

ADNOC Drilling



ADNOC DRILLING COMPANY P.J.S.C.

Reports and financial statements for the year
ended 31 December 2022



ADNOC Drilling Company P.J.S.C.

**Reports and financial statements
for the year ended 31 December 2022**

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ADNOC Drilling Company P.J.S.C.

Directors' report for the year ended 31 December 2022

The Directors are pleased in submitting their report, together with the audited financial statements of ADNOC Drilling Company P.J.S.C. ("the Company") for the year ended 31 December 2022.

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 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.

Financial highlights

Statement of financial position

The Company's financial position remains very healthy showing net assets at 31 December 2022 of USD 2,930,981 thousand (2021: USD 2,795,424 thousand) with the increase in total net assets mainly due to the profit made in excess of dividend payments in the current year.

Statement of profit or loss and other comprehensive income:

The Company recognised revenue for the year of USD 2,673,251 thousand (2021: USD 2,269,470 thousand). Profit for the year was USD 801,807 thousand (2021: USD 603,913 thousand). The increase in revenue was due to increase in rig fleet and additional drilling services provided to ADNOC Onshore and ADNOC Offshore.

Statement of cash flows:

Net cash generated from operating activities amounted to USD 1,523,811 thousand (2021: USD 1,179,132 thousand), the increase is mainly due to increase in profit and movement in trade and other payables and related party balances. Net cash used in investing activities amounted to USD 935,868 thousand (2021: USD 582,019 thousand) which relates to additions to property and equipment, intangible assets and finance income.

ADNOC Drilling Company P.J.S.C.

Directors' report for the year ended 31 December 2022 (continued)

The appropriation of the results for the year is follows:

	USD '000
Retained earnings at 1 January 2022	2,299,362
Total comprehensive income for the year	801,807
Transfer to statutory reserve	(80,181)
Dividends	(666,250)
	<hr/>
Retained earnings at 31 December 2022	2,354,738

Future outlook

The Company has made great progress in 2022, firmly establishing its position as the largest drilling and well completions company in the Middle East by fleet size, owning and operating one of the largest multi-discipline drilling fleets in the world. The Company continues to relentlessly pursue its long-term strategic objectives that is focused on delivering sustained business growth through the efforts and commitment of highly skilled and dedicated workforce and its unwavering commitment to industry leading health and safety standards and decarbonization. We remain very enthusiastic about the year ahead as we focus towards supporting three key pillars including gas self-sufficiency, development of unconventional, continued expansion of OFS segment and pursuit of both regional expansion opportunities and new revenue streams. The immediate focus remains on meeting robust financial targets, whilst maintaining operational excellence.

Subsequent events

As of the date of this report, no major events have occurred that may have significant impact on the financial statements for the year ended 31 December 2022.

Financial reporting framework

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

- The financial statements, prepared by the management of the Company, fairly present its state of affairs, the results of its operation, cash flows and changes in equity;
- The Company has maintained proper books of account;
- Appropriate accounting policies have been consistently applied in the preparation of financial statements unless otherwise stated, and accounting estimates are based on reasonable and prudent judgment; and
- The 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
10 February 2023



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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of ADNOC Drilling Company P.J.S.C. (the "Company"), which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting 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 Financial Statements section of our report. We are independent of the Company 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 Company's 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 judgment, are of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
<p>Revenue Recognition</p> <p>The Company reported revenue of USD 2,673,251 thousand from drilling and oilfield services for the year ended 31 December 2022, of which 98% is attributable to contracts with its related parties, ADNOC Onshore and ADNOC Offshore.</p> <p>The Company 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 98% of the transactions are with related parties.</p> <p>Due the materiality of the amounts involved and large volume of transactions we have considered this to be a key audit matter.</p> <p>The Company's accounting policies relating to revenue recognition are presented in note 3 to the financial statements and details about the Company's revenue are disclosed in note 16 to the financial statements.</p>	<p>Our audit approach included a combination of test of controls and substantive procedures, in particular, the following:</p> <ul style="list-style-type: none"> • 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; • 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 98% of the revenue recognised during the year and reconciling these amounts with the billings and accruals made during the year; • Evaluating the business rationale for any non-routine transactions; • 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; and • Assessing the adequacy of disclosures in the financial statements relating to revenue against the requirements of IFRSs.



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

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 Company's Annual Report, which is expected to be made available to us after that date. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 Company's Annual Report, 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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and the applicable provisions of the Articles of Association of the Company, UAE Federal Decree Law (32) of 2021 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.



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

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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 judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 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.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law and regulations preclude 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.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

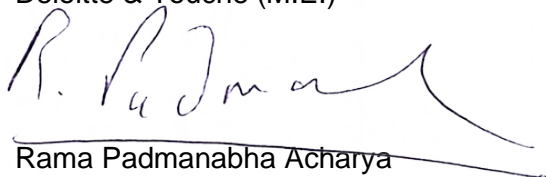
Further, as required by the UAE Federal Decree Law (32) of 2021, we report for the year ended 31 December 2022 that:

- We have obtained all the information we considered necessary for the purposes of our audit;
- The 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 Company has maintained proper books of account;
- The financial information included in the Directors' report is consistent with the books of account of the Company;
- As disclosed in note 1 to the financial statements, the Company has not purchased or invested in shares during the financial year ended 31 December 2022;
- Note 15 to the 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 2022 any of the applicable provisions of the UAE Federal Decree Law (32) of 2021 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2022.

Further, as required by the 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 financial statements for the year ended 31 December 2022, that nothing has come to our attention that causes us to believe that the Company 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 financial statements as at 31 December 2022:

- I. Its Articles of Association which would materially affect its activities or its financial position as at 31 December 2022.

Deloitte & Touche (M.E.)



Rama Padmanabha Acharya

Registration No. 701

10 Feb 2023

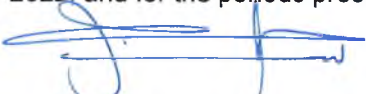
Abu Dhabi

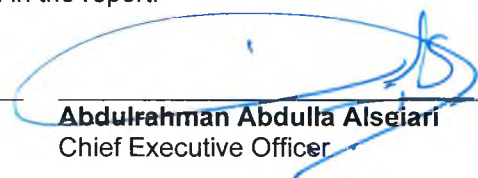
United Arab Emirates

**Statement of financial position
as at 31 December 2022**

		31 December 2022	31 December 2021
	Notes	USD '000	USD '000
ASSETS			
Non-current assets			
Property and equipment	5	3,921,607	3,363,443
Right-of-use assets	6	33,909	34,384
Intangible assets	7	8,980	-
Advances		5,408	7,634
Total non-current assets		3,969,904	3,405,461
Current assets			
Inventories	8	153,369	175,025
Trade and other receivables	9	115,427	102,454
Due from related parties	15	929,046	960,400
Cash and cash equivalents	10	325,514	453,101
Total current assets		1,523,356	1,690,980
Total assets		5,493,260	5,096,441
EQUITY AND LIABILITIES			
Equity			
Share capital	11	435,671	435,671
Statutory reserve	11	140,572	60,391
Retained earnings		2,354,738	2,299,362
Total equity		2,930,981	2,795,424
Non-current liabilities			
Borrowings	12	-	1,500,000
Trade and other payables	14	28,098	-
Lease liabilities	6	20,608	19,031
Provision for employees' end of service benefits	13	111,081	113,360
Total non-current liabilities		159,787	1,632,391
Current liabilities			
Borrowings	12	1,500,000	-
Trade and other payables	14	404,287	314,913
Lease liabilities	6	19,141	20,317
Due to related parties	15	466,759	333,396
Provision for employees' end of service benefits	13	12,305	-
Total current liabilities		2,402,492	668,626
Total liabilities		2,562,279	2,301,017
Total equity and liabilities		5,493,260	5,096,441

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 Company as of 31 December 2022, and for the periods presented in the report.


H. E. Dr. Sultan Ahmed Al Jaber
Chairman


Abdulrahman Abdulla Alsejari
Chief Executive Officer


Esa Ikaheimonen
Chief Financial Officer

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

**Statement of profit or loss and other comprehensive income
for the year ended 31 December 2022**

	Notes	31 December 2022 USD '000	31 December 2021 USD '000
Revenue	16	2,673,251	2,269,470
Direct cost	17	(1,580,617)	(1,385,202)
Gross profit		1,092,634	884,268
General and administrative expenses	18	(268,388)	(273,518)
Other income - net		6,167	10,135
Finance cost - net	20	(28,606)	(16,972)
Profit for the year		801,807	603,913
Other comprehensive income for the year		-	-
Total comprehensive income for the year		801,807	603,913
Earnings per share:			
Basic and diluted	26	0.050	0.038

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

**Statement of changes in equity
for the year ended 31 December 2022**

	Share capital USD '000	Statutory reserve USD '000	Retained earnings USD '000	Total equity USD '000
Balance at 1 January 2021	108,918	-	3,142,893	3,251,811
Capitalisation (notes 1 and 11)	326,753	-	(326,753)	-
Total comprehensive income for the year	-	-	603,913	603,913
Transfer to statutory reserve	-	60,391	(60,391)	-
Dividends (note 21)	-	-	(1,060,300)	(1,060,300)
Balance at 31 December 2021	435,671	60,391	2,299,362	2,795,424
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 21)	-	-	(666,250)	(666,250)
Balance at 31 December 2022	435,671	140,572	2,354,738	2,930,981

**Statement of cash flows
for the year ended 31 December 2022**

	31 December 2022 USD '000	31 December 2021 USD '000
Cash flows from operating activities		
Profit for the year	801,807	603,913
<i>Adjustments for:</i>		
Depreciation of property and equipment	386,428	392,473
Depreciation of right-of-use assets	15,792	23,775
Amortisation of intangible assets	2,314	-
Impairment/lost in hole of property and equipment – net	2,954	10,321
Employees end of service benefit charge	18,373	33,180
Allowance for slow-moving inventories	900	4,781
Expected credit loss charge	9,004	-
Finance cost	34,880	17,700
Finance income	(6,274)	(728)
Operating cash flows before changes in working capital	1,266,178	1,085,415
Changes in working capital on account of:		
Inventories	20,756	(2,753)
Advance payments	2,226	(3,384)
Trade and other receivables	(12,973)	36,842
Due from related parties	22,350	(57,799)
Trade and other payables	100,258	(20,667)
Due to related parties	133,363	147,758
Employees' end of service benefit paid	(8,347)	(6,280)
Cash generated from operating activities	1,523,811	1,179,132
Cash flows from investing activities		
Payments for purchase of property and equipment	(937,994)	(582,747)
Payments for purchase of intangible assets	(4,148)	-
Finance income received	6,274	728
Net cash used in investing activities	(935,868)	(582,019)

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

Statement of cash flows
for the year ended 31 December 2022 (continued)

	31 December 2022 USD '000	31 December 2021 USD '000
Cash flows from financing activities		
Lease liabilities paid	(14,916)	(19,622)
Dividends paid	(666,250)	(1,060,300)
Finance cost paid	(34,364)	(17,555)
Net cash used in financing activities	(715,530)	(1,097,477)
Net decrease in cash and cash equivalents	(127,587)	(500,364)
Cash and cash equivalent at the beginning of the year	453,101	953,465
Cash and cash equivalents at the end of the year	325,514	453,101
Non-cash transactions:		
Additions and modification to right-of-use assets and lease liabilities	15,317	18,858
Capitalisation of retained earnings	-	326,753

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

Notes to the financial statements for the year ended 31 December 2022

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.

In September 2021, the Company announced its intention to float a minority stake on Abu Dhabi Securities Exchange through an Initial Public Offering (IPO), pursuant to the resolution of the shareholders of the Company. The shareholders approved the listing and the sale by way of offer to the public of part of the share capital of the Company held by ADNOC. The subscription period commenced on 13 September 2021 and closed on 26 September 2021 and trading of the shares commenced on 3 October 2021.

Prior to the IPO, the shareholders approved the adoption of new articles of association, including the new par value of AED 0.10 (USD: 0.0272294) per share from the previous AED 100 (USD 27.2294) per share thereby increasing the then existing number of shares from 4,000 thousand to 4,000,000 thousand. Further, an additional 12,000,000 thousand shares of the Company at the new par value of AED 0.10 (USD: 0.0272294) per share were issued by way of capitalising retained earnings of the Company amounting to USD 326,753 thousand.

On 22 September 2021, ADNOC announced that it had increased the number of ordinary shares offered in the IPO of the Company from 1,200,000,000 ordinary shares to 1,760,000,000 ordinary shares, which equated to 11% of Company’s total issued share capital. Upon completion of the IPO, ADNOC continues to own a majority 84% stake in the Company, while Baker Hughes Holding SPV Ltd. (“Baker Hughes”), which entered into a strategic partnership with the Company in October 2018, continues to retain its 5% shareholding. ADNOC and Baker Hughes entered into an agreement to terminate the erstwhile shareholders’ agreement (“the SHA”) between them effective from date of listing of the Company’s shares on Abu Dhabi Securities Exchange.

Federal Law No. 32 of 2021 on Commercial Companies (the “New Companies Law”) was issued on 20 September 2021 and has come into effect on 2 January 2022, to entirely replace Federal Law No. 2 of 2015 on Commercial Companies, as amended (the “2015 Law”). The Company has applied the requirements of New Companies Law during the year ended 31 December 2022.

On 3 October 2022, the United Arab Emirates (UAE) Ministry of Finance (“MoF”) issued Federal Decree-Law No 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law (“CT Law”) to implement a new CT regime in the UAE. The new CT regime is applicable for accounting periods beginning on or after 1 June 2023.

Generally, UAE businesses will be subject to a 9% CT rate, however a rate of 0% will be applied to taxable income not exceeding AED 375,000 or to certain types of entities, to be prescribed by way of a Cabinet Decision.

The Company is currently assessing the impact of these laws and regulations and will apply the requirements as further guidance is provided by the relevant tax authorities.

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 Company has not purchased or invested in any shares during the financial year ended 31 December 2022.

Notes to the financial statements for the year ended 31 December 2022 (continued)

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

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2022, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IAS 16 Property, Plant and Equipment related to proceeds before intended use.
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets related to Onerous Contracts-Cost of Fulfilling a Contract.
- Annual Improvements to IFRS Standards 2018-2020: The Annual Improvements include amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments and IFRS 16 Leases.

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 2022.

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

The Company has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (effective from 1 January 2023).
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) (effective from 1 January 2023)
- Definition of Accounting Estimates (Amendments to IAS 8) (effective from 1 January 2023)
- Annual Improvements to IFRS Standards 2018-2020: The Annual Improvements include amendments to (effective date not yet decided) and
- Amendments to IAS 1 and IFRS Practice Statement 2 related to Disclosure of Accounting Policies (effective from 1 January 2023).

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

3. Summary of significant accounting policies

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

Statement of compliance

The 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).

Notes to the financial statements for the year ended 31 December 2022 (continued)

3. Summary of significant accounting policies (continued)

Basis of preparation

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

These 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

At 31 December 2022, the Company's current liabilities exceed its current assets by USD 879,136 thousand. Management has assessed liquidity forecast under different scenarios and no material uncertainties over going concern were identified. The Company has sufficient liquidity through the Company's undrawn borrowing facilities (note 12) as well as the Company's forecasted cash flows from operations to meet ongoing commitments and therefore it is concluded that adequate support is available to evidence that the going concern assumption is appropriate for the preparation of these financial statements.

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 Company 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 statement of profit or loss 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 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:

	Years
Building and yards	10 – 20
Drilling rigs and equipment	8 – 20
Camps and equipment	4 – 10
Motor vehicles	4
Furniture, fixtures and office equipment	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 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 statement of profit or loss and other comprehensive income.

Notes to the financial statements for the year ended 31 December 2022 (continued)

3. Summary of significant accounting policies (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 Company, 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 Company 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 Company 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.

Notes to the financial statements for the year ended 31 December 2022 (continued)

3. Summary of significant accounting policies (continued)

Leases

The Company as lessee

The Company assesses whether contract is or contains a lease, at inception of the contract. The Company 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 Company 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 Company 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 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 Company 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 revised 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 Company 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 statement of financial position.

The Company 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.

Notes to the financial statements for the year ended 31 December 2022 (continued)

3. Summary of significant accounting policies (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 Company 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 Company 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 Company 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 Company'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 Company 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 Company'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.

Notes to the financial statements for the year ended 31 December 2022 (continued)

3. Summary of significant accounting policies (continued)

Foreign currencies

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

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 Company's statement of financial position when the Company 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 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 Company 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.

**Notes to the financial statements
for the year ended 31 December 2022 (continued)****3. Summary of significant accounting policies (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 Company 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 statement of profit or loss and other comprehensive income.

Impairment of financial assets

The Company 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 Company 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 Company'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 Company 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 Company 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.

Notes to the financial statements for the year ended 31 December 2022 (continued)

3. Summary of significant accounting policies (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 Company 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 Company 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 Company 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 Company considers the changes in the risk that the specified debtor will default on the contract.

The Company 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 Company 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 Company 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 Company, in full (without taking into account any collateral held by the Company).

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

(iii) Write-off policy

The Company 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.

Notes to the financial statements for the year ended 31 December 2022 (continued)

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets

The Company 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 Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company 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 Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company'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 Company derecognises financial liabilities when, and only when, the Company'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 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.

Notes to the financial statements for the year ended 31 December 2022 (continued)

3. Summary of significant accounting policies (continued)

Employees' pension

The Company 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 Company 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 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 statement of financial position, VAT receivable is reclaimable against sales VAT upon payment of the purchases.

4. Key judgement and source of estimation and uncertainty

The preparation of the 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 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 Company'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 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 Company 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 Company 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 149,980 thousand in the current year (2021: USD 178,120 thousand).

Notes to the financial statements for the year ended 31 December 2022 (continued)

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

Critical accounting judgments (continued)

Contract modifications

The Company, 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.

Capitalisation of borrowing costs

As described in note 3, the Company 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 9,626 thousand (2021: nil) 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 consider 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 2022, no significant events or significant change in circumstances occurred that caused the management to reassess the lease term of such contracts.

Key sources of estimation uncertainty

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 identified impairment indicators in the current year for property and equipment and recognised impairment losses/lost in hole to bring the asset value to its recoverable which amounted to USD 10,519 thousand (2021: USD 10,321 thousand).

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 2022 amounted to USD 26,058 thousand (2021: USD 25,158 thousand).

Notes to the financial statements for the year ended 31 December 2022 (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	Total USD'000
Cost							
At 1 January 2021	88,448	5,702,806	28,450	76,128	303,194	-	6,199,026
Additions during the year	-	81,421	-	23	423,357	-	504,801
Transfers during the year	16	327,708	299	9,466	(337,489)	-	-
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 31 December 2022	83,688	6,743,699	29,622	63,563	644,912	55,041	7,620,525
Depreciation and impairment							
At 1 January 2021	58,136	2,787,723	28,195	63,536	-	-	2,937,590
Charge for the year	2,735	383,264	157	6,317	-	-	392,473
Impairment	36	9,117	59	1,109	-	-	10,321
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 31 December 2022	58,836	3,554,922	27,639	57,521	-	-	3,698,918
Carrying amount							
At 31 December 2022	24,852	3,188,777	1,983	6,042	644,912	55,041	3,921,607
At 31 December 2021	27,557	2,931,831	338	14,655	389,062	-	3,363,443

Notes to the financial statements for the year ended 31 December 2022 (continued)

5. Property and equipment (continued)

The depreciation is allocated as follows:

Direct cost (note 17)
General and administrative expenses (note 18)

	31 December 2022 USD '000	31 December 2021 USD '000
Direct cost (note 17)	378,706	374,954
General and administrative expenses (note 18)	7,722	17,519
	386,428	392,473

Property and equipment include assets that are still in use and which are fully depreciated amounting to USD 896,011 thousand (2021: USD 879,872 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).

The Company 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 Company recognised an impairment/lost in hole of USD 10,519 thousand (2021: USD 10,321 thousand). Impairment of certain assets amounting to USD 7,565 thousand have been reversed while the assets for which prior year impairment was not reversed have been written off in the current year.

6. Rights-of-use assets and lease liabilities

Amounts recognised in the statement of financial position:

Rights-of-use assets

Balance at the beginning of the year
Additions during the year
Lease modification*
Depreciation charge during the year

Balance at end of the year

	31 December 2022 USD '000	31 December 2021 USD '000
Balance at the beginning of the year	34,384	39,301
Additions during the year	15,317	11,115
Lease modification*	-	7,743
Depreciation charge during the year	(15,792)	(23,775)
Balance at end of the year	33,909	34,384

Lease liabilities

Balance at the beginning of the year
Additions
Lease modification
Accretion of interest
Payments

Balance at end of the year

Disclosed as follows:

Current
Non-current

	31 December 2022 USD '000	31 December 2021 USD '000
Balance at the beginning of the year	39,348	40,112
Additions	15,317	11,115
Lease modification	-	7,743
Accretion of interest	283	783
Payments	(15,199)	(20,405)
Balance at end of the year	39,749	39,348
<i>Disclosed as follows:</i>		
Current	19,141	20,317
Non-current	20,608	19,031
	39,749	39,348

**Notes to the financial statements
for the year ended 31 December 2022 (continued)**

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

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

	31 December 2022 USD '000	31 December 2021 USD '000
Direct cost (note 17)	9,275	16,811
General and administrative expenses (note 18)	6,517	6,964
	15,792	23,775

During the previous year, the Company and the lessor agreed to amend the annual lease payments for an additional period of 2 years from the original contract period for lease of hire equipment. The Company accounted it as a lease modification and remeasured the lease liability to reflect the modified lease payments discounted at a revised incremental borrowing rate ("IBR") of 1.5%. This resulted in lease modification amounting to USD 7,743 thousand.

7. Intangible assets

	31 December 2022 USD '000	31 December 2021 USD '000
Cost		
Balance at the beginning of the year	-	-
Reclassified from property and equipment (note 5)	8,501	-
Additions during the year	4,148	-
Balance at end of the year	12,649	-
Accumulated amortisation		
Balance at the beginning of the year	-	-
Reclassified from property and equipment (note 5)	1,355	-
Amortisation charge for the year (note 18)	2,314	-
Balance at end of the year	3,669	-
Carrying value At 31 December	8,980	-

**Notes to the financial statements
for the year ended 31 December 2022 (continued)**

8. Inventories

	31 December 2022 USD '000	31 December 2021 USD '000
Inventories	179,427	200,183
Less: allowance for slow moving or obsolete inventories	(26,058)	(25,158)
	153,369	175,025

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

	31 December 2022 USD '000	31 December 2021 USD '000
Balance at beginning of the year	25,158	20,377
Charge during the year	900	4,781
Balance at end of the year	26,058	25,158

9. Trade and other receivables

	31 December 2022 USD '000	31 December 2021 USD '000
Trade receivables	24,181	28,613
Advances	37,199	36,280
Accrued revenue	27,890	18,554
Prepayment	8,134	5,665
Other receivables	18,023	13,342
	115,427	102,454

10. Cash and cash equivalents

	31 December 2022 USD '000	31 December 2021 USD '000
Cash in bank	325,108	452,795
Cash on hand	406	306
	325,514	453,101

Included within cash in bank is an amount of USD 322,643 thousand held by ADNOC Group Treasury Services (AGTS) (2021: USD 451,752 thousand held by ADNOC) which is in nature of cash and cash equivalents. Cash held by AGTS/ADNOC are funds held on behalf of the Company and are available on demand.

Notes to the financial statements for the year ended 31 December 2022 (continued)

11. Share capital and statutory reserve

Ordinary share capital of USD: 0.0272294 (AED: 0.10) each
(2021 USD: 0.0272294 (AED: 0.10) each)

31 December 2022 USD '000	31 December 2021 USD '000
435,671	435,671

The movement in ordinary share capital and fully paid is as follows:

	31 December 2022		31 December 2021	
	Number of shares (‘000)	USD '000	Number of shares (‘000)	USD '000
Balance at beginning of the year	16,000,000	435,671	4,000	108,918
Share split (AED 100 to AED 0.10) (note 1)	-	-	3,996,000	-
Capitalisation	-	-	12,000,000	326,753
Balance at end of the year	16,000,000	435,671	16,000,000	435,671

In 2021, the shareholders resolved to increase the ordinary share capital by USD 326,753 thousand by issuance of 12,000,000 thousand ordinary shares of AED 0.10 (USD: 0.0272294) each by way of capitalisation of retained earnings.

In accordance with the Federal Law No. 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.

12. Borrowings

Syndicated loan

31 December 2022 USD '000	31 December 2021 USD '000
1,500,000	1,500,000

Disclosed as follows:

Current
Non-current

1,500,000	-
-	1,500,000
1,500,000	1,500,000

Notes to the financial statements for the year ended 31 December 2022 (continued)

12. Borrowings (continued)

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

Type	Currency	Interest rate	Year of maturity	31 December 2022 USD '000	31 December 2021 USD '000
Syndicated loan	USD	0.9% and one month LIBOR	2023	1,500,000	1,500,000

The facility carries a fixed margin of 0.9% and one month LIBOR interest rate. The loan matures in a lump sum amount after 5 years which is due in 2023.

	31 December 2022 USD '000	31 December 2021 USD '000
First Abu Dhabi Bank (note 15)	375,000	375,000
Sumitomo Mitsui Banking Corporation	225,000	375,000
The National Bank of Ras Al-Khaimah	170,000	-
Abu Dhabi Commercial Bank (note 15)	155,000	375,000
The Norinchukin Bank	150,000	-
State Bank of India	125,000	-
Bank of American Merrill Lynch International Limited	75,000	75,000
Mizuho Bank	75,000	75,000
Sgbtci SA	75,000	75,000
UniCredit Bank Austria AG	75,000	75,000
Citibank	-	75,000
	1,500,000	1,500,000

On 24 October 2021, the Company 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:

	Facility A – Revolving Loan USD '000	Facility B – Term Loan USD '000
Abu Dhabi Commercial Bank	165,000	110,000
First Abu Dhabi Bank	165,000	110,000
J.P. Morgan Securities PLC	90,000	-
HSBC Bank Middle East Limited	90,000	60,000
Emirates NBD Bank PJSC	70,000	140,000
Bank of America Europe Designated Activity Company	60,000	40,000
Goldman Sachs Bank USA	50,000	-
Societe Generale	30,000	40,000
The National Bank of Ras Al-Khaimah	30,000	-
	750,000	500,000

Notes to the financial statements for the year ended 31 December 2022 (continued)

12. Borrowings (continued)

The facilities carry a fixed margin of 0.8% and six-month LIBOR interest rate. The facilities terminate four (4) years from the date of the agreement and the expiration date to utilize the Term Loan (Facility B) amounting to USD 500,000 thousand is 24 October 2023. No drawdown has been made as at 31 December 2022 against these facilities.

13. Provision for employees' end of service benefits

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

	31 December 2022 USD '000	31 December 2021 USD '000
Balance at beginning of the year	113,360	86,460
Charge during the year (note 19)	18,373	33,180
Paid during the year	(8,347)	(6,280)
Balance at end of the year	123,386	113,360
<i>Disclosed as follows:</i>		
Current	12,305	-
Non-current	111,081	113,360
	123,386	113,360

14. Trade and other payables

	31 December 2022 USD '000	31 December 2021 USD '000
Accrued expenses	218,263	177,167
Trade payables	130,732	107,831
Deferred revenue	47,837	-
Retention payables	20,480	11,895
Accrual for employees' benefits	12,307	12,524
Pension payable	2,645	4,685
Other payables	121	811
	432,385	314,913
<i>Disclosed as follows:</i>		
Current	404,287	314,913
Non-current	28,098	-
	432,385	314,913

The average credit period on purchases is 60 days (2021: 60 days). The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Notes to the financial statements for the year ended 31 December 2022 (continued)

15. Related party balances and transactions

Related parties represent the shareholders, directors and key management personnel of the Company, 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 Company's management.

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

	31 December 2022 USD '000	31 December 2021 USD '000
(a) Due from related parties	34,482	81,607
(b) Other balances due from related parties (i)	903,568	878,793
Less: expected credit loss allowance	(9,004)	-
	929,046	960,400
(a) Due from related parties		
ADNOC Offshore	34,260	81,099
ADNOC Sour Gas	191	55
Al Dhafrah JV	20	21
ADNOC Refining	6	134
ADNOC Gas Processing	5	18
Abu Dhabi National Oil Company (ADNOC)	-	280
	34,482	81,607

At 31 December 2022, the Company had a significant concentration of credit risk, with one of the customer representing 99% (2021: 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 Company 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 2022 USD '000	31 December 2021 USD '000
Not past due	16,093	49,181
Due from 31 to 60 days	2,306	3,977
Due from 61 to 90 days	2,851	3,004
Due from more than 91 days	13,232	25,445
	34,482	81,607

**Notes to the financial statements
for the year ended 31 December 2022 (continued)**

15. Related party balances and transactions (continued)

(b) Other balances due from related parties (i)

ADNOC Onshore	676,166	653,799
ADNOC Offshore	221,447	223,776
Abu Dhabi National Oil Company (ADNOC)	5,100	-
ADNOC Sour Gas	455	863
Al Dhafra JV	400	355

	31 December 2022 USD '000	31 December 2021 USD '000
	676,166	653,799
	221,447	223,776
	5,100	-
	455	863
	400	355
	903,568	878,793

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

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

Balance at beginning of the year	-	-
Charge during the year (note 17)	9,004	-

Balance at end of the year

	31 December 2022 USD '000	31 December 2021 USD '000
	-	-
	9,004	-
	9,004	-

Due to related parties

ADNOC Onshore	390,662	231,154
Abu Dhabi National Oil Company for Distribution	62,535	76,403
Abu Dhabi National Oil Company (ADNOC)	12,262	19,580
ADNOC Logistics & Services	751	5,244
ADNOC Refining	510	1,015
ADNOC LNG	39	-

	31 December 2022 USD '000	31 December 2021 USD '000
	390,662	231,154
	62,535	76,403
	12,262	19,580
	751	5,244
	510	1,015
	39	-
	466,759	333,396

Notes to the financial statements for the year ended 31 December 2022 (continued)

15. Related party balances and transactions (continued)

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

	31 December 2022 USD '000	31 December 2021 USD '000
Loan from related parties (note 12)		
First Abu Dhabi Bank	375,000	375,000
Abu Dhabi Commercial Bank	155,000	375,000
	530,000	750,000
	31 December 2022 USD '000	31 December 2021 USD '000
Cash and cash equivalents (note 10)		
ADNOC Group Treasury Services (AGTS)	322,643	-
First Abu Dhabi Bank	2,383	932
Abu Dhabi Commercial Bank	82	111
Abu Dhabi National Oil Company (ADNOC)	-	451,752
	325,108	452,795

Shareholder Loan Agreement

On 16 August 2021, the Company entered into a shareholder loan facility ("Facility") of USD 1,250,000 thousand with ADNOC ("the Shareholder Loan Agreement"). The purpose of the Facility was to provide financing for working capital and general corporate purposes. Pursuant to the Shareholder Loan Agreement (i) the Facility maturity date was to be 30 June 2023, unless extended, cancelled in the event of non-utilisation or the Facility is repaid in accordance with the terms of the Shareholder Loan Agreement; and (ii) interest was to be the aggregate of six (6) month LIBOR plus a margin of 1.2% per annum, payable biannually on 30 June and 31 December of each year. The principal amount of the Facility was payable upon maturity or termination. The Shareholder Loan Agreement contained no maintenance or incurrence covenants. This agreement was terminated on 23 November 2021 and there was no draw down from the Facility in 2021.

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

	31 December 2022 USD '000	31 December 2021 USD '000
Revenue		
ADNOC Onshore	1,594,187	1,262,004
ADNOC Offshore	1,032,707	886,499
Abu Dhabi National Oil Company (ADNOC)	919	52,889
ADNOC Sour Gas	511	-
Al Dhafrah JV	145	-
	2,628,469	2,201,392

**Notes to the financial statements
for the year ended 31 December 2022 (continued)**

15. Related party balances and transactions (continued)

	31 December 2022 USD '000	31 December 2021 USD '000
Purchases		
Abu Dhabi National Oil Company (ADNOC)	27,891	22,780
ADNOC Logistics & Services	11,650	8,931
ADNOC Distribution	147,473	78,929
ADNOC Refining	845	-
	187,859	110,640
Other income		
Abu Dhabi National Oil Company (ADNOC)	331	2,427
Finance income		
Abu Dhabi National Oil Company (ADNOC)	6,164	624
Lease payments		
Abu Dhabi National Oil Company (ADNOC)	15,199	20,405
Key management compensation		
Compensation of key management personnel	5,841	5,042
Board of Directors members	7	7
Key management personnel	8	8

16. Revenue

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

	31 December 2022 USD '000	31 December 2021 USD '000
Drilling and oilfield services	2,665,225	2,260,618
Facilitation of rigs rental	8,026	8,852
	2,673,251	2,269,470

As at 31 December 2022, the Company has unsatisfied performance obligations amounting to USD 19,739 thousand (2021: nil) that will be recognised as revenue during the next financial year. The amount disclosed above does not include variable consideration which is constrained.

**Notes to the financial statements
for the year ended 31 December 2022 (continued)**

17. Direct cost

	31 December 2022 USD '000	31 December 2021 USD '000
Staff costs (note 19)	498,621	465,594
Depreciation of property and equipment (note 5)	378,706	374,954
Repairs and maintenance	178,557	152,716
Fuel and lubricants	153,203	83,794
Chemicals	123,199	111,592
Hire of equipment	114,103	79,995
Major maintenance charges	91,978	81,314
Depreciation of right-of-use assets (note 6)	9,275	16,811
Expected credit loss charge (note 15)	9,004	-
Lost in hole charges (note 5)	5,972	-
Impairment of property and equipment (note 5)	4,547	-
Other direct cost	13,452	18,432
	1,580,617	1,385,202

18. General and administrative expenses

	31 December 2022 USD '000	31 December 2021 USD '000
Staff costs (note 19)	221,532	199,074
Depreciation of property and equipment (note 5)	7,722	17,519
Depreciation of right-of-use assets (note 6)	6,517	6,964
Amortisation of intangible assets (note 7)	2,314	-
Impairment (reversal)/charge of property and equipment (note 5)	(7,565)	10,321
Other expenses	37,868	39,640
	268,388	273,518

19. Staff costs

	31 December 2022 USD '000	31 December 2021 USD '000
Salaries and allowances	590,766	531,587
End of service benefits (note 13)	18,373	33,180
Pension	23,153	22,685
Other employees' benefits	87,861	77,216
	720,153	664,668

Notes to the financial statements for the year ended 31 December 2022 (continued)

20. Finance cost, net

	31 December 2022 USD '000	31 December 2021 USD '000
Finance income	6,274	728
Less: finance costs	(34,880)	(17,700)
	(28,606)	(16,972)

21. Dividends

On 16 March 2021, the shareholders approved a declaration of dividend amounting to USD 700,000 thousand pertaining to 2020, in accordance with the Shareholders' Agreement in the relevant shareholding portions of USD 665,000 thousand for ADNOC and USD 35,000 thousand for Baker Hughes Holdings SPV LTD. The dividend was paid during the prior period.

On 21 August 2021, the shareholders approved declaration of interim dividend for 2021 amounting to USD 360,300 thousand in accordance with the Shareholders' Agreement in the relevant shareholding portions of USD 342,285 thousand for ADNOC and USD 18,015 thousand for Baker Hughes Holdings SPV LTD. The dividend was fully paid on 30 August 2021.

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 current year.

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 current year.

22. Commitments and contingencies

The Company has the following commitments and contingent liabilities outstanding at 31 December 2022 and 31 December 2021:

	31 December 2022 USD '000	31 December 2021 USD '000
Capital commitments – rigs procurement	128,102	89,659
Bank guarantees	134	87

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.

**Notes to the financial statements
for the year ended 31 December 2022 (continued)**

23. Financial Instruments by category

	31 December 2022 USD '000	31 December 2021 USD '000
Financial assets		
Trade and other receivables	42,204	41,955
Due from related parties	34,482	81,607
Cash and cash equivalents	325,514	453,101
	402,200	576,663
Financial liabilities		
Borrowings	1,500,000	1,500,000
Trade and other payables	384,548	314,913
Due to related parties	466,759	333,396
Lease liabilities	39,749	39,348
	2,391,056	2,187,657

24. Financial instruments

Financial risk management

The Company'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 Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Market risk management

Foreign exchange risk

Foreign exchange risk is limited as the Company'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 Company 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.

Notes to the financial statements for the year ended 31 December 2022 (continued)

24. 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 Company's profit.

	Effect on profit USD'000
2022	(1,500)
+10 increase in basis points	_____
-10 increase in basis points	1,500 _____
2021	
+10 increase in basis points	(1,500) _____
-10 increase in basis points	1,500 _____

The fair values of the Company'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 Company's policy is to place cash and cash equivalents with reputable banks and financial institutions and the Company'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 Company's trade receivable balances are monitored on an ongoing basis with the result that the Company'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 Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company'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 Company's reputation.

Notes to the financial statements for the year ended 31 December 2022 (continued)

24. Financial instruments (continued)

Financial risk management (continued)

Liquidity risk management (continued)

The Company 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 Company's financial liabilities at 31 December 2022 and 2021 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 2022					
Lease liabilities	6	39,749	40,795	19,436	21,359
Borrowings	12	1,500,000	1,527,506	1,527,506	-
Trade and other payables	14	384,548	384,548	384,548	-
Due to related parties	15	466,759	466,759	466,759	-
		2,391,056	2,419,608	2,398,249	21,359
31 December 2021					
Lease liabilities	6	39,348	42,091	21,017	21,074
Borrowings	12	1,500,000	1,547,104	15,701	1,531,403
Trade and other payables	14	314,913	314,913	314,913	-
Due to related parties	15	333,396	333,396	333,396	-
		2,187,657	2,237,504	685,027	1,552,477

Capital risk management

The Company's objectives when managing capital are to safeguard the Company'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 Company may adjust the amount of dividends paid to shareholders or issue new shares.

The Company 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 statement of financial position) less cash and cash equivalents. Total capital is calculated as total equity as shown in the statement of financial position plus net debt.

Notes to the financial statements for the year ended 31 December 2022 (continued)

25. Segment reporting

Information regarding the Company'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 Company 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 Company 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 through the partnership with Baker Hughes in late 2018 and provides other services.

The Company operates solely 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 statement of profit or loss and other comprehensive income) depreciation, amortisation and impairment.

Refer to note 15 for analysis of revenue from major customers.

Notes to the financial statements
for the year ended 31 December 2022 (continued)

25. 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 (excluding depreciation and impairment)	(598,896)	(204,014)	(57,432)	(327,747)	(1,188,089)
Gross profit	854,399	407,174	146,694	76,895	1,485,162
General and administrative expenses (excluding depreciation and impairment)	(153,412)	(79,491)	(26,497)	-	(259,400)
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:

	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 and impairment included in direct cost	(146,574)	(149,090)	(44,029)	(52,835)	(392,528)
Depreciation and impairment included in general and administrative expenses	(5,052)	(3,072)	(864)	-	(8,988)
Total depreciation and impairment	(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

Notes to the financial statements
for the year ended 31 December 2022 (continued)

25. Segment reporting (continued)

31 December 2021	Onshore USD'000	Offshore Jackup USD'000	Offshore Island USD'000	OFS USD'000	Total USD'000
Revenue	1,140,139	595,831	203,880	329,620	2,269,470
Direct cost (excluding depreciation)	(514,707)	(168,550)	(52,176)	(258,004)	(993,437)
Gross profit	625,432	427,281	151,704	71,616	1,276,033
General and administrative expenses (excluding depreciation and impairment)	(138,723)	(74,993)	(24,998)	-	(238,714)
Other income, net	6,478	2,728	909	20	10,135
EBITDA	493,187	355,016	127,615	71,636	1,047,454

EBITDA is reconciled to profit for the year as follows:

	Onshore USD'000	Offshore Jackup USD'000	Offshore Island USD'000	OFS USD'000	Total USD'000
EBITDA	493,187	355,016	127,615	71,636	1,047,454
Depreciation included in direct cost	(167,663)	(134,526)	(44,262)	(45,314)	(391,765)
Depreciation and impairment included in general and administrative expenses	(21,196)	(10,206)	(3,402)	-	(34,804)
Total depreciation and impairment	(188,859)	(144,732)	(47,664)	(45,314)	(426,569)
Finance cost, net	(11,288)	(4,263)	(1,421)	-	(16,972)
Profit for the year	293,040	206,021	78,530	26,322	603,913

Notes to the financial statements for the year ended 31 December 2022 (continued)

25. Segment reporting (continued)

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

	Onshore USD '000	Offshore Jackup USD '000	Offshore Island USD '000	OFS USD '000	Total USD '000
30 December 2022					
Property and equipment	974,554	2,143,938	185,715	617,400	3,921,607
31 December 2021					
Property and equipment	1,051,954	1,585,148	223,199	503,142	3,363,443

26. Basic and diluted earnings per share

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

	31 December 2022 USD '000	31 December 2021 USD '000
Profit attributable to shareholders of the Company (USD'000)	801,807	603,913
Weighted average number of shares for the purpose of basic earnings per share (note 11)	16,000,000	16,000,000
Earnings per share (USD'000)	0.050	0.038

There are no dilutive securities, therefore diluted EPS is the same as basic EPS. The weighted average number of shares outstanding at 31 December 2021 are adjusted proportionately as if the share split and capitalisation had taken place at the start of the earliest year for which EPS is presented.

27. Subsequent event

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 with a NBV of USD 10,717 thousand. The rigs are expected to be sold within the first half of 2023 upon finalization of the associated negotiations and signing of definitive agreements.

28. Approval of the financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 10 February 2023.