

**ARABIAN DRILLING COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2024
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 2024

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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 2024, 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 2024;
- 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 Impairment assessment of property, plant and equipment and right-of-use assets

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 style="color: #C85A3D;"><i>Impairment assessment of property, plant and equipment and right-of-use assets</i></p> <p>As at 31 December 2024, the Group has property, plant and equipment and right-of-use assets with carrying amounts of Saudi Riyals 8.7 billion and Saudi Riyals 65.1 million, respectively, (collectively referred to as “non-current assets”).</p> <p>At each reporting date, management assesses whether there are any events or changes in circumstances (“impairment indicators”) which may indicate that the carrying amount of the non-current assets may not be recoverable. If any impairment indicators are identified, management performs a detailed impairment assessment. This entails (i) identifying cash generating units (CGUs) where a CGU is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets; and (ii) calculating the recoverable amounts of the CGUs and comparing them against their carrying amounts. Management concluded that each rig constitutes a single CGU.</p> <p>During 2024, impairment indicators were identified by management with respect to certain rigs and accordingly, management performed a detailed impairment assessment for such rigs. In determining the recoverable amount of these CGUs, management estimated, based on applicable circumstances, the value-in-use or fair value less cost to sell of the CGUs, based on the business plans as approved by the Company’s Board of Directors which reflect management’s view of the external market conditions and certain key internal variables including the estimation of appropriate growth and discount rates.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> ● Evaluated the design and implementation of key manual controls over the impairment assessment process comprising of identification of the CGUs, identification of impairment indicators and estimation of the CGUs’ recoverable amounts. ● Assessed management’s identification of impairment indicators, including the conclusions reached. ● Evaluated the reasonableness of management's assumptions and estimates used to determine the recoverable amounts of the CGUs where impairment indicators have been identified. This included: <ul style="list-style-type: none"> i. Assessing the appropriateness of the methodology used by management to estimate the value-in-use or fair value less cost to sell of the CGUs; ii. For value-in-use, checking the accuracy and appropriateness of the input data used by management in the discounted cash flow model by tracing to supporting documentation, such as the approved business plans. We tested the reasonableness of the business plans by, for example, comparing them to historical results; iii. For fair value less cost to sell, checked and benchmarked the fair values against historical sales proceeds and quotations received for similar rigs;

<p>Management has concluded that the recoverable amounts of two CGUs tested for impairment, were lower than their carrying amounts, and accordingly, an impairment loss of Saudi Riyals 105.0 million was recorded during the year ended 31 December 2024.</p> <p>Management has concluded that the recoverable amounts of the other CGUs tested for impairment, were higher than their carrying amounts, and accordingly, there was no impairment loss on such CGUs as at 31 December 2024.</p> <p>We considered this as a key audit matter as the assessment of the recoverable amounts of the CGUs requires estimation primarily around future economic and market conditions mainly relating to the timing of resumption of suspended and terminated drilling contracts, growth and discount rates.</p> <p>Refer to Note 3.12 to the consolidated financial statements for the accounting policy relating to the impairment of non-financial assets, Note 2.2 for the disclosure of critical accounting judgments and estimates and Notes 4.1 and 4.2 for the disclosure of matters related to impairment considerations of the CGUs.</p>	<ul style="list-style-type: none"> iv. Engaging our internal valuation experts to assess the reasonableness of discount rate used in the discounted cash flow model; and v. Testing the mathematical accuracy of the underlying calculations used in the discounted cash flow model. <ul style="list-style-type: none"> ● Assessing the potential impact of a range of possible outcomes by performing sensitivity analyses over key assumptions in the discounted cash flow model. ● Assessing the adequacy and appropriateness of the related disclosures in the accompanying consolidated financial statements.
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Other information

The directors are responsible for the other information. The other information comprises the Group's 2024 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 2024 Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.



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

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.
- 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.



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

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

- 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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

A handwritten signature in blue ink, appearing to read 'Omar M. Al Sagga', is written over the printed name.

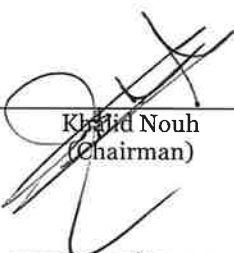
Omar M. Al Sagga
License Number 369
11 March 2025

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

	Note	As at 31 December	
		2024	2023
ASSETS			
Non-current assets			
Property, plant and equipment	4	8,709,983,089	7,737,834,883
Intangible asset	5	50,611,327	-
Long-term deposits		16,200,000	16,200,000
Right-of-use assets	6.1	65,126,615	131,835,643
Derivative financial instrument	24.1	6,419,826	-
Total non-current assets		8,848,340,857	7,885,870,526
Current assets			
Inventories	7	308,671,459	279,741,430
Trade and other receivables	8	779,580,932	1,072,329,381
Income tax refundable	20	10,651,614	-
Cash and cash equivalents	9	581,806,531	1,435,421,469
		1,680,710,536	2,787,492,280
Assets held for sale	10	5,789,201	13,111,001
Total current assets		1,686,499,737	2,800,603,281
Total assets		10,534,840,594	10,686,473,807
EQUITY AND LIABILITIES			
Equity			
Share capital	11	890,000,000	890,000,000
Share premium		790,675,825	790,675,825
Statutory reserve	12	267,000,000	267,000,000
Cash flow hedge reserve		6,419,826	-
Retained earnings		3,984,089,284	4,013,745,577
Total equity		5,938,184,935	5,961,421,402
Liabilities			
Non-current liabilities			
Long-term borrowings	13	2,672,513,247	2,885,625,878
Lease liabilities	6.2	4,114,021	67,892,228
Employees' benefit obligations	14	326,804,258	304,407,017
Mobilization revenue	16.2	112,889,224	211,515,566
Deferred tax liabilities	20	184,297,340	164,134,909
Total non-current liabilities		3,300,618,090	3,633,575,598

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	
		2024	2023
Current liabilities			
Trade and other payables	15	878,012,947	729,393,485
Current portion of long-term borrowings	13	282,427,922	168,469,771
Current portion of lease liabilities	6.2	63,778,335	67,167,866
Mobilization revenue	16.2	66,140,447	94,313,916
Provision for zakat and income tax	20	5,677,918	32,131,769
Total current liabilities		1,296,037,569	1,091,476,807
Total liabilities		4,596,655,659	4,725,052,405
Total equity and liabilities		10,534,840,594	10,686,473,807



Khalid Nouh
(Chairman)



Ghassan Mirdad
(Chief Executive Officer)




Hubert Lafeuille
(Chief Financial Officer)

The accompanying notes 1 through 28 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)

	Note	For the year ended 31 December	
		2024	2023
Revenue	16	3,618,817,503	3,476,523,864
Cost of revenue	17	(2,858,917,817)	(2,500,619,916)
Gross profit		759,899,686	975,903,948
Expected credit loss allowance		(1,155,730)	(619,603)
General and administrative expenses	18	(204,694,843)	(181,119,645)
Other operating income – net		11,483,783	7,068,550
		565,532,896	801,233,250
Finance cost	19	(229,126,894)	(160,882,330)
Finance income		21,613,634	47,596,014
Finance cost - net		(207,513,260)	(113,286,316)
Profit before zakat and income tax		358,019,636	687,946,934
Zakat expense	20	(4,973,767)	(28,273,103)
Income tax expense	20	(31,681,132)	(55,059,898)
Profit for the year		321,364,737	604,613,933
Other comprehensive income			
Items that may be reclassified to profit or loss			
Change in fair value of cash flow hedge	24.1	6,419,826	-
Items that will not be reclassified to profit or loss			
Remeasurements of employee benefit obligations	14	(6,652,271)	(8,425,079)
Impact of deferred tax	20	456,346	577,960
		(6,195,925)	(7,847,119)
Other comprehensive income / (loss) for the year		223,901	(7,847,119)
Total comprehensive income for the year		321,588,638	596,766,814
Earnings per share (Saudi Riyals)			
Basic and diluted	22	3.61	6.79


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(Chief Executive Officer)


Hubert Lafeuille
(Chief Financial Officer)

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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	Statutory reserve	Cash flow hedge reserve	Retained earnings	Total
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 loss for the year	-	-	-	-	(7,847,119)	(7,847,119)
Total comprehensive income for the year	-	-	-	-	596,766,814	596,766,814
Dividends (Note 26)	-	-	-	-	(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
As at 1 January 2024	890,000,000	790,675,825	267,000,000	-	4,013,745,577	5,961,421,402
Profit for the year	-	-	-	-	321,364,737	321,364,737
Other comprehensive income for the year	-	-	-	6,419,826	(6,195,925)	223,901
Total comprehensive income for the year	-	-	-	6,419,826	315,168,812	321,588,638
Dividends (Note 26)	-	-	-	-	(344,825,105)	(344,825,105)
As at 31 December 2024	890,000,000	790,675,825	267,000,000	6,419,826	3,984,089,284	5,938,184,935


Khalid Neuh
(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)

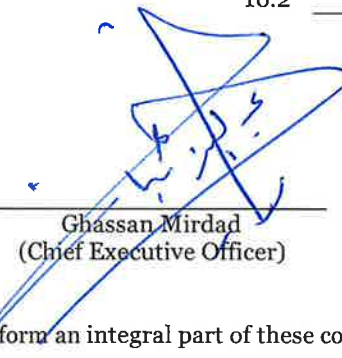
	Note	For the year ended 31 December	
		2024	2023
Cash flows from operating activities			
Profit before zakat and income tax		358,019,636	687,946,934
<i>Adjustment for:</i>			
Depreciation on property, plant and equipment	4	770,875,896	617,542,414
Depreciation on right-of-use assets	6.1	66,709,028	66,527,995
Impairment of property, plant and equipment	4.2	105,000,000	-
Provision for obsolete, slow moving and damaged inventories	7	2,071,414	6,141,960
Expected credit loss allowance		1,155,730	619,603
(Reversal) / impairment on assets held for sale		(3,791,407)	8,272,443
Provision for employee benefit obligations	14	47,800,608	44,062,210
Loss on disposal of non-current assets held for sale		-	6,135,271
Amortization of mobilization cost	17.1	31,847,652	16,311,937
Amortization of mobilization revenue	16.2	(146,714,147)	(85,661,234)
Finance cost	19	229,126,894	160,882,330
Finance income		(21,613,634)	(47,596,014)
		1,440,487,670	1,481,185,849
<i>Changes in working capital</i>			
Inventories		(31,001,443)	(113,342,547)
Trade and other receivables		288,624,808	(267,153,042)
Trade and other payables		148,619,462	145,152,473
Mobilization cost paid	17.1	(72,932,691)	(56,407,748)
Mobilization revenue received, net	16.2	60,999,375	277,515,100
Cash generated from operations		1,834,797,181	1,466,950,085
Zakat and income tax paid	20	(53,141,586)	(85,567,091)
Employees' benefit obligation paid	14	(32,055,638)	(21,296,312)
Net cash generated from operating activities		1,749,599,957	1,360,086,682
Cash flows from investing activities			
Additions to property, plant and equipment	4	(1,859,694,479)	(1,846,746,772)
Additions to intangible asset		(50,611,327)	-
Proceeds from disposal of assets held for sale		22,783,585	4,454,679
Redemption of short-term deposits		-	1,000,000,000
Finance income received		23,911,667	53,040,775
Net cash used in investing activities		(1,863,610,554)	(789,251,318)

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

	Note	<u>For the year ended 31 December</u>	
		<u>2024</u>	<u>2023</u>
Cash flows from financing activities			
Proceeds from long-term borrowings	13	-	499,984,900
Repayment of long-term borrowings	13	(100,000,000)	-
Principal element of lease payments	6.2	(67,167,738)	(64,760,335)
Finance cost paid		(227,611,498)	(177,500,645)
Dividends paid	26	(344,825,105)	(225,162,529)
Net cash (used in) / generated from financing activities		(739,604,341)	32,561,391
Net change in cash and cash equivalents			
		(853,614,938)	603,396,755
Cash and cash equivalents at the beginning of the year		1,435,421,469	832,024,714
Cash and cash equivalents at the end of the year	9	581,806,531	1,435,421,469
Significant non-cash transactions			
Transfers from property, plant and equipment to assets held for sale	4	11,670,377	19,571,214
Borrowing cost capitalized during the year	4	-	37,580,760
Accruals against liquidated damages	16.2	61,813,125	-



Khalid Nuh
(Chairman)



Ghassan Mirdad
(Chief Executive Officer)



Hubert Lafeuille
(Chief Financial Officer)

The accompanying notes 1 through 28 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 2024

(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.

During the year the Group established a branch in the Kingdom of Saudi Arabia operating under commercial registration number 2051026089.

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.

Shareholders and their ownership in the Company are as follows:

	Number of shares	Ownership (%)	Nominal Value
Industrialization and Energy Services Company (TAQA)	31,773,000	35.7%	317,730,000
Services Pétroliers Schlumberger S.A. (SPS)	30,527,000	34.3%	305,270,000
Free float	26,700,000	30.0%	267,000,000
Total	89,000,000	100.0%	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, require another measurement basis as disclosed in the applicable accounting policies in Note 3 – Material accounting policy information.

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.

Arabian Drilling Company
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2024
(All amounts in Saudi Riyals unless otherwise stated)

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 one year, exercisable at the Group's discretion. 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.

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 14.5.

Arabian Drilling Company
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2024
(All amounts in Saudi Riyals unless otherwise stated)

(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.

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 77.1 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) Impairment of property, plant and equipment and right-of-use assets

Management, in accordance with the accounting policy stated in 3.11.2, tests assets or CGUs for impairment whenever impairment indicators exist. Among others, the events or changes in circumstances which could indicate that an asset or CGU may be impaired mainly include the following:

- A significant decrease in the market prices of services rendered by the Group; and
- A significant change in the extent or manner in which an asset is being used or in its physical condition including a significant decrease in current and projected future cash inflows.

Management determines the recoverable amount of the assets based on value-in-use calculations or, based on applicable circumstance, fair value less cost to sell. The value-in-use calculations require the use of estimates in relation to the future cash flows and use of an appropriate discount rate applicable to the circumstances of the Group. Fair value less cost to sell is determined based on quotations received from market participants for sale of assets or CGUs being tested for impairment or other similar assets.

Future events could cause the estimates used in these value-in-use calculations or fair value less cost to sell to change adversely with a consequent effect on the future results of the Group. Management has performed a sensitivity analysis around the estimates. For details on the key assumptions and sensitivities, refer note 4.1.

(d) Provision for impairment of obsolete, slow moving and damaged inventories

Inventory is stated at cost or 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 provision for slow-moving inventories in each subsequent period in accordance with the Group's policy. 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 1.5 million lower or higher, respectively.

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3. Material accounting policy information

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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(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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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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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, and
- hedge ineffectiveness recognized in the consolidated statement of profit or loss and other comprehensive income.

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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3.6 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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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.

3.8 Intangible asset

Intangible assets represent software cost and are amortized using straight-line method over their estimated useful life of five years.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each annual reporting period. The amortization expense on intangible assets with finite useful lives is recognized in profit or loss in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and carrying amount of the asset and are recognized in profit or loss when the asset is derecognised.

3.9 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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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.

3.10 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, 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.

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3.11 Financial instruments

3.11.1 Financial assets

(i) *Classification*

The Group's financial assets are classified and measured at amortised cost as such assets are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest.

(ii) *Recognition and derecognition*

At initial recognition, the Group measures financial assets at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition of financial asset.

The Group derecognizes a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

(iii) *Measurement*

Subsequent measurement of financial assets depends on the Group's business model for managing the assets and the cash flow characteristics of the assets. Assets that are held for collection of contractual cash flows where those cash flows represent solely payment of principal and interest are measured at amortised cost. A gain or loss on a financial instrument that is subsequently measured at amortized cost and is not part of the hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is calculated using the effective interest rate method.

3.11.2 Financial liabilities

All financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are recognized initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using the effective interest rate method.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in profit or loss.

3.11.3 Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date when a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The group designates certain derivatives as hedges of a particular risk associated with the cash flows of recognised assets and liabilities (cash flow hedges).

At inception of the hedge relationship, the group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of derivative financial instruments designated in hedge relationships are disclosed in note 24.1. Movements in the hedging reserve in shareholders' equity are shown in the consolidated statement of changes in equity.

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(i) Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within 'other operating income-net'.

Amounts accumulated in equity are accounted for as follows:

The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

(ii) *Classification of derivatives*

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss.

The full fair value of hedging derivatives is classified as a non-current asset or liability where the remaining maturity of the hedged item is more than 12 months. It is classified as a current asset or liability where the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Hedge effectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and the hedging instrument.

The group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The group does not hedge 100% of its loans, and so the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. Since all critical terms matched during the year, there is an economic relationship.

Hedge ineffectiveness for interest rate swaps might occur due to:

- the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan, and
- differences in critical terms between the interest rate swaps and loans.

Hedge ineffectiveness in relation to the interest rate swaps was negligible for 2024 and 2023.

3.11.4 Offsetting financial assets and liabilities

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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3.12 Impairment of financial and non-financial assets

3.12.1 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

3.12.2 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

For trade receivables and contract assets, the Group applies the simplified approach as permitted by IFRS 9, which requires expected lifetime losses to be recognised from the initial recognition of the related financial assets. The amount of loss is charged to profit or loss.

The loss rates are based on probability of default assigned by reputed credit rating agencies to the relevant credit rating of the Group's customers. The loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the expected rate of increase in inflation for the upcoming year in the Kingdom of Saudi Arabia as the most relevant factor, and accordingly adjusts the loss rates based on such expected changes.

Trade receivables and contract assets are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, significant decrease in credit worthiness of the customer, the failure of the customer to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 730 days past due.

Other financial assets are considered to have low credit risk; therefore, 12 months expected loss model is used for impairment assessment.

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.

3.13 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.

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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.

3.14 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.

3.15 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.

3.16 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.

3.17 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.

3.18 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.

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3.19 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.

3.20 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.

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3.21 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.

3.22 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.

3.23 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.

3.24 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.

3.25 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.

3.26 Cost of revenue

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

3.27 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.

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3.28 New standards, amendments and interpretations

(a) New and amended standards with no material effect on the consolidated financial statements

The group has applied the following standards and amendments for the first time for its annual reporting period commencing 1 January 2024:

- Amendment to IAS 1 - Non-current liabilities with covenants;
- Amendment to IFRS 16 - Leases on sale and leaseback; and
- Amendment to IAS 7 and IFRS 7 - Supplier finance arrangements

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 amended standards issued but not yet effective

Certain new accounting standards, amendments to standards and interpretations have been published by the International Accounting Standards Board (“IASB”), endorsed in the Kingdom of Saudi Arabia by SOCPA, that are not mandatory for 31 December 2024 reporting period and have not been early adopted by the Group.

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

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4 Property, plant and equipment

Cost	Buildings and portable cabins		Rig, machinery and equipment	Furniture, fixtures and office equipment		Vehicles	Assets under construction	Total
	Freehold land							
As at 1 January 2024	88,236,250	180,087,917	13,323,425,718	121,189,474	147,638,044	985,192,811	14,845,770,214	
Additions	-	-	-	-	-	1,859,694,479	1,859,694,479	
Transfers	-	4,725,899	2,058,182,818	8,526,298	5,252,290	(2,076,687,305)	-	
Transfers to held for sale	-	(25,650)	(277,393,343)	(1,188,847)	(5,418,197)	-	(284,026,037)	
As at 31 December 2024	88,236,250	184,788,166	15,104,215,193	128,526,925	147,472,137	768,199,985	16,421,438,656	
Accumulated depreciation and impairment								
As at 1 January 2024	-	(23,138,957)	(6,893,258,117)	(74,709,639)	(116,828,618)	-	(7,107,935,331)	
Charge for the year	-	(3,964,219)	(752,614,016)	(8,548,081)	(5,749,580)	-	(770,875,896)	
Impairment loss (Note 4.2)	-	-	(105,000,000)	-	-	-	(105,000,000)	
Transfers to held for sale	-	20,657	265,808,487	1,182,072	5,344,444	-	272,355,660	
As at 31 December 2024	-	(27,082,519)	(7,485,063,646)	(82,075,648)	(117,233,754)	-	(7,711,455,567)	
Net book value								
As at 31 December 2024	88,236,250	157,705,647	7,619,151,547	46,451,277	30,238,383	768,199,985	8,709,983,089	

- a) Rig, machinery and equipment represent assets used for drilling contracts to provide drilling service to its customers.
- b) Assets under construction at 31 December 2024 represent certain rigs under construction which are expected to be capitalised in 2025.
- c) As at 31 December 2024, assets under construction include advances for capital expenditure amounting to Saudi Riyals 93.2 million (2023: Saudi Riyals 545.7 million).
- d) During 2023, finance cost of Saudi Riyals 37.6 million has been capitalized.

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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
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Depreciation charge has been allocated as follows:

	2024	2023
Costs of revenue (Note 17)	865,992,313	607,255,923
General and administrative expenses (Note 18)	9,883,583	10,286,491
	875,875,896	617,542,414

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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4.1 Impairment loss

During the year ended 31 December 2024, the Ministry of Energy of the Kingdom of Saudi Arabia (“MoE”) announced to curtail the expansion plans of its production capacity, which in repercussion has resulted in Saudi Arabian Oil Company (“Saudi Aramco”) adjusting the number of its required offshore and onshore contracted rigs downwards. As a result of this announcement and after several discussions with Saudi Aramco, the Company announced that Saudi Aramco decided to suspend the drilling contract for two of its offshore rigs and two of its onshore rigs, while the drilling contract related to three onshore rigs will not be renewed. Further, one drilling contract related to an offshore rig was terminated during the year.

These events were identified as impairment indicators by the Group management for the above mentioned rigs where each rig was concluded to be a single CGU. Accordingly, an impairment assessment was carried out for such CGUs as at 31 December 2024. The impairment assessment was based on value-in-use calculations which require management to estimate the future cash flows and appropriate discount and growth rates.

Key assumptions used in this analysis included:

- a pretax discount rate (weighted average cost of capital) of 10.43%;
- increase of 10% in day rates in the forecasted period after every three years;
- resumption of suspended drilling in 2026; and
- alternate plans for rigs which are out of contract.

Management concluded that the recoverable amount for such CGUs was higher than their carrying amounts. The estimated recoverable amount was based on an approved business plan. The calculation involved an in-depth review of each key element of the CGUs’ revenues and costs (including day rates, operating costs and capital expenditure) and included a review of historical results, external market and economic conditions.

The recoverable amounts of certain CGUs would equal their carrying amounts due to the following changes in certain key estimates:

	31 December 2024	
	From	To
Discount rate to increase	10.43%	11.28%
Growth in day rates to decrease	10.00%	9.00%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

Management has considered and assessed reasonably possible changes for other key assumptions and has not identified any instances that could cause the carrying amount of the CGUs to exceed its recoverable amount.

4.2 Impairment loss recognized during the year ended 31 December 2024

As a result of the suspension and non-renewal of the drilling contracts of the rigs and its impact on the Group’s cash flows, the Group management decided to reassess and cancel certain planned capex spendings related to two rigs during 2024. Since this planned capex was deemed critical for the continuous marketability of these rigs, the Group management decided to impair these two rigs up to its recoverable amounts of Saudi Riyals 2.9 million and Saudi Riyals 14.1 million, respectively, and an impairment loss of Saudi Riyals 105.0 million was recorded in cost of revenue during the year ended 31 December 2024. The recoverable amounts were based on fair values less costs of disposal for the rigs which are categorised within Level 2 of the fair value hierarchy and were determined by obtaining independent quotations from prospective buyers for the same or similar rigs.

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5 Intangible asset

	2024	2023
As at 1 January	-	-
Additions	<u>50,611,327</u>	-
As at 31 December	<u>50,611,327</u>	-

The additions during the year relate to cost of SAP S/4 Hana capitalized during the year.

6. 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.

6.1 Right-of-use assets

Cost	Vehicles	Warehouse	Rigs and related equipment	Total
As at 1 January 2024 and 31 December 2024	<u>9,018,948</u>	<u>4,508,656</u>	<u>191,734,241</u>	<u>205,261,845</u>
Accumulated depreciation				
As at 1 January 2024	(1,744,687)	(826,587)	(70,854,928)	(73,426,202)
Charge for the year	<u>(2,259,367)</u>	<u>(450,865)</u>	<u>(63,998,796)</u>	<u>(66,709,028)</u>
As at 31 December 2024	<u>(4,004,054)</u>	<u>(1,277,452)</u>	<u>(134,853,724)</u>	<u>(140,135,230)</u>
Net book value as at 31 December 2024	<u>5,014,894</u>	<u>3,231,204</u>	<u>56,880,517</u>	<u>65,126,615</u>

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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

6.2 Lease liabilities

	2024	2023
As at 1 January	135,060,094	199,820,429
Finance cost on lease liability (Note 19)	5,227,796	8,491,996
Payments during the year	(72,395,534)	(73,252,331)
As at 31 December	67,892,356	135,060,094
Non-current portion	4,114,021	67,892,228
Current portion	63,778,335	67,167,866
As at 31 December	67,892,356	135,060,094

Maturity analysis of lease liabilities are as follows:

	2024	2023
Less than one year	66,521,888	72,395,535
Two to five years	3,410,850	68,432,426
Over five years	1,205,100	1,761,300
Total undiscounted cash flow	71,137,838	142,589,261
Less: Future finance costs on lease liabilities	(3,245,482)	(7,529,167)
Carrying value of lease liabilities	67,892,356	135,060,094

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

	2024	2023
Depreciation charge for right-of-use assets		
Cost of revenue (Note 17)	66,709,028	66,527,995
Finance cost on lease liabilities		
Finance costs on lease liability (Note 19)	5,227,796	8,491,996

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 2024 amounted to Saudi Riyals 140.9 million (2023: Saudi Riyals 113.9 million) are charged to the consolidated statement of profit or loss and other comprehensive income.

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Amounts presented in the consolidated statement of cash flows:

The total cash outflow for leases during the year ended 31 December 2024 amounts to Saudi Riyals 72.4 million (2023: Saudi Riyals 73.2 million).

7. Inventories

	2024	2023
Spare parts, supplies and consumables	337,919,873	314,555,236
Less: provision for obsolete, slow moving and damaged inventories	(29,248,414)	(34,813,806)
	<u>308,671,459</u>	<u>279,741,430</u>

During the year, the Group has consumed spare parts, supplies and consumables amounting to Saudi Riyals 260.8 million (2023: Saudi Riyals 270.2 million). Movement in provision for obsolete, slow moving and damaged inventories is as follows:

	2024	2023
1 January	34,813,806	28,671,846
Charge for the year	2,071,414	6,141,960
Write offs during the year	(7,636,806)	-
31 December	<u>29,248,414</u>	<u>34,813,806</u>

8. Trade and other receivables

	2024	2023
Trade receivables:		
Third parties	163,488,017	455,939,422
Unbilled receivable	365,756,926	392,053,398
Related parties	151,181,823	159,684,752
	680,426,766	1,007,677,572
Less: allowance for ECL	(5,257,070)	(4,101,340)
	675,169,696	1,003,576,232
Other receivables:		
Prepayments	60,339,102	47,280,079
Advance to suppliers	36,710,829	12,729,208
Other	7,361,305	8,743,862
	<u>779,580,932</u>	<u>1,072,329,381</u>

	2024	2023
Movement in allowance for ECL is as follows:		
As at 1 January	4,101,340	3,481,737
Charge for the year	1,155,730	619,603
As at 31 December	<u>5,257,070</u>	<u>4,101,340</u>

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Information about the Group's exposure to credit and market risks, and impairment losses for trade receivables are included in Note 24.1 (b). The aging analysis of these trade receivable is as follows:

	2024	2023
Not due	475,703,039	608,293,621
Overdue up to 90 days	151,215,492	295,104,267
Overdue for a period between 91 to 180 days	19,745,543	90,360,704
Overdue for a period between 181 to 270 days	22,343,727	12,991,087
Overdue for a period between 271 to 365 days	4,930,117	198,350
Overdue for more than 365 days	6,488,848	729,543
	680,426,766	1,007,677,572

9. Cash and cash equivalents

	2024	2023
Cash at bank	581,641,174	466,404,665
Cash in hand	165,357	266,804
Time deposits	-	968,750,000
	581,806,531	1,435,421,469

10. 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 the Board of Directors.

	2024	2023
As at 1 January	13,111,001	12,402,180
Transfers from property, plant and equipment	11,670,377	19,571,214
Disposals during the year	(22,783,584)	(10,589,950)
Reversal / (impairment) on assets held for sale	3,791,407	(8,272,443)
As at 31 December	5,789,201	13,111,001

11. Share capital

As at 31 December 2024, the share capital of the Company comprised of 89,000,000 shares at a nominal value of Saudi Riyals 10 per share (31 December 2023: 89,000,000 shares at a nominal value of Saudi Riyals 10 per share).

12. Statutory reserve

According to the newly enacted Companies Law and its implementing regulations effective in KSA starting 19 January 2023, the mandatory statutory reserve requirement was abolished. In pursuant to this change, the Board of Directors resolved to amend the Group's Bylaws to exclude the requirement to maintain a statutory reserve., The Group is in the process of obtaining the approval of the shareholders for the utilization of this reserve.

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13. Long term borrowings

	2024	2023
Sukuk (Note 13.3)	2,000,000,000	2,000,000,000
Murabaha borrowings (Note 13.2)	899,984,900	999,984,900
Add: accrued finance costs	64,780,863	68,469,771
	2,964,765,763	3,068,454,671
Less: unamortized transaction cost	(9,824,594)	(14,359,022)
	2,954,941,169	3,054,095,649
Long-term borrowings are presented as follows:		
Current maturity under current liabilities	282,427,922	168,469,771
Non-current portion	2,672,513,247	2,885,625,878
	2,954,941,169	3,054,095,649
Movement in unamortized transaction cost is as follows:		
As at 1 January	14,359,022	18,861,463
Less: amortization for the year	(4,534,428)	(4,502,441)
As at 31 December	9,824,594	14,359,022

13.1 The borrowings comprise of long-term financing arrangements with certain non-conventional banks and carry finance costs based on prevailing market rates plus an applicable margin.

13.2 Murabaha borrowings

During 2023, the Group had obtained a murahaba loan facility of Saudi Riyals 500.0 million from a Saudi commercial bank to finance its capital expenditure. The murahaba 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 2024, the Group was in compliance with the covenants of the borrowing facility.

During 2022, the Group had obtained a murahaba facility of Saudi Riyals 500.0 million from a Saudi commercial bank to finance capital expenditure. The murahaba 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 2024, the Group was in compliance with the covenants of the borrowing facility.

13.3 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 2024, the Group was in compliance with such covenants.

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13.3 Maturity profile of principal portion of the borrowings including accrued finance costs:

	2024	2023
Year ended 31 December		
2024	-	168,469,771
2025	311,824,587	247,043,724
2026	217,647,058	217,647,058
2027	2,217,647,059	2,217,647,059
2028	217,647,059	217,647,059
	<u>2,964,765,763</u>	<u>3,068,454,671</u>

14. Employees' benefit obligations

14.1 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 2024 and 2023.

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

	2024	2023
1 January	304,407,017	273,216,040
Charge for the year	47,800,608	44,062,210
Benefits paid during the year	(32,055,638)	(21,296,312)
Remeasurement loss	6,652,271	8,425,079
31 December	<u>326,804,258</u>	<u>304,407,017</u>

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

	2024	2023
Current service cost	34,016,082	33,296,926
Interest expense	13,784,526	10,765,284
Recognized in consolidated statement of profit or loss	<u>47,800,608</u>	<u>44,062,210</u>
Remeasurement gain:		
• financial assumptions	2,239,684	(3,524,297)
• experience adjustments	4,412,587	11,949,376
Recognized in consolidated other comprehensive income	<u>6,652,271</u>	<u>8,425,079</u>

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

	2024	2023
Discount rate	4.96%	4.78%
Salary growth rate	3.75%	3.50%
Mortality rate	A 1949-52	A 1949-52

14.5 Sensitivity analysis for actuarial assumptions

	2024	2023
Discount rate		
1% increase	(24,871,815)	(20,908,953)
1% decrease	28,899,078	23,918,678
Salary growth rate		
1% increase	30,223,762	25,046,046
1% decrease	(26,481,731)	(22,294,097)

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.

14.6 Expected maturity analysis

The weighted average duration of the defined benefit obligation as at reporting period is 8 years (31 December 2023: 8 years). The expected maturity analysis of undiscounted post-employment benefits is as follows:

	Less than a	Between 1 -	Between 2 -	Over 5 years	Total
	year	2 years	5 years		
31 December 2024	36,934,501	36,150,225	113,674,895	1,048,838,610	1,235,598,231
31 December 2023	34,743,791	35,346,478	108,754,048	870,841,393	1,049,685,710

15. Trade and other payables

	2024	2023
Trade payable	194,364,705	242,648,398
Accrued expenses	669,318,680	455,422,737
Value added tax payable	11,071,442	27,024,493
Dividend payable	7,471	7,471
Other	3,250,649	4,290,386
	878,012,947	729,393,485

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

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16. Revenue

	For the year ended 31 December	
	2024	2023
Drilling revenue (Note 16.1)	2,911,354,427	2,859,838,078
Rig move revenue	374,872,730	417,715,600
Mobilization revenue (Note 16.2)	146,714,147	85,661,234
Catering and other revenue	185,876,199	113,308,952
	<u>3,618,817,503</u>	<u>3,476,523,864</u>

16.1 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:

	2024	2023
Within one year	1,774,372,635	1,793,079,049
Within two years	972,352,299	1,441,366,620
Within three years	814,629,225	796,051,808
Within four years	672,187,866	691,469,869
Within five years	421,315,772	539,665,421
Later than five years	478,664,131	692,347,563
	<u>5,133,521,928</u>	<u>5,953,980,330</u>

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

16.2 Mobilization revenue

	2024	2023
As at 1 January	367,684,514	175,830,648
Additions	60,999,375	277,515,100
Revenue recognized during the year	<u>(146,714,147)</u>	<u>(85,661,234)</u>
As at 31 December	<u>281,969,742</u>	<u>367,684,514</u>

Additions to mobilization revenue for the year ended 31 December 2024 includes adjustment of Saudi Riyals 61.8 million related to liquidated damages. The Group incurred such damages due to delays in mobilization of certain new rigs whereby the customer, exercising its rights in the related contracts, will adjust these amounts against future billings. These were accounted for by the Group as variable consideration by netting off from mobilization revenue and will be amortized over the period of the contract term of the relevant rigs.

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

Current portion	66,140,447	94,313,916
Non-current portion	112,889,224	211,515,566
	<u>179,029,671</u>	<u>305,829,482</u>

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17. Cost of revenue

	For the year ended 31 December	
	2024	2023
Salaries, wages and benefits	1,417,622,420	1,405,116,709
Depreciation on property, plant and equipment (Note 4)	865,992,313	607,255,923
Material consumed and rig move expenses	448,157,862	371,190,097
Provision for obsolete, slow moving and damaged inventories (Note 7)	2,071,414	6,141,960
Depreciation on right-of-use assets (Note 6)	66,709,028	66,527,995
Mobilization cost (Note 17.1)	31,847,652	16,311,937
Other	26,517,128	28,075,295
	<u>2,858,917,817</u>	<u>2,500,619,916</u>

17.1 Mobilization cost

	2024	2023
As at 1 January	61,855,032	21,759,221
Additions	72,932,691	56,407,748
Charge for the year	(31,847,652)	(16,311,937)
As at 31 December	<u>102,940,071</u>	<u>61,855,032</u>

Mobilization cost is netted off with mobilization revenue in the accompanying consolidated statement of financial position.

18. General and administration expense

	For the year ended 31 December	
	2024	2023
Salaries and benefits	108,680,273	124,705,816
Professional services	43,378,376	36,216,119
Depreciation on property, plant and equipment (Note 4)	9,883,583	10,286,491
Office supplies	17,581,144	7,362,364
Other	25,171,467	2,548,855
	<u>204,694,843</u>	<u>181,119,645</u>

Statutory audit fees for the year ended 31 December 2024 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 0.68 million (2023: Saudi Riyals 0.66 million). Other fees charged by the statutory auditor for the year ended 31 December 2024 comprise of Saudi Riyals 0.38 million (2023: Saudi Riyals 0.12 million) for allowable zakat and tax compliance services and certain other allowable engagements.

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19. Finance cost

	For the year ended 31 December	
	2024	2023
Finance cost on murabaha loans	64,453,539	19,240,187
Finance cost on sukuk	158,726,717	129,031,372
Finance cost on lease liabilities (Note 6.2)	5,227,796	8,491,996
Other finance costs	718,842	4,118,775
	229,126,894	160,882,330

20. Zakat and income tax

20.1 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.

20.2 Zakat and income tax

	For the year ended 31 December	
	2024	2023
Zakat charge	4,973,767	28,273,103
Current tax expense – Local tax	9,062,354	30,816,329
Current tax expense – Foreign tax	2,000,000	8,329,519
Deferred tax expense (Note 20.5)	20,618,778	15,914,050
Net charge to consolidated statement of profit or loss	36,654,899	83,333,001
Deferred tax credit on other comprehensive income elements (Note 20.5)	(456,346)	(577,960)
	36,198,553	82,755,041

20.3 Provision for zakat and income tax

	Zakat	Income tax	Total
As at 1 January 2024	27,122,730	5,009,039	32,131,769
Current year charge – Local tax	5,677,918	9,504,442	15,182,360
Current year charge – Foreign tax	-	2,000,000	2,000,000
Payments made during the year	(26,418,579)	(26,723,007)	(53,141,586)
Prior year adjustments	(704,151)	(442,088)	(1,146,239)
As at 31 December 2024	5,677,918	(10,651,614)	(4,973,696)
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

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20.4 Numerical reconciliation of income tax expense

	For the year ended 31 December	
	2024	2023
Profit before zakat and income tax	358,019,636	687,946,934
Income tax rate applicable to the Group	20%	20%
Income tax on profit before zakat and income tax	71,603,927	137,589,387
Reconciliation:		
Tax effect of profit subject to zakat	(47,043,780)	(90,396,227)
Foreign tax	2,000,000	8,329,519
Tax effect of disallowed expenses and other differences	5,120,985	(462,781)
	31,681,132	55,059,898

20.5 Deferred taxes

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

	2024	2023
Employees' benefit obligations	326,804,258	304,407,017
Property, plant and equipment	(3,055,090,920)	(2,747,613,398)
Provisions	41,736,488	50,569,237
Taxable temporary differences - net	(2,686,550,174)	(2,392,637,144)
Deferred tax liabilities	(184,297,340)	(164,134,909)

Movement in deferred tax liabilities is attributable to:

	Employees' benefit obligations	Property, plant and equipment	Provisions	Total
As at 1 January 2024	20,882,322	(188,486,279)	3,469,048	(164,134,909)
Charge to consolidated statement of profit or loss	1,080,107	(21,092,959)	(605,925)	(20,618,777)
Credited to consolidated statement of other comprehensive income	456,346	-	-	456,346
As at 31 December 2024	22,418,775	(209,579,238)	2,863,123	(184,297,340)
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)
Charge 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)

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20.6 Status of assessments

Arabian Drilling Company

ZATCA has finalized the Company's zakat and income tax assessments for the years up to 2021. The assessments for the years 2022 through 2024 are still open for zakat and income tax assessment from ZATCA and no assessments for these years have been received as at 31 December 2024.

Ofsat Arabia LLC

ZATCA has finalized the zakat and income tax assessments of Ofsat for the years up to 2021. The assessments for years 2022 through 2024 are still open for zakat and income tax assessments from ZATCA and no assessments for these years have been received as at 31 December 2024.

21. Contingencies and commitments

- i. As at 31 December 2024, the Group's bankers have issued guarantees on behalf of the Group amounting to Saudi Riyals 451.78 million (31 December 2023: Saudi Riyals 482.58 million) and the letters of credit issued in the normal course of business amounting to Saudi Riyals 2.64 million (31 December 2023: Saudi Riyals 27.86 million).
- ii. The capital expenditure contracted by the Group but not incurred till 31 December 2024 was approximately Saudi Riyals 187.02 million (31 December 2023: Saudi Riyals 1,559.16 million).

22. Basic and diluted earnings per share

Basic and diluted earnings per share are calculated as follows:

	For the year ended 31 December	
	2024	2023
Profit attributable to the shareholders of the Group	321,364,737	604,613,933
Weighted average number of ordinary shares for basic and diluted earnings per share	89,000,000	89,000,000
Basic and diluted earnings per share	3.61	6.79

22.1 Weighted-average number of ordinary shares

	2024	2023
As at 1 January (Note 22.2)	89,000,000	81,430,137
Effect of new shares issued in November 2022	-	7,569,863
Weighted-average number of shares at 31 December	89,000,000	89,000,000

- 22.2** The weighted average number of shares for the year ended 31 December 2023 has been adjusted to 89,000,000 shares, to the extent of increase in shares resulted from capitalization of retained earnings and additional paid-in capital with no additional consideration.

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23. 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 at least 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 2024 and 2023 and for the year ended 31 December 2024 and 2023, summarized below based on above stated operating segments:

a) *Segment results*

For the year ended 31 December 2024

	<u>Land rigs</u>	<u>Off-shore rigs</u>	<u>Other</u>	<u>Total</u>
Revenue from external customers	2,140,822,296	1,477,995,207	-	3,618,817,503
Intersegment revenue	-	-	236,823,954	236,823,954
Intersegment cost	(236,823,954)	-	-	(236,823,954)
Cost of revenue	(1,742,549,080)	(914,546,181)	(201,822,556)	(2,858,917,817)
Segment results	<u>161,449,262</u>	<u>563,449,026</u>	<u>35,001,398</u>	<u>759,899,686</u>

For the year ended 31 December 2023

	<u>Land rigs</u>	<u>Off-shore rigs</u>	<u>Other</u>	<u>Total</u>
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	<u>278,057,615</u>	<u>649,731,606</u>	<u>48,114,727</u>	<u>975,903,948</u>

Reconciliation of segment results with profit before zakat and income tax

	<u>For the year ended 31 December</u>	
	<u>2024</u>	<u>2023</u>
Total results for reporting segments	759,899,686	975,903,948
Expected credit loss allowance	(1,155,730)	(619,603)
General and administrative expenses	(204,694,843)	(181,119,645)
Other operating income - net	11,483,783	7,068,550
Finance costs - net	(207,513,260)	(113,286,316)
	<u>358,019,636</u>	<u>687,946,934</u>

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b) *Segment assets*

As at 31 December 2024

	Land rigs	Off-shore rigs	Other	Eliminations	Total
Property, plant and equipment	4,426,679,190	3,501,738,323	267,024,301	-	8,195,441,814
Right-of-use-assets	-	61,895,411	3,231,204	-	65,126,615
Long-term deposits	-	16,200,000	-	-	16,200,000
Inventories	188,447,387	114,956,827	5,267,245	-	308,671,459
Trade receivables	521,326,197	159,100,569	62,174,344	(62,174,344)	680,426,766
Assets held for sale	-	5,789,201	-	-	5,789,201
	5,136,452,774	3,859,680,331	337,697,094	(62,174,344)	9,271,655,855

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

Reconciliation of segment assets with total assets

	2024	2023
Total segment assets	9,271,655,855	8,691,479,612
Cash and cash equivalents	581,806,531	1,435,421,469
Unallocated property, plant & equipment (corporate assets)	565,152,602	485,512,155
Unallocated right-of-use assets	-	9,258,718
Unallocated assets held for sale	-	150,044
Derivative financial instrument	6,419,826	-
Others	109,805,780	64,651,809
	10,534,840,594	10,686,473,807

c) *Other information*

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

	2024	2023
Saudi Aramco	2,515,980,502	2,374,040,625
Schlumberger Middle East S.A.	593,189,967	613,980,275
Al Khafji Joint Operations	278,526,191	215,269,526
Baker Hughes Company	231,120,843	271,840,919
Others	-	1,392,519
	3,618,817,503	3,476,523,864

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24. Financial risk management

24.1 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 2024 and 2023, the Group's borrowings were denominated in Saudi Riyals.

At 31 December 2024, the Group had variable interest bearing financial liabilities of Saudi Riyals 2.95 billion (2023: Saudi Riyals 3.05 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 29.6 million (2023: 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.

During the year, the Group has entered into interest rate swap agreements which have been designated as cash flow hedge. Since the critical terms under the hedging arrangement are similar, the hedging effectiveness is expected to remain 100% throughout the life of the hedging arrangement. The notional amount covered under the hedging arrangement amount to Saudi Riyals 250.0 million (2023: Nil).

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(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.

(a) *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 2024, 99.3% (2023: 99.7%) 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 2024		
	Weighted average loss rate	Gross carrying amount	Loss allowance
Not due	0.3%	475,703,039	1,199,367
Overdue up to 90 days	0.8%	151,215,492	1,242,690
Overdue for a period between 91 to 180 days	1.6%	19,745,543	325,740
Overdue for a period between 181 to 270 days	2.0%	22,343,727	441,160
Overdue for a period between 271 to 365 days	2.7%	4,930,117	131,259
Overdue for more than 365 days	29.5%	6,488,848	1,916,854
	0.8%	680,426,766	5,257,070

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	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

(b) 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 2024	Carrying amount	Total	Contractual cashflows		
			Less than 1 year	2 to 5 years	More than 5 years
Non-derivative financial liabilities					
Long term borrowings	2,964,765,763	3,491,358,003	454,484,294	3,036,873,709	-
Lease liabilities	67,892,356	73,439,333	68,321,457	4,449,141	668,735
Trade and other payables	863,683,385	863,683,385	863,683,385	-	-
Total	3,896,341,504	4,428,480,721	1,386,489,136	3,041,322,850	668,735

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31 December 2023	Carrying amount	Contractual cashflows			
		Total	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

24.2 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 2024 and 2023.

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As at 31 December 2024 and 2023, 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 2024. There are no transfers between levels during the year ended 31 December 2024 and 2023.

24.3 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:

	2024	2023
Total borrowings (including lease liabilities)	3,022,833,525	3,189,155,743
Less: cash and cash equivalents (including short term deposits)	(581,806,531)	(1,435,421,469)
Net debt	2,441,026,994	1,753,734,274
Total equity	5,944,188,215	5,961,421,402
Gearing ratio	41%	29%

Net debt reconciliation:

The movement in net debt is as follows:

	2024	2023
As at 1 January	1,753,734,274	895,394,701
Finance costs	229,126,894	160,882,330
Proceeds from long-term borrowings	-	499,984,900
Finance costs paid	(227,611,498)	(177,500,645)
Repayment of long-term borrowings	(100,000,000)	-
Principal element of lease payments	(67,167,738)	(64,760,335)
Other changes in cash and cash equivalents	852,945,062	439,733,323
As at 31 December	2,441,026,994	1,753,734,274

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24.4 Categories of financial instruments

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

	2024	2023
Financial assets at amortized cost		
Long-term deposits	16,200,000	16,200,000
Trade and other receivables	682,531,001	1,060,489,156
Cash and cash equivalents	581,806,531	1,435,421,469
	<u>1,280,537,532</u>	<u>2,512,110,625</u>
Financial asset at fair value through other comprehensive income		
Derivative financial instrument	6,419,826	-
Financial liabilities at amortized cost		
Long-term borrowings	2,964,765,763	3,068,454,671
Lease liabilities	67,892,356	135,060,094
Trade and other payables	863,683,385	700,719,079
	<u>3,896,341,504</u>	<u>3,904,233,844</u>

25. Related party transactions and balances

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 or ultimate controlling party) and key management personnel of the Company.

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

	<u>For the year ended 31 December</u>	
	2024	2023
Revenue from an associated company	593,189,967	615,372,794
Costs charged by an associated company	7,554,774	8,441,536

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

b) *Key management personnel compensation:*

	<u>For the year ended 31 December</u>	
	2024	2023
Salaries and other short-term employee benefits	16,560,359	17,630,555
Post-employment benefits	1,272,103	780,646
	<u>17,832,462</u>	<u>18,411,201</u>

Additionally, the Group incurred board of directors' fees, including travelling cost for the year ended 31 December 2024 amounting to Saudi Riyals 6.02 million (31 December 2023: Saudi Riyals 8.10 million).

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c) *Due from related parties:*

	2024	2023
Schlumberger Middle East S.A., an associated company	150,571,877	152,028,171
Services Pétroliers Schlumberger S.A. (SPS), a shareholder	-	5,359,834
TAQA Well Services, an associated company	-	2,178,773
	150,571,877	159,566,778

26. Dividends

On 18 March 2024, the Company's shareholders approved cash dividends of Saudi Riyals 2.53 per share totaling to Saudi Riyals 224.8 million. On 1 August 2024, the Company's shareholders approved cash dividends of Saudi Riyals 1.35 per share totaling to Saudi Riyals 120.2 million (2023: approved cash dividends of Saudi Riyals 2.53 per share totaling to Saudi Riyals 225.2 million).

The Company's Board of Directors, at their meeting held on 6 March 2025, proposed cash dividends of Saudi Riyals 1.35 per share totaling to Saudi Riyals 120.2 million which are subject to approval in the Company's annual general assembly meeting. (31 December 2023: approved cash dividends of Saudi Riyals 2.53 per share totaling to Saudi Riyals 225.2 million).

27. Subsequent events

Except as disclosed in Note 26, no other subsequent events occurred between 31 December 2024 and the date of approval of these consolidated financial statements, which may have a material impact on these consolidated financial statements.

28. Approval of consolidated financial statements

These consolidated financial statements were approved by the Board of Directors and authorized for issue on 6 March 2025G (corresponding to 6th Ramadan 1446H).