

ARABIAN DRILLING COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three month period ended 31 March 2023

with

Independent Auditor's Review Report

Arabian Drilling Company
(A Saudi Joint Stock Company)

Condensed consolidated interim financial statements with independent auditor's review report
For the three month period ended 31 March 2023

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KPMG Professional Services

16th Floor, Al Barghash Tower
6189 Prince Turkey Road, Al Kumaish
P.O. Box 4803
Al Khobar, 34412 - 3146
Kingdom of Saudi Arabia
Commercial Registration No 2051062328

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

الطابق ١٦، برج البرعش
٦١٨٩ طريق الأمير تركي، الكورنيش
ص.ب. ٤٨٠٣
الخير ٣٤٤١٢ - ٣١٤٦
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 31 March 2023 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 31 March 2023;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three months period ended 31 March 2023;
- the condensed consolidated statement of changes in equity for the three months period ended 31 March 2023;
- the condensed consolidated statement of cash flows for the three months period ended 31 March 2023; 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 31 March 2023, 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.

For KPMG Professional Services

Abdulaziz Abdullah Alnaim

License no. 394

Al Khobar, 21 Shawwal 1444H

Corresponding to: 11 May 2023G



Arabian Drilling Company
(A Saudi Joint Stock Company)

Condensed consolidated statement of financial position

(All amounts in Saudi Riyals unless otherwise stated)

	Note	31 March 2023 (Unaudited)	31 December 2022 (Audited)
<u>ASSETS</u>			
Non-current assets			
Property, plant and equipment	3	6,618,179,822	6,490,620,979
Right-of-use assets		182,832,546	199,262,775
Mobilization cost		23,912,651	15,026,668
Total non-current assets		6,824,925,019	6,704,910,422
Current assets			
Inventories		213,674,597	172,540,843
Trade and other receivables		656,355,323	825,059,412
Mobilization cost		13,101,366	6,732,553
Derivative financial instrument		-	378,192
Short term deposits		1,000,000,000	1,000,000,000
Cash and cash equivalents	4	979,168,390	832,024,714
		2,862,299,676	2,836,735,714
Assets held for sale		15,754,143	12,402,180
Total current assets		2,878,053,819	2,849,137,894
Total assets		9,702,978,838	9,554,048,316
<u>EQUITY AND LIABILITIES</u>			
Equity			
Share capital	5	890,000,000	890,000,000
Share premium	5	790,675,825	790,675,825
Statutory reserve	6	267,000,000	267,000,000
Retained earnings		3,783,628,411	3,642,148,763
Total equity		5,731,304,236	5,589,824,588
Liabilities			
Non-current liabilities			
Long-term borrowings	7	2,457,240,157	2,481,138,537
Lease liabilities		120,175,214	136,013,930
Employee' benefit obligations		281,970,370	273,216,040
Mobilization revenue		100,589,092	115,613,850
Deferred tax liabilities		148,443,154	148,798,818
Total non-current liabilities		3,108,417,987	3,154,781,175

(continued)

Arabian Drilling Company
(A Saudi Joint Stock Company)

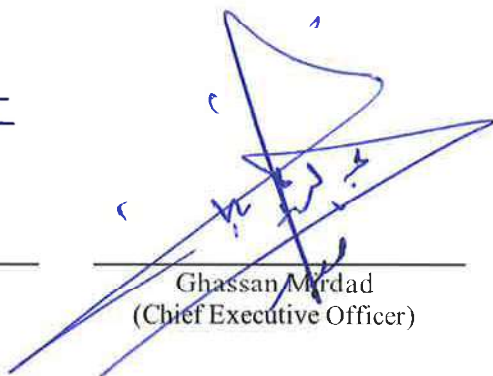
Condensed consolidated statement of financial position (continued)

(All amounts in Saudi Riyals unless otherwise stated)

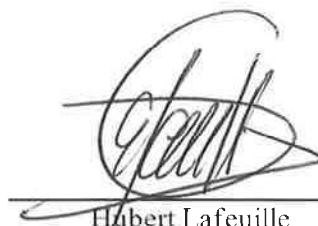
	Note	31 March 2023 (Unaudited)	31 December 2022 (Audited)
Current liabilities			
Trade and other payables		614,732,668	584,811,273
Current portion of long-term borrowings	7	50,791,871	46,460,449
Current portion of lease liabilities		64,197,412	63,806,499
Mobilization revenue		60,190,224	60,216,798
Provision for zakat and income tax		73,344,440	54,147,534
Total current liabilities		863,256,615	809,442,553
Total liabilities		3,971,674,602	3,964,223,728
Total equity and liabilities		9,702,978,838	9,554,048,316



Khalid Nough
(Chairman)



Ghassan Mirdad
(Chief Executive Officer)



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 31 March	
		2023 (Unaudited)	2022 (Unaudited)
Revenue	9	779,278,780	598,527,615
Cost of revenue		(572,026,887)	(441,875,398)
Gross profit		207,251,893	156,652,217
Provision for impairment of financial assets		(600,000)	-
General and administrative expenses		(34,362,111)	(36,373,093)
Other operating income		211,740	3,311,236
		172,501,522	123,590,360
Finance cost		(25,543,389)	(16,014,424)
Finance income		13,362,757	-
Finance cost - net		(12,180,632)	(16,014,424)
Profit before zakat and income tax		160,320,890	107,575,936
Zakat and income tax charge	8	(18,841,242)	(13,941,458)
Profit for the period		141,479,648	93,634,478
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		-	3,814,301
Other comprehensive income for the period		-	3,814,301
Total comprehensive income for the period		141,479,648	97,448,779
Earnings per share (Saudi Riyals)			
Basic and diluted	10	1.59	1.17



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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	Share Premium	Additional paid-in capital	Statutory reserve	Cashflow hedge reserve	Retained earnings	Total
As at 1 January 2022 (Audited)	22,580,000	-	97,420,800	18,883,921	(4,440,687)	4,057,324,636	4,191,768,670
<i>Total comprehensive income for the period</i>							
Profit for the period	-	-	-	-	-	93,634,478	93,634,478
Other comprehensive income for the period	-	-	-	-	3,814,301	-	3,814,301
Total comprehensive income for the period	-	-	-	-	3,814,301	93,634,478	97,448,779
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 31 March 2022 (Unaudited)	800,000,000	-	-	240,000,000	(626,386)	3,212,395,790	4,251,769,404
As at 1 January 2023 (Audited)	890,000,000	790,675,825	-	267,000,000	-	3,642,148,763	5,589,824,588
<i>Total comprehensive income for the period</i>							
Profit for the period	-	-	-	-	-	141,479,648	141,479,648
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	141,479,648	141,479,648
As at 31 March 2023 (Unaudited)	890,000,000	790,675,825	-	267,000,000	-	3,783,628,411	5,731,304,236


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Arabian Drilling Company
(A Saudi Joint Stock Company)

Condensed consolidated statement of cash flows

(All amounts in Saudi Riyals unless otherwise stated)

	For the three month period ended 31 March	
	2023 (Unaudited)	2022 (Unaudited)
Cash flows from operating activities		
Profit for the period	141,479,648	93,634,478
<i>Adjustment for:</i>		
Depreciation and amortization	150,607,957	123,399,374
Provision for employee benefit obligations	10,364,100	13,902,423
Provision for impairment of financial assets	600,000	-
Gain on disposal of non-current assets held for sale	-	(1,628,951)
Provision for slow moving inventories	2,089,214	-
Amortization of mobilization cost	3,406,215	998,783
Amortization of mobilization revenue	(15,051,332)	(3,477,306)
Finance cost	25,543,389	16,014,424
Finance income	(13,362,757)	-
Zakat and income tax charge	18,841,242	13,941,458
	324,517,676	256,784,683
<i>Changes in:</i>		
Inventories	(43,222,968)	(20,529,735)
Trade and other receivables	181,466,846	190,799,872
Trade and other payables	29,921,393	(11,686,916)
Cash generated from operations	492,682,947	415,367,904
Mobilization cost paid	(18,661,011)	(6,862,513)
Zakat and income tax paid	-	(6,742,117)
Employee's benefit obligation paid	(1,609,770)	(9,178,489)
Net cash generated from operating activities	472,412,166	392,584,785
Cash flows from investing activities		
Additions to property, plant and equipment	(247,134,775)	(45,972,425)
Proceeds from disposal of assets held for sale	-	3,632,358
Net cash used in investing activities	(247,134,775)	(42,340,067)
Cash flows from financing activities		
Payment of lease liabilities	(17,850,300)	(725,672)
Finance cost paid	(60,283,415)	(29,973,424)
Proceeds from issuance of sukuk	-	2,000,000,000
Repayment of long-term borrowings	-	(168,407,254)
Dividends paid	-	(7,200,000)
Net cash (used in) / generated from financing activities	(78,133,715)	1,793,693,650
Net change in cash and cash equivalents	147,143,676	2,143,938,368
Cash and cash equivalents at the beginning of the period	832,024,714	411,621,031
Cash and cash equivalents at the end of the period	979,168,390	2,555,559,399
Significant non-cash transactions		
Transfer from property, plant and equipment to assets held for sale	3,351,963	2,703,181
Dividend adjusted against receivable from shareholders	-	24,929,068

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(Chief Financial Officer)

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-month period ended 31 March 2023

(All amounts in Saudi Riyals unless otherwise stated)

1. CORPORATE INFORMATION

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

The 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.

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

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

2.2 Functional and presentation currency

Items included in the condensed consolidated interim financial statements of the Group are measured using the currency of the primary economic environment in which the 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 condensed consolidated interim financial statements in Saudi Riyals which is the Group’s presentation currency and believes that there is no translation impact on these condensed consolidated interim financial statements since Saudi Riyal (SR) is pegged to USD.

Arabian Drilling Company
(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements

For the three-month period ended 31 March 2023

(All amounts in Saudi Riyals unless otherwise stated)

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

2.3 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.

2.4 Significant accounting policies

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2022. A number of amendments to existing standards, as detailed in note 2.5(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.

2.5 New standards, amendments and interpretations

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

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

- IFRS 17 Insurance contracts (Amendments to IFRS 17), effective for annual periods beginning on or after 1 January 2023.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2), effective for annual periods beginning on or after 1 January 2023.
- Definition of Accounting 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.

b. New and revised standards issued but not yet effective

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

- Classification of liabilities as current or non-current (Amendments to IAS 1), effective for annual periods beginning on or after 1 January 2024.
- Lease Liabilities in a Sale and Leaseback (Amendments to IFRS 16) effective for annual periods beginning on or after 1 January 2024.
- 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-month period ended 31 March 2023

(All amounts in Saudi Riyals unless otherwise stated)

3. Property, plant and equipment

Cost	1 January 2023 (Audited)	Additions	Transfers	Transfer to held for sale	31 March 2023 (Unaudited)
Land	88,236,250	-	-	-	88,236,250
Buildings and portable cabins	99,693,269	-	1,189,129	-	100,882,398
Rig, machinery and equipment	11,292,935,114	-	96,598,552	(58,498,185)	11,331,035,481
Furniture, fixtures and office equipment	111,475,264	-	1,978,170	(2,148,568)	111,304,866
Vehicles	142,955,769	-	215,460	(658,026)	142,513,203
Asset under construction	1,363,762,350	265,088,534	(99,981,311)	-	1,528,869,573
	13,099,058,016	265,088,534	-	(61,304,779)	13,302,841,771
Accumulated depreciation and impairment					
Buildings and portable cabins	(25,474,006)	(730,584)	-	-	(26,204,590)
Rig, machinery and equipment	(6,394,225,790)	(130,635,322)	-	55,154,527	(6,469,706,585)
Furniture, fixtures and office equipment	(70,784,409)	(1,742,648)	-	2,140,265	(70,386,792)
Vehicles	(117,952,832)	(1,069,174)	-	658,024	(118,363,982)
	(6,608,437,037)	(134,177,728)	-	57,952,816	(6,684,661,949)
Net book value	6,490,620,979				6,618,179,822

Arabian Drilling Company
(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements

For the three-month period ended 31 March 2023

(All amounts in Saudi Riyals unless otherwise stated)

3. Property, plant and equipment (continued)

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

- a) Asset under construction as at 31 March 2023 represents costs incurred towards construction of rigs which are expected to be complete by end of 2023. Depreciation charge for the three month period ended 31 March 2023 amounting to SR 134.18 million (three month period ended 31 March 2022 amounting to SR 121.21 million).
- b) For the three month period ended 31 March 2023 Group has capitalized finance cost of SR 17.95 million (three month period ended 31 March 2022: SR Nil).

Arabian Drilling Company
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Notes to the condensed consolidated interim financial statements

For the three-month period ended 31 March 2023

(All amounts in Saudi Riyals unless otherwise stated)

4. Cash and cash equivalents

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
Cash at bank	978,912,292	831,829,386
Cash in hand	256,098	195,328
	979,168,390	832,024,714

5. Share capital and share premium

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

During the year 2022, the Company issued 9,000,000 new shares at an offer price of SR 100. The differential price over the nominal value recorded as share premium amounting to SR 790.68 million, after offsetting the issuance cost amounting to SR 19.32 million.

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. This reserve currently is not available for distribution to the shareholders of the Company.

7. Long term borrowings

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
Sukuk (note 7.1)	2,000,000,000	2,000,000,000
Murabaha borrowings (note 7.2)	500,000,000	500,000,000
Add: accrued finance costs	25,791,871	46,460,449
	2,525,791,871	2,546,460,449
Less: unamortized transaction cost	(17,759,843)	(18,861,463)
	2,508,032,028	2,527,598,986
Long-term borrowings are presented as follows:		
Current maturity under current liabilities	50,791,871	46,460,449
Non-current portion	2,457,240,157	2,481,138,537
	2,508,032,028	2,527,598,986
Movement in unamortized transaction cost is as follows:		
Balance at beginning of period / year	18,861,463	-
Transaction cost incurred during the period	-	22,349,723
Less: amortization for the period	(1,101,620)	(3,488,260)
Balance at end of period / year	17,759,843	18,861,463

7.1 Sukuk

During the year ended 31 December 2022, the Group issued Sukuk amounting to SR 2 billion after obtaining necessary regulatory approvals and incurred a transaction cost of SR 22.3 million. The repayment of the Sukuk is due in a single installment in 2027 and it bears finance costs based on prevailing market rates which are based on SIBOR plus an applicable margin. The Group capitalized the borrowing cost incurred on qualifying assets for the period ended 31 March 2023 amounting to SR 10.42 million (31 March 2022: SR Nil). The Sukuk requires the Group to maintain certain financial and non-financial covenants. As at 31 March 2023 and 31 December 2022, the Group was in compliance with such covenants.

Arabian Drilling Company
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Notes to the condensed consolidated interim financial statements

For the three-month period ended 31 March 2023

(All amounts in Saudi Riyals unless otherwise stated)

7. Long term borrowings (continued)

7.2 Murabaha borrowings

During the year ended 31 December 2022, the Group has obtained a new murabaha facility of SR 500 million from a Saudi commercial bank to finance capital expenditure and accordingly the Group capitalized the borrowing cost incurred on qualifying assets for the period ended 31 March 2023 amounting to SR 7.54 million (31 March 2022: SR Nil). New murabaha facility is repayable over a period of 5 years starting from February 2024 through November 2028 on a quarterly basis. These loans bear finance costs based on prevailing market rate which are based on Saudi Inter-Bank Offer Rates ("SIBOR") plus an applicable margin. The Murabaha facility requires the Group to maintain certain financial and non-financial covenants. As at 31 March 2023 and 31 December 2022, the Group was in compliance with the covenants of the Murabaha facility.

7.3 Maturity profile of borrowings

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
<i>Twelve-month period / year ended</i>		
2023	25,791,871	46,460,449
2024	100,000,000	100,000,000
2025	100,000,000	100,000,000
2026	100,000,000	100,000,000
2027	2,100,000,000	2,100,000,000
2028	100,000,000	100,000,000
	2,525,791,871	2,546,460,449

8. Zakat and income tax

	For the three month period ended 31 March	
	2023 (Unaudited)	2022 (Unaudited)
Zakat charge	9,021,498	3,672,326
Current tax charge	10,175,408	7,364,694
Deferred tax (reversal) / charge	(355,664)	2,904,438
	18,841,242	13,941,458

Status of assessment

Arabian Drilling Company

The Zakat, Tax and Customs Authority ("ZATCA") has finalized the Company's zakat and income tax assessments for the years upto 2014 and for the years 2019 and 2020. 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 year ended 31 December 2022. The Company has filed an appeal against such assessment with General Secretariat of the Zakat, Tax and Customs Committees ("GSTC"), and the final outcome of such appeal is pending as of the date of approval of these condensed consolidated interim financial statements. Management of the Company believes that the provision for zakat and income tax payable as at reporting date is adequate and no additional zakat or income tax liability will arise upon the ultimate resolution of such appeal.

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8. Zakat and income tax (continued)

Status of assessment (continued)

Ofsat Arabia LLC

The Zakat, Tax and Customs Authority ("ZATCA") has finalized the Company's zakat and income tax assessments for the years upto 2020.

9. Revenue

	For the three month period ended 31 March	
	2023	2022
	(Unaudited)	(Unaudited)
Drilling revenue	631,623,652	491,995,820
Rig move revenue	106,183,099	83,143,362
Mobilization revenue	15,051,332	3,477,306
Catering and other revenue	26,420,697	19,911,127
	779,278,780	598,527,615
	For the three month period ended 31 March	
	2023	2022
	(Unaudited)	(Unaudited)
Point in time	26,420,697	19,911,127
Over the period	752,858,083	578,616,488
	779,278,780	598,527,615

10. Basic and diluted earnings per share

Basic and diluted earnings per share are calculated as follows:

	For the three month period ended 31 March	
	2023	2022
	(Unaudited)	(Unaudited)
Profit attributable to the shareholders of the Group	141,479,648	93,634,478
Weighted average number of ordinary shares for basic and diluted earnings per share	89,000,000	80,000,000
Basic and diluted earnings per share	1.59	1.17

11. Contingencies and commitments

- As at 31 March 2023, the Group's bankers have issued guarantees on behalf of the Group amounting to SR 428.86 million (31 December 2022: SR 385.19 million) and the letters of credit issued in the normal course of business amounting to SR 23.22 million (31 December 2022: SR 77.69 million).
- The capital expenditure contracted by the Group but not incurred till 31 March 2023 was approximately SR 611.44 million (31 December 2022: SR 540.12 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 31 March 2023 and 31 December 2022 respectively.

As at 31 March 2023 and 31 December 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 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 31 December 2022.

Financial Risk Management

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

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 Saudi Inter Bank Offered Rate (SIBOR). These deposits are denominated in Saudi Riyals.

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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.

Segment liabilities information is not presented to the management and Chief Operating Decision Maker ("CODM") of the Group on periodic basis. Accordingly, this has not been disclosed in the Condensed consolidated interim financial statements as at reporting date. The segment disclosures are consistent with the information reviewed by CODM to make any strategic decisions.

Condensed consolidated interim financial information as of 31 March 2023 and 31 December 2022 and for the three month period ended 31 March 2023 and 2022, summarized by the above operating segments, is as follows:

a) Segment results

For the three month period ended 31 March 2023 (Unaudited)

	Land rigs	Off-shore rigs	Other	Total
Revenue from external customers	478,673,942	299,416,500	1,188,338	779,278,780
Intersegment revenue	-	-	49,099,696	49,099,696
Intersegment cost	(49,099,696)	-	-	(49,099,696)
Cost of revenue	(368,361,457)	(160,569,876)	(43,095,554)	(572,026,887)
Segment results	61,212,789	138,846,624	7,192,480	207,251,893

For the three month period ended 31 March 2022 (Unaudited)

	Land rigs	Off-shore rigs	Other	Total
Revenue from external customers	436,165,225	161,070,467	1,291,923	598,527,615
Intersegment revenue	-	-	39,450,486	39,450,486
Intersegment cost	(39,450,486)	-	-	(39,450,486)
Cost of revenue	(315,382,028)	(91,261,345)	(35,232,025)	(441,875,398)
Segment results	81,332,711	69,809,122	5,510,384	156,652,217

Reconciliation of segment results with profit before zakat and income tax

	For the three month period ended 31 March	
	2023	2022
	(Unaudited)	(Unaudited)
Total results for reporting segments	207,251,893	156,652,217
Provision for impairment of financial assets	(600,000)	-
General and administrative expenses	(34,362,111)	(36,373,093)
Other operating income, net	211,740	3,311,236
Finance costs – net	(12,180,632)	(16,014,424)
Profit before zakat and income tax	160,320,890	107,575,936

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13. Segment information (continued)

b) Segment assets

	31 March 2023	31 December 2022
	(Unaudited)	(Audited)
Land rigs	3,025,056,517	3,014,056,904
Off-shore rigs	3,935,838,782	3,983,267,428
Other	290,081,258	286,353,874
Eliminations	(21,078,528)	(48,298,170)
	7,229,898,029	7,235,380,036

As at 31 March 2023, segment assets did not include unallocated assets amounting to Saudi Riyals 2.47 billion (31 December 2022: Saudi Riyals 2.32 billion).

c) Other information

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

	For the three month period ended 31 March	
	2023	2022
	(Unaudited)	(Unaudited)
Customer 1	543,279,273	369,450,546
Customer 2	183,686,017	195,112,501
Customer 3	51,125,152	32,672,646
Other	1,188,338	1,291,922
	779,278,780	598,527,615

14. Related party transactions and balances

During the year 2022, the Company's ordinary shares were listed on Saudi Stock Exchange. This has resulted in change in Group's ownership structure and consequently change in related parties' relationships. As at 31 March 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 as at 31 March 2022, 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 condensed consolidated interim financial statements.

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

	For the three month period ended 31 March	
	2023	2022
	(Unaudited)	(Unaudited)
Revenue from Government controlled entities	-	402,123,191
Revenue from associated companies	184,874,355	196,404,423
Rental income from an associated company	-	162,788
Costs charged by an associated company	1,606,500	1,296,764

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

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14. Related party transactions and balances (continued)

b) Key management personnel compensation:

	For the three month period ended 31 March	
	2023	2022
	(Unaudited)	(Unaudited)
Salaries and other short-term employee benefits	4,228,756	7,077,372
Post-employment benefits	212,354	395,816

Additionally, the Group incurred board of directors' fee, including travelling cost for the three month period ended 31 March 2023 amounting to SR 129,000 (three month period ended 31 March 2022: SR 36,000).

c) Due from related parties:

	31 March 2023	31 December 2022
	(Unaudited)	(Audited)
Due from related parties		(Audited)
Schlumberger Middle East S.A., an associated company	193,540,091	201,904,665
SPS, a shareholder	13,266,222	11,183,843
TAQA Well Services, an associated company	4,150,409	4,891,538
	210,956,722	217,980,046

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 31 March 2023 and the date of approval of these condensed consolidated interim financial statements, which may have material impact on these condensed consolidated interim financial statements.

16. Dividends

During the three month period ended 31 March 2023, the Company's shareholders approved cash dividends of SR Nil (2022: approved cash dividends amounting to SR 37.45 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 21 Shawwal 1444H (corresponding to 11 May 2023G).