

ARABIAN DRILLING COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine month periods ended 30 September 2022

with

Independent Auditor's Review Report

Arabian Drilling Company
(A Saudi Joint Stock Company)

Condensed consolidated interim financial statements with independent auditor's review report
For the three and nine month periods ended 30 September 2022

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كي بي إم جي للاستشارات المهنية

الطابق ١٦، برج البرعش
٦١٨٩ طريق الأمير تركي، الكورنيش
ص.ب. ٤٨٠٣
الخبير ٣١٤٦ - ٣٤٤١٢
المملكة العربية السعودية
سجل تجاري رقم ٢٠٥١٠٦٢٣٢٨

المركز الرئيسي في الرياض

Independent auditor's report on review of condensed consolidated interim financial statements

To the Shareholders of Arabian Drilling Company

Introduction

We have reviewed the accompanying 30 September 2022 condensed consolidated interim financial statements of **Arabian Drilling Company** ("the Company") and its subsidiary ("the Group") which comprises:

- the condensed consolidated statement of financial position as at 30 September 2022;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three and nine month periods ended 30 September 2022;
- the condensed consolidated statement of changes in equity for the nine month period ended 30 September 2022;
- the condensed consolidated statement of cash flows for the nine month period ended 30 September 2022; and
- the notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2022 condensed consolidated interim financial statements of **Arabian Drilling Company** and its subsidiary are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

KPMG Professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia. With the paid-up capital of (25,000,000) SAR. (Previously known as "KPMG Al Fozan & Partners Certified Public Accountants") A non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مغفلة، مسجلة في المملكة العربية السعودية، رأس مالها (٢٥,٠٠٠,٠٠٠) ريال سعودي منوع بالكامل، المسماة سابقاً "شركة كي بي إم جي للوزان وشركاه محاسبون ومراجعون قانونيون". وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة انجليزية محدودة بضمان. جميع الحقوق محفوظة.

Commercial Registration of the headquarters in Riyadh is 1010425494.



Independent auditor's report on review of condensed consolidated interim financial statements

To the Shareholders of Arabian Drilling Company (continued)

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 24 Sha'ban 1443H corresponding to 27 March 2022G.

For KPMG Professional Services

Abdulaziz Abdullah Alnaim
License no. 394



Al Khobar,
Date: 23 Rabi Al-Akhar 1444H
Corresponding to: 17 November 2022G

Arabian Drilling Company
(A Saudi Joint Stock Company)

Condensed consolidated statement of financial position

(All amounts in Saudi Riyals unless otherwise stated)

	Note	30 September 2022 (Unaudited)	31 December 2021 (Audited)
<u>ASSETS</u>			
Non-current assets			
Property, plant and equipment	3	5,799,523,520	5,258,884,037
Intangible assets		1,190,510	5,517,718
Right-of-use assets		8,584,198	1,791,683
Mobilization cost		9,377,336	2,384,589
Total non-current assets		5,818,675,564	5,268,578,027
Current assets			
Inventories		173,283,673	143,329,355
Trade and other receivables		637,335,458	710,033,146
Mobilization cost		3,612,426	2,587,251
Derivative financial instrument		612,107	-
Cash and cash equivalents	4	2,097,944,156	411,621,031
		2,912,787,820	1,267,570,783
Assets held for sale		11,671,715	7,792,608
Total current assets		2,924,459,535	1,275,363,391
Total assets		8,743,135,099	6,543,941,418
<u>EQUITY AND LIABILITIES</u>			
Equity			
Share capital	5	800,000,000	22,580,000
Additional paid-in capital	5	-	97,420,800
Statutory reserve	6	240,000,000	18,883,921
Cash flow hedge reserve		612,107	(4,440,687)
Retained earnings		3,539,786,529	4,057,324,636
Total equity		4,580,398,636	4,191,768,670
Liabilities			
Non-current liabilities			
Long-term borrowings	7	2,469,053,832	835,617,643
Lease liabilities		6,337,275	-
Employee' benefit obligations		272,972,826	250,965,672
Mobilization revenue		11,736,764	5,965,052
Deferred tax liabilities		143,159,131	207,377,297
Trade payable		-	15,189,800
Derivative financial instrument		-	4,440,687
Total non-current liabilities		2,903,259,828	1,319,556,151

(continued)

Arabian Drilling Company
(A Saudi Joint Stock Company)

Condensed consolidated statement of financial position (continued)

(All amounts in Saudi Riyals unless otherwise stated)

	<u>Note</u>	<u>30 September 2022</u> (Unaudited)	<u>31 December 2021</u> (Audited)
Current liabilities			
Trade and other payables		466,413,461	456,551,216
Current portion of long-term borrowings	7	744,028,333	545,472,803
Current portion of lease liabilities		2,319,436	1,847,313
Mobilization revenue		5,218,684	8,458,721
Provision for zakat and income tax		41,496,721	20,286,544
Total current liabilities		<u>1,259,476,635</u>	<u>1,032,616,597</u>
Total liabilities		<u>4,162,736,463</u>	<u>2,352,172,748</u>
Total equity and liabilities		<u>8,743,135,099</u>	<u>6,543,941,418</u>



Khalid Nouh
(Chairman)



Ghassan Mirdad
(Chief Executive Officer)

For: 

Hubert Lafeuille
(Chief Financial Officer)

The accompanying notes 1 through 17 form an integral part of this condensed consolidated interim financial statements.

Arabian Drilling Company
(A Saudi Joint Stock Company)

Condensed consolidated statement of profit or loss and other comprehensive income

(All amounts in Saudi Riyals unless otherwise stated)

	Note	Three-month period ended 30 September		Nine-month period ended 30 September	
		2022	2021	2022	2021
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	9	701,836,004	547,738,271	1,953,263,504	1,603,550,976
Cost of revenue		(485,415,498)	(450,277,562)	(1,393,257,915)	(1,297,751,502)
Gross profit		216,420,506	97,460,709	560,005,589	305,799,474
 (Provision for) / reversal of impairment on financial assets		(15,495,810)	6,607,110	(15,495,810)	6,607,110
General and administrative expenses		(23,453,247)	(36,811,973)	(97,952,226)	(91,709,525)
Other operating income		323,397	1,893,173	4,114,807	8,768,904
		177,794,846	69,149,019	450,672,360	229,465,963
 Finance cost		(27,629,327)	(9,103,328)	(68,593,157)	(30,529,975)
Finance income		6,356,250	-	12,578,472	-
Finance cost - net		(21,273,077)	(9,103,328)	(56,014,685)	(30,529,975)
 Profit before zakat and income tax		156,521,769	60,045,691	394,657,675	198,935,988
Zakat and income tax credit / (expenses)	8.1	56,849,697	(24,602,062)	26,367,542	(43,657,779)
Profit for the period		213,371,466	35,443,629	421,025,217	155,278,209
 Other comprehensive income					
<i>Items that may be reclassified to the condensed consolidated statement of profit or loss in subsequent periods:</i>					
Cash flow hedges		121,998	2,379,142	5,052,794	7,929,487
Other comprehensive income for the period		121,998	2,379,142	5,052,794	7,929,487
Total comprehensive income for the period		213,493,464	37,822,771	426,078,011	163,207,696
 Earnings per share (Saudi Riyals)					
Basic and diluted	10	2.67	0.44	5.26	1.94

The accompanying notes 1 through 17 form an integral part of these condensed consolidated interim financial statements.

Arabian Drilling Company
(A Saudi Joint Stock Company)

Condensed consolidated statement of changes in equity

(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Additional paid-in capital	Statutory reserve	Cashflow hedge reserve	Retained earnings	Total
As at 1 January 2021 (Audited)	22,580,000	97,420,800	18,883,921	(15,132,817)	3,788,414,614	3,912,166,518
<i>Total comprehensive income for the period</i>						
Profit for the period	-	-	-	-	155,278,209	155,278,209
Other comprehensive income for the period	-	-	-	7,929,487	-	7,929,487
Total comprehensive income for the period	-	-	-	7,929,487	155,278,209	163,207,696
Dividends (Note 16)	-	-	-	-	(37,182,260)	(37,182,260)
As at 30 September 2021 (Unaudited)	22,580,000	97,420,800	18,883,921	(7,203,330)	3,906,510,563	4,038,191,954
As at 1 January 2022 (Audited)	22,580,000	97,420,800	18,883,921	(4,440,687)	4,057,324,636	4,191,768,670
<i>Total comprehensive income for the period</i>						
Profit for the period	-	-	-	-	421,025,217	421,025,217
Other comprehensive income for the period	-	-	-	5,052,794	-	5,052,794
Total comprehensive income for the period	-	-	-	5,052,794	421,025,217	426,078,011
Transfer to share capital (Note 5)	777,420,000	(97,420,800)	-	-	(679,999,200)	-
Transfer to statutory reserve (Note 6)	-	-	221,116,079	-	(221,116,079)	-
Dividends (Note 16)	-	-	-	-	(37,448,045)	(37,448,045)
As at 30 September 2022 (Unaudited)	800,000,000	-	240,000,000	612,107	3,539,786,529	4,580,398,636

The accompanying notes 1 through 17 form an integral part of these condensed consolidated interim financial statements.

Arabian Drilling Company
(A Saudi Joint Stock Company)

Condensed consolidated statement of cash flows

(All amounts in Saudi Riyals unless otherwise stated)

	For the nine-month period ended 30 September	
	2022	2021
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Profit before zakat and income tax	394,657,675	198,935,988
<i>Adjustment for:</i>		
Depreciation and amortization	385,777,084	407,826,326
Provision for slow moving inventories	9,572,599	12,403,360
Provision for / (reversal of) impairment on financial assets	15,495,810	(6,607,110)
Provision for advance income tax	9,268,917	-
Provision for employee benefit obligations	35,973,895	24,504,200
Gain on disposal of non-current assets held for sale	(1,628,952)	(1,917,097)
Amortization of mobilization cost	3,327,831	18,960,549
Amortization of mobilization revenue	(8,718,325)	(32,032,558)
Finance cost	68,593,157	30,529,975
Finance income	(12,578,472)	-
	899,741,219	652,603,633
<i>Changes in:</i>		
Inventories	(39,526,917)	(2,585,065)
Trade and other receivables	19,324,313	87,589,983
Trade and other payables	3,827,998	(80,125,744)
Cash generated from operations	883,366,613	657,482,807
Mobilization cost paid	(11,345,753)	-
Mobilization revenue received	11,250,000	-
Zakat and income tax paid	(12,960,867)	(23,344,581)
Employee's benefit obligation paid	(13,966,741)	(20,535,522)
Net cash generated from operating activities	856,343,252	613,602,704
Cash flows from investing activities		
Additions to property, plant and equipment and intangible	(925,745,440)	(144,989,746)
Proceeds from disposal of assets held for sale	3,632,358	17,213,916
Finance income received	12,578,472	-
Net cash used in investing activities	(909,534,610)	(127,775,830)
Cash flows from financing activities		
Proceeds from issuance of sukuks	2,000,000,000	-
Repayment of long-term borrowings	(168,407,254)	(443,694,977)
Payment of lease liabilities	(2,209,551)	(1,875,000)
Finance cost paid	(68,194,189)	(30,042,044)
Dividends paid	(21,674,523)	-
Net cash generated from / (used in) financing activities	1,739,514,483	(475,612,021)
Net change in cash and cash equivalents	1,686,323,125	10,214,853
Cash and cash equivalents at the beginning of the period	411,621,031	639,520,647
Cash and cash equivalents at the end of the period	2,097,944,156	649,735,500
Significant non-cash transactions		
Additions to right-of-use assets and lease liabilities	9,018,948	-
Transfer from property, plant and equipment to assets held for sale	5,882,514	7,792,608
Dividend adjusted against receivable from shareholders	24,929,068	28,026,714

The accompanying notes 1 through 17 form an integral part of these condensed consolidated interim financial statements.

Arabian Drilling Company
(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements
For the three and nine month periods ended 30 September 2022
(All amounts in Saudi Riyals unless otherwise stated)

1. CORPORATE INFORMATION

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

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

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

During the year 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
- issue of 9,000,000 new shares.

This will result 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 will be 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.	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

On 18 October 2022, the Company announced commencement of retail subscription period until 20 October 2022 at an offer price of SR 100 per share. Allotment of shares to new shareholders are completed on 3 November 2022 and the Company’s ordinary shares were listed on Saudi Stock Exchange (Tadawul) on 7 November 2022 (also refer note 5).

Arabian Drilling Company
(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements

For the three and nine month periods ended 30 September 2022

(All amounts in Saudi Riyals unless otherwise stated)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2021 (“latest annual consolidated financial statements”). However, changes in accounting policies, if any and selected explanatory notes are included to explain events and transactions that are significant to understanding of the changes in the Group’s consolidated financial position and performance since the last annual consolidated financial statements.

2.2 Basis of preparation

These condensed consolidated interim financial statements are prepared using historical cost convention using the accrual basis of accounting except for derivative financial instruments at FVOCI and employee benefit obligations which is measured at present value of the defined benefit obligation using the projected unit credit method.

2.3 Functional and presentation currency

These condensed consolidated interim financial statements are presented in Saudi Riyals (“SR”) which is the functional and presentation currency of the Group.

2.4 Use of judgements and estimates

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

2.5. Significant accounting policies

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Group’s consolidated financial statements as at and for the year ended 31 December 2021. A number of amendments to existing standards, as detailed in note 2.6(a) below, became effective from 1 January 2022 but they do not have a material effect on the condensed consolidated interim financial statements of the Group. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Arabian Drilling Company
(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements
For the three and nine month periods ended 30 September 2022
(All amounts in Saudi Riyals unless otherwise stated)

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

2.6. New standards, amendments and interpretations

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

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

- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16), effective date 1 April 2021;
- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37), effective date 1 January 2022;
- Annual Improvements to IFRS Standards 2018-2020, effective date 1 January 2022;
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16), effective date 1 January 2022; and
- Reference to the Conceptual Framework (Amendments to IFRS 3), effective date 1 January 2022;

b. New and revised standards issued but not yet effective

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

- IFRS 17 Insurance contracts (Amendments to IFRS 17), effective for annual periods beginning on or after 1 January 2023.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2), effective for annual periods beginning on or after 1 January 2023.
- Definition of Accounting Estimate (Amendments to IAS 8), effective for annual periods beginning on or after 1 January 2023.
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes, effective for annual periods beginning on or after 1 January 2023.
- Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17), effective for annual periods beginning on or after 1 January 2023.
- Classification of liabilities as current or non-current (Amendments to IAS 1), effective for annual periods beginning on or after 1 January 2024.
- Lease Liabilities in a Sale and Leaseback (Amendments to IFRS 16) effective for annual periods beginning on or after 1 January 2024.
- 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).

The above-mentioned standards are not expected to have a significant impact on the condensed consolidated interim financial statement of the Group.

Arabian Drilling Company
(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements

For the three and nine month periods ended 30 September 2022

(All amounts in Saudi Riyals unless otherwise stated)

3. Property, plant and equipment

Cost	1 January 2022 (Audited)	Additions	Disposals/ transfers	30 September 2022 (Unaudited)
Land	88,236,250	-	-	88,236,250
Buildings and portable cabins	99,385,669	-	-	99,385,669
Rig, machinery and equipment	10,826,217,554	-	135,415,082	10,961,632,636
Furniture, fixtures and office equipment	111,018,955	-	557,731	111,576,686
Vehicles	145,671,754	-	(1,450,630)	144,221,124
Asset under construction	131,520,647	925,745,440	(176,521,284)	880,744,803
	11,402,050,829	925,745,440	(41,999,101)	12,285,797,168

Accumulated depreciation and impairment

Buildings and portable cabins	(22,779,749)	(2,023,642)	-	(24,803,391)
Rig, machinery and equipment	(5,939,859,231)	(369,018,328)	34,665,956	(6,274,211,603)
Furniture, fixtures and office equipment	(64,258,762)	(4,881,647)	-	(69,140,409)
Vehicles	(116,269,050)	(3,299,825)	1,450,630	(118,118,245)
	(6,143,166,792)	(379,223,442)	36,116,586	(6,486,273,648)
Net book value	5,258,884,037			5,799,523,520

Cost	1 January 2021 (Audited)	Additions	Disposals/ transfers	31 December 2021 (Audited)
Land	88,236,250	-	-	88,236,250
Buildings and portable cabins	86,182,702	-	13,202,967	99,385,669
Rig, machinery and equipment	10,888,783,683	-	(62,566,129)	10,826,217,554
Furniture, fixtures and office equipment	106,039,479	-	4,979,476	111,018,955
Vehicles	159,020,083	-	(13,348,329)	145,671,754
Asset under construction	142,309,018	247,627,282	(258,415,653)	131,520,647
	11,470,571,215	247,627,282	(316,147,668)	11,402,050,829

Accumulated depreciation and impairment

Buildings and portable cabins	(20,274,939)	(2,504,810)	-	(22,779,749)
Rig, machinery and equipment	(5,724,930,441)	(509,615,121)	294,686,331	(5,939,859,231)
Furniture, fixtures and office equipment	(55,575,108)	(8,683,654)	-	(64,258,762)
Vehicles	(107,578,662)	(18,257,495)	9,567,107	(116,269,050)
	(5,908,359,150)	(539,061,080)	304,253,438	(6,143,166,792)
Net book value	5,562,212,065			5,258,884,037

Asset under construction as at 30 September 2022 represents costs incurred towards building of rigs which are expected to be complete by end of 2023. Depreciation charge for the three and nine month periods ended 30 September 2022 amounting to SR 140.27 million and SR 379.23 million respectively (three and nine month period ended 30 September 2021 amounting to SR 130.03 million and SR 402.75 million respectively).

Arabian Drilling Company
(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements

For the three and nine month periods ended 30 September 2022

(All amounts in Saudi Riyals unless otherwise stated)

4. Cash and cash equivalents

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Cash in hand	84,041	67,119
Cash at bank	2,097,860,115	411,553,912
	<u>2,097,944,156</u>	<u>411,621,031</u>

5. Share capital and additional paid-in capital

Pursuant to shareholders resolution dated 17 March 2022, the Company's share capital has been increased to be Saudi Riyals (SR) 800 million by transferring SR 680 million from retained earnings and SR 97.4 million from additional paid-in capital. The legal formalities for such increase in share capital were completed during the period ended 30 September 2022.

Accordingly, as at 30 September 2022, the share capital of the Company comprised 80,000,000 shares at a nominal value of SR 10 per share (31 December 2021: 2,258,000 shares at a nominal value of SR 10 per share). As stated in note 1, subsequent to the period end 9,000,000 new shares are issued at a nominal value of SR 10 per share.

6. Statutory reserve

In accordance with the Company's Bylaw's and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to maintain a statutory reserve equal to minimum of 30% of its share capital. Accordingly, the Company has transferred SR 221.12 million from retained earnings to statutory reserve. This reserve currently is not available for distribution to the shareholders of the Company.

7. Long term borrowings

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Murabaha borrowings (Note 7.1)	1,209,026,981	1,377,434,235
Sukuks (Note 7.2)	2,000,000,000	-
Add: accrued finance costs	24,048,137	3,656,211
	<u>3,233,075,118</u>	<u>1,381,090,446</u>
Less: unamortized transaction cost (Note 7.2)	(19,992,953)	-
	<u>3,213,082,165</u>	<u>1,381,090,446</u>

Long-term borrowings are presented as follows:

Current maturity under current liabilities	744,028,333	545,472,803
Non-current portion	2,469,053,832	835,617,643
	<u>3,213,082,165</u>	<u>1,381,090,446</u>

Movement in unamortized transaction cost is as follows:

Balance at beginning of period	-	-
Transaction cost incurred during the period	22,349,722	-
Less: amortization	(2,356,769)	-
Balance at end of period / year	<u>19,992,953</u>	<u>-</u>

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7. Long term borrowings (continued)

7.1 Murabaha borrowings

The Group has long-term murabaha facility agreements with Saudi commercial banks to finance the capital expenditure and working capital requirements of the Group. These loans bear finance costs based on prevailing market rates which are based on Saudi Inter-Bank Offer Rates ("SIBOR") plus an applicable margin. The aggregate outstanding maturities of the loans based on their respective repayment schedules, are spread from 2022 through 2026. The loans are secured principally by assignment of certain contract receivables. The covenants of the borrowing facilities require the Group to maintain certain level of financial conditions and certain other requirements. As at 30 September 2022, the Group was in compliance with the covenants of the borrowing facilities.

7.2 Sukuks

During the period ended 30 September 2022, the Group obtained the regulatory approvals required for the Sukuk issuance and issued Sukuk amounting to SR 2 billion and incurred a transaction cost of SR 22.3 million. The management of the Group intends to utilize the proceeds from sukuk 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 installment in 2027 and it bears finance costs based on prevailing market rates which are based on SIBOR plus an applicable margin. The covenants of the Sukuk require the Group to maintain certain level of financial conditions and certain other requirements. As at 30 September 2022, ADC was in compliance with such covenants.

7.3 Maturity profile of borrowings

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
<i>Twelve-month period / year ended</i>		
2022	-	541,816,592
2023	719,980,196	437,849,786
2024	223,868,214	176,785,714
2025	176,785,714	176,785,714
2026	88,392,857	44,196,429
2027	2,000,000,000	-
	3,209,026,981	1,377,434,235

During the period ended 30 September 2022, the Group has obtained an approval to defer the repayment of borrowings amounting to Saudi Riyal 266.3 million by twelve months from the original repayment dates. There are no significant changes to the contractual terms.

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8. Zakat and income tax

8.1 Zakat and income tax expenses

	For three -month period ended 30 September		For the nine-month period ended 30 September	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Zakat charge / (reversal)	(1,013,256)	13,169,163	6,374,395	18,952,413
Current tax charge	16,516,641	4,946,474	31,476,229	7,276,614
Deferred tax (credit) / charge	(72,353,082)	6,486,425	(64,218,166)	17,428,752
	(56,849,697)	24,602,062	(26,367,542)	43,657,779

Subsequent to the period end, the Group has completed its listing requirements as disclosed in note 1 to these condensed consolidated interim financial statements. Pursuant to listing, the Company's shares subject to tax as per applicable tax law have reduced from 51.33% to 34.3%. Accordingly, the Group has restricted the recognition of taxable temporary difference to 34.3% as at 30 September 2022.

During the three and nine months period ended the Group has recorded a deferred tax credit amounting to SR 64.22 million.

8.2 Status of assessment

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The Zakat, Tax and Customs Authority ("ZATCA") has finalized the Company's zakat and income tax assessments for the years upto 2014. During 2021, the Company received additional zakat assessments for the years 2015 through 2018 amounting to SR 11 million which reduced to SR 3.9 million during the period ended 30 September 2022. The Company has filed an appeal against such assessment with General Secretariat of the Tax Committees ("GSTC"), and the final outcome of such appeal is pending as of the date of approval of these condensed consolidated interim financial statements. Management of the Company believes that the provision for zakat and income tax payable as at 30 September 2022 is adequate and no additional zakat or income tax liability will arise upon the ultimate resolution of such appeal. Assessments for the years 2019 and 2020 are currently under review by the ZATCA.

Ofsat Arabia LLC

During 2021, the Ofsat Arabia LLC received additional zakat and income tax assessments for the years 2016 through 2020 amounting to Saudi Riyals 0.9 million. The Ofsat Arabia LLC has filed an appeal against such assessment with GSTC and the final outcome of such appeal is pending as of the date of approval of these condensed consolidated interim financial statements. Management of the Group believes that the provision for zakat and income tax as at 30 September 2022 is adequate and no additional liability will arise upon the ultimate resolution of such appeal.

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9. Revenue

	For three -month period ended 30 September		For the nine-month period ended 30 September	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Drilling revenue	577,569,792	427,516,407	1,594,768,715	1,231,680,059
Rig move revenue	107,381,156	97,676,830	305,098,229	288,508,818
Mobilization revenue	1,307,311	7,466,364	8,718,325	32,032,557
Catering and other revenue	15,577,745	15,078,670	44,678,235	51,329,542
	701,836,004	547,738,271	1,953,263,504	1,603,550,976
	For three -month period ended 30 September		For the nine-month period ended 30 September	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Point in time	700,528,693	540,271,907	1,944,545,179	1,571,518,419
Over the period	1,307,311	7,466,364	8,718,325	32,032,557
	701,836,004	547,738,271	1,953,263,504	1,603,550,976

10. Basic and diluted earnings per share

Basic and diluted earnings per share are calculated as follows:

	For the three -month period ended 30 September		For the nine-month period ended 30 September	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit attributable to the shareholders of the Group	213,371,466	35,443,629	421,025,217	155,278,209
Weighted average number of ordinary shares for basic and diluted earnings per share	80,000,000	80,000,000	80,000,000	80,000,000
Basic and diluted earnings per share	2.67	0.44	5.26	1.94

The weighted average number of shares for the period ended on 30 September 2021 has been adjusted to 80,000,000 shares (refer to note 5) instead of 225,800 shares, as the increase in shares resulted from capitalization of equity with no additional consideration.

11. Contingencies and commitments

- As at 30 September 2022, the Group's bankers have issued guarantees on behalf of the Group amounting to SR 296.07 million (31 December 2021: SR 483.3 million) and the letters of credit issued in the normal course of business amounting to SR 52.38 million (31 December 2021: SR 38.3 million).
- The capital expenditure contracted by the Group but not incurred till 30 September 2022 was approximately SR 510.09 million (31 December 2021: SR 118.4 million).

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12. Fair value measurement

The Group's principal financial assets include cash and cash equivalents, cash flow hedge at fair value through other comprehensive income, trade and certain other receivables that arise directly from its operations. The Group's principal financial liabilities comprise long term loans, trade and other payables.

Fair values hierarchy

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

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

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

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

For assets and liabilities that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no such transfers during the period and year ended 30 September 2022 and 31 December 2021 respectively.

As at 30 September 2022 and 31 December 2021, 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 condensed consolidated statement of financial position. The fair values of the non-current financial liabilities are estimated to approximate their carrying values as these carry interest rates which are based on prevailing market interest rates.

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 30 September 2022 and 31 December 2021.

Financial Risk Management

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

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13. 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..

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

Condensed interim consolidated financial information as of 30 September 2022 and 31 December 2021 and for the three and nine month periods ended 30 September 2022 and 2021, summarized by the above operating segments, is as follows:

a) Segment results

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

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

For the three-month period ended 30 September 2021 (Unaudited)

	Land rigs	Off-shore rigs	Other	Total
Revenue from external customers	387,707,621	159,568,488	462,162	547,738,271
Intersegment revenue	-	-	44,895,906	44,895,906
Intersegment cost	(44,895,906)	-	-	(44,895,906)
Cost of revenue	(309,665,373)	(103,177,016)	(37,435,173)	(450,277,562)
Segment results	33,146,342	56,391,472	7,922,895	97,460,709

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

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

For the nine-month period ended 30 September 2021 (Unaudited)

	Land rigs	Off-shore rigs	Other	Total
Revenue from external customers	1,201,819,604	399,521,515	2,209,857	1,603,550,976
Intersegment revenue	-	-	124,367,471	124,367,471
Intersegment cost	(124,367,471)	-	-	(124,367,471)
Cost of revenue	(894,721,466)	(294,448,616)	(108,581,420)	(1,297,751,502)
Segment results	182,730,667	105,072,899	17,995,908	305,799,474

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13. Segment information (continued)

a) Segment results (continued)

Reconciliation of segment results with profit before zakat and income tax

	For the three -month period ended 30 September		For the nine-month period ended 30 September	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Total results for reporting segments	216,420,506	97,460,709	560,005,589	305,799,474
General and administrative expenses	(38,949,057)	(30,204,863)	(113,448,036)	(85,102,415)
Other operating income, net	323,397	1,893,173	4,114,807	8,768,904
Finance costs - net	(21,273,077)	(9,103,328)	(56,014,685)	(30,529,975)
Profit before zakat and income tax	156,521,769	60,045,691	394,657,675	198,935,988

b) Segment assets

	30 September 2022	31 December 2021
	(Unaudited)	(Audited)
Land rigs	2,954,176,207	3,159,426,944
Off-shore rigs	2,971,925,682	2,305,764,121
Other	269,710,392	299,710,127
Eliminations	(35,048,084)	(60,294,993)
	6,160,764,197	5,704,606,199

As at 30 September 2022, segment assets did not include unallocated assets amounting to Saudi Riyals 2.58 billion (31 December 2021: Saudi Riyals 839.3 million).

c) Other information

Revenue derived from the external customers are as follows:

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Saudi Arabian Oil Company	439,434,033	294,308,510	1,202,728,670	831,320,556
Schlumberger Middle East S.A. (SMESA)	183,978,542	212,199,919	584,281,073	664,250,872
Al Khafji Joint Operations	57,016,249	39,019,985	141,202,580	105,769,691
Baker Hughes	19,470,422	-	19,470,422	-
Other	1,936,758	2,209,857	5,580,759	2,209,857
	701,836,004	547,738,271	1,953,263,504	1,603,550,976

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14. Related party transactions and balances

At the period-end, the immediate controlling party of the Group is TAQA and the ultimate controlling party of the Group is the Government of the Kingdom of Saudi Arabia (the “KSA Government”). However, subsequent to the period, after listing of the Company’s shares in Saudi Stock Exchange, TAQA no longer has control over the Company. Related parties comprise the shareholders, directors, associated companies (representing entities directly or indirectly controlled by or under the significant influence of the Company’s shareholders), other entities controlled by the KSA Government (“Government controlled entities”) and key management personnel. Related parties also include business entities in which certain directors or senior management have an interest (other related parties).

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

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from Government controlled entities	496,450,282	333,328,495	1,343,931,250	937,090,247
Revenue from an associated company	183,978,542	212,199,919	584,281,073	664,250,872
Rental income from an associated company	(108,526)	162,788	54,263	494,392
Costs charged by an associated company	1,844,934	1,076,731	4,362,709	3,769,219

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

b) *Key management personnel compensation:*

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Salaries and other short-term employee benefits	5,804,790	2,283,102	16,503,652	10,587,924
Post-employment benefits	522,834	223,700	1,105,710	466,476

Additionally, the Group incurred board of directors’ fee, including travelling cost for the three and nine month periods ended 30 September 2022 amounting to SR 491,700 and SR 869,300, respectively (three and nine month periods ended 30 September 2021: SR 45,200 and SR 319,000 respectively).

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14. Related party transactions and balances (continued)

c) Due from related parties:

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Due from related parties		(Audited)
Saudi Arabian Oil Company, a Government controlled entity	258,578,291	230,710,658
Schlumberger Middle East S.A. ("SMESA"), an associated company	202,186,082	306,881,138
Al-Khafji Joint Operations, a Government controlled entity	69,498,776	29,727,159
TAQA Well Services ("TWS"), an associated company	5,812,079	2,066,262
TAQA, a shareholder	7,799,855	19,187,966
SPS, a shareholder	-	7,740,283
	543,875,083	596,313,466

15. Subsequent events

Except for subsequent event mentioned elsewhere in these condensed consolidated interim financial statements, there are no other significant subsequent event occurred between 30 September 2022 and the date of approval of these condensed consolidated interim financial statements, which may have material impact on these condensed consolidated interim financial statements.

16. Dividends

During the nine month period ended 30 September 2022, the Company's shareholders approved cash dividends amounting to Saudi Riyals 37.4 million (2021: approved cash dividends amounting to Saudi Riyals 37.2 million).

17. Approval of condensed consolidated interim financial statements

These condensed consolidated interim financial statements were approved by the Board of Directors and authorized for issue on 17 November 2022G (corresponding to 23 Rabi Al-Akhar 1444H).