ADNOC DRILLING COMPANY P.J.S.C.

Reports and consolidated financial statements for the year ended 31 December 2023

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for the year ended 31 December 2023

ADNOC Drilling Company P.J.S.C.

Directors' report
for the year ended 31 December 2023

The Directors are pleased to submit their report, together with the audited consolidated financial statements of ADNOC Drilling Company P.J.S.C. ("the Company") and its subsidiary ("the Group") for the year ended 31 December 2023.

Board of Directors:

The Directors of the Company are:

Chairman	H. E. Dr. Sultan Ahmed Al Jaber
Vice Chairman	Abdulmunim Saif Hamoud AlKindi
Members	Yaser Saeed Ahmed Omran AlMazrouei
	Ahmed Jasim Yousif Naser AlZaabi
	Mohamed AlAryani
	Muna Khalifa Mohamed Hazeem Almheiri
	Omar Ahmed Hassan Suwaina Alsuwaidi

Principal activity

The Group is engaged in providing start to finish drilling and construction services across both conventional and unconventional reservoirs, and the hiring out of onshore and offshore drilling rigs to parties involved in onshore and offshore oil and gas exploration and production.

Financial highlights

Consolidated statement of financial position

The Group's financial position remains very healthy showing net assets at 31 December 2023 of USD 3,264,221 thousand (2022: USD 2,930,981 thousand) with the increase in total net assets mainly due to the profit made in excess of dividend payments in the current year.

Consolidated statement of profit or loss and other comprehensive income:

The Group recognised revenue for the year of USD 3,056,865 thousand (2022: USD 2,673,251 thousand). Profit for the year was USD 1,032,799 thousand (2022: USD 801,807 thousand). The increase in revenue was due to an increase in rig fleet and additional drilling services provided to ADNOC Onshore and ADNOC Offshore.

Consolidated statement of cash flows:

Net cash generated from operating activities amounted to USD 1,355,056 thousand (2022: USD 1,523,811 thousand), the decrease is mainly due to movement in trade and other payables and related party balances. Net cash used in investing activities amounted to USD 1,049,044 thousand (2022: USD 935,868 thousand) which relates to additions to property and equipment and finance income. Net cash used in financing activities amounted to USD 277,404 thousand (2022: USD 715,530 thousand) which mainly relates to finance cost, dividend payments and net borrowings movement.

ADNOC Drilling Company P.J.S.C.

Directors' report
for the year ended 31 December 2023 (continued)

The appropriation of the results for the year is follows:

	USD '000
Retained earnings at 1 January 2023	2,354,738
Total comprehensive income for the year	1,032,799
Transfer to statutory reserve	(77,264)
Dividends	(699,559)
Retained earnings at 31 December 2023	**2,610,714**

Subsequent events

As of the date of this report, no major events have occurred (except as disclosed in note 30 to the consolidated financial statements) that may have a significant impact on the consolidated financial statements for the year ended 31 December 2023.

Financial reporting framework

The Directors of the Group, to the best of their knowledge, believe that:

- The consolidated financial statements, prepared by the management of the Group, fairly present its state of affairs, the results of its operation, cash flows and changes in equity;
- The Group has maintained proper books of account;
- Appropriate accounting policies have been consistently applied in the preparation of consolidated financial statements unless otherwise stated, and accounting estimates are based on reasonable and prudent judgment; and
- The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), and comply, where appropriate with the local laws.

For the Board of Directors

Chairman
Abu Dhabi
United Arab Emirates
12 February 2024

أدنوك للحفر
أدنوك
ADNOC
ADNOC Drilling

Deloitte.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ADNOC DRILLING COMPANY P.J.S.C.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of ADNOC Drilling Company P.J.S.C. ("the Company") and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS Accounting Standards) (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the applicable requirements of Abu Dhabi Accountability Authority (ADAA) Chairman Resolution No. 88 of 2021 Regarding Financial Statements Audit Standards for the Subject Entities. 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 are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Group's consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. The key audit matter was 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 this matter.

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Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Revenue Recognition	
The Group reported revenue of USD 3,056 thousand from drilling and oilfield services for the year ended 31 December 2023, of which 96% is attributable to contracts with its related parties, ADNOC Onshore and ADNOC Offshore. The Group has large volume of transactions with related parties in the normal course of business. There is inherent risk around occurrence of revenue recognised given over 96% of the transactions are with related parties. Due to the materiality of the amounts involved and large volume of transactions we have considered this to be a key audit matter. The Group's accounting policies relating to revenue recognition are presented in note 3 to the consolidated financial statements and details about the Group's revenue are disclosed in note 16 to the consolidated financial statements.	Our audit approach included a combination of test of controls and substantive procedures and included, inter alia, the following: • Understanding the significant revenue processes and identifying the relevant controls related to revenue recognition; • Evaluating the design and testing the operating effectiveness of manual controls over sales to related parties; • Analysing relevant agreements and determining that transactions were recorded in accordance with the substance of the relevant agreements. • Comparing revenue amounts to the prior year. Where we identified any unexpected variance, we carried out more focused testing; • Performing test of details on a sample basis to confirm that the revenue was recognised in accordance with the terms of relevant agreements; • Obtaining direct confirmations from related parties of 96% of the revenue recognised during the year and reconciling these amounts with the billings and accruals made during the year; • Performing sales cut-off procedures and selected a sample of invoices before and after year-end to test whether sales are recorded in the appropriate period; • Assessing whether the revenue recognition criteria adopted by the Group is appropriate and is in accordance with the requirements of IFRSs; and • Assessing the adequacy of disclosures in the consolidated financial statements relating to revenue against the requirements of IFRSs.

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Other Information

Management is responsible for the other information. The other information comprises the Directors' report, which we obtained prior to the date of this auditor's report, and the Operational and Financial Highlights, Chairman's Message, CEO's Message and the other information in the annual report, which are expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we will read the Operational and Financial Highlights, Chairman's Message and CEO's Message, if we conclude that there is a material misstatement therein, we will be required to communicate the matter to those charged with governance and consider whether a reportable irregularity exists in terms of the auditing standards, which must be reported.

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 IFRSs and their preparation in compliance with the applicable provisions of the articles of association of the Company and the UAE Federal Decree Law (32) of 2021, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 ISAs and the applicable requirements of ADAA Chairman's Resolution No. 88 of 2021 Regarding Financial Statements Audit Standards for the Subject Entities 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 ISAs and the applicable requirements of ADAA Chairman's Resolution No. 88 of 2021 Regarding Financial Statements Audit Standards for the Subject Entities, we exercise professional judgement 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 risk, 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, 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 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 Company'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 Company to cease to continue as a going concern.

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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, 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, related safeguards.

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.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ADNOC DRILLING COMPANY P.J.S.C. (continued)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Further, as required by the UAE Federal Decree Law. (32) of 2021, we report for the year ended 31 December 2023 that:

- We have obtained all the information we considered necessary for the purposes of our audit;
- The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Decree law (32) of 2021;
- The Group has maintained proper books of account;
- The financial information included in the Directors' report is consistent with the books of account of the Group;
- As disclosed in note 1 to the consolidated financial statements, the Group has not purchased or invested in shares during the financial year ended 31 December 2023;
- Note 16 to the consolidated financial statements discloses material related party transactions, balances, and the terms under which they were conducted; and
- Based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2023 any of the applicable provisions of the UAE Federal Decree. (32) of 2021 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2023.

Further, as required by ADAA Chairman Resolution No. 88 of 2021 Regarding financial statements Audit Standards for the Subject Entities, we report in connection with our audit of the consolidated financial statements for the year ended 31 December 2023, that nothing has come to our attention that causes us to believe that the Group has not complied, in all material respects, with any of the provisions of the following laws, regulations and circulars as applicable, which would materially affect its activities or the consolidated financial statements as at 31 December 2023:

- Its Articles of Association which would materially affect its activities or its consolidated financial position as at 31 December 2023

Deloitte & Touche (M.E.)

Mohammad Khamees Al Tah
Registration No. 717
12 February 2024
Abu Dhabi
United Arab Emirates

Consolidated Statement of financial position as at 31 December 2023

	Notes	31 December 2023 USD '000	31 December 2022 USD '000
ASSETS			
Non-current assets			
Property and equipment	5	**4,847,540**	3,921,607
Right-of-use assets	6	**173,911**	33,909
Intangible assets	7	**5,432**	8,980
Advances		**1,654**	5,408
Total non-current assets		**5,028,537**	3,969,904
Current assets			
Inventories	8	**206,107**	153,369
Trade and other receivables	9	**153,946**	115,427
Due from related parties	16	**986,696**	929,046
Cash and cash equivalents	10	**354,122**	325,514
		1,700,871	1,523,356
Assets held for sale	11	**10,717**	-
Total current assets		**1,711,588**	1,523,356
Total assets		**6,740,125**	5,493,260
EQUITY AND LIABILITIES			
Equity and reserve			
Share capital	12	**435,671**	435,671
Statutory reserve	12	**217,836**	140,572
Retained earnings		**2,610,714**	2,354,738
Total equity		**3,264,221**	2,930,981
Non-current liabilities			
Borrowings	13	**1,992,264**	-
Trade and other payables	15	**80,936**	28,098
Lease liabilities	6	**152,378**	20,608
Provision for employees' end of service benefits	14	**105,328**	111,081
Total non-current liabilities		**2,330,906**	159,787
Current liabilities			
Borrowings	13	**-**	1,500,000
Trade and other payables	15	**848,834**	404,287
Lease liabilities	6	**36,833**	19,141
Due to related parties	16	**250,237**	466,759
Provision for employees' end of service benefits	14	**9,094**	12,305
Total current liabilities		**1,144,998**	2,402,492
Total liabilities		**3,475,904**	2,562,279
Total equity and liabilities		**6,740,125**	5,493,260

To the best of our knowledge, the financial information included in the report fairly present in all material respects the financial condition, result of operations and cash flows of the Group as of 31 December 2023, and for the periods presented in the report.

Youssef Samy

H. E. Dr. Sultan Ahmed Al Jaber	**Abdulrahman Abdulla Alseiari**	**Youssef Samy Salem**
Chairman	Chief Executive Officer	Chief Financial Officer

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

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023

	Notes	31 December 2023 USD ‘000	31 December 2022 USD ‘000
			(restated)
Revenue	17	**3,056,865**	2,673,251
Direct cost	18	**(1,848,729)**	(1,730,040)
Gross profit		**1,208,136**	943,211
General and administrative expenses	19	**(126,334)**	(118,965)
Other income - net		**9,847**	6,167
Finance cost - net	21	**(58,850)**	(28,606)
Profit for the year		**1,032,799**	801,807
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**1,032,799**	801,807
Earnings per share:			
Basic and diluted	27	**0.065**	0.050

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

Consolidated statement of changes in equity for the year ended 31 December 2023

	Share capital USD '000	Statutory reserve USD '000	Retained earnings USD '000	Total equity USD '000
Balance at 1 January 2022	435,671	60,391	2,299,362	2,795,424
Total comprehensive income for the year	-	-	801,807	801,807
Transfer to statutory reserve	-	80,181	(80,181)	-
Dividends (note 22)	-	-	(666,250)	(666,250)
Balance at 31 December 2022	435,671	140,572	2,354,738	2,930,981
Balance at 1 January 2023	435,671	140,572	2,354,738	2,930,981
Total comprehensive income for the year	-	-	1,032,799	1,032,799
Transfer to statutory reserve	-	77,264	(77,264)	-
Dividends (note 22)	-	-	(699,559)	(699,559)
Balance at 31 December 2023	**435,671**	**217,836**	**2,610,714**	**3,264,221**

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

Consolidated statement of cash flows
for the year ended 31 December 2023

	31 December 2023 USD '000	31 December 2022 USD '000
Cash flows from operating activities		
Profit for the year	**1,032,799**	801,807
Adjustments for:		
Depreciation of property and equipment	**368,110**	386,428
Depreciation of right-of-use assets	**19,589**	15,792
Amortisation of intangible assets	**3,548**	2,314
Impairment/lost in hole of property and equipment – net	**2,016**	2,954
Employees end of service benefit charge - net	**130**	18,373
Allowance for slow-moving inventories	**1,114**	900
Expected credit loss charge	**10,000**	9,004
Finance cost	**74,577**	34,880
Finance income	**(15,727)**	(6,274)
Operating cash flows before changes in working capital	**1,496,156**	1,266,178
Changes in working capital on account of:		
Inventories	**(53,852)**	20,756
Advances	**3,754**	2,226
Trade and other receivables	**(38,519)**	(12,973)
Due from related parties	**(67,650)**	22,350
Trade and other payables	**240,783**	100,258
Due to related parties	**(216,522)**	133,363
Employees' end of service benefit paid	**(9,094)**	(8,347)
Cash generated from operating activities	**1,355,056**	1,523,811
Cash flows from investing activities		
Payments for purchase of property and equipment	**(1,062,274)**	(937,994)
Payments for purchase of intangible assets	**-**	(4,148)
Finance income received	**13,230**	6,274
Net cash used in investing activities	**(1,049,044)**	(935,868)

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

Consolidated statement of cash flows
for the year ended 31 December 2023 (continued)

	31 December 2023 USD '000	31 December 2022 USD '000
Cash flows from financing activities		
Lease liabilities paid	**(10,129)**	(14,916)
Proceed from borrowings - net	**492,264**	-
Dividends paid	**(699,559)**	(666,250)
Finance cost paid	**(59,980)**	(34,364)
Net cash used in financing activities	**(277,404)**	(715,530)
Net increase/(decrease) in cash and cash equivalents	**28,608**	(127,587)
Cash and cash equivalent at the beginning of the year	**325,514**	453,101
Cash and cash equivalents at the end of the year	**354,122**	325,514
Non-cash transactions:		
Additions to right-of-use assets and lease liabilities	**159,591**	15,317
Proceed from borrowings	**1,500,000**	-
Repayment of borrowings	**(1,500,000)**	-

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

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

1. General information

ADNOC Drilling Company P.J.S.C. (“the Company”) is a public joint stock company, incorporated in 1972 by a resolution of the Council of Ministers of the Government of Abu Dhabi. On 29 September 2021, Law No. 9 of 2021 was issued amending Law No. 21 of 2018 that was issued on 6 November 2018, replacing Law No. 4 of 1981 in respect of the incorporation of ADNOC Drilling Company PJSC registered with the commercial register in Abu Dhabi under the commercial license number CN-2688881 issued by the Abu Dhabi Department of Economic Development. The Company also holds an industrial license number IN-2003460 jointly issued by the Abu Dhabi Department of Economic Development and Industrial Development Bureau. The Company is a subsidiary of Abu Dhabi National Oil Company (“ADNOC”), which is wholly owned by the Government of Abu Dhabi. The Company’s shares are listed on the Abu Dhabi Securities Exchange.

The registered address of the Company is P.O Box 4017 Abu Dhabi, United Arab Emirates. The Company is engaged in providing start to finish drilling and construction services across both conventional and unconventional reservoirs, and the hiring out of onshore and offshore drilling rigs to parties involved in onshore and offshore oil and gas exploration and production.

The registered address of ADH RSC LTD (“the subsidiary”) is 2705,2, Al Sarab Tower, Abu Dhabi Global Market Square, Abu Dhabi, United Arab Emirates. The subsidiary is engaged in the activities of holding companies.

These consolidated financial statements comprise of the assets & liabilities and results of operations of Company and its subsidiary (“the Group”).

The Group has not purchased or invested in any shares during the financial year ended 31 December 2023.

2. Application of new and revised International Financial Reporting Standards (IFRSs)

2.1. New and revised IFRSs applied with no material effect on the consolidated financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2023, have been adopted in these consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

- IFRS 17 Insurance Contracts (including the June 2020 and December 2021 Amendments to IFRS 17)
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements - Disclosure of Accounting Policies
- Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IAS 12 Income Taxes - International Tax Reform - Pillar Two Model Rules
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates

Other than the above, there are no other material IFRSs and amendments that were effective for the first time for the financial year beginning on or after 1 January 2023.

2. Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

2.2. New and revised IFRS in issue but not yet effective and not early adopted

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date not yet decided
Amendments to IAS 1 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1 Presentation of Financial Statements - Non-current Liabilities with Covenants	1 January 2024
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures - Supplier Finance Arrangements	1 January 2024
Amendment to IFRS 16 Leases - Lease Liability in a Sale and Leaseback	1 January 2024
IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information	1 January 2024, subject to adoption by the jurisdiction
Amendment to IAS 27 - Lack of Exchangeability	1 January 2025

Further, on 26 September 2023, the International Sustainability Standards Board (ISSB) published first two IFRS Sustainability Disclosure Standards at the IFRS Foundation Conference 2023:

- IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information - IFRS S1 sets out overall requirements with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to the primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.
- IFRS S2 Climate-related Disclosures - IFRS S2 sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.

Subject to adoption by the local jurisdiction, both Standards are effective for annual periods beginning on or after 1 January 2024, with substantial transitional reliefs to allow preparers more time to align reporting of sustainability related financial disclosures and consolidated financial statements.

The above stated new standards and amendments are not expected to have any significant impact on the consolidated financial statements of the Group.

There are no other applicable new standards and amendments to published standards or IFRIC interpretations that have been issued that would be expected to have a material impact on the consolidated financial statements of the Group.

3. Summary of material accounting policy information

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3. Summary of material accounting policy information (continued)

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRSs as issued by the International Accounting Standard Board (IASB) and applicable provision of the UAE Federal Decree Law no. (32) of 2022.

Basis of preparation

The consolidated financial statements have been prepared in United States Dollar (USD), which is the Group's functional and presentation currency and all values are rounded to the nearest thousands (USD'000) except when otherwise stated.

These consolidated financial statements have been prepared on historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Going concern

The directors have, at the time of approving consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing these consolidated financial statements.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entity controlled by the Company ("its subsidiary"). Control is achieved where the Company has:

- power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses 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 listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

3. Summary of material accounting policy information (continued)

Basis of consolidation (continued)

Where necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies in line with those used by the Group. All inter-group transactions, balances, income and expenses are eliminated on consolidation.

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

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Details of the Company's subsidiary are as follows:

Name of subsidiary	Ownership interest		Country of incorporation	Principal activities
	2023	2022		
ADH RSC LTD	**100%**	-	U.A.E.	Activities of holding Company

3. Summary of material accounting policy information (continued)

Investments in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in joint venture.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these financial statements using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is recognised initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount.

Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. When the Group retains an interest in the former associate or a joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate or a joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or a joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

3. Summary of material accounting policy information (continued)

Investments in equity-accounted investees (continued)

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The historical cost consists of expenses related directly to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the consolidated statement of profit or loss and other comprehensive income as incurred.

Depreciation is calculated based on the estimated useful lives of the applicable assets on a straight-line basis commencing when the assets are ready for their intended use. The estimated useful lives, residual values and depreciation methods are reviewed at each consolidated statement of financial position date, with the effect of any changes in estimate accounted for on a prospective basis. Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	2023	**2022**
Building and yards	10 – 20 years	10 – 20 years
Drilling rigs and equipment	4 – 30 years	8 – 20 years
Motor vehicles	4 years	4 years
Furniture, fixtures and office equipment	4 years	4 years

During the year, the Group has revised the useful lives and residual value of the Drilling rigs and equipment based on its strategic objectives, business plan, internal and external assessment, and approval from the management. The financial impact of this re-assessment is disclosed in note 4.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The repair and maintenance expenses are included in the consolidated statement of profit or loss and other comprehensive income when incurred.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated statement of profit or loss and other comprehensive income.

3. Summary of material accounting policy information (continued)

Capital work in progress

Capital work in progress is included in property and equipment at cost. The capital work in progress is transferred to the appropriate asset category and depreciated in accordance with the above policies when construction of the asset is completed and the asset is commissioned and available for uses.

Intangible assets

Intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and impairment losses, if any. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. Intangible assets represent computer software with estimated useful life of 4 years and is amortised on straight-line basis.

The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in profit or loss when the asset is derecognised.

Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its property and equipment, intangible assets, and rights of use to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of fair value less costs of disposal and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and includes invoice value, freight and other expenses incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

3. Summary of material accounting policy information (continued)

Leases

The Group as lessee

The Group assesses whether contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

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

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

The lease liability is presented as a separate line item in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revise discount rate is used).
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use of asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use of assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss as described in the 'Impairment of tangible and intangible assets' policy.

As a practical expedient, IFRS16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement.

3. Summary of material accounting policy information (continued)

Employee benefits

Provision is made for the estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the reporting date. Provision is made for the full amount of end of service benefits due to employees in accordance with the UAE Labour Law, for their period of service up to the end of the reporting date.

The provision relating to annual leave and leave passage is disclosed as a current liability, while that relating to end of service benefit is disclosed as a non-current liability.

Provisions

Provisions are recognised when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Revenue

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Drilling and oil field services

The drilling services represent drilling contracts that includes rig packages, including crews and support equipment and providing start to finish drilling and construction services across both conventional and unconventional reservoirs, to its customers. Contracts may be for a single well, multiple wells or a fixed term.

The Group's drilling services provided under each drilling rig contract is a single performance obligation satisfied over time and is comprised of a series of distinct time service periods in which the Group provides drilling services.

Variable consideration is assessed to the extent that it is probable that a significant reversal will not occur during the contract term. When determining if variable consideration should be recognised, management considers whether there are factors outside of the Group's control that could result in a significant reversal of revenue as well as the likelihood and magnitude of a potential reversal of revenue.

Revenue from reimbursable goods and services

Revenue from reimbursable goods and services represents mark-ups on certain equipment, materials and supplies, third party services and other expenses acquired at the request of the customer.

3. Summary of material accounting policy information (continued)

Foreign currencies

For the purpose of these consolidated financial statements United States Dollar (USD) is the functional and the presentation currency of the Group.

Transactions in currencies other than USD (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated statement of profit or loss and other comprehensive income.

Financial assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. The Group does not currently have any financial assets that are measured at fair value.

Financial assets designated at amortised cost

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

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

Amortised cost and effective interest rate method

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

3. Summary of material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in the consolidated statement of profit or loss and other comprehensive income.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on trade receivables and due from related parties. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and due from related parties. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

3. Summary of material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default;
- The borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 365 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

3. Summary of material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recorded at the proceeds received, net of direct issue costs.

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Group's shareholders.

Financial liabilities measured subsequently at amortised cost

All financial liabilities are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

3. Summary of material accounting policy information (continued)

Employees' pension

The Group makes pension contributions on behalf of UAE citizens in accordance with the Emirate of Abu Dhabi Law No. 2 of 2000. The contributions are treated as payments to a defined contribution pension plan. A defined contribution plan is a pension plan under which fixed contributions are paid into a separate pension entity fund.

The Group has no legal or constructive obligations to pay further contributions if the Abu Dhabi Retirement Pensions & Benefits Fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Value added tax

Value added tax ('VAT') represents a standard rate of 5% that shall be imposed on any supply or import pursuant to Article (2) of the Federal Decree Law No. (8) of 2017 on the value of the supply or import as specified in the provisions of this Decree Law, effective from 1 January 2018.

- VAT payable, is payable to the Tax Federal Authority upon collection of receivables from customers. VAT on purchases, which have been settled at the date of the consolidated statement of financial position, are deducted from the amount payable.
- VAT receivable, relates to purchases which have not been settled at the date of the consolidated statement of financial position, VAT receivable is reclaimable against sales VAT upon payment of the purchases.

Non-current assets held-for-sale

The Group classifies non-current assets held-for-sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held-for-sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held-for-sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property and equipment and intangible assets are not depreciated or amortised once classified as held-for-sale.

Assets classified as held-for-sale are presented separately as current items in the consolidated statement of financial position.

4. Key judgement and source of estimation and uncertainty

The preparation of the consolidated financial statements in compliance with IFRSs requires the management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Revenue presentation

Third party rig rental contracts are those which are entered into with third parties for the benefit of related parties. In such contracts, the Group neither has control over the rigs or services provided by the third party nor takes delivery of the rigs prior to its deployment by the related parties. In addition, the Group enters into back-to-back arrangements with related parties on the same term as it does with the third parties (which is contractually acknowledged by the third parties). Consequently, management has concluded that it is acting as an agent in these arrangements. Accordingly, revenue and cost relating to these services are presented on a net basis. Had management concluded that they were acting as principal in these transactions, revenue and direct costs would have been higher by USD 139,833 thousand in the current year (2022: USD 149,980 thousand).

Capitalisation of borrowing costs

As described in note 3, the Group capitalises borrowing costs directly attributable to the acquisition, construction or production of qualifying assets. Qualifying assets are the acquisition of rigs which take substantial period of time to get ready for their intended use or sale. The borrowing cost is capitalised for these rigs, until such time as the rigs is substantially ready for their intended use or sale. Significant judgment is required to determine whether the rigs take a significant period of time to get ready for their intended use based on management's assessment of the various activities that are required before the rigs enter into operation. During the year borrowing costs amounting to USD 34,304 thousand (2022: 9,626 thousand) have been capitalised.

Determining the lease term

Certain leases are entered into with a related party which contain clauses for automatic annual renewal of the lease term unless either party provides a notice to not extend the lease. In determining the lease term, management considers all facts and circumstances that create an economic incentive to not exercise a termination option. Periods after termination options are only included in the lease term if the lease is reasonably certain to be not terminated. Management considers all facts and circumstances that create an economic incentive to not terminate the lease to determine the appropriate lease terms.

During the year ended 31 December 2023, no significant events or significant change in circumstances occurred that caused the management to reassess the lease term of such contracts.

4. Key judgement and source of estimation and uncertainty (continued)

Critical accounting judgments (continued)

Contract modifications

The Group, from time to time and in the normal course of business, amends its revenue contracts with related parties. Significant judgment is required to determine whether, based on the status of ongoing negotiations, it is highly probable that a significant reversal in the amount of cumulative revenue recognised will occur at the conclusion of such negotiations.

Leases purchase option

Certain leases as disclosed in note 6 were entered with a lessor which contain clauses for purchase options of the leased assets. In determining the lease payments included in the measurement of lease liability, Management has considered the exercise price of purchase options as it is reasonably certain that the Group will exercise these options. The right of-use-assets relating to these leases is being depreciated over the useful life of the underlying assets as the Group is reasonably certain to exercise the purchase option. Management has applied judgment and estimates to determine the incremental borrowing rate (IBR) at the commencement of the lease.

Offsetting of related party balances

Balances due from/to related parties as disclosed in note 16 are reported on a net basis in the accompanying consolidated financial statements. Management has established that a legally enforceable right to set off such amounts exist, and the Group intends to settle on net basis or to realise the assets and settle the liabilities simultaneously.

Joint arrangement

For assessing joint control, the Group has considered the contractual agreement of sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. For the purpose of assessing whether a joint arrangement is a joint venture or joint operation, the Group has considered whether it has joint control on the rights to the net assets of the arrangements, in which case these are treated as joint ventures, or rights to the assets and obligations for the liabilities relating to the arrangement, in which case these are treated as joint operations.

Key sources of estimation uncertainty

Calculation of ECL

Calculation of ECL When measuring ECL the Group uses reasonable and supportable forward-looking information and estimates, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Probability of default constitutes a key input in measuring ECL and is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. As at 31 December 2023, the Group's allowance for expected credit losses amounted to USD 19,004 thousand (2022: USD 9,004 thousand)

Impairment of property and equipment

Property and equipment are assessed for impairment based on assessment of cash flows on individual cash generating units when there is indication of impairment. Management has not identified impairment indicators in the current year for property and equipment. During the year, an impairment /lost in hole amounting to USD 2,016 thousand (2022: USD 10,519 thousand) has been recognized.

4. Key judgement and source of estimation and uncertainty (continued)

Key sources of estimation uncertainty (continued)

Provision for slow moving or obsolete inventories

When inventories become old or obsolete, an estimate is made of their net realisable value. Inventory items are categorised based on their aging and accordingly for each category are recognised as a provision for obsolete and slow-moving inventories. Provision for obsolete and slow-moving inventories at 31 December 2023 amounted to USD 27,172 thousand (2022: USD 26,058 thousand).

Useful lives and residual values of property and equipment

Management reviews the estimated useful lives and residual values of property and equipment at the end of each annual reporting period in accordance with IAS 16 *Property, Plant and Equipment*. In the current year, Management has reassessed the useful life of drilling rigs and equipment and changed it from 8-20 years to 4-30 years. The financial impact of the reassessment resulted in the reduction of related depreciation charge on profit and loss due to the increase in useful lives and residual value by USD 28,134 thousand.

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

5. Property and equipment

	Building and yards USD'000	Drilling rigs and equipment USD'000	Motor vehicles USD'000	Furniture fixtures and office equipment USD'000	Construction work- in - progress USD'000	Pre-delivery payments USD'000	Total USD'000
Cost							
At 1 January 2022	88,464	6,111,935	28,749	85,617	389,062	-	6,703,827
Additions during the year	-	79,163	1,706	10	818,772	55,041	954,692
Transfers during the year	-	559,768		3,154	(562,922)	-	-
Transfer to intangible assets*	-	-	-	(8,501)	-	-	(8,501)
Write off	(4,776)	(7,167)	(833)	(16,717)	-	-	(29,493)
At 1 January 2023	83,688	6,743,699	29,622	63,563	644,912	55,041	7,620,525
Additions during the year	-	266,026	-	913	936,900	131,900	1,335,739
Transfers during the year	13,341	882,045	27,181	23,264	(945,831)	(28,963)	(28,963)
Transfer to held for sale (note 11)	-	(72,017)	-	-	-	-	(72,017)
Write off	-	(15,073)	-	-	-	-	(15,073)
At 31 December 2023	**97,029**	**7,804,680**	**56,803**	**87,740**	**635,981**	**157,978**	**8,840,211**
Depreciation and impairment							
At 1 January 2022	60,907	3,180,104	28,411	70,962	-	-	3,340,384
Charge for the year	2,728	378,347	109	5,244	-	-	386,428
Impairment/lost in hole - net	(23)	3,638	(48)	(613)	-	-	2,954
Transfer to intangible assets*	-	-	-	(1,355)	-	-	(1,355)
Eliminated on write off	(4,776)	(7,167)	(833)	(16,717)	-	-	(29,493)
At 1 January 2023	58,836	3,554,922	27,639	57,521	-	-	3,698,918
Charge for the year	8,300	330,631	14,384	14,795	-	-	368,110
Transfer to held for sale (note 11)	-	(61,300)	-	-	-	-	(61,300)
Eliminated on write off	-	(13,057)	-	-	-	-	(13,057)
At 31 December 2023	**67,136**	**3,811,196**	**42,023**	**72,316**	**-**	**-**	**3,992,671**
Carrying amount							
At 31 December 2023	**29,893**	**3,993,484**	**14,780**	**15,424**	**635,981**	**157,978**	**4,847,540**
At 31 December 2022	24,852	3,188,777	1,983	6,042	644,912	55,041	3,921,607

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

5. Property and equipment (continued)

The depreciation is allocated as follows:	31 December 2023 USD '000	31 December 2022 USD '000 (restated)
Direct cost (note 18)	**363,860**	381,893
General and administrative expenses (note 19)	**4,250**	4,535
	368,110	386,428

Property and equipment include assets that are still in use and which are fully depreciated amounting to USD 1,103,465 thousand (2022: USD 896,011 thousand).

***** Assets included in property and equipment in the previous year in the nature of intangible assets have been reclassified to intangible assets in accordance with the requirements of IAS 38 (note 7).

In the prior year, the Group performed an impairment assessment and concluded that for certain assets, the recoverable amount was lower than the carrying value of the assets. In 2022, the Group recognised an impairment/lost in hole of USD 10,519 thousand and reversed impairment of certain assets amounting to USD 7,565 thousand. In the current year, lost in hole charges amounted to USD 2,016 thousand.

6. Rights-of-use assets and lease liabilities

Rights-of-use assets and lease liabilities include rigs, warehouse, and office building. Amounts recognised in the consolidated statement of financial position are as follows:

Rights-of-use assets

	31 December 2023 USD '000	31 December 2022 USD '000
Balance at the beginning of the year	**33,909**	34,384
Additions during the year	**159,591**	15,317
Depreciation charge during the year	**(19,589)**	(15,792)
Balance at end of the year	**173,911**	33,909

Lease liabilities	31 December 2023 USD '000	31 December 2022 USD '000
Balance at the beginning of the year	**39,749**	39,348
Additions	**159,591**	15,317
Accretion of interest	**3,907**	283
Payments	**(14,036)**	(15,199)
Balance at end of the year	**189,211**	39,749
Disclosed as follows:		
Current	**36,833**	19,141
Non-current	**152,378**	20,608
	189,211	39,749

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

6. Rights-of-use assets and lease liabilities (continued)

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

	31 December 2023 USD '000	31 December 2022 USD '000 (restated)
Direct cost (note 18)	**5,912**	2,108
General and administrative expenses (note 19)	**13,677**	13,684
	19,589	15,792

Finance cost (note 21) includes an amount of USD 3,907 thousand (2022: USD 283 thousand) for the unwinding of interest on lease liability.

7. Intangible assets

	31 December 2023 USD '000	31 December 2022 USD '000
Cost		
Balance at the beginning of the year	**12,649**	-
Reclassified from property and equipment (note 5)	**-**	8,501
Additions during the year	**-**	4,148
Balance at end of the year	**12,649**	12,649
Accumulated amortisation		
Balance at the beginning of the year	**3,669**	-
Reclassified from property and equipment (note 5)	**-**	1,355
Amortisation charge for the year (note 19)	**3,548**	2,314
Balance at end of the year	**7,217**	3,669
Carrying value		
At 31 December	**5,432**	8,980

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

8. Inventories

	31 December 2023 USD '000	31 December 2022 USD '000
Inventories	**233,279**	179,427
Less: allowance for slow moving or obsolete inventories	**(27,172)**	(26,058)
	206,107	153,369

The movement in the allowance for slow moving or obsolete inventories during the year was as follows:

	31 December 2023 USD '000	31 December 2022 USD '000
Balance at beginning of the year	**26,058**	25,158
Charge during the year	**1,114**	900
Balance at end of the year	**27,172**	26,058

9. Trade and other receivables

	31 December 2023 USD '000	31 December 2022 USD '000
Advances	**63,166**	37,199
VAT receivables - net	**46,080**	17,297
Prepayments	**21,363**	8,134
Accrued revenue	**14,248**	27,890
Trade receivables	**4,384**	24,181
Other receivables	**4,705**	726
	153,946	115,427

10. Cash and cash equivalents

	31 December 2023 USD '000	31 December 2022 USD '000
Cash held by ADNOC Group Treasury Services (AGTS) (note 16)	**353,613**	322,643
Cash in bank	**7**	2,465
Cash on hand	**502**	406
	354,122	325,514

Cash held by AGTS are funds held on behalf of the Group and are available on demand and is in nature of nature of cash and cash equivalents.

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

11. Assets held for sale

	31 December 2023 USD '000	31 December 2022 USD '000
Cost	72,017	-
Less: accumulated depreciation	(61,300)	-
Net book value at end of the period/year	10,717	-

The Board of Directors, in their meeting held on 10 February 2023, approved to proceed with the sale of two rigs within the Offshore Jackup segment. The rigs are expected to be sold in 2024 upon finalization of the associated negotiations and signing of definitive agreements. There is no impairment required on these rigs as the recoverable amount is higher than the carrying value.

12. Share capital and statutory reserve

	31 December 2023		31 December 2022	
	Number of shares ('000)	USD '000	Number of shares ('000)	USD '000
Ordinary share capital of USD: 0.0272294 (AED: 0.10) each (2022 USD: 0.0272294 (AED: 0.10) each)	16,000,000	435,671	16,000,000	435,671

In accordance with the UAE Federal Decree Law (32) of 2021, and the Articles of Association of the Company, 10% of the profit is transferred to a non-distributable statutory reserve. Such transfer is required to be made until the reserve is equal to 50% of the paid-up share capital.

13. Borrowings

	31 December 2023 USD '000	31 December 2022 USD '000
Syndicated loan	-	1,500,000
Term loans*	1,992,264	-
	1,992,264	1,500,000

*The amount is net of transaction cost.

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

13. Borrowings (continued)

	31 December 2023 USD '000	31 December 2022 USD '000
Disclosed as follows:		
Current	**-**	1,500,000
Non-current	**1,992,264**	-
	1,992,264	1,500,000

The borrowings presented in the consolidated statement of financial position consist of the following:

Type	Currency	Interest rate	Year of maturity	31 December 2023 USD '000	31 December 2022 USD '000
Syndicated loan	USD	0.9% and one month LIBOR	November 2023	**-**	1,500,000
Term Loan (Facility B)	USD	0.8% and Term SOFR	October 2025	**498,014**	-
Term Loan (Facility D)	USD	0.95 % and Term SOFR	November 2027	**1,494,250**	-
				1,992,264	1,500,000

Syndicated loan

The syndicated loan was settled during the current year with the proceeds from the new term loan through the lead bank.

	31 December 2023 USD '000	31 December 2022 USD '000
First Abu Dhabi Bank (note 16)	**-**	375,000
Sumitomo Mitsui Banking Corporation	**-**	225,000
The National Bank of Ras Al-Khaimah	**-**	170,000
Abu Dhabi Commercial Bank (note 16)	**-**	155,000
The Norinchukin Bank	**-**	150,000
State Bank of India	**-**	125,000
Bank of American Merrill Lynch International Limited	**-**	75,000
Mizuho Bank	**-**	75,000
Sgbtci SA	**-**	75,000
UniCredit Bank Austria AG	**-**	75,000
	-	1,500,000

13. Borrowings (continued)

On 24 October 2021, the Group entered into a syndicated Term and Revolving Facilities Agreement with multiple banks and financial institutions, for general corporate purpose and without limitation shall include payment of dividends, payments for products and services to develop integrated services abilities and the payment of transaction costs associated with the facilities which is as follows:

Term loan (Facility B)

	Facility A – Revolving Loan USD '000	Facility B – Term Loan USD '000
Abu Dhabi Commercial Bank (note 16)	165,000	110,000
First Abu Dhabi Bank (note 16)	165,000	110,000
Emirates NBD Bank PJSC	70,000	140,000
Bank of America Europe Designated Activity Company	60,000	40,000
China Construction bank – DIFC Branch	60,000	20,000
State Bank of India – DIFC Branch	60,000	40,000
Goldman Sachs Bank USA	50,000	-
J.P. Morgan Securities PLC	30,000	-
The National Bank of Ras Al-Khaimah	30,000	-
Agricultural bank of China	30,000	20,000
United Arab Bank P.J.S.C.	30,000	-
Banque MISR- Dubai Branch	-	20,000
	750,000	500,000

The facilities terminate four (4) years from the date of the agreement. An amount of USD 500,000 thousand for facility B was drawn down with facility A unutilized as of 31 December 2023.

Term loan (Facility D)

On 1 November 2023, the Group entered into a term loan facility of USD 1,500,000 thousand and Revolving Facility up to AED 1,840,000 thousand with multiple banks and financial institutions with an initial maturity of 4 years. The term loan facility was used to repay the existing syndicated term loan for an equal amount which expired in November 2023, while the new Revolving Credit Facility (in AED) will fund the Group's growth and the associated working capital and is unutilized as of 31 December 2023.

	Facility C – Revolving Loan AED '000	Facility D – Term Loan USD '000
Abu Dhabi Commercial Bank PJSC (note 16)	690,000	200,000
First Abu Dhabi Bank (note 16)	550,000	200,000
Emirates NBD Bank PJSC	500,000	-
Arab Bank for Investment & Foreign Trade (Al Masraf)	100,000	100,000
The Saudi National Bank	-	250,000
Bank of China (Dubai) Branch	-	200,000
Industrial and Commercial Bank of China Limited, Dubai (DIFC) Branch	-	200,000
JPMorgan Chase Bank, N.A., London Branch	-	150,000
Citibank N.A., ADGM Branch	-	100,000
Gulf Bank K.S.C.P	-	100,000
	1,840,000	1,500,000

14. Provision for employees' end of service benefits

The movement in the provision for employees' end of service benefit is as follows:

	31 December 2023 USD '000	31 December 2022 USD '000
Balance at beginning of the year	**123,386**	113,360
Charge during the year (note 20) – net	**130**	18,373
Paid during the year	**(9,094)**	(8,347)
Balance at end of the year	**114,422**	123,386
Disclosed as follows:		
Current	**9,094**	12,305
Non-current	**105,328**	111,081
	114,422	123,386

15. Trade and other payables

	31 December 2023 USD '000	31 December 2022 USD '000
Accrued expenses	**575,713**	218,263
Trade payables	**159,221**	130,732
Contract liability	**140,207**	47,837
Retention payables	**33,686**	20,480
Accrual for employees' benefits	**16,895**	12,307
Pension payable	**3,182**	2,645
Other payables	**866**	121
	929,770	432,385
Disclosed as follows:		
Current	**848,834**	404,287
Non-current	**80,936**	28,098
	929,770	432,385

The average credit period on purchases is 60 days (2022: 60 days). The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

16. Related party balances and transactions

Related parties represent the shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties and the Government of the Emirate of Abu Dhabi and its related parties. Pricing policies and terms of these transactions are approved by the Group's management.

The Group's transaction with other entities owned or controlled, either directly or indirectly by the Government of Abu Dhabi, included in the consolidated statement of financial position are as follows:

	31 December 2023 USD '000	31 December 2022 USD '000
(a) Due from related parties	**52,764**	34,482
(b) Other balances due from related parties (i)	**952,936**	903,568
Less: expected credit loss allowance	**(19,004)**	(9,004)
	986,696	929,046

	31 December 2023 USD '000	31 December 2022 USD '000
(a) Due from related parties		
ADNOC Offshore	**32,876**	34,260
ADNOC Sour Gas	**14,193**	191
Abu Dhabi National Oil Company (ADNOC)	**5,573**	-
Al Dhafrah JV	**122**	20
ADNOC Refining	**-**	6
ADNOC Gas Processing	**-**	5
	52,764	34,482

At 31 December 2023, the Group had a significant concentration of credit risk, with two of the customer representing 89% (2022: one customer representing 99%) of related parties receivables outstanding at that date.

Management is confident that this concentration of credit risk will not result in any loss to the Group considering the credit history of these customers and the fact that those balances are due from sister companies majority owned by ADNOC, which is wholly owned by the Government of Abu Dhabi. Fitch Ratings has given ADNOC Group a standalone credit rating of AA+ and a long-term issuer default rating of AA with a stable outlook, in line with the sovereign rating of Abu Dhabi.

As at 31 December, the ageing of related party balances was as follows:

	31 December 2023 USD '000	31 December 2022 USD '000
Not past due	**48,490**	16,093
Due from 31 to 60 days	**192**	2,306
Due from 61 to 90 days	**707**	2,851
Due from more than 91 days	**3,375**	13,232
	52,764	34,482

16. Related party balances and transactions (continued)

	31 December 2023 USD '000	31 December 2022 USD '000
(b) Other balances due from related parties (i)		
ADNOC Onshore	**519,018**	676,166
ADNOC Offshore	**392,678**	221,447
Abu Dhabi National Oil Company (ADNOC)	**39,198**	5,100
ADNOC Sour Gas	**1,665**	455
Al Dhafra JV	**377**	400
	952,936	903,568

(i) Other balances due from related parties represents revenue generated from providing drilling and oil field services but not yet billed. Billing will occur based on the terms of the contract. The contract assets primarily relate to the Group's rights to consideration for the drilling and oilfield services provided to the Group's clients but not billed at the reporting date.

The movement in allowance for expected credit loss during the year was as follows:

	31 December 2023 USD '000	31 December 2022 USD '000
Balance at beginning of the year	**9,004**	-
Charge during the year (note 18)	**10,000**	9,004
Balance at end of the year	**19,004**	9,004

	31 December 2023 USD '000	31 December 2022 USD '000
Due to related parties		
ADNOC Onshore	**104,553**	390,662
Abu Dhabi National Oil Company for Distribution	**66,055**	62,535
ADNOC Offshore	**61,910**	-
Abu Dhabi National Oil Company (ADNOC)	**11,590**	12,262
ADNOC Logistics & Services	**6,129**	751
ADNOC Refining	**-**	510
ADNOC LNG	**-**	39
	250,237	466,759

The balances due to/from related parties are non-interest bearing and are payable/receivable on demand.

16. Related party balances and transactions (continued)

	31 December 2023 USD '000	31 December 2022 USD '000
Loan from related parties (note 13)		
Abu Dhabi Commercial Bank	**310,000**	155,000
First Abu Dhabi Bank	**310,000**	375,000
	620,000	530,000

	31 December 2023 USD '000	31 December 2022 USD '000
Cash and cash equivalents (note 10)		
ADNOC Group Treasury Services (AGTS)	**353,613**	322,643
First Abu Dhabi Bank	**7**	2,383
Abu Dhabi Commercial Bank	**-**	82
	353,620	325,108

Significant transactions with related parties during the year are as follows:

	31 December 2023 USD '000	31 December 2022 USD '000
Revenue		
ADNOC Onshore	**1,668,437**	1,594,187
ADNOC Offshore	**1,280,729**	1,032,707
Abu Dhabi National Oil Company (ADNOC)	**55,505**	919
ADNOC Sour Gas	**15,294**	511
Al Dhafrah JV	**179**	145
	3,020,144	2,628,469

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

16. Related party balances and transactions (continued)

	31 December 2023 USD '000	31 December 2022 USD '000
Purchases		
ADNOC Distribution	**137,598**	147,473
Abu Dhabi National Oil Company (ADNOC)	**31,573**	27,891
ADNOC Logistics & Services	**13,352**	11,650
ADNOC Refining	**673**	845
	183,196	187,859
Other income		
Abu Dhabi National Oil Company (ADNOC)	**-**	331
Finance income		
ADNOC Group Treasury Services (AGTS)	**15,506**	6,164
Finance cost		
First Abu Dhabi Bank	**9,382**	7,437
Abu Dhabi Commercial Bank	**9,382**	3,074
	18,764	10,511
Lease payments		
Abu Dhabi National Oil Company (ADNOC)	**14,036**	15,199
Key management compensation		
Compensation of key management personnel	**6,316**	5,841
Board of Directors members	**7**	7
Key management personnel	**10**	8

17. Revenue

The Group derives its revenue from providing the drilling and oilfield services over time in the following major service lines:

	31 December 2023 USD '000	31 December 2022 USD '000
Drilling and oilfield services	**3,042,813**	2,665,225
Facilitation of rigs rental	**14,052**	8,026
	3,056,865	2,673,251

As at 31 December 2023, the Group has unsatisfied performance obligations amounting to USD 62,373 thousand (2022: to USD 19,739 thousand) that will be recognised as revenue during the next financial year. The amount disclosed above does not include variable consideration which is constrained.

18. Direct cost

	31 December 2023 USD '000	31 December 2022 USD '000 (restated)
Staff costs (note 20)	**643,488**	628,255
Depreciation of property and equipment (note 5)	**363,860**	381,893
Repairs and maintenance	**216,385**	170,357
Chemicals	**172,972**	119,879
Hire of equipment	**162,698**	114,103
Fuel and lubricants	**140,655**	153,203
Major maintenance charges	**71,751**	91,978
Expected credit loss charge (note 16)	**10,000**	9,004
Depreciation of right-of-use assets (note 6)	**5,912**	2,108
Lost in hole charges (note 5)	**-**	5,972
Impairment of property and equipment (note 5)	**-**	4,547
Other direct cost	**61,008**	48,741
	1,848,729	1,730,040

19. General and administrative expenses

	31 December 2023 USD '000	31 December 2022 USD '000 (restated)
Staff costs (note 20)	**75,274**	92,178
Depreciation of property and equipment (note 5)	**4,250**	4,535
Depreciation of right-of-use assets (note 6)	**13,677**	13,684
Amortisation of intangible assets (note 7)	**3,548**	2,314
Impairment reversal of property and equipment (note 5)	**-**	(7,565)
Other expenses*	**29,585**	13,819
	126,334	118,965

*Included in other expenses is auditors' remuneration amounting to USD 191 thousand for audit services and USD 128 thousand for non-audit services.

20. Staff cost

	31 December 2023 USD '000	31 December 2022 USD '000 (restated)
Salaries and allowances	**584,459**	586,900
End of service benefits (note 14)	**130**	18,373
Pension	**22,491**	23,153
Other employees' benefits	**111,682**	92,007
	718,762	720,433

21. Finance cost, net

	31 December 2023 USD '000	31 December 2022 USD '000
Finance income	**15,727**	6,274
Less: finance costs	**(74,577)**	(34,880)
	(58,850)	(28,606)

22. Dividends

The Board of Directors, in their meeting held on 10 February 2022, proposed a final cash dividend of AED 7.46 fils per share amounting to USD 325,000 thousand for the year ended 31 December 2021 which was approved by shareholders at the Annual General Meeting held on 20 April 2022. The dividend was paid during the year ended 31 December 2022.

The Board of Directors, in their meeting held on 8 August 2022, approved an interim cash dividend of 7.83275 fils per share amounting to USD 341,250 thousand. The dividend was paid during the year ended 31 December 2022.

The Board of Directors proposed a final cash dividend of AED 7.83 fils amounting to USD 341,246 thousand for the year ended 31 December 2022 which was approved by shareholders at the Annual General Meeting held on 3 April 2023. The dividend was paid during the current year.

On 9 October 2023, the Board of Directors approved an interim cash dividend of AED 8.2244 fils amounting to USD 358,313 thousand for the first half of 2023. The dividend was paid during the current year.

23. Commitments and contingencies

The Group has the following commitments and contingent liabilities outstanding at 31 December 2023 and 31 December 2022:

	31 December 2023 USD '000	31 December 2022 USD '000
Capital commitments – rigs procurement	**93,114**	128,102
Commitment for investment in Joint venture	**765,000**	**-**
Bank guarantees	**47**	134

The above commitments and bank guarantees were issued in the normal course of business. Capital commitments relate to ongoing and proposed projects towards procurement of rigs, cementing, wireline, drilling system, coil tubing and other major projects across all operating segments.

24. Financial Instruments by category

	31 December 2023 USD '000	31 December 2022 USD '000
Financial assets		
Trade and other receivables	**55,169**	42,204
Due from related parties	**52,764**	34,482
Cash and cash equivalents	**354,122**	325,514
	462,055	402,200
Financial liabilities		
Borrowings	**1,992,264**	1,500,000
Trade and other payables	**789,563**	384,548
Due to related parties	**250,237**	466,759
Lease liabilities	**189,211**	39,749
	3,221,275	2,391,056

25. Financial instruments

Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Market risk management

Foreign exchange risk

Foreign exchange risk is limited as the Group's transactions are principally in UAE Dirhams or US Dollars. As the UAE Dirham is pegged to the US Dollar, balances in AED are not considered to represent significant currency risk.

Price risk

The Group has no significant direct exposure to commodity price risk. Reduction in oil prices may lead to reduction in the level of future drilling services procured by customers who have significant exposure to oil and gas prices.

25. Financial instruments (continued)

Financial risk management (continued)

Cash flow and fair value interest rate risk

The following table demonstrates the sensitivity to reasonably possible changes in interest rates, with all other variables held constant, of the Group's profit.

	Effect on profit USD'000
2023	
+10 increase in basis points	(1,992)
-10 increase in basis points	1,992
2022	
+10 increase in basis points	(1,500)
-10 increase in basis points	1,500

The fair values of the Group 's financial instruments are not materially different from their carrying amounts.

Credit risk management

Credit risk arises from balances with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables, due from group companies and committed transactions. Management assesses the credit quality of its customers, taking into account financial position, past experience and other factors. Individual risk limits are based on management's assessment on a case-by-case basis. The utilisation of credit limits is regularly monitored.

The Group's policy is to place cash and cash equivalents with reputable banks and financial institutions and the Group's management does not expect any losses from non-performance of its counterparties as it believes that adequate allowance has been created against the impaired receivables.

The Group's trade receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure is the carrying amount of the trade receivables as disclosed in note 9.

Liquidity risk management

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group 's approach to managing liquidity is to ensure, as far as possible, that it will always 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.

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

25. Financial instruments (continued)

Financial risk management (continued)

Liquidity risk management (continued)

The Group ensures that it has sufficient cash on demand to meet expected operational expenses for a short term period, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2023 and 2022 based on the contractual undiscounted payments.

	Notes	Carrying value USD'000	Contractual cash flows USD'000	1 year or less USD'000	More than 1 year USD'000
31 December 2023					
Lease liabilities	6	**189,211**	**200,641**	**36,833**	**163,808**
Borrowings	13	**1,992,264**	**2,000,000**	**-**	**2,000,000**
Trade and other payables	15	**789,563**	**789,563**	**789,563**	**-**
Due to related parties	16	**250,237**	**250,237**	**250,237**	**-**
		3,221,275	**3,240,441**	**1,076,633**	**2,163,808**
31 December 2022					
Lease liabilities	6	39,749	40,795	19,436	21,359
Borrowings	13	1,500,000	1,527,506	1,527,506	-
Trade and other payables	15	384,548	384,548	384,548	-
Due to related parties	16	466,759	466,759	466,759	-
		2,391,056	2,419,608	2,398,249	21,359

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 its shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The policies are based on management's assessment of available options, in conjunction with the shareholders.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or issue new shares.

The Group monitors capital on the basis of its gearing ratio. This ratio is calculated as net debt divided by total equity plus net debt. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as total equity as shown in the consolidated statement of financial position plus net debt.

26. Segment reporting

Information regarding the Group's operating segments is set out below in accordance with IFRS 8 *Operating Segments*. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Executive Officer, as the Chief Operating Decision Maker (CODM), in order to allocate resources to the segment and to assess its performance. Information reported to the Chief Executive Officer for the purpose of resource allocation and assessment of segment performance focuses on the financial performance of each business segment and property and equipment only. No information that includes the segments' assets (excluding property and equipment) and liabilities are reported to the Chief Executive Officer. There were no changes in the current year which warranted a reassessment of the operating segments.

For management purpose the Group is organised into four operating segments, all of which are referred to as 'business units':

Onshore segment is the largest segment with land rigs, water wells, work over rigs deployed mainly across ADNOC Onshore with a few rigs also assigned to other concessions within the ADNOC group.

Offshore Jackup with owned jackups and some rentals predominantly meeting the ADNOC Offshore drilling needs with a few rigs also assigned to other concessions within the ADNOC group.

Offshore Island rigs is the third largest segment representing the Island part of ADNOC Offshore's requirement.

Oilfield Services (OFS) segment was created to provide oil field services through the partnership with Baker Hughes in late 2018.

The Group operates primarily in United Arab Emirates and accordingly no further geographical analysis of revenue, profit, assets and liabilities has been provided.

The revenue reported represents revenue generated from external customers only. There were no inter-segment sales in current or previous year.

Earnings before interest, tax, depreciation and amortisation "EBITDA" is the measure of the profitability being reviewed by the CODM which is the profit for the year before finance cost, net (both of which are as presented in consolidated statement of profit or loss and other comprehensive income) depreciation, amortisation and impairment.

Refer to note 16 for analysis of revenue from major customers.

26. Segment reporting (continued)

31 December 2023	Onshore USD'000	Offshore Jackup USD'000	Offshore Island USD'000	OFS USD'000	Total USD'000
Revenue	1,495,057	799,726	209,079	553,003	3,056,865
Direct cost (excluding depreciation and impairment)	(714,316)	(261,068)	(67,482)	(436,091)	(1,478,957)
Gross profit	780,741	538,658	141,597	116,912	1,577,908
General and administrative expenses (excluding depreciation)	(61,355)	(31,911)	(8,402)	(3,191)	(104,859)
Other income, net	5,079	3,321	635	812	9,847
EBITDA	724,465	510,068	133,830	114,533	1,482,896

EBITDA is reconciled to profit for the year as follows:

31 December 2023	Onshore USD'000	Offshore Jackup USD'000	Offshore Island USD'000	OFS USD'000	Total USD'000
EBITDA	724,465	510,068	133,830	114,533	1,482,896
Depreciation included in direct cost	(109,729)	(178,721)	(13,623)	(67,699)	(369,772)
Depreciation included in general and administrative expenses	(12,806)	(5,682)	(1,718)	(1,269)	(21,475)
Total depreciation	(122,535)	(184,403)	(15,341)	(68,968)	(391,247)
Finance cost, net	(33,861)	(19,980)	(5,009)	-	(58,850)
Profit for the year	568,069	305,685	113,480	45,565	1,032,799

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

26. Segment reporting (continued)

31 December 2022	Onshore USD'000	Offshore Jackup USD'000	Offshore Island USD'000	OFS USD'000	Total USD'000
Revenue	1,453,295	611,188	204,126	404,642	2,673,251
Direct cost* – restated	(702,592)	(241,294)	(69,859)	(327,747)	(1,341,492)
Gross profit	750,703	369,894	134,267	76,895	1,331,759
General and administrative expenses* - restated	(49,716)	(42,211)	(14,070)	-	(105,997)
Other income, net	4,290	1,401	461	15	6,167
EBITDA	705,277	329,084	120,658	76,910	1,231,929

EBITDA is reconciled to profit for the year as follows:

31 December 2022	Onshore USD'000	Offshore Jackup USD'000	Offshore Island USD'000	OFS USD'000	Total USD'000
EBITDA	705,277	329,084	120,658	76,910	1,231,929
Depreciation included in direct cost	(144,004)	(147,886)	(44,061)	(52,597)	(388,548)
Depreciation and impairment included in general and administrative expenses	(7,622)	(4,276)	(832)	(238)	(12,968)
Total depreciation and Impairment - restated	(151,626)	(152,162)	(44,893)	(52,835)	(401,516)
Finance cost, net	(17,172)	(8,575)	(2,859)	-	(28,606)
Profit for the year	536,479	168,347	72,906	24,075	801,807

*Excludes depreciation, amortisation and impairment.

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

26. Segment reporting (continued)

The following table represents segment assets for the Group's operating segments as reviewed by CODM:

	Onshore USD '000	Offshore Jackup USD '000	Offshore Island USD '000	OFS USD '000	Total USD '000
31 December 2023					
Property and equipment	**1,242,716**	**2,726,326**	**186,674**	**691,824**	**4,847,540**
31 December 2022					
Property and equipment	974,554	2,143,938	185,715	617,400	3,921,607

27. Basic and diluted earnings per share

Earnings per share (EPS) amounts are calculated by dividing the profit attributable to shareholders of the Group by the weighted average number of shares outstanding during the year.

	31 December 2023 USD '000	31 December 2022 USD '000
Profit attributable to shareholders of the Group (USD'000)	**1,032,799**	801,807
Weighted average number of shares for the purpose of basic earnings per share (note 12)	**16,000,000**	16,000,000
Earnings per share (USD'000)	**0.065**	0.050

There are no dilutive securities, therefore diluted EPS is the same as basic EPS.

28. Corporate income tax

On 9 December 2022, the UAE Ministry of Finance released the Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime will become effective for accounting periods beginning on or after 1 June 2023.

The Cabinet of Ministers Decision No. 116 of 2022 specifies the threshold of income over which the 9% tax rate would apply and accordingly, the Law is now considered to be substantively enacted. A rate of 9% will apply to taxable income exceeding AED 375,000, a rate of 0% will apply to taxable income not exceeding AED 375,000.

The Group has performed an assessment and concluded that it qualifies for an exemption under the Law. However, the recent interaction with authorities in the Department of Finance (DOF) indicates that the Group will be subject to Emirates level Income Tax at an agreed rate on its taxable income effective from 1 January 2024. The Group shall be subject to and shall comply with the Abu Dhabi Income Tax Decree of 1965, as amended or re-enacted from time to time ("Tax decree'), terms of the fiscal letter issued by Supreme Council for Financial and Economic Affairs (SCFEA) and the procedures appended thereto.

29. Comparative figures

In the current year, Management has noted certain expenses which are directly attributable to its operations, and these were re-classified from general and administrative expenses to direct cost. As required by IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Change in Accounting Estimates and Errors”, comparative period was re-classified as follows:

	As previously reported USD ’000	Reclassification USD ’000	As reported USD ’000
Direct cost	1,580,617	149,423	1,730,040
Gross profit	1,092,634	(149,423)	943,211
General and administrative expenses	268,388	(149,423)	118,965

The above reclassification has no impact on the total assets, total liabilities, total equity and profit of the Group.

30. Subsequent events

- The Board of Directors, in their meeting held on 12 February 2024, proposed a final cash dividend of AED 8.2244 fils per share amounting to USD 358,313 thousand for the year ended 31 December 2023. The proposed dividend is subject to approval of the shareholders at the Annual General Meeting.

- On 2 January 2024, ENERSOL RSC LTD “Joint Venture” was incorporated in Abu Dhabi Global Market. The Company, through its subsidiary ADH RSC Ltd holds 51% shares in the joint venture while Alpha Dhabi Energy Holding LLC holds 49% shares. On 9 January 2024, the Joint Venture completed its first strategic investment in Gordon Technologies, a US-based market leading provider of ‘measurement while drilling’ technology.

31. Approval of the consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 12 February 2024.