

ARABIAN DRILLING COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine-month periods ended 30 September 2023

with

Independent Auditor's Review Report

Arabian Drilling Company
(A Saudi Joint Stock Company)

Condensed consolidated interim financial statements with independent auditor's review report
For the three and nine-month periods ended 30 September 2023

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Report on review of condensed consolidated interim financial statements

To the shareholders of Arabian Drilling Company
(A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Arabian Drilling Company (the "Company") and its subsidiary (collectively the "Group") as of 30 September 2023 and the related condensed consolidated interim statement of profit or loss and other comprehensive income for the three-month and nine-month periods then ended and the condensed consolidated interim statements of changes in equity and cash flows for the nine-month period ended 30 September 2023 and other explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34"), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", as endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, as endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

PricewaterhouseCoopers

Omar M. Alsagga
License Number 369
02 November 2023

Arabian Drilling Company
(A Saudi Joint Stock Company)

Condensed consolidated interim statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

	Note	30 September 2023 (Unaudited)	31 December 2022 (Audited)
<u>ASSETS</u>			
Non-current assets			
Property, plant and equipment	3	7,391,025,200	6,490,620,979
Right-of-use assets		148,603,418	199,262,775
Mobilization cost		-	15,026,668
Long-term deposits		16,200,000	-
Total non-current assets		7,555,828,618	6,704,910,422
Current assets			
Inventories	4	307,022,197	172,540,843
Trade and other receivables		959,545,468	825,059,412
Mobilization cost		-	6,732,553
Derivative financial instrument		-	378,192
Short-term deposits		-	1,000,000,000
Cash and cash equivalents	5	1,272,953,439	832,024,714
		2,539,521,104	2,836,735,714
Assets held for sale		11,644,621	12,402,180
Total current assets		2,551,165,725	2,849,137,894
Total assets		10,106,994,343	9,554,048,316
<u>EQUITY AND LIABILITIES</u>			
Equity			
Share capital	6	890,000,000	890,000,000
Share premium	6	790,675,825	790,675,825
Statutory reserve	7	267,000,000	267,000,000
Retained earnings		4,063,954,023	3,642,148,763
Total equity		6,011,629,848	5,589,824,588
Liabilities			
Non-current liabilities			
Long-term borrowings	8	2,409,492,271	2,481,138,537
Lease liabilities		85,088,763	136,013,930
Employees' benefit obligations		291,734,652	273,216,040
Mobilization revenue		236,508,053	115,613,850
Deferred tax liabilities		160,483,276	148,798,818
Total non-current liabilities		3,183,307,015	3,154,781,175

(continued)

Arabian Drilling Company
(A Saudi Joint Stock Company)

Condensed consolidated interim statement of financial position (continued)

(All amounts in Saudi Riyals unless otherwise stated)

	Note	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Current liabilities			
Trade and other payables		592,593,326	584,811,273
Current portion of long-term borrowings	8	104,554,781	46,460,449
Current portion of lease liabilities		66,326,236	63,806,499
Mobilization revenue		95,037,517	60,216,798
Provision for zakat and income tax		53,545,619	54,147,534
Total current liabilities		912,057,480	809,442,553
Total liabilities		4,095,364,495	3,964,223,728
Total equity and liabilities		10,106,994,343	9,554,048,316



Khalid Nough
(Chairman)



Ghassan Mirdad
(Chief Executive Officer)



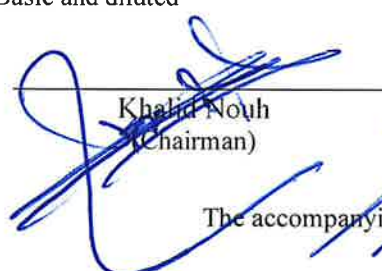
Hubert Lefeuille
(Chief Financial Officer)

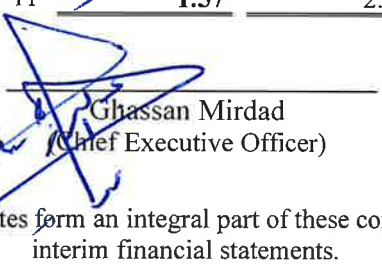
The accompanying notes form an integral part of these condensed consolidated interim financial statements.

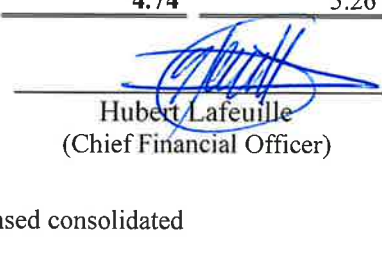
Arabian Drilling Company
(A Saudi Joint Stock Company)

Condensed consolidated interim statement of profit or loss and other comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Three-month period ended 30 September		Nine-month period ended 30 September	
		2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
Revenue	10	919,581,490	701,836,004	2,489,509,619	1,953,263,504
Cost of revenue		(652,900,216)	(485,415,498)	(1,786,524,870)	(1,393,257,915)
Gross profit		266,681,274	216,420,506	702,984,749	560,005,589
Reversals / (provision) for expected credit loss		1,096,580	(15,495,810)	(219,603)	(15,495,810)
General and administrative expenses		(55,436,944)	(23,453,247)	(139,044,236)	(97,952,226)
Other operating (expense) / income		(6,510,561)	323,397	(5,741,530)	4,114,807
		205,830,349	177,794,846	557,979,380	450,672,360
Finance costs		(52,981,269)	(27,629,327)	(106,434,078)	(68,593,157)
Finance income		14,950,498	6,356,250	38,508,049	12,578,472
Finance costs - net		(38,030,771)	(21,273,077)	(67,926,029)	(56,014,685)
Profit before zakat and income tax		167,799,578	156,521,769	490,053,351	394,657,675
Zakat credit / (expense)	9.1	(9,968,441)	1,013,256	(25,235,167)	(6,374,395)
Income tax (expense) / credit	9.1	(17,795,286)	55,836,441	(43,012,924)	32,741,937
Profit for the period		140,035,851	213,371,466	421,805,260	421,025,217
Other comprehensive income					
<i>Items that may be reclassified to the condensed consolidated statement of profit or loss in subsequent periods:</i>					
Changes in fair value of cash flow hedges		-	121,998	-	5,052,794
Other comprehensive income for the period		-	121,998	-	5,052,794
Total comprehensive income for the period		140,035,851	213,493,464	421,805,260	426,078,011
Earnings per share (Saudi Riyals)					
Basic and diluted	11	1.57	2.67	4.74	5.26


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(Chief Executive Officer)

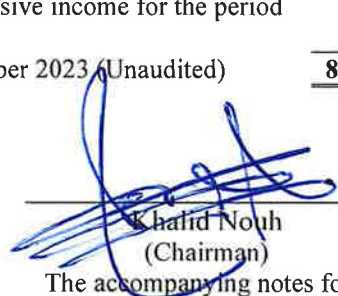

Hubert Lafeuille
(Chief Financial Officer)

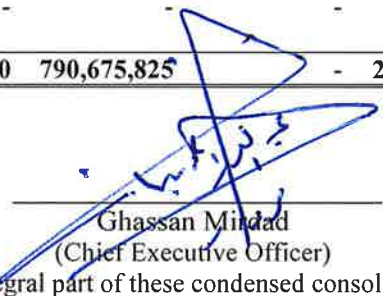
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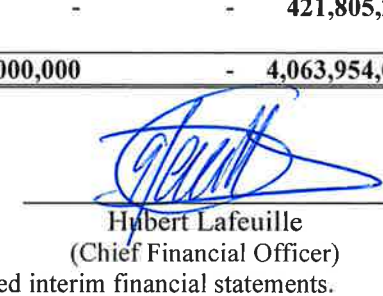
Arabian Drilling Company
(A Saudi Joint Stock Company)

Condensed consolidated interim statement of changes in equity
(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Share premium	Additional paid-in capital	Statutory reserve	Cashflow hedge reserve	Retained earnings	Total
As at 1 January 2022 (Audited)	22,580,000	-	97,420,800	18,883,921	(4,440,687)	4,057,324,636	4,191,768,670
<i>Total comprehensive income for the period</i>							
Profit for the period	-	-	-	-	-	421,025,217	421,025,217
Other comprehensive income for the period	-	-	-	-	5,052,794	-	5,052,794
Total comprehensive income for the period	-	-	-	-	5,052,794	421,025,217	426,078,011
Transfer to share capital	777,420,000	-	(97,420,800)	-	-	(679,999,200)	-
Transfer to statutory reserve	-	-	-	221,116,079	-	(221,116,079)	-
Dividends (Note 17)	-	-	-	-	-	(37,448,045)	(37,448,045)
As at 30 September 2022 (Unaudited)	800,000,000	-	-	240,000,000	612,107	3,539,786,529	4,580,398,636
As at 1 January 2023 (Audited)	890,000,000	790,675,825	-	267,000,000	-	3,642,148,763	5,589,824,588
<i>Total comprehensive income for the period</i>							
Profit for the period	-	-	-	-	-	421,805,260	421,805,260
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	421,805,260	421,805,260
As at 30 September 2023 (Unaudited)	890,000,000	790,675,825	-	267,000,000	-	4,063,954,023	6,011,629,848


Khalid Nough
(Chairman)


Ghassan Mirdad
(Chief Executive Officer)


Hubert Lafeuille
(Chief Financial Officer)

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

Arabian Drilling Company
(A Saudi Joint Stock Company)

Condensed consolidated interim statement of cash flows

(All amounts in Saudi Riyals unless otherwise stated)

	For the nine-month period ended 30 September	
	2023	2022
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Profit before zakat and income tax	490,053,351	394,657,675
<i>Adjustment for:</i>		
Depreciation and amortization	492,223,391	385,777,084
Provision for slow moving inventories	5,642,252	9,572,599
Provision for expected credit loss	219,603	15,495,810
Provision for advance income tax	-	9,268,917
Provision for employees' benefit obligations	35,091,579	35,973,895
Loss / (gain) on disposal of non-current assets held for sale	6,135,271	(1,628,952)
Amortization of mobilization cost	10,606,087	3,327,831
Amortization of mobilization revenue	(56,773,891)	(8,718,325)
Finance cost	106,434,078	68,593,157
Finance income	(38,508,049)	(12,578,472)
	1,051,123,672	889,741,219
<i>Changes in:</i>		
Inventories	(140,123,606)	(39,526,917)
Trade and other receivables	(150,091,085)	19,324,313
Trade and other payables	7,782,053	3,827,998
Cash generated from operations	768,691,034	883,366,613
Mobilization cost paid	(53,873,153)	(11,345,753)
Mobilization revenue received	277,515,100	11,250,000
Zakat and income tax paid	(57,165,548)	(12,960,867)
Employees' benefit obligations paid	(16,572,967)	(13,966,741)
Net cash generated from operating activities	918,594,466	856,343,252
Cash flows from investing activities		
Additions to property, plant and equipment	(1,312,151,345)	(925,745,440)
Proceeds from disposal of assets held for sale	4,454,680	3,632,358
Finance income received	38,071,667	12,578,472
Receipt on maturity of short-term deposits	1,000,000,000	-
Net cash used in investing activities	(269,624,998)	(909,534,610)

(continued)

Arabian Drilling Company
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Condensed consolidated interim statement of cash flows (continued)

(All amounts in Saudi Riyals unless otherwise stated)

	For the nine-month period ended 30 September	
	2023	2022
	(Unaudited)	(unaudited)
Cash flows from financing activities		
Proceeds from issuance of Sukuk	-	2,000,000,000
Repayment of long-term borrowings	-	(168,407,254)
Principal element of lease payments	(48,405,430)	(2,209,551)
Finance cost paid	(159,635,313)	(68,194,189)
Dividend paid	-	(21,674,523)
Net cash (used in) / generated from financing activities	(208,040,743)	1,739,514,483
Net increase in cash and cash equivalents	440,928,725	1,686,323,125
Cash and cash equivalents at the beginning of the period	832,024,714	411,621,031
Cash and cash equivalents at the end of the period	1,272,953,439	2,097,944,156
Significant non-cash transactions		
Additions to right-of-use assets and lease liabilities	-	9,018,948
Transfer from property, plant and equipment to assets held for sale	6,864,714	5,882,514
Dividend adjusted against receivable from shareholders	-	24,929,068
Interest capitalized during the period	37,580,760	-


Khalid Nouth
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Hubert Lafeuille
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The accompanying notes form an integral part of these condensed consolidated interim financial statements.

Arabian Drilling Company
(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements
For the three and nine-month periods ended 30 September 2023
(All amounts in Saudi Riyals unless otherwise stated)

1. CORPORATE INFORMATION

Arabian Drilling Company (the “Company” or “ADC”) and its subsidiary (collectively the “Group”) are principally engaged in the drilling of oil and natural gas wells, operations, maintenance and hauling of rigs and related activities.

The Company is a Saudi Joint Stock Company licensed under foreign investment license number 2031047241 issued by the Ministry of Investment on 18 Dhu-al-Hijja 1424H (corresponding to 13 December 2003G) and operating under commercial registration number 2051026089 issued in Dammam on 3 Safar 1423H (corresponding to 16 April 2002G). The registered address of the Company is P.O. Box 4110, Al-Khobar 31952, Kingdom of Saudi Arabia.

The accompanying condensed consolidated interim financial statements includes the financial information of the Company and its wholly owned subsidiary, Ofsat Arabia LLC (“Ofsat”). Ofsat is a Limited Liability Company incorporated in the Kingdom of Saudi Arabia.

The Company was listed on the Saudi Stock Exchange (Tadawul) on 7 November 2022 with a free float of 30% of the Company’s share capital.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (IAS 34) that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2022 (“latest annual consolidated financial statements”). However, changes in accounting policies, if any and selected explanatory notes are included to explain events and transactions that are significant to understanding of the changes in the Group’s consolidated financial position and performance since the last annual consolidated financial statements.

An interim period is considered an integral part of the whole fiscal year, however, the results of operations for the interim periods may not be a fair indication of the results of the full year operations.

2.2 Basis of preparation

These condensed consolidated interim financial statements are prepared using historical cost convention using the accrual basis of accounting except for derivative financial instruments at fair value through other comprehensive income (FVOCI) and employees’ benefit obligations which is measured at present value of the defined benefit obligations using the projected unit credit method.

2.3 Functional and presentation currency

Items included in the condensed consolidated interim financial statements of the Group are measured using the currency of the primary economic environment in which the Company operates (“functional currency”). The Company’s cash flows, financing and transactions occur in more than one currency. Since a significant portion of revenue and capital expenditure is denominated in United States Dollars (USD), management believes that USD is the currency with the most influence over the Company’s operations. Accordingly, USD is considered to be the functional currency of the Company.

Arabian Drilling Company
(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements
For the three and nine-month periods ended 30 September 2023
(All amounts in Saudi Riyals unless otherwise stated)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Functional and presentation currency (continued)

Management has elected to prepare these condensed consolidated interim financial statements in Saudi Riyals which is the Company's presentation currency and believes that there is no translation impact on these condensed consolidated interim financial statements since Saudi Riyal (SR) is pegged to USD.

2.4 Use of judgements and estimates

In preparing these condensed consolidated interim financial statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. Significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the latest annual consolidated financial statements.

2.5. Significant accounting policies

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2022. A number of amendments to existing standards, as detailed in note 2.6(a) below, became effective from 1 January 2023 but they do not have a material effect on the condensed consolidated interim financial statements of the Group. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

2.6. New standards, amendments and interpretations

a. New and revised standards with no material effect on the condensed consolidated interim financial statements

The following revised IFRSs have been adopted. The application of these revised IFRSs did not have any material impact on the amounts reported for current and prior periods.

- IFRS 17 Insurance contracts (Amendments to IFRS 17), effective for annual periods beginning on or after 1 January 2023.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2), effective for annual periods beginning on or after 1 January 2023.
- Definition of Accounting Estimates (Amendments to IAS 8), effective for annual periods beginning on or after 1 January 2023.
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes, effective for annual periods beginning on or after 1 January 2023.
- Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17), effective for annual periods beginning on or after 1 January 2023.

b. New and revised standards issued but not yet effective

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

- Classification of liabilities as current or non-current (Amendments to IAS 1), effective for annual periods beginning on or after 1 January 2024.
- Lease Liabilities in a Sale and Leaseback (Amendments to IFRS 16) effective for annual periods beginning on or after 1 January 2024.

Arabian Drilling Company
(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements
For the three and nine-month periods ended 30 September 2023
(All amounts in Saudi Riyals unless otherwise stated)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6. New standards, amendments and interpretations (continued)

b. New and revised standards issued but not yet effective (continued)

- Non-current Liabilities with Covenants (Amendments to IAS 1), effective for annual periods beginning on or after 1 January 2024.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).

Management is assessing the impact, if any, these amendments may have on the Group's condensed consolidated interim financial statements.

Arabian Drilling Company
(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements
For the three and nine-month periods ended 30 September 2023
(All amounts in Saudi Riyals unless otherwise stated)

3. Property, plant and equipment

Cost	1 January 2023 (Audited)	Additions	Transfers	Transfers to held for sale	30 September 2023 (Unaudited)
Land	88,236,250	-	-	-	88,236,250
Buildings and portable cabins	99,693,269	-	24,450,500	(11,963,831)	112,179,938
Rigs, machinery and equipment	11,292,935,114	-	1,991,580,688	(58,021,163)	13,226,494,639
Furniture, fixtures and office equipment	111,475,264	-	2,175,701	(5,265,710)	108,385,255
Vehicles	142,955,769	-	2,810,360	(658,027)	145,108,102
Assets under construction	1,363,762,350	1,349,732,105	(2,021,017,249)	-	692,477,206
	13,099,058,016	1,349,732,105	-	(75,908,731)	14,372,881,390
<u>Accumulated depreciation and impairment</u>					
Buildings and portable cabins	(25,474,006)	(2,432,597)	-	8,886,199	(19,020,404)
Rig, machinery and equipment	(6,394,225,790)	(431,030,928)	-	54,242,384	(6,771,014,334)
Furniture, fixtures and office equipment	(70,784,409)	(5,868,570)	-	5,257,407	(71,395,572)
Vehicles	(117,952,832)	(3,131,075)	-	658,027	(120,425,880)
	(6,608,437,037)	(442,463,170)	-	69,044,017	(6,981,856,190)
Net book value	6,490,620,979				7,391,025,200

Arabian Drilling Company
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Notes to the condensed consolidated interim financial statements
For the three and nine-month periods ended 30 September 2023

(All amounts in Saudi Riyals unless otherwise stated)

3. Property, plant and equipment (continued)

Cost	1 January 2022 (Audited)	Additions	Transfers	Transfers to held for sale	31 December 2022 (Audited)
Land	88,236,250	-	-	-	88,236,250
Buildings and portable cabins	99,385,669	-	307,600	-	99,693,269
Rigs, machinery and equipment	10,826,217,554	-	516,337,749	(49,620,189)	11,292,935,114
Furniture, fixtures and office equipment	111,018,955	-	456,309	-	111,475,264
Vehicles	145,671,754	-	-	(2,715,985)	142,955,769
Assets under construction	131,520,647	1,749,343,361	(517,101,658)	-	1,363,762,350
	<u>11,402,050,829</u>	<u>1,749,343,361</u>	<u>-</u>	<u>(52,336,174)</u>	<u>13,099,058,016</u>
<u>Accumulated depreciation and impairment</u>					
Buildings and portable cabins	(22,779,749)	(2,694,257)	-	-	(25,474,006)
Rig, machinery and equipment	(5,939,859,231)	(497,373,769)	-	43,007,210	(6,394,225,790)
Furniture, fixtures and office equipment	(64,258,762)	(6,525,647)	-	-	(70,784,409)
Vehicles	(116,269,050)	(4,399,767)	-	2,715,985	(117,952,832)
	<u>(6,143,166,792)</u>	<u>(510,993,440)</u>	<u>-</u>	<u>45,723,195</u>	<u>(6,608,437,037)</u>
Net book value	<u>5,258,884,037</u>				<u>6,490,620,979</u>

- a) Asset under construction at 30 September 2023 mainly represent advances paid to supplier against procurement of certain rigs which are expected to be capitalised in 2024.
- b) Rig, machinery and equipment represents assets under contracts with customers for the drilling services which include both leasing and service component.
- c) For the three-month and nine-month periods ended 30 September 2023 the Group has capitalized finance costs of Saudi Riyals Nil and Saudi Riyals 37.58 million, respectively (three-month and nine-month periods ended 30 September 2022: Nil).

Arabian Drilling Company
(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements
For the three and nine-month periods ended 30 September 2023
(All amounts in Saudi Riyals unless otherwise stated)

4. Inventories

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Spare parts and supplies, held not for sale	341,336,295	201,212,689
Less: provision for slow-moving inventories	(34,314,098)	(28,671,846)
	307,022,197	172,540,843

Movement in provision for slow-moving inventories is as follows:

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
1 January	28,671,846	22,787,466
Additions	5,642,252	10,204,778
Write-offs	-	(4,320,398)
	34,314,098	28,671,846

5. Cash and cash equivalents

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Cash at bank	397,310,307	831,829,386
Short term deposits having original maturity of 3 months or less	875,000,000	-
Cash in hand	643,132	195,328
	1,272,953,439	832,024,714

6. Share capital

The share capital of the Company as of 30 September 2023 and 31 December 2022 comprised 89,000,000 shares at a nominal value of Saudi Riyals 10 per share.

During Q4 2022, the Company issued 9,000,000 new shares at an offer price of Saudi Riyals 100 per share. The differential price over the nominal value recorded as share premium amounting to Saudi Riyals 790.7 million, after offsetting the issuance cost amounting to Saudi Riyals 19.3 million.

7. Statutory reserve

In accordance with the Company's Bylaws, the Company is required to maintain a statutory reserve equal to minimum of 30% of its share capital. This reserve currently is not available for distribution to the shareholders of the Company.

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8. Long term borrowings

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Sukuk (note 8.1)	2,000,000,000	2,000,000,000
Murabaha borrowings (note 8.2)	499,984,900	500,000,000
Add: accrued finance cost	29,554,781	46,460,449
	2,529,539,681	2,546,460,449
Less: unamortized transaction cost	(15,492,629)	(18,861,463)
	2,514,047,052	2,527,598,986
Long-term borrowings are presented as follows:		
Current maturity under current liabilities	104,554,781	46,460,449
Non-current portion	2,409,492,271	2,481,138,537
	2,514,047,052	2,527,598,986
Movement in unamortized transaction cost is as follows:		
Balance at beginning of period / year	18,861,463	-
Transaction cost incurred during the period / year	-	22,349,723
Less: amortization for the period / year	(3,368,834)	(3,488,260)
Balance at end of period / year	15,492,629	18,861,463

8.1 Sukuk

During the year ended 31 December 2022, the Group issued Sukuk amounting to Saudi Riyals 2.0 billion after obtaining necessary regulatory approvals and incurred a transaction cost of Saudi Riyals 22.3 million. The repayment of the Sukuk is due in a single installment in 2027 and it bears finance costs based on prevailing market rates which are based on Saudi Inter-Bank Offer Rates (“SIBOR”) plus an applicable margin. The Sukuk requires the Group to maintain certain financial and non-financial covenants. As at 30 September 2023 and 31 December 2022, the Group was in compliance with such covenants.

8.2 Murabaha borrowings

During the year ended 31 December 2022, the Group obtained a new murabaha facility of Saudi Riyals 500.0 million from a Saudi commercial bank to finance capital expenditure. The murabaha facility is repayable over a period of 5 years starting from February 2024 through November 2028 on a quarterly basis. These loans bear finance costs based on prevailing market rates which are based on SIBOR plus an applicable margin. The murabaha facility requires the Group to maintain certain financial and non-financial covenants. As at 30 September 2023 and 31 December 2022, the Group was in compliance with the covenants of the Murabaha facility.

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9. Zakat and income tax

9.1 Zakat and income tax expense

	For three-month period ended 30 September		For the nine-month period ended 30 September	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Zakat expense	9,968,441	(1,013,256)	25,235,167	6,374,395
Current tax charge	6,947,586	16,516,641	31,328,467	31,476,229
Deferred tax charge / (reversal)	10,847,700	(72,353,082)	11,684,457	(64,218,166)
	27,763,727	(56,849,697)	68,248,091	(26,367,542)

9.2 Status of assessments

Arabian Drilling Company

The Zakat, Tax and Customs Authority ("ZATCA") has finalized the Company's zakat and income tax assessments for the years up to 2014 and for the years 2019 and 2020. During 2021, the Company received additional zakat assessments for the years 2015 through 2018 amounting to Saudi Riyals 11.0 million which was reduced to Saudi Riyals 3.9 million during the year ended 31 December 2022. The Company has filed an appeal against such assessment with the General Secretariat of the Zakat, Tax and Customs Committees ("GSTC"), and the final outcome of such appeal is pending as of the date of approval of these condensed consolidated interim financial statements. Management of the Company believes that the provision for zakat and income tax payable as at the reporting date is adequate and no additional zakat or income tax liability will arise upon the ultimate resolution of such appeal.

Ofsat

ZATCA has finalized the zakat and income tax assessments for the years up to 2020 of Ofsat.

10. Revenue

	For three-month period ended 30 September		For the nine-month period ended 30 September	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Drilling revenue	763,556,375	577,569,792	2,066,676,939	1,594,768,715
Rig move revenue	101,299,271	107,381,156	287,056,831	305,098,229
Mobilization revenue	26,671,229	1,307,311	56,773,891	8,718,325
Catering and other revenue	28,054,615	15,577,745	79,001,958	44,678,235
	919,581,490	701,836,004	2,489,509,619	1,953,263,504

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10. Revenue

10.1 Drilling revenue

Revenue from drilling activities was recognised in accordance with the rates agreed under the terms of the drilling contracts, which include approximately equal service and lease components. Expected lease component of future revenue from drilling activities under such contracts is as follows:

	30 September 2023	30 September 2022
	(Unaudited)	(Unaudited)
Within one year	1,933,676,794	1,627,751,432
Within two years	1,631,218,734	2,106,276,015
Within three years	862,642,506	465,928,659
Within four years	691,054,744	323,234,803
Within five years	606,575,878	244,518,019
Later than five years	619,835,659	-
	6,345,004,315	4,767,708,928

The expected revenue is based on signed agreements with the customers and expected utilization rates of the underlying rigs.

11. Basic and diluted earnings per share

As the Company does not have any potential dilutive shares, the diluted earnings per share is the same as the basic earnings per share. Basic and diluted earnings per share are calculated as follows:

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit attributable to the shareholders of the Group	140,035,851	213,371,466	421,805,260	421,025,217
Weighted average number of ordinary shares for basic and diluted earnings per share	89,000,000	80,000,000	89,000,000	80,000,000
Basic and diluted earnings per share	1.57	2.67	4.74	5.26

12. Contingencies and commitments

- As at 30 September 2023, the Group's bankers have issued guarantees on behalf of the Group amounting to Saudi Riyals 478.67 million (31 December 2022: Saudi Riyals 385.19 million) and letters of credit issued in the normal course of business amounting to Saudi Riyals 17.49 million (31 December 2022: Saudi Riyals 77.69 million).
- The capital expenditure contracted by the Group but not incurred till 30 September 2023 was Saudi Riyals 1,670.92 million (31 December 2022: Saudi Riyals 540.12 million).

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13. Fair value measurement

The Group's principal financial assets include cash and cash equivalents, short term deposits, derivative financial instrument, trade receivables and certain other receivables that arise directly from its operations. The Group's principal financial liabilities comprise borrowings, trade and other payables and lease liabilities.

Fair values hierarchy

All financial instruments for which fair value is recognized or disclosed are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no such transfers during the period and year ended 30 September 2023 and 31 December 2022 respectively.

As at 30 September 2023 and 31 December 2022, the fair values of the Group's financial instruments, except for derivative financial instrument, are estimated to approximate their carrying values since the financial instruments are short term in nature, carry interest rates which are based on prevailing market interest rates and are expected to be realized at their current carrying values within twelve months from the date of the condensed consolidated statement of financial position. The fair values of the non-current financial liabilities are estimated to approximate their carrying values as these carry interest rates which are based on prevailing market interest rates.

Derivative financial instrument is recorded at fair value which is assessed by management to fall in Level 2 of the fair value hierarchy as at 31 December 2022.

Financial Risk Management

The Group's activities expose it to a variety of financial risks including the effects of changes in market risk (including currency risk, fair value and cash flow interest rate risk and price risk), credit risk and liquidity risk. There is no significant change in the Group's objectives, policies and processes for measuring and managing risk since the last annual consolidated financial statements.

14. Segment information

A segment is a distinguishable component of the Group that is engaged in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

The Group operates principally in the following two operating segments:

- i) Provision of drilling and related services through land rigs; and
- ii) Provision of drilling and related services through off-shore rigs.

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14. Segment information (continued)

Intersegment revenue and intersegment cost represents the transactions between entities within the Group which have been eliminated during the consolidation process.

Condensed consolidated interim financial information as of 30 September 2023 and 31 December 2022 and for the three and nine-month periods ended 30 September 2023 and 2022, summarized by the above operating segments, is as follows:

a) Segment results

For the three-month period ended 30 September 2023 (Unaudited)

	Land rigs	Off-shore rigs	Other	Total
Revenue from external customers	500,853,072	418,547,151	181,267	919,581,490
Intersegment revenue	-	-	50,943,583	50,943,583
Intersegment cost	(50,943,583)	-	-	(50,943,583)
Cost of revenue	(381,900,722)	(233,307,230)	(37,692,194)	(652,900,216)
Segment results	68,008,767	185,239,851	13,432,656	266,681,274

For the three-month period ended 30 September 2022 (Unaudited)

	Land rigs	Off-shore rigs	Other	Total
Revenue from external customers	486,241,838	213,803,026	1,791,140	701,836,004
Intersegment revenue	-	-	43,584,459	43,584,459
Intersegment cost	(43,584,459)	-	-	(43,584,459)
Cost of revenue	(338,097,902)	(110,618,241)	(36,699,355)	(485,415,498)
Segment results	104,559,477	103,184,785	8,676,244	216,420,506

For the nine-month period ended 30 September 2023 (Unaudited)

	Land rigs	Off-shore rigs	Other	Total
Revenue from external customers	1,468,432,950	1,019,684,149	1,392,520	2,489,509,619
Intersegment revenue	-	-	145,390,543	145,390,543
Intersegment cost	(145,390,543)	-	-	(145,390,543)
Cost of revenue	(1,101,013,956)	(563,491,150)	(122,019,764)	(1,786,524,870)
Segment results	222,028,451	456,192,999	24,763,299	702,984,749

For the nine-month period ended 30 September 2022 (Unaudited)

	Land rigs	Off-shore rigs	Other	Total
Revenue from external customers	1,389,508,293	558,604,231	5,150,980	1,953,263,504
Intersegment revenue	-	-	127,530,415	127,530,415
Intersegment cost	(127,530,415)	-	-	(127,530,415)
Cost of revenue	(978,507,415)	(304,414,165)	(110,336,335)	(1,393,257,915)
Segment results	283,470,463	254,190,066	22,345,060	560,005,589

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14. Segment information (continued)

a) Segment results

Reconciliation of segment results with profit before zakat and income tax

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Total results for reporting segments	266,681,274	216,420,506	702,984,749	560,005,589
Reversal / (provision) for expected credit loss	1,096,580	-	(219,603)	-
General and administrative expenses	(55,436,944)	(38,949,057)	(139,044,236)	(113,448,036)
Other operating (expense) / income	(6,510,561)	323,397	(5,741,530)	4,114,807
Finance costs - net	(38,030,771)	(21,273,077)	(67,926,029)	(56,014,685)
Profit before zakat and income tax	167,799,578	156,521,769	490,053,351	394,657,675

b) Segment assets

	30 September 2023	31 December 2022
	(Unaudited)	(Audited)
Land rigs	3,606,637,075	2,954,176,207
Off-shore rigs	4,457,377,496	2,971,925,682
Other	283,120,358	269,710,392
Eliminations	(23,510,815)	(35,048,084)
	8,323,624,114	6,160,764,197

As at 30 September 2023, segment assets did not include unallocated assets amounting to Saudi Riyals 1.8 billion (31 December 2022: Saudi Riyals 2.3 billion).

15. Related party transactions and balances

During 2022, the Company's ordinary shares were listed on the Saudi Stock Exchange. This has resulted in change in Group's ownership structure and consequently change in related parties' relationships. As at 30 September 2023, related parties comprise the significant shareholders, directors, associated companies (representing entities directly or indirectly controlled by the Group's shareholders) and key management personnel. Related parties also include business entities in which certain directors or senior management have an interest (other related parties).

Prior to the listing, the immediate controlling party of the Group was Industrialization and Energy Services Company - TAQA and the ultimate controlling party of the Group was the Government of the Kingdom of Saudi Arabia (the "KSA Government"). Accordingly, significant transactions with Government controlled entities until the date of loss of control by TAQA are included in the three and nine-month periods ended 30 September 2022.

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15. Related party transactions and balances (continued)

a) *Following are the significant transactions entered into by the Group with its related parties:*

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from Government controlled entities	-	496,450,282	-	1,343,931,250
Revenue from an associated company	189,734,720	183,978,542	569,928,904	584,281,073
Rental income from an associated company	-	108,526	-	54,263
Costs charged by an associated company	1,417,500	1,844,934	4,630,500	4,362,709

These transactions are based on the agreed terms between the Group and the respective related parties.

Key management personnel compensation:

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Salaries and other short-term employee benefits	3,540,256	5,804,790	12,501,932	16,503,652
Post-employment benefits	192,645	522,834	619,844	1,105,710

Additionally, the Group incurred board of directors' fee, including travelling cost for the three and nine-month periods ended 30 September 2023 amounting to Saudi Riyals 1,836,456 and Saudi Riyals 6,690,788 respectively (three and nine-month periods ended 30 September 2022: Saudi Riyals 491,700 and Saudi Riyals 869,300, respectively).

b) *Due from related parties:*

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Due from related parties		(Audited)
Schlumberger Middle East S.A. (SMESA), an associated company	248,884,216	201,904,665
Services Petroliers Schlumberger S.A., a shareholder	-	11,183,843
TAQA Well Services, an associated company	5,491,114	4,891,538
	254,375,331	217,980,046

16. Subsequent events

Except as disclosed in Note 17, there are no subsequent events which occurred between 30 September 2023 and the date of approval of these condensed consolidated interim financial statements, which may have material impact on these condensed consolidated interim financial statements.

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17. Dividends

During the nine-month period ended 30 September 2023, the Company's shareholders approved cash dividends amounting to Nil (nine-month period ended 30 September 2022: approved cash dividends amounting to Saudi Riyals 37.4 million).

On 1 November 2023 the Company's shareholders approved cash dividends of Saudi Riyals 2.53 per share amounting to a total of Saudi Riyals 225.2 million (nine-month period ended 30 September 2022: approved cash dividends amounting to Saudi Riyals 37.4 million).

18. Approval of condensed consolidated interim financial statements

These condensed consolidated interim financial statements were approved by the Board of Directors and authorized for issuance on 02 November 2023G (corresponding to 18 Rabi Al Thani 1445H).