certain delinquency period (30 days past due) or if exposure has moved from investment grade to non-investment grade on credit rating scale of independent credit rating agency in case of low credit risk instrument.

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

The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held) or based on the certain delinquency period (90 days past due).

Measurement of ECLs

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

Credit- impaired financial assets

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

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default resulting in a dispute / litigation;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Such credit impaired assets will be shown as part of presentation of allowance for ECL in the statement of financial position.

3 Material accounting policies (continued)

Financial assets (continued)

Credit- impaired financial assets (continued)

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in OCI.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is assessed to be uncollectable. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and current accounts with commercial banks in Oman, Saudi and Kuwait.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average principle and includes all costs incurred in acquiring the inventories and bringing them to their existing location and condition.

Provision is made where necessary for obsolete and defective items, based on management's assessment aligning with the inventory provision policy of the Company.

Financial liabilities

Classification

Financial liabilities are classified as measured at amortized cost or fair value through profit or loss account.

A financial liability is classified as at fair value through profit or loss account if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss. The Company's financial liabilities comprise term loans, short term loans and trade and other payable that are subsequently measured at amortized cost using the effective interest method, if applicable.

The effective interest method is the method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

3 Material accounting policies (continued)

Financial liabilities (continued)

Classification (continued)

Where 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 a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the profit or loss account.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Derecognition

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

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

Interest rate benchmark reform

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortized cost changed as a result of interest rate benchmark reform, the Company updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Company first updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Company applied the policies on accounting for modifications to the additional changes.

Employees' end of service benefits

The Company's obligation for contributions to defined contribution pension plans are recognized as an expense when due. The company's obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

3 Material accounting policies (continued)

Employees' end of service benefits (continued)

The Company make payment to the Omani Government Social Security scheme under Royal Decree 72/91 for Omani employees, calculated as a percentage of the employees' salary. The Company's obligations are limited to these contributions, which are expensed when due.

The Company provide end-of-service benefits to its expatriate employees. End-of-service benefits are accrued in accordance with the terms of employment of the company's employees at the reporting date, having regard to the requirements of the Oman Labor Law 2003 and its amendments subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Employee entitlements to annual leave are recognized when they accrue to employees and an accrual is made for the estimated liability arising as a result of services rendered by employees up to the reporting date. These accruals are included in current liabilities, while that relating to end of service benefits is disclosed as a non-current liability.

Provisions

A provision is recognized in the statement of financial position when the Company has a legal or constructive obligation, as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are not recognised for future operating losses. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Increases in provisions due to the passage of time are recognised as finance expense.

Borrowing costs

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized as expenses in the period in which they are incurred.

Leases

The Company as a lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. A contract contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognizes a right-of-use asset and a corresponding lease liability at lease commencement date with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

3 Material accounting policies (continued)

Leases (continued)

The Company as a lessee (continued)

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the interest rate implicit in the lease or, if that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives; and
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date.
- amounts expected to be payable under a residual value guarantee as stated in the contract; and the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is presented as a line item in the statement of financial position.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Right-of-use asset

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Operating expense's in the statement of profit or loss.

The Company as lessor

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

3 Material accounting policies (continued)

Leases (continued)

The Company as lessor (continued)

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

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

The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term.

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognizes revenue when it transfers control over a good or a service to a customer.

Cost to fulfil a contract.

The Company capitalizes costs to fulfil a contract with a customer if the fulfilment costs meet the following criteria:

- Relate directly to an existing contract or specific anticipated contract;
- Generate or enhance resources that will be used to satisfy performance obligations in the future; and
- Are expected to be recovered.

The Company also capitalizes the incremental cost to obtain the contract. The Company amortizes the asset recognized for the costs to obtain and/or fulfil a contract on a systematic basis, consistent with the pattern of transfer of the good or service to which the asset relates. In the case of an impairment, the Company recognizes these losses to the extent that the carrying amount of the asset exceeds the recoverable amount.

Varying Day rates

Day rates are determined by the activities being carried out. The Full Day Rate is applied when the rig is fully operational. A Special Rate is used when the rig performs work to compensate for deficiencies. The Reduced Rate applies to less demanding tasks such as electric logging or wireline operations. The Zero Rate is charged when the rig is idle for a specified period.

3 Material accounting policies (continued)

Revenue from contracts with customers (continued)

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of product / service	Nature and timing of satisfaction of performance obligations	Revenue recognition policies
Service revenue – Drilling, work over, well services.	Invoices for services revenue are issued on a monthly basis or earlier in case work is done before month. The contract does not contain any significant financing component.	Revenue is recognized over time as the services are provided. The stage of completion for determining the amount of revenue to recognize is assessed based on both input and output method which consider days lapsed (output) and labor days expended (input). If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated based on their relative standalone selling prices. The standalone selling price is determined based on the list prices at which the Company sells the services in separate transactions. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due.
Sale of products	Customers obtain control of products when the goods are delivered to and have been accepted at their premises. Invoices are generated at that point in time. No discounts are provided for products.	Revenue is recognized when the goods are delivered and have been accepted by customers at their premises. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due.

Mobilization income

Company recognizes the advance mobilization payment received from the customer as revenue over the period of contract.

Mobilization cost

In case of existing assets mobilization costs, if any, will be amortized over the period of the contract. However, in case of new operating asset, the mobilization cost forms part of the commissioning cost of the asset.

Finance income

Interest revenue is recognized as the interest accrues using the effective interest method, under which the rate used exactly discounts, estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset

Income tax

Income tax comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

3 Material accounting policies (continued)

Income tax (continued)

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax

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

Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and the effects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Temporary differences in relation to a right-of-use asset and a lease liability for a specific lease are regarded as a net package (the lease) for the purpose of recognizing deferred tax.

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

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are only offset only if certain criteria are met.

Foreign currencies

Transactions in foreign currencies are translated to the Company's functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting dates are translated to the functional currency at the exchange rate at reporting date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated to the functional currency at the exchange rate at the date of the transaction. Non-monetary assets and liabilities measured at fair value in foreign currencies are translated into the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign currency differences arising on translation of monetary items are recognized in profit or loss.

3 Material accounting policies (continued)

Director's remuneration

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

Dividend on ordinary shares

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Company's shareholders.

Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

4. Significant accounting judgements, estimates and assumptions

The preparation of financial statements, in conformity with IFRSs, requires management to make judgement, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditures. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized prospectively.

Judgements

Determining the lease term

In case where the Company is a lessee, it 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 Company applies judgment and considers all relevant factors that create an economic incentive for the Company to extend the term beyond its expiry date when determining the lease term. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstance that is within its control and affect its ability to exercise (or not to exercise) the option to renew.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is included in following notes:

Impairment of property and equipment

Management performs impairment reviews on the Company's properties and equipment assets quarterly with reference to indicators in IAS 36 Impairment of Assets. Where indicators are present and an impairment test is required, the calculation of the recoverable amount requires estimation of future cash flows.

4. Significant accounting judgements, estimates and assumptions (continued)

Assumptions and estimation uncertainties (continued)

Useful lives of property and equipment

Management estimates the useful lives and residual value of assets based on best estimates of the expected period for which the Company will derive economic benefits and the expected price for which the asset will fetch in the market when asset is sold. The calculation of useful lives and residual values is based on management's assessment of various factors such as the maintenance programs and normal wear and tear based on industry practice. These estimates are reviewed by the management at each financial year end.

5 Property and equipment

	Rigs and well services equipment RO'000	Furniture and fixtures RO'000	Office and computer equipment RO'000	Motor vehicles RO'000	Building RO'000	Capital work in progress (note 6) RO'000	Total RO'000
Cost							
At 1 January 2023	360,052	1,145	1,152	2,456	3,793	3,549	372,147
Additions during the year	3,941	16	155	-	1	10,783	14,896
Transfer from capital work-in-progress (note 6)	11,236	-	71	2	-	(11,309)	-
Asset disposal / written off	(3,947)	-	(9)	(107)	-	-	(4,063)
Accrual for assets written off	(469)	-	-	-	-	-	(469)
At 31 December 2023	370,813	1,161	1,369	2,351	3,794	3,023	382,511
At 1 January 2024	370,813	1,161	1,369	2,351	3,794	3,023	382,511
Additions during the year	3,010	19	130	113	-	31,717	34,989
Transfer from capital work-in-progress (note 6)	24,750	46	29	-	4,992	(29,817)	-
Asset disposal / written off	(4,596)	-	(133)	(117)	-	-	(4,846)
Accrual for assets written off	(2,797)	-	-	-	-	-	(2,797)
At 31 December 2024	391,180	1,226	1,395	2,347	8,786	4,923	409,857

5 Property and equipment (continued)

	Rigs and well services equipment RO'000	Furniture and fixtures RO'000	Office and computer equipment RO'000	Motor vehicles RO'000	Building RO'000	Capital work in progress (note 6) RO'000	Total RO'000
Accumulated depreciation and impairment							
At 1 January 2023	171,629	924	860	1,871	757	-	176,041
Depreciation charge for the year	18,879	82	123	83	152	-	19,319
Impairment reversal during the year	(757)	-	-	-	-	-	(757)
Asset disposal / written off	(2,890)	-	(9)	(106)	-	-	(3,005)
Accrual for assets written off	(492)	-	-	-	-	-	(492)
31 December 2023	186,369	1,006	974	1,848	909	-	191,106
1 January 2024	186,369	1,006	974	1,848	909	-	191,106
Depreciation charge for the year	19,870	79	125	88	153	-	20,315
Impairment charge during the year	2,706	-	-	-	-	-	2,706
Asset disposal / written off	(3,361)	-	(132)	(117)	-	-	(3,610)
Accrual for assets written off	(1,833)	-	-	-	-	-	(1,833)
At 31 December 2024	203,751	1,085	967	1,819	1,062	-	208,684
Carrying amount							
At 31 December 2024	187,429	141	428	528	7,724	4,923	201,173
At 31 December 2023	184,444	155	395	503	2,885	3,023	191,405

5 Property and equipment (continued)

Details of depreciation and amortization is as below:

	2024 RO'000	2023 RO'000
Depreciation on property and equipment	20,315	19,319
Amortisation of intangible assets (note 7)	83	73
Depreciation on right-of-use assets (note 8a)	2,512	2,675
Depreciation and amortization	<u>22,910</u>	<u>22,067</u>

The total depreciation and amortization charge for the period is allocated as follows:

Cost of sales (note 19)	22,422	21,661
General and administrative expenses (note 20)	488	406
	<u>22,910</u>	<u>22,067</u>

- a) During the year, the Company recognised finance cost of RO 156.2 thousand (2023: RO 39.7 thousand) in the cost of the capital work-in-progress of qualifying assets.
- b) Rigs and well services equipment have a negative pledge against the term loan facilities with commercial banks mentioned in note 14.
- c) The Company has leased out rigs and well service equipment under operating leases.

Impairment assessment:

During 2024 management has carried out impairment testing on all cash-generating units (CGUs). The cash generating units (CGU) consist of drilling rigs, workover rigs, cement, fracturing, coil tubing and well testing, slick line, flow back and NCP. The contract from the clients for services of fracturing and coil tubing are secured as composite services and termed as Integrated Fracturing Services (IFS).

Management is of the view that fracturing and coil tubing are not an independent cash generating units as the contract for these assets have been secured as a composite contract.

Key Assumptions used in value in use calculations for the current year

The recoverable amount of CGU was based higher of value in use or fair value, the value in use determined by discounting the future cash flows to be generated from the continuing use of the CGU. The principal assumptions used in the projections relate to revenue, margins and WACC. The assumptions are constructed based upon historic experience and management's best estimate of future trends and performance and consider anticipated efficiency improvements over the forecasted period.

5 Property and equipment (continued)

Impairment assessment (continued):

Key Assumptions used in value in use calculations for the current year (continued)

Sensitivity Analysis

The Company has performed sensitivity analysis on the Weighted Average Cost of Capital (WACC) used in impairment testing. A 1% increase in the WACC would result in an additional impairment provision of RO 157 thousand, while 1% decrease in the WACC would reduce the impairment provision by RO 162 thousand. This analysis highlights the sensitivity of the Group's financial position to changes in the WACC assumption.

Major parameters used for impairment testing are as follows:

- Future cash inflows and outflows for a period of five years and extrapolated for period beyond five years from the continuing use of the CGU and its ultimate disposal were determined.
- Capital Asset Pricing Model (CAPM) was used to determine the pretax discount rate of 11.2%
- Both the cash flows and the discounting rates used were on pretax basis.
- Year-on-year revenue forecast and the discounting rates were used. An inflation of 1% to 3% have been assumed on the year-on-year operating and manpower cost forecast.

Based upon the above parameters, the Company has assessed the impairment impact and adjusted for the necessary amount towards impairment as follow:

	2024 RO'000	2023 RO'000
Provision for impairment		
Opening at 01 January	708	1,465
Provision charge during the period	2,706	-
Reversal of impairment loss	(13)	(757)
Closing at 31 December	<u>3,401</u>	<u>708</u>

The impairment provision for the four Cash Generating Units (CGUs)—Rigs 201, 202, 203, and 204—has been recognized due to their operational limitations and market conditions. These CGUs, which are approximately 17 years old, are no longer aligned with the technological requirements demanded by clients in Oman. As a result, these units are not recommended for future use by clients in the country.

Management is actively exploring various strategic options for these CGUs; however, given the current technological standards insisted upon by clients, it is unlikely that these units can be marketed effectively in Oman. Consequently, the client has decided to demobilize these CGUs upon the expiry of the current contract.

In light of these developments, Management has reassessed the recoverable amount of the respective CGUs, resulting in the recognition of an impairment provision to reflect their diminished recoverable value.

6 Capital work-in-progress

	2024 RO'000	2023 RO'000
Rigs and other service line assets not commissioned	4,923	1,055
Building under construction	-	1,968
Balance as at year end	<u>4,923</u>	<u>3,023</u>

The movement in capital work in progress is as follows:

	2024 RO'000	2023 RO'000
At 1 January	3,023	3,549
Addition during the year	31,717	10,783
Transfer to property and equipment (note 5)	(29,817)	(11,309)
Balance as at year end	<u>4,923</u>	<u>3,023</u>

Transfer to property and equipment mainly represents commissioning of new assets relating to the drilling, workover business and head office building.

7 Intangible assets

	2024 RO'000	2023 RO'000
Cost		
At beginning of the year	748	635
Additions during the year	25	113
At end of the year	<u>773</u>	<u>748</u>
Amortization		
At beginning of the year	517	444
Charge for the year (note 5)	83	73
At end of the year	<u>600</u>	<u>517</u>
Carrying amount at end of the year	<u>173</u>	<u>231</u>

Intangible assets consist of computers software used in the ordinary course of the business.

8a. Right-of-use assets

	Building RO'000	Land RO'000	Equipment RO'000	Vehicles RO'000	Total RO'000
At 1 January 2023	136	123	106	5,631	5,996
Additions	452	93	-	2,381	2,926
Terminations and related adjustments	-	-	-	(750)	(750)
Impact of lease modification	-	-	-	5	5
Less: depreciation	(258)	(60)	(104)	(2,253)	(2,675)
At 31 December 2023	<u>330</u>	<u>156</u>	<u>2</u>	<u>5,014</u>	<u>5,502</u>

8a. Right-of-use assets (continued)

	Building RO'000	Land RO'000	Equipment RO'000	Vehicles RO'000	Total RO'000
At 1 January 2024	330	156	2	5,014	5,502
Additions	-	-	105	3,327	3,432
Terminations and related adjustments	-	-	(2)	(2,331)	(2,333)
Impact of lease modification	-	-	-	(8)	(8)
Less: depreciation (note 5)	(230)	(60)	(105)	(2,117)	(2,512)
At 31 December 2024	<u>100</u>	<u>96</u>	<u>-</u>	<u>3,885</u>	<u>4,081</u>

8b. Lease liabilities

	2024 RO'000	2023 RO'000
Lease liabilities	<u>4,190</u>	<u>5,777</u>
Current portion	1,012	2,212
Non-current portion	<u>3,178</u>	<u>3,565</u>
Balance as at year end	<u>4,190</u>	<u>5,777</u>
At 1 January	5,777	6,246
Additions (note 8a)	3,432	2,926
Terminations and other adjustments	(2,523)	(769)
Impact of lease modification	(8)	5
Add: interest cost (note 21)	258	324
Less: payments during the year	<u>(2,746)</u>	<u>(2,955)</u>
Balance as at year end	<u>4,190</u>	<u>5,777</u>

Maturity analysis of lease liabilities is disclosed in note 27.

The Company leases several assets including buildings, land, equipment and vehicles. The average lease term is 5 to 10 years and there are extension option for certain contracts (31 December 2023: 5 to 10 years). During the period, certain contracts were modified because of changing contract value or contract period. This resulted in the re-measurement of lease liabilities which increased by RO 8 thousand (31 December 2023: increased by RO 5 thousand).

The corresponding adjustment was made to right-of-use assets. Incremental borrowing rate used is 5.5% p.a (2023: 5.5% p.a).

Amounts recognized in profit or loss:

	2024 RO'000	2023 RO'000
Depreciation expense on right-of-use assets	2,512	2,723
Interest expense on lease liabilities	258	324
Gain on the lease termination	<u>(190)</u>	<u>(19)</u>
	<u>2,580</u>	<u>3,028</u>

9a Trade receivables

	2024 RO'000	2023 RO'000
Trade receivables from non - related parties	29,009	25,837
Trade receivable from a related party (note 23)	2,348	5,129
Less: allowance for expected credit losses	(184)	(168)
	<u>31,173</u>	<u>30,798</u>
Contract assets – Accrued Revenue	8,962	8,650
Balance as at period / year end	<u>40,135</u>	<u>39,448</u>

The ageing of trade receivables at the reporting date was:

	Gross 2024 RO'000	Impairment loss allowance 2024 RO'000	Gross 2023 RO'000	Impairment loss allowance 2023 RO'000
Not due	25,845	4	25,683	13
Due within 1-90 days	5,001	3	4,196	1
Due within 91-180 days	267	3	304	4
Due within 181-270 days	152	108	426	40
Due within 271-360 days	92	66	100	10
More than one year	-	-	257	100
	<u>31,357</u>	<u>184</u>	<u>30,966</u>	<u>168</u>

The movement in the allowance for impairment in respect of trade receivables is as follows:

	2024 RO'000	2023 RO'000
Balance as at 1 January	168	308
Add : charge for the year	16	-
Less : reversal of the provision for the year	-	(140)
Balance as at year end	<u>184</u>	<u>168</u>

At the period end, total trade receivables as mentioned above are assigned in favor of commercial banks under the terms of the facility (note 14).

The Company has concentration of credit risk with respect to trade receivables and, at the reporting date 88% (31 December 2023: 87%) of trade receivables are due from four customers. These are reputable customers with a good track record of payments and the Company monitors the receivable position on a regular basis.

9b Advances, prepayments and other receivables

	2024 RO'000	2023 RO'000
Other receivable	2,150	1,838
Advance to suppliers	185	457
Prepayments	481	635
Deposits	-	7
Balance as at year end	<u>2,816</u>	<u>2,937</u>

10 Inventories

	2024 RO'000	2023 RO'000
Stores, spares and consumables	29,075	24,289
Provision for obsolete and defective inventories	(659)	(503)
Balance as at year end	<u>28,416</u>	<u>23,786</u>

Movement in the provision for inventories is as follows:

	2024 RO'000	2023 RO'000
Balance as at 1 January	503	968
Add: charge for the year	156	160
Less: reversal of the provision for the year	-	(625)
Balance as at year end	<u>659</u>	<u>503</u>

11 Cash and cash equivalents

	2024 RO'000	2023 RO'000
Cash on hand	5	20
Cash at bank	5,468	8,051
Total cash and cash equivalents	<u>5,473</u>	<u>8,071</u>

12 Share capital

	2024 RO'000	2023 RO'000
Share capital		
Authorized share capital		
2,000,000,000 (2023: 2,000,000,000) shares of Baisa 100 each	<u>200,000</u>	<u>200,000</u>
Issued and paid up share capital		
770,200,000 (2023: 770,200,000) shares of Baisa 100 each	<u>77,020</u>	<u>77,020</u>

Approved / paid dividend

In the Annual General Meeting (AGM) held in March 2024, the shareholders approved to pay a dividend of 21.2 baisa per share amounting to RO 16,328,240 for the financial year ended 31 December 2023 which was paid in April 2024 (2023: 20 baisa per share amounting to RO 15,404,000 for the financial year ended 31 December 2022 which was paid in April 2023).

13 Legal reserves

Under The article 132 of the Commercial Companies Law, requires that 10% of the Company's profit be transferred to a non-distributable legal reserve until the amount of legal reserve becomes equal to one-third of the Company's share capital. This reserve is not available for distribution.

14a Term loans

	Maturity	2024 RO'000	2023 RO'000
Total			
Term loan A [note 14 (a)]	December 2027	5,627	6,395
Term loan B [note 14 (b)]	December 2029	16,423	18,770
Term loan C [note 14 (c)]	February 2030	24,047	28,627
Term loan D [note 14 (d)]	December 2030	27,000	31,500
Term loan E [note 14 (e)]	December 2031	17,721	-
		<u>90,818</u>	<u>85,292</u>
Non-current portion			
Long term loan A	December 2027	4,348	5,372
Long Term loan B	December 2029	12,513	15,641
Long Term loan C	February 2030	19,467	24,047
Long Term loan D	December 2030	22,500	27,000
Long Term loan E	December 2031	15,189	-
		<u>74,017</u>	<u>72,060</u>
Current portion			
Long term loan A	December 2027	1,279	1,023
Long Term loan B	December 2029	3,910	3,129
Long Term loan C	February 2030	4,580	4,580
Long Term loan D	December 2030	4,500	4,500
Long Term loan E	December 2031	2,532	-
		<u>16,801</u>	<u>13,232</u>

(a) Term loan A

The term loan is denominated in Omani Rials. The final maturity is December 2027 Interest on the term loan is payable on a monthly basis at the one-year fixed deposit rate of the bank plus a fixed margin. The one-year fixed deposit rate is reset on a semi-annual basis by the bank.

(b) Term loan B

The term loan was converted from USD to OMR in April 2023. Repayment of the loan is scheduled in 32 equal installments, with the final maturity set for December 2029. The interest on the term loan is payable quarterly, calculated at the one-year fixed deposit rate of the bank plus a fixed margin. The one-year fixed deposit rate is reset on a semi-annual basis by the bank.

(c) Term loan C

The term loan is availed in OMR. The term loan is repayable in 28 quarterly installments with the last instalment due in February 2030. Interest on the term loan is payable at Central Bank of Oman's weighted average interest rate on Deposit (WAIRD) for private sector OMR time deposits Plus fixed margin.

14a Term loans (continued)

(d) Term loan D

In the previous year, the Company has availed term finance from an Islamic Bank. The term finance is repayable in 28 quarterly installments. The last instalment is repayable in December 2030. The rate of return on the Islamic term financing is fixed for the first year and thereafter, the profit rate will be payable at Central Bank of Oman's Weighted Average Interest Rate on Deposit (WAIRD) for private sector OMR time deposits plus fixed margin for the tenor of the term financing.

(e) Term loan E

During the current period, the Company has availed term finance from an Islamic financial institution. The term finance is repayable in 28 quarterly installments. The last instalment is repayable in December 2031. The rate will be payable at Central Bank of Oman's weighted average interest rate on Deposit (WAIRD) for private sector OMR time deposits plus fixed margin.

Security terms for all the above loans

The Company has complied with all the financial covenants of its borrowing facilities which relate to 'Debt to Equity', Total Debt to Net worth, ratios as at 31 December 2024 and 31 December 2023.

15. Deferred income and deferred expenses

15a Deferred income

An analysis of deferred income is set out below:

	2024 RO'000	2023 RO'000
Deferred income	<u>1,718</u>	<u>1,856</u>
Current portion	660	762
Non-current portion	<u>1,058</u>	<u>1,094</u>
Balance as at year end	<u>1,718</u>	<u>1,856</u>
Balance as at 1 January	1,856	2,884
Add: income received during the year	1,086	-
Less: income recognized during the year	<u>(1,224)</u>	<u>(1,028)</u>
Balance as at year end	<u>1,718</u>	<u>1,856</u>

In line with the Company's accounting policy, mobilization income is accounted over the contract period and accordingly the revenue pertaining to future period is deferred.

15b. Deferred expenses

An analysis of deferred expense is set out below:

	2024 RO'000	2023 RO'000
1 January	119	259
Add: cost incurred during the year	98	-
Less: cost accounted during the year	(124)	(140)
Balance as at year end	<u>93</u>	<u>119</u>

In line with the Company's accounting policy, mobilization cost on existing rigs for a new contract is accounted over the contract period and accordingly the expenses pertaining to future period is deferred.

15c. Capex advances

The Capex advances amounted to OMR 982 thousand (31 December 2023: OMR 4,546 thousand).

16 Employees' end of service benefits

	2024 RO'000	2023 RO'000
At 1 January	2,218	1,955
Add: cost incurred during the year (note 20b)	481	477
Less: payments during the year	(301)	(214)
Balance as at year end	<u>2,398</u>	<u>2,218</u>

17a Trade payables

	2024 RO'000	2023 RO'000
Trade payables to non - related parties	8,872	4,972
Trade payables to related parties	319	1,483
Payables to related parties not invoice	370	7
Payables to non - related parties not invoice-non assets	6,601	10,644
Payables to non - related parties not invoice-assets	297	785
	<u>16,459</u>	<u>17,891</u>

17b Other payables

	2024 RO'000	2023 RO'000
Accrued expenses	7,731	3,105
Leave encashment payable	3,900	4,880
Performance bonus payable	1,533	1,478
Accrued interest	573	100
Social security payable	559	530
Retention payable	91	22
Payable to customers	66	228
Employee payable	-	117
Advances from customers	-	118
	<u>14,453</u>	<u>10,578</u>

18 Revenue

	2024 RO'000	2023 RO'000
Revenue from contracts with customers		
Disaggregation of revenue:		
Revenue recognized over time:		
Service revenue - Drilling, work over, well services and maintenance	122,436	115,693
Revenue recognized point in time:		
Contract revenue - product	<u>6,712</u>	<u>7,259</u>
	<u>129,148</u>	<u>122,952</u>
Other revenue:		
Leased operating assets	<u>22,498</u>	<u>21,394</u>
Total revenue	<u>151,646</u>	<u>144,346</u>

All revenues are generated in the Oman and Kuwait market. The revenue disaggregated by primary geographical market and major products is disclosed in note 26.

The Company leases out some assets these are classified as operating leases, because they do not transfer substantially all the risks and rewards incidental to the ownership of the assets.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after reporting date.

	2024 RO'000	2023 RO'000
Less than one year	19,613	20,413
One to two years	16,609	18,465
Two to three years	13,363	15,872
Three to four years	3,209	13,229
Four to five years	1,897	2,912
More than five years	<u>2,555</u>	<u>7,422</u>
Total	<u>57,246</u>	<u>78,333</u>

19 Cost of sales

	2024 RO'000	2023 RO'000
Employee related cost (note 20b)	47,720	47,286
Depreciation and amortization (note 5)	22,422	21,661
Materials and spares consumed	20,297	22,818
Transportation	10,136	6,809
Camp and catering cost	3,794	3,589
Equipment rentals	1,823	1,341
Repairs and maintenance	2,367	2,391
Inspection	397	1,345
Reimbursable cost	1,049	997
Insurance	846	752
Vehicle running	571	428
Mobilization and demobilization expenses	473	145
Communication	558	505
Water and electricity	93	259
Business travel	127	137
Vehicle rentals	441	624
Legal and professional charges	13	190
Miscellaneous	539	153
	<u>113,666</u>	<u>111,430</u>

20a General and administrative expenses

	2024 RO'000	2023 RO'000
Employee related costs (note 20b)	5,672	5,117
Depreciation and amortization (note 5)	488	406
Repairs and maintenance	753	380
Legal and professional	739	571
Directors - other remuneration (note 23)	155	150
Rent	20	2
Communication	48	32
Water and electricity	31	35
Advertisement and sales promotion	198	84
Insurance	57	32
Printing and stationary	2	3
Vehicle running	18	10
Directors - sitting fees (note 23)	36	42
Business travel	126	137
Vehicle rentals	19	12
Food expenses	29	18
Subscription and membership	96	59
Miscellaneous	45	320
	<u>8,532</u>	<u>7,410</u>

20b Employee related costs

	2024 RO'000	2023 RO'000
The employee cost consist the following:		
Wages and salaries	38,784	37,436
Performance bonus	1,351	1,343
End of service benefits (note 16)	481	477
Others	12,776	13,147
	<u>53,392</u>	<u>52,403</u>

21 Finance costs and finance income

	2024 RO'000	2023 RO'000
An analysis of finance cost is set out below:		
Interest on long term loans	5,368	5,468
Bank charges / exchange fluctuations	340	531
Interest on lease liabilities (note 8b)	258	324
	<u>5,966</u>	<u>6,323</u>
An analysis of finance income is set out below:		
Interest income on fixed deposits	40	119
Other finance income	230	23
	<u>270</u>	<u>142</u>

22 Income tax expense

Current and deferred tax for the year

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

The Company's effective tax rate is 15.5% (31 December 2023: 15.1%).

Recognized in the statement of profit or loss:

	2024 RO'000	2023 RO'000
Statement of profit or loss:		
Current tax:		
Current period	3,748	2,758
Prior period	84	(29)
	<u>3,832</u>	<u>2,729</u>
Deferred tax:		
Current period	(743)	169
Prior period	-	37
	<u>3,089</u>	<u>2,935</u>
	2024 RO'000	2023 RO'000
Reconciliation		
Profit before tax	19,959	19,496
Income tax as per rates mentioned above	2,994	2,924
Non-deductible expenses	11	3
Prior year adjustment- deferred tax	-	37
Prior year adjustment- current tax	84	(29)
Tax expense for the year	<u>3,089</u>	<u>2,935</u>
Current tax payable		
Current tax payable	<u>3,748</u>	<u>2,674</u>

22 Income tax expense (continued)

Current and deferred tax for the year (continued)

The deferred tax (liability) / asset comprises the following temporary differences:

	As at 1 January RO'000	(Charge) / reversal to profit or loss RO'000	As at 31 December RO'000
2024			
Deferred tax liabilities			
Property and equipment	4,389	(762)	3,627
Deferred expenses	18	(4)	14
	<u>4,407</u>	<u>(766)</u>	<u>3,641</u>
Deferred tax assets			
Provision for impairment	25	3	28
Deferred income	278	(20)	258
Provision for inventories	75	24	99
Provision on donation	6	(4)	2
Right-of-use assets and lease liabilities	41	(25)	16
	<u>425</u>	<u>(22)</u>	<u>403</u>
2023			
Deferred tax liabilities			
Property and equipment	4,398	(9)	4,389
Deferred expenses	39	(21)	18
	<u>4,437</u>	<u>(30)</u>	<u>4,407</u>
Deferred tax assets			
Deferred payment obligation	46	(21)	25
Provision for impairment	433	(155)	278
Deferred income	145	(70)	75
Provision for inventory	-	-	6
Right-of-use assets and lease liabilities	38	4	42
	<u>662</u>	<u>(242)</u>	<u>426</u>

The tax returns of the Company up to the years 2020 have been agreed with the Secretariat General for Taxation at the Ministry of Finance.

The Board of Directors are of the opinion that additional taxes, if any, related to the open tax years would not be significant to the Company's financial position as at 31 December 2024.

Oman has issued Royal Decree No. 70/2024 (the Law), promulgating the law for Top-Up Tax on Constituent Entities of Multinational Groups. This move is in alignment with the rules issued by the Organisation for Economic Co-operation and Development (OECD) and is part of Pillar Two, to avoid Base Erosion and Profit Shifting (BEPS). The objective of the Law is to ensure that Constituent Entities are taxed at a minimum effective tax rate of 15% through a series of measures that are in line with the international tax principles. The Law is effective for financial years beginning on or after 1 January 2025. Hence, there is no impact on the financial year 2024.

23 Related party transactions and balances

The Company enters into transactions with entities that fall within the definition of a related party as contained in International Accounting Standard 24. The transactions between related parties are carried out at mutually agreed terms which are agreed between the management of the company and the management of the respective related party. The significant transactions entered into by the Company with related parties, other than those disclosed elsewhere in these financial statements, are as follows:

23 Related party transactions and balances (continued)

	2024 RO'000	2023 RO'000
Sale of goods and services		
Revenue from the OQ Exploration and Production SAOG (entity under common control)- Drilling and workover and well services	<u>21,569</u>	<u>22,297</u>
Purchases of goods and services		
Fuel, lubricants and others from Oman Oil Marketing Company SAOG– entity under common control	<u>4,423</u>	<u>5,442</u>
Directors remuneration and sitting fees		
Directors - other remunerations	155	150
Directors - sitting fees	<u>36</u>	<u>42</u>
	<u>191</u>	<u>192</u>
	2024 RO'000	2023 RO'000
Key management compensation		
Short term employee benefits	789	851
Post term employee benefits	<u>9</u>	<u>11</u>
	<u>798</u>	<u>862</u>
	2024 RO'000	2023 RO'000
Related party balances		
Receivable from the OQ Exploration and Production SAOG- entity under common control (note 9a) - Drilling and workover and well services	<u>2,348</u>	<u>5,129</u>
Purchases of goods and services		
Payable to Oman Oil Marketing Company SAOG – entity under common control (note 17b)	<u>689</u>	<u>1,490</u>

These balances are interest free and repayable on demand.

In accordance with IAS 24 "Related Party Disclosures", the Company has chosen to avail partial exemption under IAS 24 available to government entities, including the Oman Investment Authority (OIA) and other entities controlled, jointly controlled, or significantly influenced by the Government of Oman. All individually significant transactions and balances are disclosed in the notes above. However, the Company has opted to provide qualitative disclosures for transactions that are individually insignificant but collectively significant. These transactions and balances include the procurement of utilities such as electricity, internet, and telecommunications, as well as employee-related transactions such as contributions made to PASI.

24 Contingent liabilities

	2024 RO'000	2023 RO'000
Bank guarantees	24,590	25,239
Legal cases	2,901	2,901
Other claims	-	381
Total	<u>27,491</u>	<u>28,521</u>

24 Contingent liabilities (continued)

The major portion of legal cases is relating to an amount of RO 2,456,416 (31 December 2023: RO 2,456,416) for which a case is filed by one of the suppliers in the primary court. The case is ongoing and no decision is yet pronounced.

Other claims is related to liquidated damages due to delayed commissioning of two rigs during global pandemic period.

25 Commitments

As at 31 December 2024, the Company had contractual capital commitments of RO 4,594,564 (31 December 2023: RO 13,761,213) relating to property and equipment.

26 Segment reporting

The Company's structure reflects various activities in which it is engaged. At the reporting date, the Company has two reportable segments: Drilling and Work Over, Well Services and Others. All revenues are generated in the Oman and Kuwait market.

Information related to each reportable segment is set out below. Segment profit/(loss) before tax is used to measure performance because the chief executive officer, who acts as chief operating decision maker believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

The financial information that the chief operating decision makers reviews for Drilling and Workover and Well services & others are as follows:

	For the year ended 31 December 2024								
	Drilling & Workover			Well Services & Other's			Total		
	Oman	Kuwait	Total	Oman	Kuwait	Total	Oman	Kuwait	Total
	RO'000								
Revenue	131,279	3,999	135,278	16,368	-	16,368	147,647	3,999	151,646
Direct costs (excluding depreciation and amortization)	(76,219)	(2,288)	(78,507)	(12,737)	-	(12,737)	(88,956)	(2,288)	(91,244)
Depreciation and amortization	(18,531)	(879)	(19,410)	(3,012)	-	(3,012)	(21,543)	(879)	(22,422)
Gross Profit	36,529	832	37,361	619	-	619	37,148	832	37,980
Administrative costs (excluding depreciation and amortization)	(6,819)	(354)	(7,173)	(871)	-	(871)	(7,690)	(354)	(8,044)
Depreciation and amortization	(381)	(60)	(441)	(47)	-	(47)	(428)	(60)	(488)
Other expenses	(1,301)	-	(1,301)	(429)	-	(429)	(1,730)	-	(1,730)
Other income	659	-	659	-	-	-	659	-	659
Impairment on non-financial assets	(2,622)	-	(2,622)	(84)	-	(84)	(2,706)	-	(2,706)
ECL reversal	(14)	-	(14)	(2)	-	(2)	(16)	-	(16)
Operating Profit	26,051	418	26,469	(814)	-	(814)	25,237	418	25,655
Finance costs	(4,961)	(694)	(5,655)	(311)	-	(311)	(5,272)	(694)	(5,966)
Finance income	225	17	242	28	-	28	253	17	270
Profit before tax	21,315	(259)	21,056	(1,097)	-	(1,097)	20,218	(259)	19,959
Income tax expense	(3,299)	40	(3,259)	170	-	170	(3,129)	40	(3,089)
Net profit for the period	18,016	(219)	17,797	(927)	-	(927)	17,089	(219)	16,870

ANNUAL FINANCIAL STATEMENT WERE APPROVED BY THE BOARD OF DIRECTORS ON 24-02-2025

26 Segment reporting (continued)

	<u>As at 31 December 2024</u>								
	<u>Drilling & Workover</u>			<u>Well Services & Other's</u>			<u>Total</u>		
	<u>Oman</u>	<u>Kuwait</u>	<u>Total</u>	<u>Oman</u>	<u>Kuwait</u>	<u>Total</u>	<u>Oman</u>	<u>Kuwait</u>	<u>Total</u>
	RO'000								
Total segment assets	226,225	25,871	252,096	28,470	3,179	31,649	254,695	29,050	283,745
Total segment liabilities	109,305	12,493	121,798	14,007	1,620	15,627	123,312	14,113	137,425
Capital expenditure	13,123	18,948	32,071	2,918	-	2,918	16,041	18,948	34,989
For the year ended 31 December 2024									
	<u>Drilling & Workover</u>			<u>Well Services & Other's</u>			<u>Total</u>		
	<u>Oman</u>	<u>Kuwait</u>	<u>Total</u>	<u>Oman</u>	<u>Kuwait</u>	<u>Total</u>	<u>Oman</u>	<u>Kuwait</u>	<u>Total</u>
	RO'000								
Revenue	126,811	-	126,811	17,535	-	17,535	144,346	-	144,346
Direct costs (excluding depreciation and amortization)	(76,552)	-	(76,552)	(13,217)	-	(13,217)	(89,769)	-	(89,769)
Depreciation and amortization	(19,030)	-	(19,030)	(2,631)	-	(2,631)	(21,661)	-	(21,661)
Gross Profit	31,229	-	31,229	1,687	-	1,687	32,916	-	32,916
Administrative costs (excluding depreciation and amortization)	(5,478)	-	(5,478)	(1,526)	-	(1,526)	(7,004)	-	(7,004)
Depreciation and amortization	(357)	-	(357)	(49)	-	(49)	(406)	-	(406)
Other expenses	(792)	-	(792)	56	-	56	(736)	-	(736)
Other income	10	-	10	-	-	-	10	-	10
Impairment reversal on non-financial assets	36	-	36	721	-	721	757	-	757
ECL reversal	101	-	101	39	-	39	140	-	140
Operating Profit	24,749	-	24,749	928	-	928	25,677	-	25,677
Finance costs	(5,941)	-	(5,941)	(382)	-	(382)	(6,323)	-	(6,323)
Finance income	104	-	104	38	-	38	142	-	142
Profit before tax	18,912	-	18,912	584	-	584	19,496	-	19,496
Income tax expense	(2,762)	-	(2,762)	(173)	-	(173)	(2,935)	-	(2,935)
Net profit for the period	16,150	-	16,150	411	-	411	16,561	-	16,561

	<u>As at 31 December 2023</u>								
	<u>Drilling & Workover</u>			<u>Well Services & Other's</u>			<u>Total</u>		
	<u>Oman</u>	<u>Kuwait</u>	<u>Total</u>	<u>Oman</u>	<u>Kuwait</u>	<u>Total</u>	<u>Oman</u>	<u>Kuwait</u>	<u>Total</u>
	RO'000								
Total segment assets	219,666	24,994	244,660	28,561	3,250	31,811	248,227	28,244	276,471
Total segment liabilities	103,840	11,815	115,655	13,501	1,537	15,038	117,341	13,352	130,693
Capital expenditure	8,530	1,534	10,064	4,832	-	4,832	13,362	1,534	14,896

All property and equipment's are located in Oman and Kuwait.

ANNUAL FINANCIAL STATEMENT WERE APPROVED BY THE BOARD OF DIRECTORS ON 24-02-2025

27 Financial risk management

The Company has exposure to the following risks arising from:

- Credit risk
- Liquidity risk
- Market risk

Financial instruments carried on the statement of financial position comprise trade and other receivables, cash and cash equivalents, bank deposits, trade and other payables, lease liabilities and borrowings. The classification of financial assets depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial risk factors

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to mitigate the potential adverse effects on the Company's financial performance.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers or counterparty. The carrying amount of financial assets represents the maximum credit exposure.

As at 31 December 2024, Management believes risk arising out of Bank balances are minimal as these are with banks with good financial standing.

The Company does not foresee any significant increase in credit risk based on the financial condition of the bank and other factors if any, since the date such financial asset is being originated as the bank's credit ratings have not gone down by two notches after the date of deposit till the date of the financial information.

For trade receivables, the Company has applied the simplified approach in IFRS 9 to measure the loss allowance at expected credit loss (ECL).

The Company determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

The Company always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Company's exposure to credit risk on trade and other receivables is influence mainly by the individual characteristics of each customer. The Company has a significant concentration of credit risk as below.

27 Financial risk management (continued)

Credit risk

As at the reporting date the Company has provided for RO 184 thousand (31 December 2023: RO 168 thousand) as total provision for impaired debts from its customers (note 9). Apart from this, management believes that the Company is not exposed to any significant credit risk.

	2024 RO'000	2023 RO'000
Financial assets		
Trade and other receivables	42,285	41,293
Cash at bank	5,468	8,051
Total	47,753	49,344

The details the risk profile of trade receivables based on the Company's provision matrix is provided in note no. 9a.

As at December 2024, though the Company has significant bank balances, Management believes that the risk arising out of these balances are minimal as these are with local banks with good financial standing.

		2024 RO'000	2023 RO'000
Bank balance			
FAB	AA3	17	19
NBO	BA2	2,456	5,084
Bank Muscat	BA2	3	7
Ahli bank	BAA3	-	57
HSBC bank	AA3	-	23
Oman Arab Bank	BA1	305	1,693
Alinma Bank Saudi	A-	10	10
Bank Dhofar	BA2	59	279
Sohar International Bank	BA3	132	651
National Bank of Kuwait	A+	933	225
Meethaq Islamic Bank	BA1	121	3
Alizz Islamic Bank	AAA	1,432	-
Total (Note 11)		5,468	8,051

As per management, balances due from related parties are fully recoverable.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The detail maturities of the Company's financial liabilities, at reporting date are given below:

27 Financial risk management (continued)

Liquidity risk (continued)

Non-derivative financial liabilities

	Contractual cash flow					
	Carrying amount RO'000	Total RO'000	6 months or less RO'000	6 to 12 months RO'000	1 to 5 years RO'000	More than 5 years RO'000
2024						
Term loans	90,818	107,557	11,607	10,369	82,947	2,634
Lease liabilities	4,190	4,336	604	448	2,519	765
Trade payables	16,459	16,459	16,459	-	-	-
Other payables	9,928	9,928	9,928	-	-	-
	<u>121,395</u>	<u>138,280</u>	<u>38,598</u>	<u>10,817</u>	<u>85,466</u>	<u>3,399</u>
2023						
Term loans	85,292	102,140	8,936	8,834	78,498	5,872
Lease liabilities	5,777	6,001	1,596	1,853	2,541	11
Trade payables	17,891	17,891	17,891	-	-	-
Other payables	4,822	4,822	4,822	-	-	-
	<u>113,782</u>	<u>130,854</u>	<u>33,245</u>	<u>10,687</u>	<u>81,039</u>	<u>5,883</u>

Market risk

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

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

Foreign currency risk

The Company's functional and presentation currency is Rial Omani. The Company's contracts with its clients are entered in US \$, Kuwaiti Dinar as well as in Rial Omani and therefore its receipts are in US \$, Kuwaiti Dinar and in Rial Omani. Part of the Company's expenses are in US \$, Kuwaiti Dinar and partly in Rial Omani. However, since Rial Omani is effectively pegged to US \$, the Company is not exposed to any significant currency risks. In case of Kuwaiti Dinar since it is subject to basket of currencies with US \$ and therefore to that extent it is exposed to currency risk but it is not significant.

Interest rate risk

The Company is exposed to interest rate risk since substantial portion of its borrowings are on floating interest rates. However, the risk is limited to CBO WAIRD since the spread is fixed for the tenure of the loan.

However, the management has successfully converted the entire portion of its US Dollar-denominated loans into new Omani Rial-denominated loans, completing the transaction by December 2023. This move was undertaken with the aim of reducing interest costs using the newly acquired loans.

27 Financial risk management (continued)

Market risk (continued)

Interest rate risk (continued)

	2024		2023	
	20 bp Increase	20 bp Decrease	20 bp Increase	20 bp Decrease
	(174)	174	(20)	20
Interest rate expense				

28 Capital management

The Company's policy is to maintain a strong capital base to sustain future development of the business. The management monitors the return on equity, which the Company defines as net profit divided by total shareholders' equity on weighted average basis.

29 Fair value of financial assets and liabilities

The fair value of the financial assets and liabilities approximates their carrying value as stated in the statement of financial position unless stated otherwise.

30 Earnings per share

Earnings per share are calculated by dividing the net profit for the period attributable to the shareholders by the weighted average number of shares in issue during the period as follows:

	2024	2023
Profit attributable to shareholders (RO'000)	<u>16,870</u>	<u>16,561</u>
Weighted average number of shares for basic and diluted EPS (Thousand)	<u>770,200</u>	<u>770,200</u>
Basic and diluted earnings per share (OMR)	<u>0.022</u>	<u>0.022</u>

31 Changes in cash flows from financing activities

	Term loan RO'000	Short term loan RO'000	Lease liabilities RO'000	Total RO'000
2024				
At 1 January	85,292	-	6,246	91,538
Disbursement/availed during the year	17,721	17,000	-	34,721
Non-cash adjustments	-	-	432	432
Repayments during the year	(12,195)	(17,000)	-	(29,195)
Payment of lease liabilities	-	-	(2,488)	(2,488)
At 31 December	<u>90,818</u>	<u>-</u>	<u>4,190</u>	<u>95,008</u>
Other Changes				
Interest expense	5,122	268	258	5,648
Interest paid	(4,968)	(268)	(258)	(5,494)

31 Changes in cash flows from financing activities (continued)

	Term loan RO'000	Short term loan RO'000	Lease liabilities RO'000	Total RO'000
2023				
At 1 January	95,794	-	6,246	102,040
Disbursement/availed during the year	85,153	4	-	85,157
Non-cash adjustments	-	-	2,162	2,162
Repayments during the period	(95,655)	(4)	-	(95,659)
Payment of lease liabilities	-	-	(2,631)	(2,631)
At 31 December	<u>85,292</u>	<u>-</u>	<u>5,777</u>	<u>91,069</u>
Other Changes				
Interest expense	5,431	38	324	5,793
Interest paid	(5,331)	(38)	(324)	(5,693)

32 Reclassification of comparative information

The following corresponding figures for 31 December 2023 in the statement of financial position have been reclassified in order to reflect the relationship of the balances with our principal activities. This reclassification has had no impact on total liabilities.

Description	Amount in RO'000	Head of account in financial statements for the period ended 31 December 2023 after reclassification	Head of account in financial statements for the year ended 31 December 2023 before reclassification
Related party payable reclassification	1,490	Trade payable	Other Payable
Other receivables	1,838	Advances, prepayments and other receivables	Trade and other receivables
Deposits	7	Advances, prepayments and other receivables	Trade and other receivables

Filing Information	01/01/2024-31/12/2024
GENERAL INFORMATION ABOUT FINANCIAL STATEMENTS	
Type of company	SAOG
Commercial Registration (CR) number	1844555
Name of reporting entity	Abraj Energy Services SAOG
Listing status	Listed
Ticker code (Symbol)	ABRJ
Licensing Status	Not Licensed with FSA
Licensed for	Not Applicable
Type of Fund	Not Applicable
Sector	Services Sector
Sub-sector	Oil and Gas
Category of filer	Services Companies
Reporting period frequency	Annual
Whether reporting entity is preparing financial statements for the first financial period since its establishment	No
Reporting period start date	01/01/2024
Reporting period end date	31/12/2024
Description of reporting currency	Omani Rial
Level of rounding off for monetary values	Thousands
Description of nature of financial statements	Audited
Preparation format	Standalone