

**ARABIAN DRILLING COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2023
With Independent Auditor's Report**

Arabian Drilling Company
(A Saudi Joint Stock Company)
Consolidated financial statements with independent auditor's report
For the year ended 31 December 2023

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Independent auditor's report to the shareholders of Arabian Drilling Company

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Arabian Drilling Company (the "Company") and its subsidiary (together the "Group") as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

What we have audited

The Group's consolidated financial statements comprise:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

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

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.

Our audit approach

Overview

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

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



Independent auditor's report to the shareholders of Arabian Drilling Company (continued)

Our audit approach (continued)

Key audit matters

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

Key audit matter	How our audit addressed the Key audit matter
<p><i>Revenue recognition</i></p> <p>During the year ended 31 December 2023, the Group recognized revenue of Saudi Riyals 3.5 billion (2022: Saudi Riyals 2.7 billion) for drilling and related services.</p> <p>Revenue from such services is recognized over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. Mobilization revenue is recognized as a contract liability and is amortized over the term of the respective contracts for drilling services.</p> <p>Revenue recognition is considered a key audit matter due to the significance of the amount and risk of fraud associated with revenue recognition.</p> <p>Refer to Note 3.2 and Note 15 to the accompanying consolidated financial statements for the revenue recognition accounting policy and the relevant revenue disclosures.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • Understood the significant revenue processes and identified the relevant controls related to revenue recognition; • Understood and evaluated the appropriateness of the accounting policy for revenue recognition with respect to International Financial Reporting Standard 15 – Revenue from Contracts with Customers ("IFRS 15"); • Obtained an understanding of the nature of revenue contracts entered into by the Group and tested a representative sample of such contracts to confirm our understanding and assess whether the management's application of IFRS 15 requirements was appropriate; • Tested a sample of transactions for different performance obligations and traced these transactions to underlying source documents; • Tested on a sample basis, revenue transactions recorded before and after the reporting date against underlying source documents to assess whether revenue was recognized in the correct period; • Tested on a sample basis, additions to mobilization revenue during the year against underlying source documents and assessed whether the amortization during the year is accurate; and • Assessed the adequacy and appropriateness of the related disclosures in the accompanying consolidated financial statements.



Independent auditor's report to the shareholders of Arabian Drilling Company (continued)

Other information

The directors are responsible for the other information. The other information comprises the Group's 2023 Annual Report, but does not include the consolidated financial statements and our auditor's report thereon, which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Group's 2023 Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



Independent auditor's report to the shareholders of Arabian Drilling Company (continued)

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

PricewaterhouseCoopers

Omar M. Al Sagga
License Number 369

17 March 2024

Arabian Drilling Company
(A Saudi Joint Stock Company)
Consolidated statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

		As at 31 December	
	Note	2023	2022
ASSETS			
Non-current assets			
Property, plant and equipment	4	7,737,834,883	6,490,620,979
Long-term deposits		16,200,000	-
Right-of-use assets	5.1	131,835,643	199,262,775
Mobilization cost	16.1	-	15,026,668
Total non-current assets		7,885,870,526	6,704,910,422
Current assets			
Inventories	6	279,741,430	172,540,843
Trade and other receivables	7	1,072,329,381	825,059,412
Mobilization cost	16.1	-	6,732,553
Derivative financial instrument		-	378,192
Short-term deposits		-	1,000,000,000
Cash and cash equivalents	8	1,435,421,469	832,024,714
		2,787,492,280	2,836,735,714
Assets held for sale	9	13,111,001	12,402,180
Total current assets		2,800,603,281	2,849,137,894
Total assets		10,686,473,807	9,554,048,316
EQUITY AND LIABILITIES			
Equity			
Share capital	10	890,000,000	890,000,000
Share premium	10	790,675,825	790,675,825
Statutory reserve	11	267,000,000	267,000,000
Retained earnings		4,013,745,577	3,642,148,763
Total equity		5,961,421,402	5,589,824,588
Liabilities			
Non-current liabilities			
Long-term borrowings	12	2,885,625,878	2,481,138,537
Lease liabilities	5.2	67,892,228	136,013,930
Employees' benefit obligations	13	304,407,017	273,216,040
Mobilization revenue	15.2	211,515,566	115,613,850
Deferred tax liabilities	19	164,134,909	148,798,818
Total non-current liabilities		3,633,575,598	3,154,781,175

Arabian Drilling Company
(A Saudi Joint Stock Company)
Consolidated statement of financial position (continued)
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at 31 December	
		2023	2022
Current liabilities			
Trade and other payables	14	729,393,485	584,811,273
Current portion of long-term borrowings	12	168,469,771	46,460,449
Current portion of lease liabilities	5.2	67,167,866	63,806,499
Mobilization revenue	15.2	94,313,916	60,216,798
Provision for zakat and income tax	19	32,131,769	54,147,534
Total current liabilities		1,091,476,807	809,442,553
Total liabilities		4,725,052,405	3,964,223,728
Total equity and liabilities		10,686,473,807	9,554,048,316

 Khalid Nour (Chairman)	 Ghassan Mirdad (Chief Executive Officer)	 Hubert Lafeuille (Chief Financial Officer)
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The accompanying notes 1 through 27 form an integral part of these consolidated financial statements.

Arabian Drilling Company
(A Saudi Joint Stock Company)
Consolidated statement of profit or loss and other comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

		For the year ended 31 December	
	Note	2023	2022
Revenue	15	3,476,523,864	2,703,535,475
Cost of revenue	16	(2,500,619,916)	(1,902,092,383)
Gross profit		975,903,948	801,443,092
Expected credit loss allowance		(619,603)	(47,306)
General and administrative expenses	17	(181,119,645)	(179,600,335)
Other operating income / (expense) – net		7,068,550	(2,702,159)
		801,233,250	619,093,292
Finance cost	18	(160,882,330)	(94,318,292)
Finance income		47,596,014	27,525,180
Finance cost - net		(113,286,316)	(66,793,112)
Profit before zakat and income tax		687,946,934	552,300,180
Zakat expense	19	(28,273,103)	(14,719,476)
Income tax (expense) / credit	19	(55,059,898)	20,139,255
Profit for the year		604,613,933	557,719,959
Other comprehensive income			
Items that may be reclassified to profit or loss			
Cash flow hedge reserve		-	4,440,687
Items that will not be reclassified to profit or loss			
Remeasurements of employee benefit obligations	13	(8,425,079)	(8,125,752)
Impact of deferred tax	19	577,960	793,244
Other comprehensive loss for the year		(7,847,119)	(2,891,821)
Total comprehensive income for the year		596,766,814	554,828,138
Earnings per share (Saudi Riyals)			
Basic and diluted	21	6.79	6.85


Khalid Nouh
(Chairman)



Ghassan Mirdad
(Chief Executive Officer)


Hubert Lefeuvre
(Chief Financial Officer)

The accompanying notes 1 through 27 form an integral part of these consolidated financial statements.

Arabian Drilling Company
(A Saudi Joint Stock Company)
Consolidated statement of changes in equity
(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Share premium	Additional paid-in capital	Statutory reserve	Cash flow hedge reserve	Retained earnings	Total
As at 1 January 2022	22,580,000	-	97,420,800	18,883,921	(4,440,687)	4,057,324,636	4,191,768,670
Profit for the year	-	-	-	-	-	557,719,959	557,719,959
Other comprehensive income (loss) for the year	-	-	-	-	4,440,687	(7,332,508)	(2,891,821)
Total comprehensive income for the year	-	-	-	-	4,440,687	550,387,451	554,828,138
Transfer to share capital (Note 10)	777,420,000	-	(97,420,800)	-	-	(679,999,200)	-
Transfer to statutory reserve (Note 11)	-	-	-	248,116,079	-	(248,116,079)	-
Issuance of new shares (Note 10)	90,000,000	790,675,825	-	-	-	-	880,675,825
Dividends (Note 25)	-	-	-	-	-	(37,448,045)	(37,448,045)
As at 31 December 2022	890,000,000	790,675,825	-	267,000,000	-	3,642,148,763	5,589,824,588
As at 1 January 2023	890,000,000	790,675,825	-	267,000,000	-	3,642,148,763	5,589,824,588
Profit for the year	-	-	-	-	-	604,613,933	604,613,933
Other comprehensive income for the year	-	-	-	-	-	(7,847,119)	(7,847,119)
Total comprehensive income for the year	-	-	-	-	-	596,766,814	596,766,814
Dividends (Note 25)	-	-	-	-	-	(225,170,000)	(225,170,000)
As at 31 December 2023	890,000,000	790,675,825	-	267,000,000	-	4,013,745,577	5,961,421,402


Khalid Nough
(Chairman)


Ghassan Mirdad
(Chief Executive Officer)


Hubert Lafeuille
(Chief Financial Officer)

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Arabian Drilling Company
(A Saudi Joint Stock Company)
Consolidated statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)


	Note	For the year ended 31 December	
		2023	2022
Cash flows from operating activities			
Profit before zakat and income tax		687,946,934	552,300,180
<i>Adjustment for:</i>			
Depreciation on property, plant and equipment	4	617,542,414	510,993,440
Depreciation on right-of-use assets	5.1	66,527,995	8,771,629
Amortization on intangible assets		-	5,517,718
Provision for obsolete, slow moving and damaged inventories	6	6,141,960	10,204,778
Expected credit loss allowance		619,603	47,306
Provision for income tax refundable		-	9,268,917
Provision for advances and other receivables		-	12,941,430
Impairment on assets held for sale		8,272,443	-
Provision for employee benefit obligations	13	44,062,210	34,857,946
Loss / (gain) on disposal of non-current assets held for sale		6,135,271	(1,628,952)
Amortization of mobilization cost	16.1	16,311,937	4,868,815
Amortization of mobilization revenue	15.2	(85,661,234)	(14,843,125)
Finance cost	18	160,882,330	94,318,292
Finance income		(47,596,014)	(27,525,180)
		1,481,185,849	1,200,093,194
Inventories		(113,342,547)	(39,416,266)
Trade and other receivables		(267,153,042)	(155,784,429)
Trade and other payables		145,152,473	122,225,803
Mobilization cost paid	16.1	(56,407,748)	(21,656,196)
Mobilization revenue received	15.2	277,515,100	176,250,000
Cash generated from operations		1,466,950,085	1,281,712,106
Zakat and income tax paid	19	(85,567,091)	(18,783,024)
Employee's benefit obligation paid	13	(21,296,312)	(20,733,330)
Net cash generated from operating activities		1,360,086,682	1,242,195,752
Cash flows from investing activities			
Additions to property, plant and equipment	4	(1,846,746,772)	(1,749,343,361)
Proceeds from disposal of assets held for sale		4,454,679	3,632,359
Placement of short term deposits		-	(1,000,000,000)
Redemption of short term deposits		1,000,000,000	-
Finance income received		53,040,775	21,375,180
Net cash used in investing activities		(789,251,318)	(2,724,335,822)

Arabian Drilling Company
(A Saudi Joint Stock Company)
Consolidated statement of cash flows (continued)
(All amounts in Saudi Riyals unless otherwise stated)


		Note For the year ended 31 December	
		2023	2022
Cash flows from financing activities			
Proceeds from long-term borrowings	12	499,984,900	2,500,000,000
Repayment of long-term borrowings	12	-	(1,377,434,235)
Proceeds from issuance of new shares	10	-	880,675,825
Principal element of lease payments	5.2	(64,760,335)	(9,546,835)
Finance cost paid		(177,500,645)	(69,476,479)
Dividends paid	25	(225,162,529)	(21,674,523)
Net cash generated from financing activities		32,561,391	1,902,543,753
Net increase in cash and cash equivalents			
		603,396,755	420,403,683
Cash and cash equivalents at the beginning of the year		832,024,714	411,621,031
Cash and cash equivalents at the end of the year	8	1,435,421,469	832,024,714

Significant non-cash transactions

Additions to right-of-use assets and lease liabilities	5.1	-	206,242,721
Transfer from property, plant and equipment to assets held for sale	4	19,571,214	6,612,979
Dividends adjusted against receivable from shareholders		-	24,929,068
Borrowing cost capitalized during the year	4	37,580,760	20,459,958


Khalid Nouh
(Chairman)


Ghassan Mirdad
(Chief Executive Officer)


Hubert Lafeuille
(Chief Financial Officer)

The accompanying notes 1 through 27 form an integral part of these consolidated financial statements.

Arabian Drilling Company
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2023
(All amounts in Saudi Riyals unless otherwise stated)

1. General information

Arabian Drilling Company (the “Company” or “ADC”) and its wholly owned subsidiary, Ofsat Arabia LLC (“Ofsat”), 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 2003) and operating under commercial registration number 2051026089 issued in Dammam on 3 Safar 1423H (corresponding to 16 April 2002). The registered address of the Company is P.O. Box 4110, Al-Khobar 31952, Kingdom of Saudi Arabia.

The accompanying consolidated financial information includes the financial information of the Company and its wholly owned subsidiary, Ofsat. Ofsat is a limited liability company incorporated in the Kingdom of Saudi Arabia.

During 2021, the Board of Directors (“BoD”) of the Company recommended to shareholders to initiate legal formalities to file for an Initial Public Offering (“IPO Application”) with the relevant regulatory authorities in the Kingdom of Saudi Arabia.

On 29 June 2022, the Capital Market Authority (CMA) approved the application filed by the Company to float 26,700,000 ordinary shares in an Initial Public Offering (IPO) on Saudi Stock Exchange (Tadawul). The planned stake sale represents 30% of the Company’s total shares post listing.

On 18 September 2022, the Company announced its intention to proceed with the initial public offering and listing of its ordinary shares, where offering comprises a sale of

- 17,700,000 shares by way of offer for sale by the existing shareholders of the Company; and
- issuance of 9,000,000 new shares.

On 18 October 2022, the Company announced commencement of retail subscription period until 20 October 2022 at an offer price of Saudi Riyals 100 per share. Allotment of shares to new shareholders completed on 3 November 2022 and trading of the Company’s ordinary shares commenced in Saudi Stock Exchange Tadawul on 7 November 2022 (also refer Note 10).

This resulted in a free float of 30% of the Company’s share capital post listing. Shareholders and their ownership in the Company, pre and post offering is as follows:

Shareholder	Pre-Offering			Post-Offering		
	No of Shares	Ownership (%)	Nominal Value	No of Shares	Ownership (%)	Nominal Value
Industrialization and Energy Services Company (TAQA)	40,800,000	51%	408,000,000	31,773,000	35.7%	317,730,000
Services Pétroliers Schlumberger S.A. (SPS)	39,200,000	49%	392,000,000	30,527,000	34.3%	305,270,000
Free float	-	-	-	26,700,000	30%	267,000,000
Total	80,000,000	100%	800,000,000	89,000,000	100%	890,000,000

2. Basis of preparation and use of judgements and estimates

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization of Chartered and Professional Accountants (SOCPA). Details of the Company's material accounting policies are included in Note 3.

The consolidated financial statements have been prepared on the historical cost basis except where IFRS, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, requires another measurement basis as disclosed in the applicable accounting policies in Note 3 – Material accounting policies.

2.2 Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgments and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively. Information about judgements made in applying accounting policies that have the most significant effects on the amount recognized in the consolidated financial statements are disclosed below:

Critical judgements in applying accounting standards

(a) Leases

The Group management uses the below estimate to determine the lease where the Group acts:

As a lessee

- lease term whether the Group is reasonably certain to exercise the extension options

The Group leases warehouses, vehicles, rigs and related equipment. The leases have an option to renew the lease contracts upon expiry. Where practicable, the Company includes the extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant change in the circumstances within its control. The lease payments are discounted using the Group's incremental borrowing rate ("IBR"). Management has applied judgments and estimates to determine the IBR at the commencement of the lease.

During 2022, the Group entered into a lease contract for two offshore rigs which were subsequently deployed on drilling contracts with customers. The lease contract is for a committed period of three years, which is consistent with the related drilling contracts with the customers, and includes an extension option for additional two years, exercisable only by the Group. Due to the volatile nature of the offshore market, management believes that the extension of the underlying drilling contracts with the customers is not reasonably certain and accordingly has not considered the extension options when recording the related lease liabilities and right-of-use assets.

Arabian Drilling Company
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended 31 December 2023

(All amounts in Saudi Riyals unless otherwise stated)

2. Basis of preparation and use of judgements and estimates (continued)

2.2 Use of judgements and estimates (continued)

Critical judgements in applying accounting standards (continued)

(a) Leases (continued)

As a lessor

- to determine the lease term at inception or on modification of a contract that contains a lease component,
- to allocate the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone selling prices, and
- determines at lease inception whether each lease is a finance lease or an operating lease.

(b) Capitalization of borrowing costs

As described in Note 4, the Group capitalizes borrowing costs directly attributable to the acquisition, construction or production of qualifying assets. Qualifying assets are the acquisition of rigs which take substantial period of time to get ready for their intended use or sale. The borrowing cost is capitalized for these rigs, until such time as the rigs are substantially ready for their intended use or sale. Significant judgment is required to determine whether the rigs take a significant period of time to get ready for their intended use based on management's assessment of the various activities that are required before the rigs enter into operation. Management has determined that a rig takes a significant period of time to get ready for its intended use if the total construction period is expected to be twelve months or more. During the year, borrowing costs amounting to Saudi Riyals 37.58 million (2022: Saudi Riyals 20.45 million) have been capitalized.

Estimates and assumptions

(a) Employees' benefit obligations

Employees' benefits obligations represent obligations that will be settled in the future and require assumptions to project these obligations. IAS 19 requires management to make further assumptions regarding variables such as discount rates, rate of compensation increases, mortality rates, employment turnover and future healthcare costs. The Group's management uses an external actuary for performing this calculation. Changes in key assumptions can have a significant impact on the projected benefit obligation and/or periodic employees' benefits costs incurred, refer note 13.5.

(b) Depreciation of property, plant and equipment

The Group's management determines the estimated useful lives of property, plant and equipment and intangible assets for calculating depreciation and amortization respectively. This estimate is determined after considering expected usage of the assets and physical wear and tear. The management at least annually reviews the estimated useful lives and the depreciation and amortization method to ensure that the method and periods of depreciation and amortization are consistent with the expected pattern of economic benefit of the assets.

The residual value of the asset represents the estimated amount that the entity will receive from the disposal of the asset less the estimated disposal costs, if the asset is indeed of age and in the condition it is expected to be in at the end of its useful life.

Arabian Drilling Company
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2. Basis of preparation and use of judgements and estimates (continued)

2.2 Use of judgements and estimates (continued)

Estimates and assumptions (continued)

(b) Depreciation of property, plant and equipment (continued)

The management reconsiders the residual value of the asset at least at the end of each financial year, and if expectations differ from previous estimates, this is treated as a change in accounting estimate, in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates, and Errors".

At year end, if the useful life increased / decreased by 10% against the current useful life with all other variables held constant, profit for the year would have been Saudi Riyals 61.8 million higher or lower, respectively. At year end, if the residual values increased / decreased by 10% against the current residual values with all other variables held constant, profit for the year would have been Saudi Riyals 0.4 million higher / lower, respectively.

(c) Provision or impairment of obsolete, slow moving and damaged inventories

Inventory is stated at cost and net realizable value, whichever is lower. The amount of write-off and any reduction in inventory to the net realizable value and inventory losses is recognized as an expense in the same period in which the write-off or expense occurred. A provision (if necessary) is made for obsolete, slow moving and damaged inventories in accordance with the Group's policy.

The Group re-assesses the net realizable value in each subsequent period in accordance with the Group's policy. When there is a change in the initial estimate which previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. Provision for slow-moving inventories is made considering various factors including age of the inventory items, historic usage and expected utilization in future.

At the year end, if the provisioning rates increased / decreased by 5% against the current provisioning rates, with all other variables held constant, profit for the year would have been Saudi Riyals 1.7 million lower or higher, respectively.

3. Material accounting policies

The material accounting policies applied in the preparation of consolidated financial statements of the Group are set out below. These policies have been consistently applied to all years presented.

3.1 Basis of consolidation

(a) Subsidiary

These consolidated financial statements comprise the financial statements of the Company and its subsidiary. Subsidiary financial statements reporting period and accounting framework is aligned with the Company's reporting period and accounting framework. A subsidiary is an entity over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

Non-controlling interests are measured by their proportionate share of the identifiable net assets of the acquiree at the date of acquisition.

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

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, if any. When necessary, adjustments are made to the financial statements of the subsidiary to bring its accounting policies in line with the Group's accounting policies.

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

- Derecognizes the assets and liabilities of the subsidiary;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and

Reclassifies the parent's share of component previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

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3. Material accounting policies (continued)

3.1 Basis of consolidation (continued)

(b) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing these consolidated financial statements. Unrealized losses, if any, are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(c) Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in consolidated statement profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

3.2 Revenue

Revenue is measured at the fair value of the consideration received or receivable in the ordinary course of the Group's activities. Revenue from performance of services is recognized in the accounting period in which the services are rendered. The Group has concluded that it is the principal in its revenue arrangement since it is the prime obligor and is exposed to credit risk.

The Group recognizes revenue based on a five-step model as set out in IFRS 15.

IFRS 15 requires that revenue is recognized from contracts with customers based on the following five step model as follows:

- Identification of contracts with customer;
- Identification of performance obligations in the contract;
- Determination of transaction price;
- Allocation of transaction price to performance obligations in the contract; and
- Recognition of revenue when the Company satisfies the performance obligation.

The Group has following revenue streams:

(a) Drilling revenue

Revenue against drilling services is recorded over time as the customers simultaneously receive and consume the related benefit, using the output method where the customers sign the service entry sheet for the month as acknowledgement of the receipt of services. The services are billed to the customers based on the day rate specified in the contract upon acknowledgement of the receipt of services.

The Group does not expect to have any contracts where the period between the transfer of the promised services to the customer and payment by the customer exceeds one year except for contractual retentions in certain cases, and accordingly, the transaction prices are not adjusted for the time value of money. As per the contracts with the customers, there is no financing, non-cash consideration and consideration payable to customers involved in the transaction price.

Revenue from drilling activities was recognized in accordance with the rates agreed under the terms of the drilling contracts, which include approximately equal service and lease components.

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3. Material accounting policies (continued)**3.2 Revenue (continued)***(a) Drilling revenue (continued)*

The Company allocates the transaction price, based on stand-alone selling prices, related to its drilling revenue which contain both leasing and service elements. Revenue from such leasing arrangements is recorded in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the period of the respective lease.

(b) Rig move revenue

The Group provides services to the customer relating to relocation of rigs on the customer's instructions. Revenue against such services is recorded over time as the customer simultaneously receives and consumes the related benefit, using the output method where the customer signs the service entry sheet for the month as acknowledgement of the receipt of services. Revenue is recognized upon completion of underlying performance obligation and customers' acknowledgement of the receipt of services.

(c) Mobilization revenue and costs

Mobilization revenue represents fees for initial mobilization of rigs. These activities do not constitute delivery of a separate service to the customers but are necessary to fulfill the drilling services mentioned above.

Accordingly, mobilization revenues are recognized as contract liabilities and are amortized over the term of the respective contracts with customers for drilling services.

Mobilization costs represents costs incurred for initial mobilization of rigs. Such costs are recognized as contract assets and are amortized over the term of the respective contracts with customers for drilling services.

(d) Catering and other revenue

The Group provides catering services and sub-contracts its manpower to its customers based on pre-agreed unit rates. Revenue against such services is recorded over time, as the customer simultaneously receives and consumes the related benefit, using the output method where the customer signs the time sheet for the month as acknowledgement of the receipt of services. Revenue is recognized upon customers' acknowledgement of the receipt of services.

3.3 Foreign currencies*(a) Functional and presentation currency*

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

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

(b) Transactions and balances

The USD is the functional currency of the Company and its subsidiary, other major transactions of the Company and its subsidiary are in Saudi Riyals which is pegged to USD. All other foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

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3. Material accounting policies (continued)

3.3 Foreign currencies (continued)

(b) Transactions and balances (continued)

Differences arising on translation of monetary items are recognized in the consolidated statement of profit or loss and other comprehensive income. Non-monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rates at the dates of the initial transactions.

Foreign exchange differences resulting from the translation of cash flow hedges are recognized to the extent that the hedge is effective in the consolidated statement of profit or loss and other comprehensive income.

3.4 Current vs non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current / non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies all other assets as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3.5 Finance income and finance costs

The Group's finance income and finance costs includes the following:

- interest income,
- interest expenses,
- the foreign currency gain or loss on financial assets and financial liabilities, impairment losses and reversals on investment in debt securities carried at amortized cost,
- hedge ineffectiveness recognized in the consolidated statement of profit or loss and other comprehensive income, and

The interest income or expense is recognized using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instruments to:

- the gross carrying amount of the financial assets or
- the amortized cost of the financial liability.

In calculating interest income and expenses, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

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3. Material accounting policies (continued)**3.6 Zakat and income taxes**

In accordance with the regulations of the ZATCA, the Group is subject to zakat and income tax to the extent attributable to the effective Saudi and foreign shareholding respectively within the Group. Provision for zakat and income tax is charged to profit or loss for the year. Additional amounts, if any, are accounted for when determined to be required for payment.

Zakat

Zakat is levied based on adjusted income subject to zakat or the zakat base in accordance with the Regulations of the ZATCA in the Kingdom of Saudi Arabia. The Group computes its zakat by using the zakat base. The zakat provision is charged to the consolidated statement of profit or loss and other comprehensive income. Differences, if any, resulting from the final assessments are adjusted in the period of their finalization.

Income tax

Income tax expense comprises of current and deferred tax. Expenses are charged to the consolidated statement of profit or loss and other comprehensive income except to that it relates to a business combination, or items recognized directly in equity or other comprehensive income.

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 taxable payable or receivable in respect of the previous years. The amount of the 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 allowed to offset only if certain criteria are met.

All shares in the Saudi-resident companies held directly or indirectly by Saudi Arabian Oil Company ("Saudi Aramco") are subject to the Saudi Arabian Income Tax Law of 2004. However, article 2(a) of the income tax law, provides an exemption from the above requirement to the Companies listed in KSA. Hence indirect shareholding of Saudi Aramco is not subject to income tax.

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 or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group 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 right-of-use assets and a lease liability for a specific lease are regarded as a net package (the lease) for the purpose of recognizing deferred tax.

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3. Material accounting policies (continued)

3.6 Zakat and income taxes (continued)

Deferred tax (continued)

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, based on the business plans for individual subsidiaries in the Group. 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 Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset only if certain criteria are met.

3.7 Property, plant and equipment

Recognition and measurement

Property, plant and equipment except for freehold land and asset under construction are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Asset under construction are carried at historical cost less impairment (if any) and are transferred to property, plant and equipment when ready for use as intended by management. Historical cost includes expenditure that is directly attributable to the acquisition of the items including eligible capitalized borrowing costs.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted as separate items (major components) of property, plant and equipment. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Subsequent expenditure

Subsequent expenditures are capitalized only if it is probable that future economic benefits associated with the expenditure will flow to the Group.

Depreciation

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using straight line method over their estimated useful lives, and depreciation expenses are charged to consolidated statement of profit or loss and other comprehensive income. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted as appropriate.

Freehold Land is not depreciated. No depreciation is charged on assets under construction until transferred to property, plant and equipment.

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

Carrying value of property, plant and equipment is written down immediately to its recoverable amounts if carrying amount is greater than its estimated recoverable amount

3. Material accounting policies (continued)

3.8 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the 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 using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

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

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

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

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3. Material accounting policies (continued)

3.8 Leases (continued)

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in consolidated statement of profit or loss and other comprehensive income if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets and lease liabilities in the consolidated statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

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

To classify each lease, the Group 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 operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

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

The Group provides drilling services to its customers which include both leasing and service components.

Lease revenue

The Group recognizes the lease payments received under operating leases as income on a straight line basis over the lease term as part of drilling revenue. The drilling contracts do not include any variable lease payments or escalation clauses.

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3. Material accounting policies (continued)

3.9 Assets held for sale

Non-current assets or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets (if any), which continued to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held for sale or held for distribution and subsequent gains and losses on remeasurement are recognized in the consolidated statement of profit or loss.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the consolidated statement of financial position.

3.10 Financial instruments

(a) Recognition and initial measurement

Trade receivable and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(b) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at amortized cost; fair value through OCI ("FVOCI"); 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.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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3. Material accounting policies (continued)

3.10 Financial instruments (continued)

(b) Classification and subsequent measurement (continued)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - Business model and assessment:

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

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3. Material accounting policies (continued)

3.10 Financial instruments (continued)

(b) Classification and subsequent measurement (continued)

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group 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 Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par value, a feature that permits or requires prepayment at an amount that substantially represents the contractual par value plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets - Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in the consolidated statement of profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in the consolidated statement of profit or loss. Any gain or loss on derecognition is recognized in the consolidated statement of profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the consolidated statement of profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the consolidated statement of profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in the consolidated statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to the consolidated statement of profit or loss.

Financial liabilities - Classification, subsequent measurement and gains and losses:

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the consolidated statement of 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 the consolidated statement of profit or loss. Any gain or loss on derecognition is also recognized in the consolidated statement of profit or loss.

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3. Material accounting policies (continued)

3.10 Financial instruments (continued)

(c) Derecognition

Financial assets

The Group derecognizes a financial asset when:

- the contractual rights to the cash flows from the financial asset expires, 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
- Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its consolidated 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.

Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Group 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 the consolidated statement of profit or loss.

(d) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group 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.

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3. Material accounting policies (continued)

3.11 Impairment of financial and non-financial assets

(a) Non-derivative financial assets

Financial instruments and contract assets

The Group recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost; and
- contract assets.

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

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances 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.

Loss allowances for trade receivables including unbilled revenue are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information. The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- the financial asset is more than 730 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses.

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3. Material accounting policies (continued)

3.11 Impairment of financial and non-financial assets (continued)

(a) Non-derivative financial assets (continued)

Credit-impaired financial assets

At each reporting date, the Group 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 or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group 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.

Presentation of allowance for ECL in the statement of financial position

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 consolidated statement of profit or loss and is recognized in other comprehensive income.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For third party customers, the Group has a policy of writing off the gross carrying amount when the management has reasonable evidence that the financial asset no longer recoverable, based on historical experience of recoveries of similar assets. For the related parties, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery, then the amount is written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(b) Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and contract assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU.

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3. Material accounting policies (continued)

3.11 Impairment of financial and non-financial assets (continued)

(b) Non-financial assets (continued)

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in the consolidated statement of profit or loss and other comprehensive income. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.12 Inventories

Inventories primarily represent spare parts and consumables used to provide the drilling service, which are carried at the lower of cost and net realizable value. The cost of inventories are determined using the weighted average method.

At each reporting date, spare parts and consumables are assessed for impairment. If spare parts and consumables are impaired, their carrying amount is reduced to written down value; the impairment losses are recognized immediately in the consolidated statement of profit or loss and other comprehensive income. Provision for obsolete, slow moving and damaged inventories is made considering various factors including age of the inventory items, historic usage and expected future utilization.

3.13 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and cash in current accounts with banks and other short-term high-liquidity investments with original maturities of three months or less (if any) available to the Group without any restrictions. Deposits with original maturities over 3 months and below 12 months is reported as short term deposits in the consolidated statement of financial position under current assets and any deposits over 12 months are included in non-current assets.

3.14 Equity

Ordinary shares are classified as equity. Incremental costs, if any, directly attributable to the issue of new shares are shown in equity as a deduction, net of tax and zakat, from the proceeds.

Share premium represents the proceeds (net of issuance cost) from issue of new shares over and above the par value.

3.15 Dividends

Provision is made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

3.16 Trade and other payables

Trade payable and accrued liabilities are obligations to be paid for goods and services that have been acquired in the ordinary course of business from suppliers. These are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. These are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

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3. Material accounting policies (continued)

3.17 Long-term borrowings

Long-term borrowings are initially recognized at their fair value (being proceeds received, net of eligible transaction costs incurred, if any). Subsequent to initial recognition long-term borrowings are measured at amortized cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in the consolidated statement of profit or loss and other comprehensive income over the period of the long-term borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. General and specific borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are expensed in the year in which they are incurred.

3.18 Employees' benefit obligations

Short-term obligations

Short-term benefits are those amounts expected to be settled wholly within 12 months of the end of the period in which the employees render the service that gives rise to the benefits. Liabilities for wages and salaries, including non-monetary benefits and accumulating leaves and benefits-in-kind that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. These liabilities are presented part of "trade and other payables" in the consolidated statement of financial position.

Post-employment obligation

The Group provides end of service benefits to its employees in accordance with the requirements of the Saudi Arabia Labor Law. The entitlement to these benefits is based upon the employees' last drawn salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are recognized over the service period.

The employee benefits obligation plans are not funded. Accordingly, valuations of the obligations under those plans are carried out by an independent actuary based on the projected unit credit method and the liability is recorded based on an actuarial valuation.

The liability recognized in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Past-service costs are recognized immediately in the consolidated statement of profit or loss.

The interest cost is calculated by applying the discount rate to the balance of the defined benefit obligation. This cost is included in employee benefit expense in the consolidated statement of profit or loss. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited in other comprehensive income in the period in which they arise.

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3. Material accounting policies (continued)

3.19 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Operating Decision Maker ("CODM") to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

The Board of Directors ("BoD") of the Group assesses the financial performance and position of the Group and makes strategic decisions. The BoD has been identified as being the CODM.

Segment results reported to the Group's CODM represent revenue and cost of revenue and include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

3.20 Earnings per share

Basic and diluted earnings per share is calculated by dividing the profit for the year attributable to shareholders of the Group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year.

3.21 Value Added Tax (VAT)

The Group is subject to a value added tax ("VAT") for providing services. The amount of VAT liability is determined by applying the applicable tax rate to the invoiced amount of services provided (output VAT) less VAT paid on purchases made / services received with the relevant supporting invoices (input VAT). The Group reports revenue net of value added tax for all the periods presented in the consolidated statement of profit or loss and other comprehensive income.

Assets and expenses are recognized net of VAT, except that when VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case, VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable. The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

3.22 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

3.23 Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Liabilities which are probable are recorded in the consolidated financial statement under trade and other payables. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

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3. Material accounting policies (continued)

3.24 Withholding Tax (WHT)

The Group withholds taxes on certain transactions with non-resident parties, including dividend payments to the shareholders, as required under the Saudi Arabian Income Tax Law.

3.25 Cost of revenue

Cost of revenue includes labor cost, consumables, depreciation, mobilization costs, rig move, direct and indirect overheads related to provision of services.

3.26 General and administrative expenses

All other expenses, excluding cost of revenue, financial charges, are classified as general and administrative expenses. Allocations of common expenses between cost of revenue and general and administrative expenses, when required, are made on a consistent basis.

3.27 New standards, amendments and interpretations

(a) New and revised standards with no material effect on the consolidated 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.

- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement;
- Definition of Accounting Estimates – Amendments to IAS 8;
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 Organisation for Economic Co-operation and Development (OECD) Pillar Two Rules; and
- Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17)

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

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

The Group has not early adopted the following new and revised standards that have been issued but are not yet effective.

- Supplier finance arrangements (Amendments to IAS 7 and IFRS 7), effective for annual periods beginning on or after 1 January 2024.
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) effective for annual periods beginning on or after 1 January 2024.
- 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).
- IFRS Sustainability Disclosures Standards S1 and S2, effective for annual periods beginning on or after 1 January 2024.

The management is currently in the process of assessing the impact of the above-mentioned standards on the consolidated financial statement of the Group.

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4. Property, plant and equipment

Cost	Freehold land	Buildings and portable cabins	Rig, machinery and equipment	Furniture, fixtures and office equipment	Vehicles	Assets under construction	Total
As at 1 January 2023	88,236,250	99,693,269	11,292,935,114	111,475,264	142,955,769	1,363,762,350	13,099,058,016
Additions	-	-	-	-	-	1,884,327,532	1,884,327,532
Transfers	-	90,555,572	2,146,241,585	15,118,514	10,981,400	(2,262,897,071)	-
Transfers to held for sale	-	(10,160,924)	(115,750,981)	(5,404,304)	(6,299,125)	-	(137,615,334)
As at 31 December 2023	88,236,250	180,087,917	13,323,425,718	121,189,474	147,638,044	985,192,811	14,845,770,214
Accumulated depreciation and impairment							
As at 1 January 2023	-	(25,474,006)	(6,394,225,790)	(70,784,409)	(117,952,832)	-	(6,608,437,037)
Charge for the year	-	(3,293,708)	(600,824,943)	(8,424,459)	(4,999,304)	-	(617,542,414)
Transfers to held for sale	-	5,628,757	101,792,616	4,499,229	6,123,518	-	118,044,120
As at 31 December 2023	-	(23,138,957)	(6,893,258,117)	(74,709,639)	(116,828,618)	-	(7,107,935,331)
Net book value							
As at 31 December 2023	88,236,250	156,948,960	6,430,167,601	46,479,835	30,809,426	985,192,811	7,737,834,883

- Rig, machinery and equipment represents assets used for drilling contracts to provide drilling service to its customers.
- Assets under construction at 31 December 2023 mainly represent advances paid to suppliers against procurement of certain rigs which are expected to be capitalised in 2024.
- As at 31 December 2023, assets under construction include advances for capital expenditure amounting to Saudi Riyals 545.7 million (2022: Saudi Riyals 85.2 million).
- During 2023, finance cost of Saudi Riyals 37.6 million has been capitalized (2022: Saudi Riyals 20.5 million).

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4. Property, plant and equipment (continued)

Cost	Freehold land	Buildings and portable cabins	Rig, machinery and equipment	Furniture, fixtures and office equipment	Vehicles	Assets under construction	Total
As at 1 January 2022	88,236,250	99,385,669	10,826,217,554	111,018,955	145,671,754	131,520,647	11,402,050,829
Additions	-	-	-	-	-	1,749,343,361	1,749,343,361
Transfers	-	307,600	516,337,749	456,309	-	(517,101,658)	-
Transfers to held for sale	-	-	(49,620,189)	-	(2,715,985)	-	(52,336,174)
As at 31 December 2022	88,236,250	99,693,269	11,292,935,114	111,475,264	142,955,769	1,363,762,350	13,099,058,016
Accumulated depreciation and impairment							
As at 1 January 2022	-	(22,779,749)	(5,939,859,231)	(64,258,762)	(116,269,050)	-	(6,143,166,792)
Charge for the year	-	(2,694,257)	(497,373,769)	(6,525,647)	(4,399,767)	-	(510,993,440)
Transfers to held for sale	-	-	43,007,210	-	2,715,985	-	45,723,195
As at 31 December 2022	-	(25,474,006)	(6,394,225,790)	(70,784,409)	(117,952,832)	-	(6,608,437,037)
Net book value							
As at 31 December 2022	88,236,250	74,219,263	4,898,709,324	40,690,855	25,002,937	1,363,762,350	6,490,620,979

Depreciation charge has been allocated as follows:

	2023	2022
Costs of revenue (Note 16)	607,255,923	502,198,488
General and administrative expenses (Note 17)	10,286,491	8,794,952
	617,542,414	510,993,440

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

Class of assets	Useful lives (in years)
Building and portable cabins	10 – 33
Rig, machinery and equipment	7 – 30
Furniture, fixtures and office equipment	7
Vehicles	4 – 7

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5. Leases

Group as a lessee

The Group leases vehicles, warehouse, rigs and related equipment for a period ranging from 3 to 5 years. Rental contracts are typically made for fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. Leased assets may not be used as security for borrowing purposes. Lease payments are renegotiated during renewal of the contract to reflect market rentals. The Group has elected not to recognize right-of-use assets and lease liabilities for the short-term and/or leases of low-value items.

Extension and termination options are included to maximize operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension options held are exercisable only by mutual agreement of the Group and the respective lessor. Information about leases for which the Group is a lessee is presented below.

5.1 Right-of-use assets

Cost	Vehicles	Warehouse	Rigs and related equipment	Total
As at 1 January 2023	9,018,948	5,489,532	191,734,241	206,242,721
Adjustment	-	(980,876)	-	(980,876)
As at 31 December 2023	9,018,948	4,508,656	191,734,241	205,261,845
Accumulated depreciation				
As at 1 January 2023	(1,189,105)	(457,460)	(5,333,381)	(6,979,946)
Charge for the year	(555,582)	(450,866)	(65,521,547)	(66,527,995)
Adjustment	-	81,739	-	81,739
As at 31 December 2023	(1,744,687)	(826,587)	(70,854,928)	(73,426,202)
Net book value as at 31 December 2023	7,274,261	3,682,069	120,879,313	131,835,643

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5. Leases (continued)

5.1 Right-of-use assets (continued)

Cost	Vehicles	Warehouse	Rigs and related equipment	Total
As at 1 January 2022	8,657,521	1,937,119	-	10,594,640
Additions for the year	9,018,948	5,489,532	191,734,241	206,242,721
Adjustment	(8,657,521)	(1,937,119)	-	(10,594,640)
As at 31 December 2022	9,018,948	5,489,532	191,734,241	206,242,721
Accumulated depreciation				
As at 1 January 2022	(7,420,731)	(1,382,226)	-	(8,802,957)
Charge for the year	(2,425,895)	(1,012,353)	(5,333,381)	(8,771,629)
Adjustment	8,657,521	1,937,119	-	10,594,640
As at 31 December 2022	(1,189,105)	(457,460)	(5,333,381)	(6,979,946)
Net book value as at 31 December 2022	7,829,843	5,032,072	186,400,860	199,262,775

5.2 Lease liabilities

	2023	2022
As at 1 January	199,820,429	1,847,313
Additions	-	206,242,721
Unwinding of interest on lease liability (Note 18)	8,491,996	1,277,230
Payments during the year	(73,252,331)	(9,546,835)
As at 31 December	135,060,094	199,820,429
Non-current portion	67,892,228	136,013,930
Current portion	67,167,866	63,806,499
As at 31 December	135,060,094	199,820,429

Maturity analysis of lease liabilities are as follows:

	2023	2022
Less than one year	72,395,535	72,348,563
Two to five years	68,432,426	140,845,769
Over five years	1,761,300	2,911,250
Total undiscounted cash flow	142,589,261	216,105,582
Less: Unwinding of interest on lease liabilities	(7,529,167)	(16,285,153)
Carrying value of lease liabilities	135,060,094	199,820,429

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5. Leases (continued)

5.2 Lease liabilities (continued)

Amounts recognized in the consolidated statement of profit and loss and other comprehensive income:

	2023	2022
Depreciation charge for right-of-use assets		
Cost of revenue (Note 16)	66,527,995	6,345,734
General and administrative expenses (Note 17)	-	2,425,895
	66,527,995	8,771,629
Finance cost on lease liabilities		
Unwinding of interest on lease liability (Note 18)	8,491,996	1,277,230

Other amounts recognized in the consolidated statement of profit and loss and other comprehensive income:

Expenses relating to short term leases for the year ended 31 December 2023 amounted to Saudi Riyals 113.9 million (2022: Saudi Riyals 108.85 million) are charged to the consolidated statement of profit or loss and other comprehensive income.

Amounts presented in the consolidated statement of cash flows:

The total cash outflow for leases during the year ended 31 December 2023 amounts to Saudi Riyals 73.12 million (2022: Saudi Riyals 9.55 million).

6. Inventories

	2023	2022
Spare parts, supplies and consumables	314,555,236	201,212,689
Less: provision for obsolete, slow moving and damaged inventories	(34,813,806)	(28,671,846)
	279,741,430	172,540,843

During the year, the Group has charged spare parts, supplies and consumables amounting to Saudi Riyals 270.22 million (2022: Saudi Riyals 171.64 million). Movement in provision for obsolete, slow moving and damaged inventories is as follows:

	2023	2022
1 January	28,671,846	22,787,466
Charge for the year	6,141,960	10,204,778
Write offs during the year	-	(4,320,398)
31 December	34,813,806	28,671,846

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7. Trade and other receivables

	2023	2022
Trade receivables:		
Third parties	455,939,422	329,496,482
Unbilled receivable	392,053,398	285,544,354
Related parties	159,684,752	134,750,734
	1,007,677,572	749,791,570
Less: allowance for ECL	(4,101,340)	(3,481,737)
	1,003,576,232	746,309,833
Other receivables:		
Prepayments	47,280,079	38,024,934
Advance to suppliers	12,729,208	21,820,406
Zakat and income tax reimbursable from shareholders	-	11,183,843
Other	8,743,862	7,720,396
	1,072,329,381	825,059,412

	2023	2022
Movement in allowance for ECL is as follows:		
As at 1 January	3,481,737	3,434,431
Charge for the year	619,603	47,306
As at 31 December	4,101,340	3,481,737

Information about the Group's exposure to credit and market risks, and impairment losses for trade receivables are included in Note 23.1 (b). The aging analysis of these trade receivable is as follows:

	2023	2022
Not due	608,293,621	285,544,354
Overdue up to 90 days	295,104,267	428,247,283
Overdue for a period between 91 to 180 days	90,360,704	6,870,560
Overdue for a period between 181 to 270 days	12,991,087	17,353,166
Overdue for a period between 271 to 365 days	198,350	5,919,847
Overdue for more than 365 days	729,543	5,856,360
	1,007,677,572	749,791,570

8. Cash and cash equivalents

	2023	2022
<i>Cash at bank</i>		
- in current accounts	466,404,665	831,829,386
Cash in hand	266,804	195,328
Time deposits	968,750,000	-
	1,435,421,469	832,024,714

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9. Assets held for sale

Assets are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. These assets are measured at the lower of their carrying amount and fair value less costs to sell. Assets classified as held for sale primarily represent discarded vehicles, rigs and related equipment, and the Group disposes of these assets in accordance with the policy approved by CODM.

	2023	2022
As at 1 January	12,402,180	7,792,608
Transfer from property, plant and equipment	19,571,214	6,612,979
Disposals during the year	(10,589,950)	(2,003,407)
Impairment on assets held for sale	(8,272,443)	-
As at 31 December	13,111,001	12,402,180

10. Share capital and share premium

As at 31 December 2023, the share capital of the Company comprised of 89,000,000 shares at a nominal value of Saudi Riyals 10 per share (31 December 2022: 89,000,000 shares at a nominal value of Saudi Riyals 10 per share).

Share capital had been increased during the year 2022 as follows:

- (a) Pursuant to shareholders' resolution dated 17 March 2022, the Company transferred Saudi Riyals 680.0 million from retained earnings and Saudi Riyals 97.4 million from additional paid-in capital to share capital and additional shares are issued in proportion to their existing shareholding; and
- (b) Issuance of 9,000,000 new shares (refer to Note 1)

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

The legal formalities for increase in share capital were completed during the year ended 31 December 2022.

11. Statutory reserve

In accordance with the Company's By-laws, the Company is required to maintain a statutory reserve equal to a maximum of 30% of its share capital. According to the latest update in the Regulations for Companies in the Kingdom of Saudi Arabia, the mandatory statutory reserve requirement had been abolished. In pursuant to this change, the Group is in the process of amending its Bylaws.

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12. Long term borrowings

	2023	2022
Sukuk (Note 12.2)	2,000,000,000	2,000,000,000
Murabaha borrowings (Note 12.1)	999,984,900	500,000,000
Add: accrued finance costs	68,469,771	46,460,449
	3,068,454,671	2,546,460,449
Less: unamortized transaction cost	(14,359,022)	(18,861,463)
	3,054,095,649	2,527,598,986
Long-term borrowings are presented as follows:		
Current maturity under current liabilities	168,469,771	46,460,449
Non-current portion	2,885,625,878	2,481,138,537
	3,054,095,649	2,527,598,986
Movement in unamortized transaction cost is as follows:		
As at 1 January	18,861,463	-
Transaction cost incurred during the year	-	22,349,723
Less: amortization for the year	(4,502,441)	(3,488,260)
As at 31 December	14,359,022	18,861,463

12.1 Murabaha borrowings

During 2023, the Group has obtained a murabaha loan facility of Saudi Riyals 500.0 million from a Saudi commercial bank to finance its capital expenditure. The murabaha loan is repayable over a period of 5 years starting from December 2024 through December 2028 on a quarterly installment basis. These loans bear finance cost based on prevailing market rate which are based on Saudi Arabia Inter-Bank Offer Rates ("SAIBOR") plus an applicable margin. The covenants of this borrowing facility require the Group to maintain certain level of financial conditions and certain other requirements. As at 31 December 2023, the Group was in compliance with the covenants of the borrowing facility.

During 2022, the Group had obtained a murabaha facility of Saudi Riyals 500.0 million from a Saudi commercial bank to finance capital expenditure. The murabaha loan is repayable over a period of 5 years starting from February 2024 through November 2028 on a quarterly installment basis. These loans bear finance costs based on prevailing market rate which are based on SAIBOR plus an applicable margin. The covenants of this borrowing facility require the Group to maintain certain level of financial conditions and certain other requirements. As at 31 December 2023, the Group was in compliance with the covenants of the borrowing facility.

12.2 Sukuk

During 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. In line with sukuk prospectus, the Group management utilized these proceeds towards repayment of existing murabaha borrowings and for other corporate purposes including procurement of additional rigs.

The repayment of the Sukuk is due in a single balloon payment in 2027 and it bears finance costs based on prevailing market rates which are based on SAIBOR plus an applicable margin. The covenants of the Sukuk requires the Group to maintain certain level of financial conditions and certain other requirements. As at 31 December 2023, the Group was in compliance with such covenants.

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12. Long term borrowings (continued)**12.3 Maturity profile of principal portion of the borrowings including accrued interest:**

	2023	2022
Year ended		
2023	-	46,460,449
2024	168,469,771	100,000,000
2025	200,000,000	100,000,000
2026	200,000,000	100,000,000
2027	2,200,000,000	2,000,000,000
2028	200,000,000	100,000,000
2029	99,984,900	100,000,000
	<u>3,068,454,671</u>	<u>2,546,460,449</u>

13. Employees' benefit obligations**13.1 General description of the plan**

The Group provides end of service benefits to its employees in accordance with the requirements of the Saudi Arabia Labor Law. The entitlement to these benefits is based upon the employees' last drawn salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are recognized over the service period. The valuation of employee benefit obligations under the projected unit credit method was carried out by an independent actuary as at 31 December 2023 and 2022.

13.2 Movement in liability recognized in the consolidated statement of financial position

	2023	2022
1 January	273,216,040	250,965,672
Charge for the year	44,062,210	34,857,946
Benefits paid during the year	(21,296,312)	(20,733,330)
Remeasurement loss	8,425,079	8,125,752
31 December	<u>304,407,017</u>	<u>273,216,040</u>

13.3 Amounts recognized in the consolidated statement of profit or loss and other comprehensive income

	2023	2022
Current service cost	33,296,926	28,241,473
Interest expense	10,765,284	6,616,473
Recognized in consolidated statement of profit or loss	<u>44,062,210</u>	<u>34,857,946</u>
Remeasurement (gain) / loss:		
• financial assumptions	(3,524,297)	(6,395,685)
• experience adjustments	11,949,376	14,521,437
Recognized in consolidated other comprehensive income	<u>8,425,079</u>	<u>8,125,752</u>

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13. Employees' benefit obligations (continued)

13.4 Key actuarial assumptions used to calculate the employees' benefit obligations:

	2023	2022
Discount rate	4.78%	4.10%
Salary growth rate	3.50%	3%
Mortality rate	A 1949-52	A 1949-52

13.5 Sensitivity analysis for actuarial assumptions

	2023	2022
Discount rate		
1% increase	(20,908,953)	(19,601,014)
1% decrease	23,918,678	22,470,881
Salary growth rate		
1% increase	25,046,046	23,481,566
1% decrease	(22,294,097)	(20,862,670)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur as changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee benefit obligations.

13.6 Expected maturity analysis

The weighted average duration of the defined benefit obligation as at reporting period is 8 years (31 December 2022: 8 years). The expected maturity analysis of undiscounted post-employment benefits is as follows:

	Less than a year	Between 1 - 2 years	Between 2 - 5 years	Over 5 years	Total
31 December 2023	34,743,791	35,346,478	108,754,048	870,841,393	1,049,685,710
31 December 2022	29,290,139	30,540,338	94,661,621	705,295,266	859,787,364

14. Trade and other payable

	2023	2022
Trade payable	242,648,398	174,486,434
Accrued expenses	455,422,737	366,333,801
Value added tax and other taxes payable	27,024,493	35,209,860
Dividend payable	7,471	-
Other	4,290,386	8,781,178
	729,393,485	584,811,273

The carrying amounts of trade and other payable approximate their fair values.

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15. Revenue

	For the year ended 31 December	
	2023	2022
Drilling revenue (Note 15.1)	2,859,838,078	2,193,883,809
Rig move revenue	417,715,600	410,393,795
Mobilization revenue (Note 15.2)	85,661,234	14,843,125
Catering and other revenue	113,308,952	84,414,746
	3,476,523,864	2,703,535,475

15.1 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. Lease component of future revenue from drilling activities under such contracts is as follows:

	2023	2022
Within one year	1,793,079,049	1,446,970,641
Within two years	1,441,366,620	1,368,464,222
Within three years	796,051,808	977,195,160
Within four years	691,469,869	300,577,284
Within five years	539,665,421	233,601,141
Later than five years	692,347,563	105,213,572
	5,953,980,330	4,432,022,020

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

15.2 Mobilization revenue

	2023	2022
As at 1 January	175,830,648	14,423,773
Additions	277,515,100	176,250,000
Revenue recognized during the year	(85,661,234)	(14,843,125)
As at 31 December	367,684,514	175,830,648

Mobilization revenue is presented in the accompanying consolidated statement of financial position net of mobilization cost for 2023 (2022: gross basis) as follows:

Current portion	94,313,916	60,216,798
Non-current portion	211,515,566	115,613,850
	305,829,482	175,830,648

16. Cost of revenue

	For the year ended 31 December	
	2023	2022
Salaries, wages and benefits	1,405,116,709	1,072,330,139
Depreciation on property, plant and equipment (Note 4)	607,255,923	502,198,488
Material consumed and rig move expenses	371,190,097	275,409,319
Provision for obsolete, slow moving and damaged inventories (Note 6)	6,141,960	10,204,778
Depreciation on right-of-use assets (Note 5)	66,527,995	6,345,734
Mobilization cost (Note 16.1)	16,311,937	4,868,815
Other	28,075,295	30,735,110
	2,500,619,916	1,902,092,383

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16.1 Mobilization cost

	2023	2022
As at 1 January	21,759,221	4,971,840
Additions	56,407,748	21,656,196
Charge for the year	(16,311,937)	(4,868,815)
As at 31 December	61,855,032	21,759,221

Mobilization cost is presented in the accompanying consolidated statement of financial position as follows:

Current portion	-	6,732,553
Non-current portion	-	15,026,668
	-	21,759,221

17. General and administration expense

	For the year ended 31 December	
	2023	2022
Salaries and benefits	124,705,816	110,674,233
Provision for advances and other receivables	-	12,941,430
Provision for income tax refundable (Note 19)	-	9,268,917
Professional services *	36,216,119	8,925,635
Depreciation on property, plant and equipment (Note 4)	10,286,491	8,794,952
Office supplies	7,362,364	6,779,548
Amortization	-	5,517,718
Depreciation on right-of-use assets (Note 5)	-	2,425,895
Other	2,548,855	14,272,007
	181,119,645	179,600,335

* Professional services include auditors remuneration amounting to Saudi Riyals 0.8 million for the year ended 31 December 2023 (31 December 2022: Saudi Riyals 0.7 million).

Statutory audit fees for the year ended 31 December 2023 related to the audit and the review of the Group's consolidated financial statements and quarterly condensed consolidated interim financial statements, respectively, was Saudi Riyals 0.66 million (2022: Saudi Riyals 0.71 million). Other fees for the year ended 31 December 2023 comprise of Saudi Riyals 0.12 million (2022: Saudi Riyals 0.30 million) for zakat and tax compliance services and certain other engagements.

18. Finance cost

	For the year ended 31 December	
	2023	2022
Finance cost on murabaha loans	19,240,187	34,494,301
Finance cost on sukuk	129,031,372	55,539,975
Finance cost on derivatives	-	1,540,012
Finance cost on lease liabilities (Note 5.2)	8,491,996	1,277,230
Other finance costs	4,118,775	1,466,774
	160,882,330	94,318,292

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19. Zakat and income tax

19.1 Components of zakat base

The Company and its subsidiary file their zakat and income tax declaration on a standalone basis. The significant components of the zakat base of the Company, under zakat and income tax regulations, are principally comprised of shareholders' equity, provisions at the beginning of year, long-term borrowings and adjusted profit, less deduction for the net book value of Property, plant and equipment and certain other items.

19.2 Zakat and income tax (credit) / expense

	For the year ended 31 December	
	2023	2022
Zakat charge	28,273,103	14,719,476
Current tax expenses – Local tax	30,816,329	37,645,980
Current tax expenses – Foreign tax	8,329,519	-
Deferred tax expenses (Note 19.6)	15,914,050	(57,785,235)
Net charge / (credit) to consolidated statement of profit or loss	83,333,001	(5,419,779)
Deferred tax income on other comprehensive income elements (Note 19.6)	(577,960)	(793,244)
	82,755,041	(6,213,023)

19.3 Provision for zakat and income tax

	Zakat	Income tax	Total
As at 1 January 2023	18,890,403	35,257,131	54,147,534
Current year charge – Local tax	28,273,103	30,816,329	59,089,432
Current year charge – Foreign tax	-	8,329,519	8,329,519
Payments made during the year	(16,173,151)	(69,393,940)	(85,567,091)
Prior year adjustments	(3,867,625)	-	(3,867,625)
As at 31 December 2023	27,122,730	5,009,039	32,131,769
As at 1 January 2022	20,286,544	278,558	20,565,102
Current year charge	14,719,476	37,645,980	52,365,456
Payments made during the year	(16,115,617)	(2,667,407)	(18,783,024)
As at 31 December 2022	18,890,403	35,257,131	54,147,534

19.4 Numerical reconciliation of income tax expense

	For the year ended 31 December	
	2023	2022
Profit before zakat and income tax	687,946,934	552,300,180
Income tax rate applicable to the Group	20%	20%
Income tax on profit before zakat and income tax	137,589,387	110,460,036
Reconciliation:		
Tax effect on profit subject to Zakat	(90,396,227)	(56,595,486)
Tax effect of change in effective shareholding	-	(73,823,139)
Tax effect of foreign tax	8,329,519	-
Tax effect on disallowed expenses and other differences	(462,781)	(180,666)
	55,059,898	(20,139,255)

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19. Zakat and income tax (continued)

19.5 Advance tax

	2023	2022
As at 1 January	-	9,268,917
Provision against refundable advance taxes	-	(9,268,917)
As at 31 December	-	-

19.6 Deferred taxes

The balance comprises deductible / (taxable) temporary differences attributable to:

	2023	2022
Employees' benefit obligations	304,407,017	273,216,040
Property, plant and equipment	(2,747,613,398)	(2,491,698,603)
Provisions	50,569,237	49,403,583
Taxable temporary differences - net	(2,392,637,144)	(2,169,078,980)
Deferred tax liabilities	(164,134,909)	(148,798,818)

Movement in deferred tax liabilities is attributable to:

	Employees' benefit obligations	Property, plant and equipment	Provisions	Total
As at 1 January 2023	18,742,621	(170,930,526)	3,389,087	(148,798,818)
(Charge) / credited to consolidated statement of profit or loss	1,561,741	(17,555,753)	79,961	(15,914,051)
Credited to consolidated statement of other comprehensive income	577,960	-	-	577,960
As at 31 December 2023	20,882,322	(188,486,279)	3,469,048	(164,134,909)
As at 1 January 2022	25,761,859	(235,795,232)	2,656,076	(207,377,297)
(Charge) / credited to consolidated statement of profit or loss	(7,812,482)	64,864,706	733,011	57,785,235
Charge to consolidated statement of other comprehensive income	793,244	-	-	793,244
As at 31 December 2022	18,742,621	(170,930,526)	3,389,087	(148,798,818)

During 2022, the Group has completed its listing requirements as disclosed in Note 1 to these consolidated financial statements. Pursuant to listing, the Group's tax base subject to income tax has been reduced from 51.33% to 34.3%. Accordingly, the Group has restricted the recognition of temporary differences to 34.3% of applicable tax rate as at 31 December 2022 and recorded a deferred tax credit amounting to Saudi Riyals 73.82 million (refer Note 19.4).

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19. Zakat and income tax (continued)

19.7 Status of assessments

Arabian Drilling Company

ZATCA has finalized the Company's zakat and income tax assessments for the years up to 2020. The assessments for the years 2021 & 2022 are still open for zakat and income tax assessment from ZATCA and no assessments for these years have been received as at 31 December 2023.

Ofsat Arabia LLC

ZATCA has finalized the zakat and income tax assessments of Ofsat for the years up to 2020. The assessments for years 2021 & 2022 are still open for zakat and income tax assessments from ZATCA and no assessments for these years have been received as at 31 December 2023.

20. Contingencies and commitments

- i. As at 31 December 2023, the Group's bankers have issued guarantees on behalf of the Group amounting to Saudi Riyals 482.58 (31 December 2022: Saudi Riyals 385.19 million) and the letters of credit issued in the normal course of business amounting to Saudi Riyals 27.86 (31 December 2022: Saudi Riyals 77.69 million).
- ii. The capital expenditure contracted by the Group but not incurred till 31 December 2023 was approximately Saudi Riyals 1,550.16 million (31 December 2022: Saudi Riyals 540.12 million).

21. Basic and diluted earnings per share

Basic and diluted earnings per share are calculated as follows:

	For the year ended 31 December	
	2023	2022
Profit attributable to the shareholders of the Group	604,613,933	557,719,959
Weighted average number of ordinary shares for basic and diluted earnings per share	89,000,000	81,430,137
Basic and diluted earnings per share	6.79	6.85

21.1 Weighted-average number of ordinary shares

	2023	2022
As at 1 January (Note 21.2)	81,430,137	80,000,000
Effect of new shares issued in November 2022	7,569,863	1,430,137
Weighted-average number of shares at 31 December	89,000,000	81,430,137

- 21.2** The weighted average number of shares for the year ended 31 December 2022 has been adjusted to 81,430,137 shares, to the extent of increase in shares resulted from capitalization of retained earnings and additional paid-in capital with no additional consideration (refer to Note 10).

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22. 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.

Other segments primarily represents transportation service provided by subsidiary to transport the land rigs. Transactions between the Company and subsidiary is reported part of intersegment revenue and cost this will have nil impact to the segment results.

The Group's CODM reviews the internal management reports of each segment atleast on a quarterly basis. The segment disclosures are in consistent with the information reviewed by CODM to make any strategic decision.

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

Consolidated financial information as of 31 December 2023 and 2022 and for the year ended 31 December 2023 and 2022, summarized below based on above stated operating segments:

a) Segment results

For the year ended 31 December 2023

	Land rigs	Off-shore rigs	Other	Total
Revenue from external customers	2,007,644,278	1,467,487,066	1,392,520	3,476,523,864
Intersegment revenue	-	-	210,247,898	210,247,898
Intersegment cost	(210,247,898)	-	-	(210,247,898)
Cost of revenue	(1,519,338,765)	(817,755,460)	(163,525,691)	(2,500,619,916)
Segment results	278,057,615	649,731,606	48,114,727	975,903,948

For the year ended 31 December 2022

	Land rigs	Off-shore rigs	Other	Total
Revenue from external customers	1,894,763,670	801,862,775	6,909,030	2,703,535,475
Intersegment revenue	-	-	172,933,906	172,933,906
Intersegment cost	(172,933,906)	-	-	(172,933,906)
Cost of revenue	(1,326,974,452)	(424,033,079)	(151,084,852)	(1,902,092,383)
Segment results	394,855,312	377,829,696	28,758,084	801,443,092

Reconciliation of segment results with profit before zakat and income tax

	For the year ended 31 December	
	2023	2022
Total results for reporting segments	975,903,948	801,443,092
Expected credit loss allowance	(619,603)	(47,306)
General and administrative expenses	(181,119,645)	(179,600,335)
Other operating income / (expense) - net	7,068,550	(2,702,159)
Finance costs - net	(113,286,316)	(66,793,112)
	687,946,934	552,300,180

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22. Segment information (continued)

b) Segment assets

As at 31 December 2023

	Land rigs	Off-shore rigs	Other	Eliminations	Total
Property, plant and equipment	3,222,899,024	3,782,750,218	24,6673,486	-	7,252,322,728
Right-of-use-assets	-	122,576,925	-	-	122,576,925
Long-term deposits	-	16,200,000	-	-	16,200,000
Inventories	170,368,307	103,931,361	5,441,762	-	279,741,430
Trade receivables	560,079,267	451,256,652	36,690,314	(40,348,661)	1,007,677,572
Assets held for sale	6,136,750	5,551,767	1,272,440	-	12,960,957
	3,959,483,348	4,482,266,923	290,078,002	(40,348,661)	8,691,479,612

As at 31 December 2022

	Land rigs	Off-shore rigs	Other	Eliminations	Total
Property, plant and equipment	2,498,135,261	3,366,614,052	228,141,744	-	6,092,891,057
Right-of-use-assets	-	186,400,860	-	-	186,400,860
Mobilization cost	-	21,759,221	-	-	21,759,221
Inventories	127,786,313	40,054,646	4,699,884	-	172,540,843
Trade receivables	385,075,501	359,501,993	53,512,246	(48,298,170)	749,791,570
Assets held for sale	3,059,829	8,936,656	-	-	11,996,485
	3,014,056,904	3,983,267,428	286,353,874	(48,298,170)	7,235,380,036

Reconciliation of segment assets with total assets

	2023	2022
Total segment assets	8,691,479,612	7,235,380,036
Cash and cash equivalents	1,435,421,469	832,024,714
Short-term deposits	-	1,000,000,000
Unallocated property, plant & equipment (corporate assets)	485,512,155	397,729,922
Unallocated right-of-use assets	9,258,718	12,861,915
Unallocated assets held for sale	150,044	405,695
Others	64,651,809	75,646,034
	10,686,473,807	9,554,048,316

c) Other information

Revenue from all the contracts with customers are generated within the Kingdom of Saudi Arabia. Revenue derived from customers are presented below:

	2023	2022
Saudi Aramco	2,374,040,625	1,717,255,855
Schlumberger Middle East S.A.	613,980,275	794,743,017
Al Khaffi Joint Operations	215,269,526	167,914,929
Baker Hughes Company	271,840,919	16,146,844
Others	1,392,519	7,474,830
	3,476,523,864	2,703,535,475

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23. Financial risk management

23.1 Financial risk factors

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. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the management under policies approved by the Board of Directors.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors have overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors are responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Board of Directors oversee how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are primarily in Saudi Riyals and USD. Since Saudi Riyal is pegged to USD, the Group believes that the currency risk for the financial instruments is not significant.

(ii) Fair value and cash flow interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group borrows at interest rates on commercial terms. During 2023 and 2022, the Group's borrowings were denominated in Saudi Riyals.

At 31 December 2023, the Group had variable interest bearing financial liabilities of Saudi Riyals 3.05 billion (2022: Saudi Riyals 2.53 billion), and had the interest rate varied by 1% with all the other variables held constant, net change in profit before zakat and income tax would have been approximately Saudi Riyals 25.3 million (2022: Saudi Riyals 25.3 million) lower/higher, mainly as a result of lower/higher financial charges on floating rate borrowings.

The Group's receivables and payables are carried at amortized cost and are not subject to interest rate risk as defined in IFRS 7, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates. Hence, the Group is not exposed to fair value interest rate risk.

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23. Financial risk management (continued)

23.1 Financial risk factors (continued)

(a) *Market risk* (continued)

(iii) *Price risk*

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group's financial assets and liabilities are not exposed to price risk.

(b) *Credit risk*

Credit risk arises from cash and cash equivalents (including short term deposits) carried at amortized cost, as well as credit exposures to customers, including outstanding receivables. Cash and cash equivalents and short-term deposits represent low credit risk as they are placed with reputable banks. For banks and time deposits, only independently rated parties with a minimum credit of Baa3 are accepted. Time deposits are placed with financial institutions with investment grade rating, which are considered to have low credit risk, hence provision is recognized at an amount equal to 12 month ECL unless there is evidence of significant increase in credit risk of the counter party.

Other receivables and long-term deposits are not exposed to significant credit risk.

Credit risk represents the financial loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The maximum exposure to credit risk is equal to the carrying amount of financial assets. At 31 December 2023, 99.7% (2022: 99.8%) of trade receivables were due from four customers. Management believes that this concentration of credit risk is mitigated as the customers have an established track record of regular and timely payments.

For trade receivables, an internal risk assessment process determines the credit quality of the customers, taking into account their financial positions, past experiences and other factors. Individual risk limits are set based on internal or external credit worthiness ratings in accordance with limits set by the management. The carrying amount of trade receivables relates to a few customers for whom there is no recent history of default.

The following table provides information about the exposure to credit risk and expected credit losses for trade receivables:

	31 December 2023		
	Weighted average loss rate	Gross carrying amount	Loss allowance
Not due	0.1%	608,293,621	584,600
Overdue up to 90 days	0.6%	295,104,267	1,758,612
Overdue for a period between 91 to 180 days	1.5%	90,360,704	1,323,766
Overdue for a period between 181 to 270 days	2.8%	12,991,087	363,200
Overdue for a period between 271 to 365 days	3.8%	198,350	7,576
Overdue for more than 365 days	8.7%	729,543	63,586
	0.4%	1,007,677,572	4,101,340

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23. Financial risk management (continued)**23.1 Financial risk factors** (continued)*(b) Credit risk* (continued)

	31 December 2022		
	Weighted average loss rate	Gross carrying amount	Loss allowance
Not due	0.5%	285,544,354	1,502,664
Overdue up to 90 days	0.1%	428,247,283	384,708
Overdue for a period between 91 to 180 days	1.0%	6,870,560	66,046
Overdue for a period between 181 to 270 days	3.97%	17,353,166	688,405
Overdue for a period between 271 to 365 days	4.06%	5,919,847	240,206
Overdue for more than 365 days	10.2%	5,856,360	599,708
	0.5%	749,791,570	3,481,737

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group'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 Group's reputation.

Typically, the Group 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 be reasonably predicted, such as natural disasters. In addition, the Group has access to credit facilities.

Cash flow forecasting is performed by the management which monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Reconciliation of movements of liabilities to cash flows arising from financing activities are not presented separately since these movements are included in the respective notes to the financial statements.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the consolidated statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

31 December 2023	Carrying amount	Total	Contractual cashflows		
			Less than 1 year	2 to 5 years	More than 5 years
Non-derivative financial liabilities					
Long term borrowings	3,068,454,671	3,826,505,591	350,135,215	3,476,370,376	-
Lease liabilities	135,060,094	142,589,261	72,395,535	68,432,426	1,761,300
Trade and other payables	700,719,079	700,719,079	700,719,079	-	-
Total	3,904,233,844	4,669,813,931	1,123,249,829	3,544,802,802	1,761,300

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23. Financial risk management (continued)

23.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

31 December 2022	Carrying amount	Total	Contractual cashflows		
			Less than 1 year	2 to 5 years	More than 5 years
Non-derivative financial liabilities					
Long term borrowings	2,546,460,449	3,066,888,462	177,579,831	2,785,997,399	103,311,232
Lease liabilities	199,820,429	216,105,582	72,348,563	140,845,769	2,911,250
Trade and other payables	547,993,239	547,993,239	547,993,239	-	-
Total	3,294,274,117	3,830,987,283	797,921,633	2,926,843,168	106,222,482

23.2 Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

The Group has an established control framework with respect to the measurement of fair values. Management has overall responsibility for overseeing all significant fair value measurements, including level three fair values.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then management assesses evidence obtained from third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified. Significant valuation issues (if any) are reported to the Group's management.

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 year ended 31 December 2023 and 2022.

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23. Financial risk management (continued)

23.2 Fair value estimation (continued)

As at 31 December 2023 and 2022, the fair values of the Group's financial instruments, except for cash flow hedge reserve at fair value through other comprehensive income, 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 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.

Cash flow hedge at fair value through other comprehensive income is carried at fair value which is assessed by management to fall in Level 2 of the fair value hierarchy as at 31 December 2022. There are no transfers between levels during the year ended 31 December 2023 and 2022.

23.3 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings which includes long-term borrowings and lease liabilities as shown in the consolidated statement of financial position, less cash and cash equivalents. Total equity is as per the consolidated statement of financial position.

The gearing ratios at 31 December were as follows:

	2023	2022
Total borrowings (including lease liabilities)	3,189,155,743	2,727,419,415
Less: cash and cash equivalents (including short term deposits)	(1,435,421,469)	(1,832,024,714)
Net debt	1,753,734,274	895,394,701
Total equity	5,961,421,402	5,589,824,588
Gearing ratio	29%	16%
	2023	2022
As at 1 January	895,394,701	2,727,419,415
Finance costs	160,882,330	94,318,292
Proceeds from long-term borrowings	499,984,900	
Finance costs paid	(177,500,645)	(74,241,968)
Repayment of long-term borrowings	-	(1,373,945,976)
Principal element of lease payments	(64,760,335)	(8,269,605)
Other changes in cash and cash equivalents	439,733,323	(469,885,457)
As at 31 December	1,753,734,274	895,394,701

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23. Financial risk management (continued)

23.4 Categories of financial instruments

The financial instruments by category are detailed in the table below:

	2023	2022
Financial assets at amortized cost		
Long-term deposits	16,200,000	-
Trade and other receivables	1,060,489,156	762,977,392
Short-term deposits	-	1,000,000,000
Cash and cash equivalents	1,435,421,469	832,024,714
	2,512,110,625	2,595,002,106
Financial asset at fair value through other comprehensive income		
Derivative financial instrument	-	378,192
Financial liabilities at amortized cost		
Long-term borrowings	3,068,454,671	2,546,460,449
Lease liabilities	135,060,094	199,820,429
Trade and other payables	700,719,079	547,993,239
	3,904,233,844	3,294,274,117

Short term deposits represent the deposit held with commercial banks having original maturity over 3 months but less than 12 months and yield financial income at prevailing market rates based on SAIBOR. These deposits are denominated in Saudi Riyals.

24. Related party transactions and balances

During the year 2022, the Company's ordinary shares were listed on Saudi Stock Exchange (refer to note 1). This has resulted in change in Group's ownership structure and consequently change in related parties' relationships. As at 31 December 2023 related parties comprise the 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 TAQA and the ultimate controlling party of the Group was the Government of the Kingdom of Saudi Arabia (the "KSA Government"). Related parties comprise the shareholders, directors, Government controlled entities, associated companies, and key management personnel. Accordingly, the significant transactions with the government entities until the date of loss of control by TAQA is included part of this consolidated financial statements.

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

	For the year ended 31 December	
	2023	2022
Revenue from Government controlled entities	-	1,522,661,389
Revenue from an associated company	615,372,794	775,366,369
Rental income from an associated company	-	54,262
Costs charged by an associated company	8,441,536	6,086,693
Zakat and income tax reimbursable by shareholders	-	11,183,843

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24. Related party transactions and balances (continued)

Prior to listing, promoter shareholders (i.e., TAQA and SPS) had agreed to reimburse the Group for their share of zakat and tax, including any future obligations arising from the assessments, accordingly this reimbursement is adjusted against equity. However, zakat and tax expenses of the Group for any assessment period after 2021 will not be reimbursed.

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

b) Key management personnel compensation:

	For the year ended 31 December	
	2023	2022
Salaries and other short-term employee benefits	17,630,555	20,607,304
Post-employment benefits	780,646	1,316,776
	18,411,201	21,924,080

Additionally, the Group incurred board of directors' fees, including travelling cost for the year ended 31 December 2023 amounting to Saudi Riyals 8.10 million, (31 December 2022: Saudi Riyals 1.06 million).

c) Due from related parties:

	2023	2022
Schlumberger Middle East S.A., an associated company	152,028,171	201,904,665
Services Pétroliers Schlumberger S.A. (SPS), a shareholder	5,359,834	11,183,843
TAQA Well Services, an associated company	2,178,773	4,891,538
	159,566,778	217,980,046

25. Dividends

On 1 August 2023, the Company's shareholders approved cash dividends of Saudi Riyals 2.53 per share totaling to Saudi Riyals 225.17 million (2022: approved cash dividends of Saudi Riyals 16.58 per share totaling to Saudi Riyals 37.45 million).

The Company's Board of Directors, at their meeting held on 14 March 2024, proposed cash dividends of Saudi Riyals 2.53 per share totaling to Saudi Riyals 225.17 million which are subject to approval in the Company's annual general assembly meeting. (31 December 2022: approved cash dividends of Saudi Riyals 16.58 per share totaling to Saudi Riyals 37.45 million).

26. Subsequent events

Subsequent to 31 December 2023, the Group has reallocated certain capital expenditure planned for the refurbishment of one of its land rigs. The Group will assess the impact of halting such capital expenditure on the impairment indicators for such land rig in the next reporting period i.e. 31 March 2024. The Group management believes that the events and conditions resulting in the reallocation of such capital expenditure did not exist at the reporting date and accordingly considers such development and its corresponding impact as a non-adjusting event at 31 December 2023.

Except as disclosed in Note 25 and above, no other subsequent events occurred between 31 December 2023 and the date of approval of these consolidated financial statements, which may have a material impact on these consolidated financial statements.

27. Approval of consolidated financial statements

These consolidated financial statements were approved by the Board of Directors and authorized for issue on 14 March 2024G (corresponding to 4th Ramadan 1445H).