

**ADES HOLDING COMPANY  
(Listed Joint Stock Company)  
AND ITS SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE PERIOD FROM 28 DECEMBER 2022 (DATE OF  
INCORPORATION) TO 31 DECEMBER 2023**

## INDEPENDENT AUDITOR'S REPORT

### To the Shareholders of ADES Holding Company (A Saudi Joint Stock Company) Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the consolidated financial statements of ADES Holding Company (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period from 28 December 2022 to 31 December 2023, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the period from 28 December 2022 to 31 December 2023 in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia that is relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with that 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, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

**INDEPENDENT AUDITOR'S REPORT**  
To the Shareholders of ADES Holding Company (A Saudi Joint Stock Company)  
Report on the Audit of the Consolidated Financial Statements (continued)

**Key Audit Matters (continued)**

Key audit matters	How our audit addressed the key audit matter
<p><b>Impairment assessment for rigs</b></p> <p>A history of business combinations, asset acquisitions and the capital-intensive nature of the business model increases the magnitude of non-current assets. There is a risk that the future performance may lead to the value of property and equipment and right of use (ROU) assets that mainly include the rigs not being recoverable in full. The estimated recoverable amount is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows.</p> <p>The Group identified each rig to be a separate cash generating unit (CGU), which is the lowest level of component generating cash inflows, for the purposes of the impairment assessment. The Group assesses indicators of impairment in respect of the rigs at each reporting date. In case such indicators are identified, the Group estimates the recoverable amounts of such rigs using discounted future cash flows and compares with the carrying values to determine if there is any impairment.</p> <p>As part of the Group's process to review for any indication of impairment of its rigs, management considers internal and external indicators of impairment.</p> <p>We identified the impairment assessment of the rigs as a key audit matter due to the significant judgment and estimates involved to evaluate the impairment indicators and, in case such indicators are identified, determine the recoverable amount of the rig.</p> <p>Refer to Note 3 for significant accounting estimates and judgements relating to impairment of non-current assets and Note 15 and 16 for disclosure of property and equipment and ROU.</p>	<p>Our audit procedures, among others, included the following:</p> <ul style="list-style-type: none"> <li>• We obtained an understanding of the management's process and controls for the impairment assessment at each rig level;</li> <li>• We evaluated the management's assessment of impairment indicators at each rig level.</li> <li>• For the rigs with the impairment indicators: <ul style="list-style-type: none"> <li>○ we obtained the management's discounted cash flows workings and tested the arithmetical accuracy;</li> <li>○ compared the forecasted utilization days of the rigs and the rates used by the Group to estimate the future revenues to the signed customer contracts, when available, and historical performance of the same or similar rigs;</li> <li>○ compared the forecasted operating and capital cash outflows to historical performance and the approved budgets by the Group;</li> <li>○ we involved our valuations specialists in our evaluation of the discount rates applied by the Group to discount future cash flows;</li> </ul> </li> </ul>

**INDEPENDENT AUDITOR'S REPORT**  
To the Shareholders of ADES Holding Company (A Saudi Joint Stock Company)  
Report on the Audit of the Consolidated Financial Statements (continued)

**Key Audit Matters (continued)**

Key audit matter	How our audit addressed the key audit matter
<b>Recognition of revenue</b>	
<p>The total revenue recognized for the period ended 31 December 2023 amounted to approximately SAR 4,332 million, of which approximately 66% is attributable to the customer contracts with its related party.</p> <p>The Group has identified one performance obligation for each of its customer contracts that mainly includes provision of well drilling, well workover and production, and other related services, and the revenue is recognized over time. Revenue recognized from the customer contracts include mobilization and demobilization fees that are recognized over the period of the customer contract life.</p> <p>We identified the revenue recognition to be a key audit matter due to materiality of the revenue to the Group's consolidated financial statements, large volume of transactions and associated significant risk of overstatement of revenue as a result of fraud or error.</p> <p>Refer to note 2 for the Group's accounting policy relating to revenue recognition and Note 4, 6 and 25 for details of revenue from contracts with customers.</p>	<p>Our audit procedures, among others, included the following:</p> <ul style="list-style-type: none"> <li>• We obtained an understanding of the management's process and controls for the revenue recognition;</li> <li>• We reviewed the customer contracts, on a sample basis, and evaluated management's assessment of these contracts for the identification of the performance obligation and recognition of the revenue in accordance with the IFRS 15- Revenue from customer contracts;</li> <li>• We tested, on a sample basis, the revenue journal entries recorded before and after the period end to the supporting documents;</li> <li>• We performed a monthly trend analysis of the revenue recorded during the period and also compared a rig-wise revenue for 2023 with the revenue recorded for 2022. We obtained understanding of the material variances noted as a result of the above audit procedures;</li> <li>• We have independently recalculated revenue for the customer contracts, on a sample basis, based on the utilization days of the rigs, the contract rates and mobilisation fees as per the customer contracts;</li> <li>• We tested the accuracy of revenue by performing the correlation analysis between the journal entries recorded in revenue, the trade receivable and contract assets and cash accounts.</li> </ul>

## **INDEPENDENT AUDITOR'S REPORT**

**To the Shareholders of ADES Holding Company (A Saudi Joint Stock Company)  
Report on the Audit of the Consolidated Financial Statements (continued)**

### **Other information included in The Group's 2023 Annual Report**

Other information consists of the information included in the Group's 2023 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The Group's 2023 annual report is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Group's 2023 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the provisions of Companies' Law and Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

## **INDEPENDENT AUDITOR'S REPORT**

**To the Shareholders of ADES Holding Company (A Saudi Joint Stock Company)  
Report on the Audit of the Consolidated Financial Statements (continued)**

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

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

**INDEPENDENT AUDITOR'S REPORT**  
**To the Shareholders of ADES Holding Company (A Saudi Joint Stock Company)**  
**Report on the Audit of the Consolidated Financial Statements (continued)**

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

for Ernst & Young Professional Services



Marwan S. AlAfaliq  
Certified Public Accountant  
License No. (422)



Al Khobar: 25 Sha'ban 1445H  
6 March 2024

# ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period from 28 December 2022 to 31 December 2023

(All amounts in Saudi Arabian Riyal (SAR), unless otherwise stated)

	Notes	<i>For the period from 28 December 2022 to 31 December 2023 SAR</i>
Revenue from contracts with customers	6,24	4,331,902,893
Cost of revenue	7	(2,620,777,799)
<b>GROSS PROFIT</b>		<b>1,711,125,094</b>
General and administrative expenses	8	(369,833,743)
End of service employment benefits	21	(42,933,530)
Finance costs, net	9	(711,254,622)
Loss from assets disposal	15	(1,093,478)
Provision for impairment of investment		(5,023,587)
IPO expenses		(15,980,048)
Other taxes		(22,487,420)
Other expenses		(22,974,249)
Other income		9,835,398
<b>PROFIT FOR THE PERIOD BEFORE INCOME TAX</b>		<b>529,379,815</b>
Income tax expense	10	(77,301,057)
<b>PROFIT FOR THE PERIOD</b>		<b>452,078,758</b>
<b>Attributable to:</b>		
Equity holders of the Parent		442,097,695
Non-controlling interests		9,981,063
		<b>452,078,758</b>
Earnings per share - basic and diluted attributable to equity holders of the Parent (In SAR per share)	23	<b>0.59</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of any tax):</i>		
Net loss on cash flow hedge	28	(20,620,873)
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of any tax):</i>		
Remeasurement loss on defined benefit plans	21	(42,754,018)
<b>OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX</b>		<b>(63,374,891)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>		<b>388,703,867</b>
<b>Attributable to:</b>		
Equity holders of the Parent		389,559,379
Non-controlling interests		(855,512)
		<b>388,703,867</b>

The accompanying notes 1 to 30 form an integral part of these consolidated financial statements.



# ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

(All amounts in Saudi Arabia Riyal (SAR), unless otherwise stated)

	<i>Notes</i>	<i>2023 SAR</i>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property and equipment	15	16,149,784,495
Intangible assets	17	354,126
Right of use assets	16	643,617,077
Derivative instruments	28	51,516,820
Prepayments and other receivables	14	221,365,535
<b>Total non-current assets</b>		<b>17,066,638,053</b>
<b>Current assets</b>		
Inventories	12	331,891,597
Trade receivables	13,24	844,730,710
Contract assets	13,24	389,489,342
Due from related parties	24	5,104,609
Prepayments and other receivables	14,24	352,314,802
Bank balances and cash	11,24	432,281,641
<b>Total current assets</b>		<b>2,355,812,701</b>
<b>TOTAL ASSETS</b>		<b>19,422,450,754</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	22	1,129,062,513
Share Premium	22	2,890,367,127
Treasury shares	22	(33,871,875)
Cash flow hedge reserve	28	41,149,633
Retained earnings		1,721,531,737
<b>Equity attributable to equity holders of the Parent</b>		<b>5,748,239,135</b>
Non-controlling interests		28,667,032
<b>Total equity</b>		<b>5,776,906,167</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Interest-bearing loans and borrowings	20,24	9,169,594,591
Lease liability	16	487,357,834
Provisions	21	199,144,169
Deferred revenue	19	579,911,768
Deferred tax, net	10	61,330,677
Other payables		729,229
<b>Total non-current liabilities</b>		<b>10,498,068,268</b>
<b>Current liabilities</b>		
Trade and other payables	18	1,639,120,408
Deferred revenue	19	287,748,803
Income tax payable	10	30,217,807
Interest-bearing loans and borrowings	20,24	1,180,103,497
Provisions	21	10,285,804
<b>Total current liabilities</b>		<b>3,147,476,319</b>
<b>Total liabilities</b>		<b>13,645,544,587</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>19,422,450,754</b>



Dr. Mohamed Farouk  
Vice Chairman



Hussein Badawy  
Chief Financial Officer

The accompanying notes 1 to 30 form an integral part of these consolidated financial statements.

# ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period from 28 December 2022 to 31 December 2023

(All amounts in Saudi Arabian Riyal (SAR), unless otherwise stated)

	<i>Attributed to the equity holders of the parent</i>							<i>Non-controlling interest</i> SAR	<i>Total equity</i> SAR
	<i>Share capital</i> SAR	<i>Capital contribution</i> SAR	<i>Share premium</i> SAR	<i>Treasury shares</i> SAR	<i>Cash flow hedge reserve</i> SAR	<i>Retained earnings</i> SAR	<i>Total</i> SAR		
Issuance of share capital	1,000,000	-	-	-	-	-	1,000,000	-	1,000,000
Profit for the period	-	-	-	-	-	442,097,695	442,097,695	9,981,063	452,078,758
Other comprehensive income:									
Net loss on cash flow hedge	-	-	-	-	(20,620,873)	-	(20,620,873)	-	(20,620,873)
Remeasurement loss on defined benefit plans	-	-	-	-	-	(31,917,443)	(31,917,443)	(10,836,575)	(42,754,018)
Total comprehensive income	-	-	-	-	(20,620,873)	410,180,252	389,559,379	(855,512)	388,703,867
Issuance of share capital – net of transaction costs (Note 22)	1,128,062,513	(857,087,510)	2,890,367,127	-	-	-	3,161,342,130	-	3,161,342,130
Issuance of treasury shares (Note 22)	-	-	-	(33,871,875)	-	-	(33,871,875)	-	(33,871,875)
Transaction with the shareholders (Note 22)	-	(2)	-	-	-	9,128,783	9,128,781	-	9,128,781
Acquisitions as part reorganisation under common control (Note 1 and Note 22 )	-	857,087,512	-	-	61,770,506	1,302,222,702	2,221,080,720	36,349,824	2,257,430,544
Dividends (Note 29)	-	-	-	-	-	-	-	(6,827,280)	(6,827,280)
At 31 December 2023	1,129,062,513	-	2,890,367,127	(33,871,875)	41,149,633	1,721,531,737	5,748,239,135	28,667,032	5,776,906,167

The accompanying notes 1 to 30 form an integral part of these consolidated financial statements.

# ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the period from 28 December 2022 to 31 December 2023

	<i>Notes</i>	<i>For the period from 28 December 2022 to 31 December 2023 SAR</i>
<b>OPERATING ACTIVITIES</b>		
Profit for the period before income tax		529,379,815
Adjustments for:		
Depreciation of property and equipment	15	665,677,643
Amortisation of intangible assets	17	198,620
Amortisation of right of use assets	16	131,588,673
Loss on sale of asset		1,093,478
Provision for impairment of investment in an associate and a joint venture		5,023,587
End of service employment benefits	21	42,933,530
Finance costs	9	711,254,622
IPO expenses		15,980,048
Share of results of investment in a joint venture and associate		960,118
<b>Working capital changes:</b>		
Inventories		(147,616,824)
Trade receivables		(289,983,817)
Contract assets		(133,865,582)
Due from related parties		4,733,628
Prepayments and other receivables		20,173,545
Trade and other payables		34,564,253
Deferred revenue		721,940,400
Due to related parties		6,975,010
<b>Cash flows from operations</b>		<b>2,321,010,747</b>
Income tax paid	10	(26,884,210)
Provisions paid	21	(11,420,482)
Net cash flows from operating activities		<b>2,282,706,055</b>
<b>INVESTING ACTIVITIES</b>		
Reimbursement of the purchase price consideration	5	122,029,770
Acquisition of a subsidiary under common control, net of cash acquired	1	189,828,971
Purchase of property and equipment		(4,048,365,638)
Proceeds from sale of property and equipment		21,760
Net cash flows used in investing activities		<b>(3,736,485,137)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from loans and borrowings	20	3,351,737,379
Repayment of loans and borrowings	20	(3,554,625,494)
Finance cost paid - net		(869,657,494)
Payment of lease liabilities	16	(164,402,820)
Net proceeds from issuance of shares, net of transaction costs		3,129,836,432
Dividend payments	29	(6,827,280)
Net cash flows from financing activities		<b>1,886,060,723</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>432,281,641</b>
Cash and cash equivalents at the beginning of the period		-
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>11</b>	<b>432,281,641</b>

Refer Note 1, Note 16, Note 22 and Note 24 (c) for significant non-cash transactions.

The accompanying notes 1 to 30 form an integral part of these consolidated financial statements.

# ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 28 December 2022 to 31 December 2023

### 1 BACKGROUND

#### Corporate information

ADES Holding Company (the “Company” or the “Parent Company”) is a newly formed company under Saudi laws that was incorporated on 4 Jumada Al-Akhirah 1444H (corresponding to 28 December 2022) as a mixed closed joint stock company limited. ADES Investment Holding Ltd is the ultimate controlling party (the “ultimate controlling party”) of the Company. The Company and its subsidiaries together here-in are referred as the “Group”.

On 28 December 2022, pursuant to the reorganisation, the Shareholders established the Company as a new holding company with a share capital of SAR 1,000,000 and transferred of all issued and outstanding shares of ADES International Holding Ltd (the intermediate holding company of the Group) from ADES Arabia Holding Company (previous holding company) to the Company. There was no change to the shareholders and their relative shareholdings before and after the reorganisation.

As a result of the aforementioned transfer of shares, the Company issued additional shares for the amount of SAR 857,087,510 at par to the shareholders in June 2023 (as a result the total share capital increased to SAR 858,087,510).

At the time of the reorganisation, ADES International Holding Ltd (the intermediate holding company of the Group) owned all the Group entities and its investments in joint ventures and associates (together the “Existing Group Entities”) directly or indirectly through its subsidiaries.

As the Company is not a business and the reorganisation did not result in any change of economic substance, it is not considered as a business combination as defined by IFRS 3 Business Combinations. Accordingly, the consolidated financial statements of the Group are prepared to reflect that the reorganisation is in substance a continuation of the Existing Group Entities.

In 2022, all the external loans and borrowing of ADES Arabia Holding Company were also novated to the Company according to the novation agreement signed between the Company, ADES Arabia Holding and the lenders. The external loans and borrowing of ADES Arabia Holding Company are recognized by the Company as of the effective date of the novation agreement (refer to Note 20).

On 21 June 2023, the Capital Market Authority (“CMA”) approved the Company’s application for registering its share capital and offering of 338,718,754 ordinary shares of the Company’s total capital by way of sale of 101,615,626 existing shares (the “Sale Shares”) by existing shareholders (in proportion to their existing shareholding), and the issuance of 237,103,128 new shares (the “New Shares”) through a capital increase. The Sale Shares represent 9% and the New Shares represent 21% of the Company’s issued share capital upon completion of the Offering, totalling 30% of the issued share capital (after issuance of the New Shares and the Company’s capital increase). Refer note 22 for more details.

Subsequent to the period ended 31 December, on 1 Sha’ban 1445H (corresponding to 11 February 2024), the Company status changed from mixed joint company to listed joint stock company.

Shareholder	Pre offering			Post offering		
	No. of shares	Ownership	Nominal value	No. of shares	Ownership	Nominal value
ADES Investments Holding Ltd	467,657,690	54.50%	467,657,690	412,277,174	36.50%	412,277,174
The Public Investment Fund of the Kingdom of Saudi Arabia	304,621,070	35.50%	304,621,070	268,547,522	23.80%	268,547,522
Zamil Group Investment Co	85,808,750	10%	85,808,750	75,647,188	6.70%	75,647,188
Free Float	-	0%	-	338,718,754	30%	338,718,754
Treasury Shares	-	0%	-	33,871,875	3%	33,871,875
	<b>858,087,510</b>	<b>100%</b>	<b>858,087,510</b>	<b>1,129,062,513</b>	<b>100%</b>	<b>1,129,062,513</b>

# ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 28 December 2022 to 31 December 2023

### 1 BACKGROUND (continued)

#### Corporate information (continued)

The Consolidated Financial Statements were authorised for issue on 23 Sha'ban 1445H (corresponding to 4 March 2024) by the Board of Directors.

The Group is a leading oil and gas drilling and production services provider in the Middle East and Africa. The Group services primarily include offshore and onshore contract drilling and production services. The Group currently operates in Egypt, Algeria, Kuwait, Tunisia, Qatar, India and the Kingdom of Saudi Arabia. The Group's offshore services include drilling and workover services and Mobile Offshore Production Unit (MOPU) production services, as well as accommodation, catering, and other barge-based support services. The Group's onshore services primarily encompass drilling and work over services. The Group also provides projects services (outsourcing various operating projects for clients, such as maintenance and repair services).

The Consolidated Financial Statements of the Group include activities of the following subsidiaries:

<i>Name</i>	<i>Principal activities</i>	<i>Country of incorporation</i>	<i>31 December 2023</i>
Advanced Energy Systems (ADES) (S.A.E) <sup>1</sup>	Oil & gas drilling and production services	Egypt	100%
ADES Saudi Limited Company <sup>1</sup>	Oil and gas drilling and production services	KSA	100%
Precision Drilling Company <sup>2</sup>	Holding company	Cyprus	100%
Kuwait Advanced Drilling Services	Leasing of rigs	Cayman	100%
Prime innovations for Trade S.A. E	Trading	Egypt	100%
ADES International for Drilling	Leasing of rigs	Cayman	100%
AG training <sup>3</sup>	Training	Egypt	70%
Advanced Transport Services	Leasing of transportation Equipment	Cayman	100%
Advanced Drilling Services	Trading	Cayman	100%
ADES Holding for Drilling Services Ltd <sup>4</sup>	Investment in Oil & Gas Projects	UAE	100%
ADES International Holding Ltd	Holding Company	UAE	100%
Emerald Driller Company <sup>5</sup>	Oil and gas drilling and production services	Cayman	100%
ADES Drilling Services I Ltd.	Leasing of rigs	Bermuda	100%
ADES Drilling Services II Ltd.	Leasing of rigs	Bermuda	100%
ADES Drilling Services III Ltd.	Leasing of rigs	Bermuda	100%
ADES Advanced Drilling Services Ltd. <sup>6</sup>	Leasing of rigs	Liberia	100%
ADES Drilling Services IV Ltd.	Leasing of rigs	Bermuda	100%
ADES Drilling Services V Ltd.	Leasing of rigs	Bermuda	100%
ADES Drilling Services Ltd. <sup>7</sup>	Leasing of rigs	Bermuda	100%
ADES GCC For Drilling Ltd. <sup>8</sup>	Oil and gas drilling and production services Operating and Leasing of rigs	Bermuda	100%

<sup>1</sup> Advanced Energy Systems (ADES) (S.A.E) has branches in Algeria, India, UAE, and Iraq. ADES Saudi limited Company acquired 8 subsidiaries from Seadrill. Refer to Note 5 for details.

<sup>2</sup> Precision Drilling Company holds a 47.5% interest in United Precision Drilling Company W.L.L, a Kuwait entity which handles the operations of the rigs in Kuwait.

<sup>3</sup> ADES-GESCO Training Academy change its name to AG training in 2022.

<sup>4</sup> ADES Holding for Drilling Services Ltd set up a branch in Tunisia in 2021.

<sup>5</sup> Emerald Driller Company has a Branch in Qatar which handles operations in the country.

<sup>6</sup> ADES Advanced Drilling Services Ltd has a branch in Congo.

<sup>7</sup> ADES Drilling Services Ltd. has a branch in Indonesia.

<sup>8</sup> ADES GCC For Drilling Ltd has a branch in KSA.

# ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 28 December 2022 to 31 December 2023

### 2 MATERIAL ACCOUNTING POLICIES

#### 2.1 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

These consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and its interpretations as issued by the International Accounting Standards Board ("IASB") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred "to "IFRS as endorsed in "KSA").

The consolidated financial statements cover the period from 28 December 2022 (date of incorporation) to 31 December 2023 (the "period") as per directives of the Saudi Organization for Chartered and Professional Accountants ("SOCPA") which states that Company is legally a separate legal entity from the date of its incorporation and does not have a comparative year in the first year of its incorporation. Accordingly, no comparative information has been presented.

The consolidated financial statements are prepared under the historical cost convention using the accruals basis of accounting, except for derivative financial instruments carried at fair value which includes interest rate swap contracts designated as hedging instruments.

The consolidated financial statements are presented in Saudi Arabian Riyal ("SAR"), which is the functional currency of the Company and the presentation currency for the Group.

#### ***Going concern***

As at 31 December 2023, the current liabilities exceed current assets by SAR 791,663,618, which is mainly on account of current liabilities recognized in relation to the rigs acquired in 2022. Management has prepared projections for a period of twelve months from the date of approval of consolidated financial statements, which sets out the expected level of net cash flows that the Group is expected to generate, together with the related working capital needs and financial obligations of the Group. On the strength of this forecast as well as the available unutilised loan facilities in relation to trade payables for the capital expenditures and purchases, total order backlog and expected cash inflows from the rig mobilization payments due under the signed customer contracts, Management believes the Group will generate enough cash inflows to meet its obligations as they fall due for a period of not less than 12 months from the date of approval of these consolidated financial statements.

#### ***Basis of consolidation***

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- (a) Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee).
- (b) Exposure, or rights, to variable returns from its involvement with the investee, and
- (c) The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) The contractual arrangement with the other vote holders of the investee
- (b) Rights arising from other contractual arrangements.
- (c) The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

# ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 28 December 2022 to 31 December 2023

### 2 MATERIAL ACCOUNTING POLICIES (continued)

#### 2.1 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

##### *Basis of consolidation (continued)*

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the consolidated financial statements of a member in the Group to bring its accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities;

##### *Business combinations and acquisition of non-controlling interests*

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in the "Business acquisition cost" line-item in the consolidated statement of other comprehensive income.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances, and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Contingent consideration, resulting from business combinations, is measured at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss as a 'bargain purchase gain'.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

# ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 28 December 2022 to 31 December 2023

### 2 MATERIAL ACCOUNTING POLICIES (continued)

#### 2.1 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

##### *Business combinations and acquisition of non-controlling interests (continued)*

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions in IAS 37 Provisions, Contingent Liabilities and Contingent Assets or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

##### *Group reorganisation and business combinations under common control*

In the absence of guidance in IFRS for the group reorganisation and business combinations under common control, IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors requires to use judgement in developing and applying an accounting policy that provides reliable and more relevant information. As such group reorganisation has no economic substance and is outside the scope of IFRS 3 Business Combinations.

Business combination under common control is accounted for using the pooling of interests method as follows:

- assets and liabilities of Existing Group Entities transferred to the Company are reflected at their carrying amounts and no adjustments are made to reflect fair values, or recognise any new assets or liabilities, at the date of the reorganisation that would otherwise be done under the acquisition method;
- no goodwill is recognised as a result of the reorganisation. Any difference between the consideration transferred and the equity of the entities acquired as at the date of the combination is reflected within equity; and
- the consolidated statement of comprehensive income reflects the results of the Existing Group Entities transferred to the Company from the effective date of reorganisation.

The Group applied the accounting policy with no restatement of periods prior to the reorganisation (prospective approach) and accordingly has not reported the financial information of the Existing Group Entities acquired before the reorganisation.

##### *Interest in joint ventures and associates*

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in the joint venture and associate are both accounted for using the equity method. Under the equity method, the investment is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the investee since the acquisition date. Goodwill relating to the joint venture or associate is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the joint venture and associate. Any change in the other comprehensive income (OCI) of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture or associate, the Group recognises its share of any changes, when applicable, directly in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture or associate are eliminated to the extent of the interest in the joint venture or associate unrelated to the Group.



# ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 28 December 2022 to 31 December 2023

### 2 MATERIAL ACCOUNTING POLICIES (continued)

#### 2.1 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

##### *Interest in joint ventures and associates (continued)*

The aggregate of the Group's share of profit or loss of a joint venture and associate is shown on the face of the consolidated statement of comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture or associate.

The financial statements of the joint venture and associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring their accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in joint venture or associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture or associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture or associate and its carrying value, and then recognises the loss as 'Share of results of an associate and a joint venture' in the consolidated statement of comprehensive income.

Upon loss of joint control over a joint venture or significant influence over an associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture or associate upon loss of joint control or significant influence, and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated statement of comprehensive income.

#### 2.2 CHANGES IN THE ACCOUNTING POLICIES AND DISCLOSURE

##### **a) New and amended standards and interpretations became effective during the year**

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The accounting policies adopted in preparation of the consolidated financial statements are consistent with those used in the previous year, except as described below:

- IFRS 17 Insurance Contracts
- Definition of Accounting Estimates - Amendments to IAS 8
- Disclosure of Accounting Policy - Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
- International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12

These standards and amendments do not have an impact on the consolidated financial statements of the Group.

##### **(b) Standards, amendments and interpretations in issue but not effective**

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's consolidated financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective:

- Amendments to IFRS 16: Lease Liability in a Sale and Leaseback (1 January 2024)
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current (1 January 2024)
- Supplier Finance Arrangement - Amendments to IAS 7 and IFRS 7 (1 January 2024)
- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants – Amendments to IAS 1 (1 January 2024)

Management anticipates that all these standards and interpretations will be adopted by the Group to the extent applicable to them from their effective dates. The Group is currently assessing the impact of these standards on the future financial statements and intends to adopt these standards, if applicable, when they become effective.

# ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 28 December 2022 to 31 December 2023

### 2 MATERIAL ACCOUNTING POLICIES (continued)

#### 2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES

##### **Current versus non-current classification**

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realised within twelve months after the reporting period; or Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

*A liability is current when:*

- It is expected to be settled in the normal operating cycle.
- It is held primarily for the purpose of trading.
- It is due to be settled within twelve months after the reporting period. Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

##### **Revenue recognition**

The Group recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15.

- Step 1. Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- Step 2. Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- Step 3. Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- Step 5. Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- a) The Group's performance does not create an asset with an alternate use to the Group and the Group has as an enforceable right to payment for performance completed to date.
- b) The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- c) The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

# ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 28 December 2022 to 31 December 2023

### 2 MATERIAL ACCOUNTING POLICIES (continued)

#### 2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

##### *Revenue recognition (continued)*

When the Group satisfies a performance obligation by delivering the promised goods or services it creates a contract-based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent.

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

Based on the assessment of the customer contracts, the Group has identified one performance obligation for each of its contracts and therefore revenue is recognised over time. Some of the customer contracts may include mobilization and demobilisation activities for which revenue, along with the related cost are amortised over the period of contract life from the date of the completion of mobilization activities.

##### *Dividends*

Revenue is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

##### *Interest income*

Interest income is recognised as the interest accrues using the effective interest rate method, under which the rate used exactly discounts, estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

##### *Contract balances*

###### *Contract assets*

A contract asset is the right to consideration in exchange of goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for earned consideration that is conditional.

###### *Trade receivables*

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before the payment of the consideration is due). Refer to the accounting policies of financial assets in section financial instruments – initial recognition and subsequent measurement.

###### *Contract liabilities*

A contract liability (includes deferred revenue) is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

##### *Borrowing costs*

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

##### *Bank balances and cash*

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

# ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 28 December 2022 to 31 December 2023

### 2 MATERIAL ACCOUNTING POLICIES (continued)

#### 2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

##### *Taxes*

##### *Income tax*

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

##### *Deferred tax*

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associate, and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

##### *Sales tax*

Expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

# ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 28 December 2022 to 31 December 2023

### 2 MATERIAL ACCOUNTING POLICIES (continued)

#### 2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

##### *Foreign currencies*

The Group's consolidated financial statements are presented in SAR, which is also the Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to consolidated statement of comprehensive income reflects the amount that arises from using this method.

##### *Transactions and balances*

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in consolidated statement of comprehensive income with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in the consolidated statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense, or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

##### *Group companies*

On consolidation, the assets and liabilities of foreign operations are translated into SAR at the rate of exchange prevailing at the reporting date and their consolidated statements of comprehensive income are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

##### *Inventories*

Inventories are initially measured at cost and subsequently at lower of cost using weighted average method or net realisable value.

# ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 28 December 2022 to 31 December 2023

### 2 MATERIAL ACCOUNTING POLICIES (continued)

#### 2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

##### *Property and equipment*

Assets under construction, property and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the consolidated statement of comprehensive income as incurred.

For all the period presented in the consolidated financial statements, depreciation on property and equipment except for leasehold land which has indefinite useful life, is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Rigs	27
Furniture and fixtures	10
Drilling pipes	5
Tools	5-10
Building	20
IT equipment	5
Motor vehicles	5
Leasehold improvements*	5

\*Or lease term, whichever is lower

Rigs include overhaul that are capitalised and depreciated over 5 years.

No depreciation is charged on assets under construction. The useful lives and depreciation method are reviewed annually to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets. Any change in estimated useful life is applied prospectively effective from the beginning of period. Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the consolidated statement of comprehensive income as the expense is incurred.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of property and equipment may not be recoverable.

Whenever the carrying amount of property and equipment exceeds their recoverable amount, an impairment loss is recognised in the consolidated statement of comprehensive income. The recoverable amount is the higher of fair value less costs to sell of property and equipment and the value in use. The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. While value in use is the present value of estimated future cash flows expected to arise from the continuing use of property and equipment and from its disposal at the end of its useful life.

Reversal of impairment losses recognised in the prior periods are recorded when there is an indication that the impairment losses recognised for the property and equipment no longer exist or have reduced.

An item of property and equipment is derecognised upon disposal or when no further economic benefits are expected from its use or disposal. Any gain or loss arising on de recognition is included in the consolidated statement of comprehensive income.

# ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 28 December 2022 to 31 December 2023

### 2 MATERIAL ACCOUNTING POLICIES (continued)

#### 2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

##### **Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. After initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets are not capitalized, and expenditure is reflected in the consolidated statement of comprehensive income in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial period end.

Intangible assets are amortized using the straight-line method over their estimated useful lives over 5 years.

##### **Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

##### *Financial assets*

###### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables and contract assets that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables and contract assets that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

###### *Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The Group's financial assets at amortised cost include trade and other receivables, contract assets, due from related parties and cash and bank balances. The Group does not have financial assets at fair value through OCI or through profit or loss, except for the derivative financial instruments.

# ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 28 December 2022 to 31 December 2023

### 2 MATERIAL ACCOUNTING POLICIES (continued)

#### 2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

##### Financial instruments (continued)

##### *Financial assets (continued)*

##### *Subsequent measurement (continued)*

##### *Financial assets at amortized cost (debt instruments)*

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective 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.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

##### *Derecognition of financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either the Group has transferred substantially all the risks and rewards of the asset, or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

##### *Impairment of financial assets*

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.



# ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 28 December 2022 to 31 December 2023

### 2 MATERIAL ACCOUNTING POLICIES (continued)

#### 2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

##### Financial instruments (continued)

###### *Financial liabilities*

###### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, due to related party balances, loans and borrowings including bank overdrafts, derivative financial instruments and other financial liabilities.

###### *Subsequent measurement*

The measurement of financial liabilities depends on their classification, as described below:

###### *(i) Trade and other payables*

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

###### *(ii) Interest-bearing loans and borrowings*

This is the category most relevant to the Group. After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest rate "EIR" method. Gains and losses are recognised in the consolidated statement of comprehensive income, when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of comprehensive income. This category generally applies to loans and borrowings.

###### *(iii) Other financial liabilities at amortised cost*

Other financial liabilities are initially measured at fair value, net of transaction costs and are subsequently measured 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 through the expected life of the financial liability, or, where appropriate, a shorter period.

###### *Derecognition of financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

###### *Offsetting of financial instruments*

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

# ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 28 December 2022 to 31 December 2023

### 2 MATERIAL ACCOUNTING POLICIES (continued)

#### 2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

##### **Derivative financial instrument**

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the ‘underlying’).
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

The Group uses derivative financial instruments, such as interest rate swap, to hedge its interest rate risks. These interest rate swaps are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

##### ***Hedge accounting***

For the purpose of hedge accounting, as part of the Group risk management policies, Interest Rate Swap contracts (IRS), whether plain vanilla, collars, or IRS with cap-spreads, may be used to either change the floating-interest rate of a debt instrument into fixed rate or vice versa (whether that debt instrument is measured at amortized cost or fair value). When entering into derivatives in order to hedge risk of changes in fair value or cash flows, management ensure that the hedging relationship meets all of the 3-fold criteria in paragraph 6.4.1(c) of IFRS 9 for hedge effectiveness requirements. At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is ‘an economic relationship’ between the hedged item and the hedging instrument.
- The effect of credit risk does not ‘dominate the value changes’ that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

##### ***Cash flow hedges***

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the consolidated statement of comprehensive income. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the period.

This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

# ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 28 December 2022 to 31 December 2023

### 2 MATERIAL ACCOUNTING POLICIES (continued)

#### 2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

##### Derivative financial instrument (continued)

###### *Derivative instrument held for trading*

The Group classifies interest rate swaps as derivative held for trading that do not meet criteria for hedge accounting, which is fair valued at initial recognition and subsequently. Any change in fair value is recorded in the consolidated statement of comprehensive income as fair value gain (loss) on derivative financial instrument.

###### *Impairment of non-financial assets*

Further disclosures relating to impairment of non-financial assets are also provided in Note 3 (significant accounting estimates, judgements, and assumptions) and Note 15 (property and equipment).

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

Assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the assets or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior periods. Such reversal is recognised in the consolidated statement of comprehensive income.

The Group identified individual rigs along with related assets as CGU for the purposes of impairment assessment of non-financial assets.

##### Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

###### *Group as a lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

###### *Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. For period presented, right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Rigs	Up to 5
Yards and warehouse	4
Office premises	5
Motor vehicles	3
Other equipment	5
Furniture and fixture	10
Building	20

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

# ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 28 December 2022 to 31 December 2023

### 2 MATERIAL ACCOUNTING POLICIES (continued)

#### 2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

##### Leases (continued)

###### *Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

###### *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value (i.e., below SAR 18,750). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

###### *Group as a lessor*

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

###### *Provisions*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount can be reliably estimated. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in consolidated statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation at the end of the reporting period, using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Provisions are reviewed at each consolidated statement of financial position date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

###### *Contingencies*

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

# ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 28 December 2022 to 31 December 2023

### 2 MATERIAL ACCOUNTING POLICIES (continued)

#### 2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

##### *Treasury shares*

Own equity instruments issued that are reacquired, or issued and held by the Company (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the consolidated statement of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in the consolidated statement of changes in equity.

##### *Fair value measurement*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. For assets traded in an active market, fair value is determined by reference to quoted market bid prices. The fair value of items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics. For unquoted assets, fair value is determined by reference to the market value of a similar asset or is based on the expected discounted cash flows. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

##### *Cash dividend and non-cash distribution to equity holders of the Parent*

The Group recognises a liability to make cash or non-cash distributions to equity holders of the Parent when the distribution is authorised and the distribution is no longer at the discretion of the Group. A distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity. Non-cash distributions are measured at the fair value of the assets to be distributed with fair value remeasurement recognised directly in equity. Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the consolidated statement of comprehensive income.

##### *Defined benefit plans (pension benefits)*

The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

# ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 28 December 2022 to 31 December 2023

### 3 SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

#### *Judgements*

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the Group's accounting policies, management has made certain judgements, estimates and assumptions in relation to the accounting for the businesses acquired, trade receivables, customer credit periods and doubtful debts provisions, useful lives and impairment of property and equipment, income taxes and various other policy matters. These judgements have the most significant effects on the amounts recognised in the consolidated financial statements.

#### *Consolidation of an entity in which the Group holds less than a majority of voting right (de facto control)*

The Group considers that it controls United Precision Drilling Company W.L.L ("UPDC") even though it owns less than 50% of the voting rights. This is mainly because (a) the Group has a substantive right to direct conclusion of revenue contracts, capital expenditures and operational management; (b) the Group has a significantly higher exposure to variability of returns than its voting rights; (c) the Group is the owner of all drilling rigs and equipment and charters the drilling rigs to UPDC on exclusive basis.

#### *The lease term of contracts with renewal options*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of three to five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group included the renewal period as part of the lease term for leases of property and equipment due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., three to five years) and there will be a significant negative effect on operation if a replacement is not readily available.

#### *Key sources of estimation uncertainty*

##### *Impairment of trade receivables and contract assets*

The Group recognises an allowance for expected credit losses (ECLs). The Group applies a simplified approach in calculating ECLs with respect to trade receivables and contract assets. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. At the consolidated statement of financial position date, gross trade receivables and contract assets were SAR 1,384,414,074 and the provision for impairment in trade receivables and contract assets was SAR 470,206,043, refer to Note 13 for details.

Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of comprehensive income.

##### *Taxes*

The Group is exposed to income taxes in certain jurisdictions. Significant judgement is required to determine the total tax liability. Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The tax liability is established, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which the Group-entities operate.

The amount of such liability is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies. At the reporting date, the current income tax payable was SAR 30,217,807

# ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 28 December 2022 to 31 December 2023

### 3 SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS (continued)

#### *Impairment of non-financial assets*

The Group assesses whether there are any indicators of impairment for all non-financial assets for each CGU at each reporting date. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

Management identified each rig along with the related assets as a CGU as generally each rig is contracted to the customer based on a separate customer contract.

Management uses the value in use calculation for impairment testing at each CGU level which is based on a discounted cash flow (DCF) model. The forecasted cash flows are estimated based on the historical performance and current contracted rates. The key assumptions used to determine the recoverable amount for the different CGUs are disclosed and further explained in note 15.

#### *Useful lives of property and equipment*

The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

#### *Write-down of inventories to net realisable value (NVR)*

Inventories are carried at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. At the reporting date, gross inventories were SAR 397,689,009. At the reporting date, the cumulative provision for slow moving items stands at SAR 65,797,412. Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in profit or loss in the consolidated statement of comprehensive income.

#### *Defined benefit plans (pension benefits)*

The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

# ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 28 December 2022 to 31 December 2023

### 4 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer (CEO) that are used to make strategic decisions. As operationally, the Group is only in the oil and gas production and drilling services, the CEO considers the business from a geographic perspective and has identified Seven geographical segments. Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment.

<i>Segment</i>	<i>Egypt SAR</i>	<i>Algeria SAR</i>	<i>Kingdom of Saudi Arabia SAR</i>	<i>Kuwait SAR</i>	<i>Tunisia SAR</i>	<i>Qatar SAR</i>	<i>India SAR</i>	<i>Total Segments SAR</i>	<i>Corporate SAR</i>	<i>Adjustments and Eliminations*** SAR</i>	<i>Total SAR</i>
For the period ended 31 December 2023											
Revenue											
External customers	534,911,310	70,592,363	2,860,917,428	471,210,825	31,348,158	344,942,006	17,980,803	4,331,902,893	-	-	4,331,902,893
Inter-segment ***	277,114,284	-	-	6,843,750	-	-	-	283,958,034	-	(283,958,034)	-
<b>Total Revenue</b>	<b>812,025,594</b>	<b>70,592,363</b>	<b>2,860,917,428</b>	<b>478,054,575</b>	<b>31,348,158</b>	<b>344,942,006</b>	<b>17,980,803</b>	<b>4,615,860,927</b>	<b>-</b>	<b>(283,958,034)</b>	<b>4,331,902,893</b>
Income/(expenses)											
Cost of revenue*	(214,387,376)	(42,182,982)	(1,154,964,591)	(223,981,365)	(22,679,219)	(172,419,797)	(5,453,652)	(1,836,068,982)	-	-	(1,836,068,982)
General and administrative Expenses	(31,296,267)	(9,101,714)	(202,027,189)	(40,220,604)	(3,097,811)	(21,451,982)	(997,551)	(308,193,118)	(61,640,625)	-	(369,833,743)
Finance costs (net)	(55,465,945)	(4,881,813)	(604,149,488)	(40,118,919)	(2,379,273)	(21,276,765)	(2,042,457)	(730,314,660)	19,060,038	-	(711,254,622)
Depreciation and amortization	(95,882,182)	(14,572,442)	(527,093,709)	(97,468,083)	(4,880,382)	(42,209,396)	(2,602,623)	(784,708,817)	-	-	(784,708,817)
Other expenses (net) **	(8,718,148)	(2,449,161)	(118,871,278)	(14,101,504)	(125,383)	(5,596,483)	(1,365,622)	(151,227,579)	(26,730,392)	-	(177,957,971)
<b>Segment Profit / (Loss)</b>	<b>129,161,392</b>	<b>(2,595,749)</b>	<b>253,811,173</b>	<b>55,320,350</b>	<b>(1,813,910)</b>	<b>81,987,583</b>	<b>5,518,898</b>	<b>521,389,737</b>	<b>(69,310,979)</b>	<b>-</b>	<b>452,078,758</b>
Total Assets as at 31 December 2023 (i)	<b>3,614,374,600</b>	<b>484,237,454</b>	<b>11,866,957,090</b>	<b>1,955,681,410</b>	<b>20,618,645</b>	<b>1,076,751,193</b>	<b>140,341,122</b>	<b>19,158,961,514</b>	<b>263,489,240</b>	<b>-</b>	<b>19,422,450,754</b>
Total Liabilities as at 31 December 2023 (ii)	<b>2,091,208,448</b>	<b>289,691,029</b>	<b>9,089,391,158</b>	<b>1,150,044,380</b>	<b>9,316,980</b>	<b>882,098,277</b>	<b>86,845,126</b>	<b>13,598,595,398</b>	<b>46,949,189</b>	<b>-</b>	<b>13,645,544,587</b>
Other Segment information											
Capital expenditure as at 31 December 2023 (i)	<b>121,295,638</b>	<b>85,272,244</b>	<b>3,577,793,443</b>	<b>533,150,658</b>	<b>562,132</b>	<b>13,761,700</b>	<b>418,650,144</b>	<b>4,750,485,959</b>	<b>-</b>	<b>-</b>	<b>4,750,485,959</b>
<b>Total</b>	<b>121,295,638</b>	<b>85,272,244</b>	<b>3,577,793,443</b>	<b>533,150,658</b>	<b>562,132</b>	<b>13,761,700</b>	<b>418,650,144</b>	<b>4,750,485,959</b>	<b>-</b>	<b>-</b>	<b>4,750,485,959</b>

\* Excluding depreciation and amortisation.

\*\* Other expenses (net) includes end of service employment benefits, provision for impairment of investment, other taxes, other expenses, IPO expenses, Loss from assets disposal and income tax expense.

\*\*\* Inter-segment revenues and other adjustments are eliminated upon consolidation and reflected in the 'adjustments and eliminations' column.

(i) Management presents the assets in the segment which holds such assets, while the capital expenditure is presented in the segment where such assets are utilised.



# ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 5 REIMBURSEMENT OF PURCHASE PRICE CONSIDERATION

During the period ended 31 December 2023, the Group collected SAR 122,029,770 reimbursement from Seadrill as a final settlement for the acquisition of the 7 offshore rigs and their related equipment, drilling contracts, other vendor contracts, certain employees and inventories to be used in the drilling business.

Before the reorganization, on 18 October 2022, ADES Saudi limited Company completed acquisition of 100% voting shares of Seadrill GCC Operations Ltd. and its 7 subsidiaries from Seadrill that own 7 offshore rigs and their related equipment, drilling contracts, other vendor contracts, certain employees and inventories to be used in the drilling business. These entities are registered in Bermuda and operate in the KSA. The acquisition has been accounted for using the acquisition method at the acquisition date and recorded by ADES Saudi limited Company before the reorganisation (refer to note 1) when ADES Saudi limited Company was transferred to the Company along with the other entities under common control. As the Group applied the pooling of interest method with no restatement to account for the reorganisation, the acquisition date purchase price allocation of Seadrill by ADES Saudi limited Company is not presented.

### 6 REVENUES FROM CONTRACT WITH CUSTOMERS

	<i>From 28 December 2022 to 31 December 2023 SAR</i>
Units operations	4,118,768,993
Catering services	95,295,656
Projects income*	31,064,063
Others	86,774,181
	<u>4,331,902,893</u>

Refer Note 4 segment disclosure. The primary operational revenue stream is drilling services (units operations) and the revenue is recognised over the time of service.

\*Projects income, which is recognized over time, represents services relating to outsourcing various operating projects for clients such as, early production facilities, manpower, maintenance, and repair services.

### 7 COST OF REVENUE

	<i>From 28 December 2022 to 31 December 2023 SAR</i>
Staff costs	803,948,211
Depreciation and amortization (Note 15)	784,708,817
Maintenance costs	347,999,841
Catering costs	144,854,647
Move costs	90,307,446
Rent cost (Note 16)	63,492,253
Insurance	38,475,808
Training cost	36,418,755
Crew change costs	58,155,465
Project direct costs	20,366,126
Other costs	232,050,430
	<u>2,620,777,799</u>

# ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 28 December 2022 to 31 December 2023

### 8 GENERAL AND ADMINISTRATIVE EXPENSE

	<i>From 28 December 2022 to 31 December 2023 SAR</i>
Staff costs	240,586,036
Business travel expenses	21,226,039
Professional fees	28,578,377
Depreciation and amortisation (Note 15)	12,756,119
Communication expenses	8,929,397
Free zone expenses	12,963,769
Bank services charges	6,389,243
Rent cost (Note 16)	3,083,315
Other expenses	35,321,448
	<u>369,833,743</u>

Auditor's fee for the statutory audit and review of the Group's consolidated financial statements (including financial statements of certain subsidiaries) for the period ended 31 December 2023 amounted to SAR 4.68 million. Auditors' fees for the provision of other services amounted to SAR 3.15 million.

### 9 FINANCE COSTS, NET

	<i>From 28 December 2022 to 31 December 2023 SAR</i>
<i>Interest cost:</i>	
Loan interest expenses*	668,631,569
Amortisation of loan transaction costs	29,094,511
Interest rate swap related finance income	(71,618,650)
Interest on overdraft facilities	56,863,112
Interest on lease liabilities (Note 16)	28,146,970
Unwinding of discounting on a long-term receivable	1,928,957
<i>Other finance cost:</i>	
Guarantees related finance cost	14,196,858
Other finance (income)/cost, net	(15,988,705)
	<u>711,254,622</u>

\* During the period ended 31 December 2023, the gross interest is SAR 849,185,384 and the Group capitalized borrowing costs of SAR 180,553,815 that is related to the capital refurbishment projects of the rigs that require substantial time to prepare such rigs for their intended use.

# ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 28 December 2022 to 31 December 2023

### 10 INCOME TAX

	<i>From 28 December 2022 to 31 December 2023 SAR</i>
<b>Consolidated statement of comprehensive income:</b>	
Current income tax expense	53,648,807
Deferred tax expense	23,652,250
	<u>77,301,057</u>
 <b>Consolidated statement of financial position:</b>	
<b>Current liabilities:</b>	
Balance at 28 December 2022	-
Acquired as part of reorganisation under common control (Note 1)*	3,453,210
Charge for the period	53,648,807
Paid during the period	(26,884,210)
	<u>30,217,807</u>
Balance at 31 December	<u>30,217,807</u>
	 <i>From 28 December 2022 to 31 December 2023 SAR</i>
Profit before income tax	529,379,815
Tax calculated at domestic tax rates applicable to profits in the primary jurisdiction of 11.33%	59,978,733
Effect of different tax rates in countries in which the Group operates	25,244,294
Non-deductible expenses	2,031,230
Non-taxable income	(10,068,228)
Adjustments in respect of current income tax of previous years	(4,381,690)
Withholding taxes	4,496,718
	<u>77,301,057</u>
<b>Income tax expense recognized in the consolidated statement of comprehensive income</b>	<u>77,301,057</u>

The effective tax rate is 15% .

The Group operates in jurisdictions which are subject to tax rates different than the effective statutory corporate tax rate of 11.33% (including Zakat tax rate of 2.5%). The other jurisdictions include Algeria, Kuwait, Tunisia, Qatar and India where applicable tax rates are 26%, 15%, 15%,10% and 10 % respectively.

Egyptian corporations are normally subject to corporate income tax at a statutory rate of 22.5% however the Company has been registered in a Free Zone in Alexandria under the Investment Law No 8 of 1997 which allows exemption from corporate income tax.

# ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 28 December 2022 to 31 December 2023

### 10 INCOME TAX (continued)

Deferred tax recognise during the period relates to the following:

	<i>From 28 December 2022 to 31 December 2023 SAR</i>
<i>Deferred tax assets/ (liabilities)</i>	
Provision for employee end of service benefits	4,118,708
Provision and others	8,953,734
Derivative financial instruments – cash flow hedges (Note 29)	3,964,344
Remeasurement (gain) / loss on defined benefit plans (Note 21)	2,401,821
Property and equipment	(36,725,644)
	<u>(17,287,037)</u>
	<i>From 28 December 2022 to 31 December 2023 SAR</i>
<b>Reconciliation of deferred tax assets/(liabilities), net:</b>	
Balance at 28 December 2022	-
Acquired as part of reorganisation under common control (Note 1)*	(44,043,640)
Movement for the period	(17,287,037)
	<u>(61,330,677)</u>
<b>Deferred tax (expense) /benefit for the period is charged to:</b>	
Profit or loss	(23,652,250)
Other comprehensive income	6,365,213
	<u>(17,287,037)</u>

\* These represent the liabilities acquired as part of the reorganisation (note 1) and recorded using the pooling of interests method (refer to note 2 for accounting policy relating to “Group reorganisation and business combinations under common control”)

### 11 BANK BALANCES AND CASH

	<i>2023 SAR</i>
Bank balances*	431,827,420
Cash on hand	454,221
	<u>432,281,641</u>
Bank balances and cash in the consolidated statement of financial position and cash and cash equivalent for the purpose of consolidated statement of cash flows	<u>432,281,641</u>

# ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 28 December 2022 to 31 December 2023

### 11 BANK BALANCES AND CASH (continued)

Bank balances and cash comprise of balances in the following currencies:

	2023 SAR
United States Dollar (USD)	153,134,491
Saudi Riyal (SAR)	176,732,127
Egyptian Pound (EGP)	46,289,389
United Arab Emirates Dirham (AED)	64,672
Euro (EUR)	40,348
Algerian Dinar (DZD)	567,477
Kuwaiti Dinar (KWD)	47,594,174
Tunisian Dinar (TND)	189,517
Qatari Riyal (QAR)	191,004
India Rupee (INR)	7,478,442
	<u>432,281,641</u>

\*The bank balances include SAR 28,153,420 held with the bank on behalf of the Group as per the instructions of the Group from the proceeds of the share issuance as part of the IPO. This balance is readily available to the Group and could be transferred and used by the Group with minimal advance notice period, and therefore it is reported as cash and cash equivalents.

### 12 INVENTORIES

	2023 SAR
Offshore rigs	226,260,654
Onshore rigs	40,170,589
Warehouse and yards	65,460,354
	<u>331,891,597</u>

As at 31 December 2023, the inventories are stated net of provision for impairment of inventory of SAR 65,797,412.

	2023 SAR
Acquired as part of reorganisation under common control * (Note 1 & 22)	65,797,412
Charge during the period	-
As at 31 December 2023	<u>65,797,412</u>

\* These represent the assets acquired as part of the reorganisation (note 1) and recorded using the pooling of interests method (refer to note 2 for accounting policy relating to "Group reorganisation and business combinations under common control")

# ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 28 December 2022 to 31 December 2023

### 13 TRADE RECEIVABLES AND CONTRACT ASSETS

#### Trade receivables

	<b>2023</b>
	<b>SAR</b>
Trade receivables	<b>994,924,732</b>
Provision for impairment of trade receivables	<b>(470,206,043)</b>
	<b>524,718,689</b>
Invoice retention*	<b>320,012,021</b>
	<b>844,730,710</b>

Trade receivables are non-interest bearing and are generally on 30 to 90 days terms, except for one customer balance which is fully impaired, after which trade receivables are considered to be past due. Unimpaired trade receivables are expected to be fully recoverable based on the past experience. It is not the practice of the Group to obtain collateral over receivables and the vast majority are, therefore, unsecured.

\*This represents the amounts retained by the customers on the sales invoices as per the terms of the customer contracts.

As at 31 December 2023, the ageing analysis of un-impaired trade receivables is as follows:

<i>past</i>	<i>Neither</i>		<i>Past due but not impaired</i>			<i>due</i>
	<i>nor impaired</i>	<i>&lt;30 days</i>	<i>30 - 60 days</i>	<i>61 - 90 days</i>	<i>&gt;90 days</i>	
	<i>SAR</i>	<i>SAR</i>	<i>SAR</i>	<i>SAR</i>	<i>SAR</i>	<i>Total SAR</i>
	<b>354,983,321</b>	<b>62,769,775</b>	<b>43,562,192</b>	<b>10,287,315</b>	<b>53,116,086</b>	<b>524,718,689</b>

The movement in the provision for impairment of trade receivables is as follows:

	<b>2023</b>
	<b>SAR</b>
Acquired as part of business combination under common control and reorganisation (Note 1& 22)	<b>470,206,043</b>
Charge during the period	<b>-</b>
As at 31 December	<b>470,206,043</b>

#### Contract assets

As at 31 December 2023, the Group has contract assets of SAR 389,489,342. As of 31 December 2023, there was no impairment of contract assets and hence no ECL has been recorded.

# ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 28 December 2022 to 31 December 2023

### 14 PREPAYMENTS AND OTHER RECEIVABLES

	2023 SAR
Advances to contractors and suppliers	320,965,779
Prepaid mobilization revenue	58,142,302
Insurance with customers	25,901,723
Margin deposits against letter of guarantees	16,200,168
Provision for other receivables	(6,827,633)
Dividends receivable	4,593,750
Provision for impairment in dividends receivables	(4,593,750)
Other receivables*	159,297,998
	<hr/> 573,680,337
Current	352,314,802
Non-current	221,365,535
Ending balance	<hr/> <hr/> 573,680,337

\* Includes amounts receivable from Vantage Services – a related party amounting to SAR 3,731,289.

# ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 15 PROPERTY AND EQUIPMENT

	<i>Rigs SAR</i>	<i>Furniture and fixtures SAR</i>	<i>Drilling pipes SAR</i>	<i>Tools SAR</i>	<i>Assets under construction SAR</i>	<i>IT equipment SAR</i>	<i>Motor vehicles SAR</i>	<i>Leasehold improvement SAR</i>	<i>Building SAR</i>	<i>Leasehold land SAR</i>	<i>Total SAR</i>
<b>31 December 2023</b>											
Cost:											
As of 28 December 2022	-	-	-	-	-	-	-	-	-	-	-
Acquired as part of reorganization under common control *	9,112,776,839	6,524,214	115,734,062	405,720,471	3,858,903,517	9,754,081	2,235,349	2,599,986	-	58,478,471	13,572,726,990
Additions	582,550,421	10,960,946	32,810,748	65,758,302	3,916,425,472	1,430,234	-	120,472,229	20,077,607	-	4,750,485,959
Transfers	4,284,139,145	2,462	-	31,504,793	(4,831,049,038)	-	-	515,402,638	-	-	-
Retirement & disposal	-	(330,519)	-	-	-	-	-	(2,246,022)	-	-	(2,576,541)
<b>As of 31 December 2023</b>	<b>13,979,466,405</b>	<b>17,157,103</b>	<b>148,544,810</b>	<b>502,983,566</b>	<b>2,944,279,951</b>	<b>11,184,315</b>	<b>2,235,349</b>	<b>636,228,831</b>	<b>20,077,607</b>	<b>58,478,471</b>	<b>18,320,636,408</b>
Accumulated depreciation and impairment:											
As of 28 December 2022*	-	-	-	-	-	-	-	-	-	-	-
Acquired as part of reorganization under common control*	(1,296,592,136)	(2,958,063)	(65,400,439)	(131,029,947)	(2,869,842)	(4,754,162)	(1,410,007)	(1,620,978)	-	-	(1,506,635,574)
Depreciation	(529,577,136)	(640,599)	(20,396,769)	(42,515,946)	-	(1,521,693)	(259,747)	(70,765,753)	-	-	(665,677,643)
Retirement & disposal	-	178,399	-	-	-	-	-	1,282,905	-	-	1,461,304
<b>As of 31 December 2023</b>	<b>(1,826,169,272)</b>	<b>(3,420,263)</b>	<b>(85,797,208)</b>	<b>(173,545,893)</b>	<b>(2,869,842)</b>	<b>(6,275,855)</b>	<b>(1,669,754)</b>	<b>(71,103,826)</b>	<b>-</b>	<b>-</b>	<b>(2,170,851,913)</b>
Net book value:											
<b>At 31 December 2023</b>	<b>12,153,297,133</b>	<b>13,736,840</b>	<b>62,747,602</b>	<b>329,437,673</b>	<b>2,941,410,109</b>	<b>4,908,460</b>	<b>565,595</b>	<b>565,125,005</b>	<b>20,077,607</b>	<b>58,478,471</b>	<b>16,149,784,495</b>

\*The balances as at 28 December 2022 represent the assets acquired as part of the reorganisation (note 1) and recorded using the pooling of interests method (refer to note 2 for accounting policy relating to “Group reorganisation and business combinations under common control”)

The most of the rigs are pledged to the lenders (banks) against loans and borrowings (Note 20).

During the period ended 31 December 2023, the Group have recorded a loss on assets disposals amounting to SAR 1,093,478.



# ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 28 December 2022 to 31 December 2023

### 15 PROPERTY AND EQUIPMENT (continued)

#### *Impairment assessment and key assumptions used in value in use calculations.*

Based on the impairment assessment, Management concluded that recoverable values are higher than the net carrying values of all individual assets. The calculation of value in use is most sensitive to the following assumptions:

- Day rates, EBITDA margins and utilisation days of rigs
- Discount rates
- Remaining useful lives of rigs and estimated future capital expenditures.

*Day rates, gross margins and utilisation days* – Day rates, gross margins and utilisation days of rigs are estimated based on historical results and the current customer contracts. These are increased over the budget period due to efficiency improvements.

#### **Allocation of depreciation charge:**

Depreciation charge is allocated as follows:

	<i>From 28 December 2022 to 31 December 2023 SAR</i>
Cost of revenue (Note 7)	784,708,817
General and administrative expenses (Note 8)	12,756,119
Total depreciation and amortization charge*	<u>797,464,936</u>

\*Total depreciation and amortization charge for the period includes depreciation of property and equipment of SAR 665,677,643, amortization of intangible assets and right of use assets of SAR 198,620 and SAR 131,588,673, respectively.

#### **Assets under construction and transfers:**

Assets under construction represent the amounts that are incurred for the purpose of upgrading and refurbishing property and equipment until it is ready to be used in the operation and amount paid for new rigs purchased during the period that are not ready for use. Assets under construction will mainly be transferred to 'Rigs' or 'Tools' of the property and equipment after completion. During the period ended 31 December 2023, the Group completed capital projects for the amount of SAR 4,831,049,038 and transferred to the relevant asset categories.

During the period ended 31 December 2023, the Group capitalized borrowing costs of SAR 180,553,815 that is related to the capital refurbishment projects of the rigs that require substantial time to prepare such rigs for their intended use. The rate used to determine the amount of borrowing costs eligible for capitalisation was 7.56% which is the effective interest rate of the related borrowings.

# ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 16 LEASES

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	<i>Rigs SAR</i>	<i>Yards and warehouse SAR</i>	<i>Office Premises SAR</i>	<i>Motor vehicles SAR</i>	<i>Other Equipment SAR</i>	<i>Furniture and Fixture SAR</i>	<i>Building SAR</i>	<i>Total SAR</i>
Cost:								
As of 28 December 2022	-	-	-	-	-	-	-	-
Acquired as part of reorganization under common control ***	331,766,135	19,301,619	6,563,754	9,122,591	44,558,476	9,513,821	28,318,235	449,144,631
Additions	318,462,830	782,110	19,682,863	21,240,650	68,585,202	-	-	428,753,655
Terminated *	(39,510,739)	-	(2,627,221)	-	-	-	-	(42,137,960)
Terminated- early settlement**	-	-	-	-	-	(9,513,821)	(28,318,235)	(37,832,056)
Other adjustments	(61,423)	-	(1,461)	(87,328)	-	-	-	(150,212)
As of 31 December 2023	<b>610,656,803</b>	<b>20,083,729</b>	<b>23,617,935</b>	<b>30,275,913</b>	<b>113,143,678</b>	-	-	<b>797,778,058</b>
Accumulated depreciation:								
As of 28 December 2022	-	-	-	-	-	-	-	-
Acquired as part of reorganization under common control ***	(15,980,515)	(9,863,300)	(4,379,811)	(8,509,740)	(13,577,371)	(2,140,609)	(3,659,472)	(58,110,818)
Depreciation (Note 15)	(95,360,787)	(4,227,228)	(3,933,595)	(5,108,391)	(20,593,088)	(951,382)	(1,414,202)	(131,588,673)
Terminated*	25,450,881	-	1,751,480	-	-	-	-	27,202,361
Terminated- early settlement**	-	-	-	-	-	3,091,991	5,073,674	8,165,665
Other adjustments	140,612	(14,334)	2,913	41,293	-	-	-	170,484
As of 31 December 2023	<b>(85,749,809)</b>	<b>(14,104,862)</b>	<b>(6,559,013)</b>	<b>(13,576,838)</b>	<b>(34,170,459)</b>	-	-	<b>(154,160,981)</b>
Net Book Value At 31 December 2023	<b>524,906,994</b>	<b>5,978,867</b>	<b>17,058,922</b>	<b>16,699,075</b>	<b>78,973,219</b>	-	-	<b>643,617,077</b>

\*Lease terminated during the period has no impact on cashflow of the Group. Accordingly, this is considered as non-cash transaction in the consolidated statement of cash flows.

\*\*During the period, the Group purchased the said building along with the furniture and fixture from the lessor at a consideration of SAR 20,706,704. Accordingly, the right-of-use asset has been derecognized and transferred to property and equipment during the period amounting to SAR 29,666,384 (recorded under building and furniture and fixture categories).

\*\*\* These represent the assets acquired as part of the reorganisation (note 1 ) and recorded using the pooling of interests method (refer to note 2 for accounting policy relating to "Group reorganisation and business combinations under common control").

# ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 28 December 2022 to 31 December 2023

### 16 LEASES (Continued)

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2023 SAR
As at 28 December 2022	-
Acquired as part of reorganisation under common control * (Note 1)	376,687,736
Additions	419,109,886
Lease modification-Terminations	(14,935,599)
Lease modification-Other adjustments	(780,491)
Accretion of interest	28,146,970
Payments	(164,402,820)
<b>Ending balance</b>	<b>643,825,682</b>
Current (Note 18)	156,467,848
Non-Current	487,357,834

\*These represent the liabilities assumed as part of the reorganisation (note 1) and recorded using the pooling of interests method (refer to note 2 for accounting policy relating to “Group reorganisation and business combinations under common control”)

The following are the amounts recognised in the Consolidated Statement of Comprehensive income:

	<i>From 28 December 2022 to 31 December 2023 SAR</i>
Depreciation expense of right-of-use assets	131,588,673
Interest expense on lease liabilities (Note 9)	28,146,970
Expense relating to short-term leases (Included in Cost of sales) (Note 7)	63,492,253
Expense relating to short-term lease (Included in General and administrative expenses) (Note 8)	3,083,315
<b>Total amount recognized in the Consolidated Statement of Comprehensive Income</b>	<b>226,311,211</b>

# ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 28 December 2022 to 31 December 2023

### 17 INTANGIBLE ASSETS

	2023 SAR
<b>Cost:</b>	
As at 28 December 2022	-
Acquired as part of reorganisation under common control (Note 1)*	3,824,176
Addition	-
<b>As at 31 December 2023</b>	<b>3,824,176</b>
<b>Accumulated amortisation:</b>	
As at 28 December 2022	-
Acquired as part of business combination under common control and reorganisation* (Note 1 & 22)	3,271,430
Amortisation charge for the period (Note 15)	198,620
<b>As at 31 December 2023</b>	<b>3,470,050</b>
Net carrying amount:	
As at 31 December 2023	<b>354,126</b>

Intangible assets represent computer software and the related licenses.

\*These represent the assets acquired as part of the reorganisation (note 1) and recorded using the pooling of interests method (refer to note 2 for accounting policy relating to “Group reorganisation and business combinations under common control”)

### 18 TRADE AND OTHER PAYABLES

	2023 SAR
Trade payables	1,091,997,714
Accrued expenses	268,028,660
Accrued interests	44,822,941
Lease liability (Note 16)	156,467,848
Other payables	77,803,245
	<b>1,639,120,408</b>

### 19 DEFERRED REVENUES

	2023 SAR
As at 28 December 2022	-
Acquired as part of reorganisation under common control* (Note 1 & 22)	145,720,171
Additions	943,972,152
Revenue recognised	(222,031,752)
Ending balance	<b>867,660,571</b>
Current	287,748,803
Non-Current	579,911,768

Deferred revenue mainly represents the amounts collected from the customers for mobilization of the rigs which are recognized over time.

\*These represent the liabilities assumed as part of the reorganisation (note 1) and recorded using the pooling of interests method (refer to note 2 for accounting policy relating to “Group reorganisation and business combinations under common control”)

# ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 28 December 2022 to 31 December 2023

### 20 INTEREST BEARING LOANS AND BORROWINGS

	2023 SAR
Balance as at 28 December 2022	-
Acquired as part of reorganisation under common control* (Note 1)	10,547,485,897
Borrowings drawn during the period	3,351,737,379
Borrowings repaid during the period	(3,554,625,494)
Unamortised arrangement fees	5,100,306
	<u>10,349,698,088</u>
Balance as at 31 December 2023	<u>10,349,698,088</u>
Current:	1,180,103,497
Non-current:	9,169,594,591
	<u>10,349,698,088</u>

\* According to the Amendment and Novation Deed dated 29 December 2022 signed by the Company, ADES Arabia Holding and the Lenders of the Loan 1 Syndication Facility A, the parties agreed the loans payable balance owed by ADES Arabia Holding under the Loan 1 Syndication Facility A shall be novated to the Company effective 29 December 2022. These loans are included in the above balance.

<i>Type</i>	<i>Original tenor</i>	2023 SAR
<b>Current loans and borrowings</b>		
<b>Loan 1 Syndication Facility A</b>		
Facility A	8 Years	303,606,571
<b>Loan 1 Syndication Facility C</b>		
Facility C	8 Years	180,000,000
<b>Loan 1 Syndication Facility B</b>		
Facility B	7 Years	75,000,000
<b>Loan 2 BSF</b>		
BSF \$380M	7 Years	152,408,956
<b>Loan 3 SNB</b>		
SNB \$400M	8 Years	133,817,125
<b>Loan 4 AL Rajhi</b>		
AL Rajhi \$250M	8 Years	142,730,869
<b>Loan 5 Al Inmaa Ijara</b>		
Al Inmaa Ijara Loan SAR 2.5 B	8 Years	141,026,479
<b>Loan 6 Al Mashreq</b>		
Mashreq Loan KD 2.7 M	5 Years	6,572,262
Credit Facility 2 – ABK		37,031,477
Credit Facility 4 – ENBD		2,195,376
Credit Facility 5 – ADCB		10,146
Credit Facility 6 – SAIB		251,893
Credit Facility 8 – EGB		5,452,343
		<u>1,180,103,497</u>

# ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 28 December 2022 to 31 December 2023

### 20 INTEREST BEARING LOANS AND BORROWINGS (continued)

<i>Type</i>	<i>Original tenor</i>	<i>2023 SAR</i>
<b>Non-current loans and borrowings</b>		
<b>Loan 1 Syndication Facility A</b>		
Facility A	8 Years	3,026,247,674
<b>Loan 1 Syndication Facility C</b>		
Facility C	8 Years	1,660,000,000
<b>Loan 2 BSF</b>		
BSF \$380M	7 Years	1,113,732,214
<b>Loan 3 SNB</b>		
SNB \$400M	8 Years	1,225,509,880
<b>Loan 4 AL Rajhi</b>		
AL Rajhi \$250M	8 Years	1,278,106,820
<b>Loan 5 Al Inmaa Ijara</b>		
Al Inmaa Ijara Loan SAR 2.5 B	8 Years	854,496,545
<b>Loan 6 Al Mashreq</b>		
Mashreq Loan KD 2.7 M	5 Years	11,501,458
<b>Total non-current loans and borrowings</b>		<b>9,169,594,591</b>
<b>Total loans and borrowings</b>		<b>10,349,698,088</b>

Loans and borrowings carries coupon interest, based on fixed rates with average margin range of 0.9%-2% p.a

The Group has secured loans and borrowings as follows:

- Loan 1 Syndication Facility A, B and C

In November 2021, ADES Arabia Holding Company (an entity under common control, refer to note 1) and ADES Saudi Limited Company (a subsidiary of the Group) jointly signed a syndication term loan facility agreement with a facility total amount of USD 310M (SAR 1,162,500,000) and USD 1,290M (SAR 4,837,500,000) divided over eight banks which include Goldman Sachs Bank USA, Riyadh Bank, Arab Petroleum Investments Corporation (APICORP), Banque Saudi Fransi, Gulf International Bank B.S.C., The Saudi National Bank, Al Rajhi Banking and Investment Corporation and Arab National Bank. During 2022, additional lender ("The Saudi British Bank - SABB ") acceded to the agreement as the ninth lender.

According to the Amendment and Novation Deed dated 29 December 2022 signed by the Company, ADES Arabia Holding, and the Lenders of the Loan 1 Syndication Facility A and Facility C, the loans payable balances under the Loan 1 Syndication Facility A and facility C were novated to the Company effective 29 December 2022.

Facility A and Facility C are under the same syndication which are secured against pledge over certain rigs, assignment of proceeds over certain clients' contracts, pledge over certain collection accounts, and assignments of a certain insurance claim. The syndicated facility includes facility to finance CAPEX which is Facility C amounting to USD 400M (equals to SAR 1,500M) that increased to USD 533M (equals to SAR 1,998.75M) after SABB accession during 2022.

Facility A is repayable in half-yearly instalments effective from June 2022 to December 2029. Facility C is repayable in half-yearly instalments effective from June 2023 to December 2029. As at 31 December 2023, the principal amount outstanding is USD 903M (equals to SAR 3.86M) and USD 490M (equals to SAR 1,840M) of Facility A and C, respectively. During the period ended, the Group has repaid SAR 275M And SAR 160M of Facility A and C, respectively.

Facility B is a revolving credit facility ("RCF") with the original total amount of USD 150 million (equals to SAR 562.5 million). During the period ended 31 December 2023, one of the existing lenders under the syndicated facility increased their participation with additional USD 150M (equals to SAR 562.5M) under Facility B which has increased Facility B total commitments to USD 300M (equals to SAR 1,125M). RCF facility is valid till 31 December 2028 with a requirement to clean down the balance once in each calendar year. As at 31 December 2023, the principal amount outstanding is USD 20M (equals to SAR 75M).

# ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 28 December 2022 to 31 December 2023

### 20 INTEREST BEARING LOANS AND BORROWINGS (continued)

The Group has secured loans and borrowings as follows: (continued)

- Loan 2 BSF

In March 2022, ADES Saudi Limited Company signed a loan agreement with total amount of USD 380M (equals to SAR 1,425M) with Banque Saudi Francis. The loan is repayable in 27 Quarterly instalments effective from March 2023 to September 2029. As at 31 December 2023, the principal amount outstanding is USD 339 M (equals to SAR 1,271M) and the proceeds were used for acquisition and refurbishment of rigs and acquisition of equipment. The Loan 2 BSF is secured against pledge over certain rigs, assignment of proceeds over the rigs related to customer contracts, pledge over related collection accounts, and assignments of related insurance claims. The facility includes additional limit to be utilized for the issuance of letter of guarantees amounting to SAR 187.5M, additional overdraft limit with SAR 30M and additional multipurpose limit to cover working capital needs including issuance for letter of guarantees and short- term loans with total amount of SAR 150M. During the period ended, the Group has repaid SAR 153M.

- Loan 3 SNB

In April 2022, ADES Saudi Limited Company signed a loan agreement with total amount of USD 400 M (equals to SAR 1,500M) with the Saudi National Bank. The loan is repayable in 29 Quarterly instalments effective from April 2023 to April 2030. As of 31 December 2023, the principal amount outstanding is USD 363M (equals to SAR 1,364M) and the proceeds were used for the acquisition and refurbishment of the rigs and equipment. Loan 3 SNB is secured against pledge over certain rigs, assignment of proceeds over related clients' contracts, pledge over certain collection accounts, and assignments of related insurance claims. During the period ended, the Group has repaid SAR 135M.

- Loan 4 AL Rajhi

In June 2022, ADES Saudi Limited Company signed a loan agreement with total amount of SAR 937.5M (USD 250 M) with Al Rajhi Banking & Investment Corporation. The loan is repayable in 29 Quarterly instalments effective from Jul 2023 to Jul 2030. During 2022, ADES Saudi Limited Company and the bank agreed to increase the total loan amount to reach SAR 1,500M (USD 400M). As at 31 December 2023, the principal amount outstanding is USD 380M (equals to SAR 1,428M) and used the proceeds for the acquisition and refurbishment of rigs and equipment. The Loan 4 AL Rajhi is secured against pledge over certain rigs, assignment of proceeds over related clients' contracts, pledge over certain collection accounts, and assignments of certain insurance claims. During the period ended 31 December 2023, SAR 72M have been repaid on the outstanding balance.

- Loan 5 Al Inmaa Facility

In July 2022, ADES Saudi Limited Company jointly signed a loan agreement in the amount of SAR 2,693M (USD 718M) with Al Inmaa Bank. The loan is repayable in 15 Semi-annual instalments effective from September 2023 to September 2030. During 2022, the Company utilized SAR 2,500M (equals to USD 666.7M) ). As at 31 December 2023, the principal amount outstanding is USD 270M (equals to SAR 1,014M) and used the proceeds for the acquisition and refurbishment of rigs and equipment. The Loan Al Inmaa Facility is secured against pledge over certain rigs, assignment of proceeds over clients' contracts, pledge over collection accounts, and assignments of insurance claims. The Al Inmaa facility includes a separate line amounting to SAR 150M for the purpose of covering short-term working capital needs, During the period ended December 2023, the Group has repaid SAR 1,262M related to the long-term loan, and SAR 150M million (equal to USD 40 million) related to working capital line.

- Loan 6 Mashreq Loan

During 2021, the Group obtained a loan facility of KWD 2.7 million (equals to SAR 33M) from Mashreq Bank PSC to facilitate the purchase of usufruct land and construction of the administrative building. This loan is repayable in 18 quarterly equal instalments effective from June 2022. The loan is denominated in Kuwaiti Dinar. The facility is secured by a first-degree mortgage over the usufruct land and building under capital work in progress. As at 31 December 2023, the principal amount outstanding is SAR 18M (USD 4.819M). During the period ended 31 December 2023, the Group has repaid SAR 6.6M.

# ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 28 December 2022 to 31 December 2023

### 20 INTEREST BEARING LOANS AND BORROWINGS (continued)

#### Bank credit facilities

Credit Facility 2 is granted by Al Ahli Bank of Kuwait (ABK) with an overdraft facility limit amounting to USD 12M as at 31 December 2023 equivalent to SAR 45M which is secured by promissory note & is renewable.

Credit Facility 3 is granted by the Export Development Bank of Egypt (EBE) with a non-secured facility limit amounting to USD 12M as at 31 December 2023 equivalent to SAR 45M available for overdrafts &/or Letters of Guarantee which is secured by promissory note & is renewable.

Credit Facility 4 is granted by Emirates National Bank of Dubai S.A.E with a total amount of USD 20M as at 31 December 2023 equivalent to SAR 75M available for overdrafts &/or Letters of Guarantee which is secured by promissory note & is renewable.

Credit Facility 5 is granted by Abu Dhabi Commercial Bank – Egypt (ADCB) with a total amount of USD 4M as at 31 December 2023 equivalent to SAR 15M available for overdrafts &/or Letters of Guarantee which is secured by promissory note & is renewable.

Credit Facility 6 is granted by SOCIETE ARABE INTERNATIONALE DE BANQUE – Egypt (SAIB) with a total amount of USD 20M as at 31 December 2023 equivalent to SAR 75M available for overdrafts which is secured by promissory note & is renewable.

Credit Facility 7 is granted by Suez Canal Bank (SCB) with an overdraft facility limit amounting to USD 18M as at 31 December 2023 equivalent to SAR 67.5M available for overdrafts &/or Letters of Guarantee available for overdraft. Which is secured by promissory note & is renewable.

Credit Facility 8 is granted by Egyptian Gulf Bank (EGB) with an overdraft facility limit amounting to EGP 45M equivalent to SAR 5.5M available for overdrafts and/or Letters of Guarantee, which is renewable and secured by promissory note.

The bank overdrafts do not form part of the cash and cash equivalents as these are not integral part of the Group's liquidity management.

### 21 PROVISIONS

	2023 SAR
Other provision	10,285,804
Employees end of service benefit	199,144,169
Ending balance	<u>209,429,973</u>
Current	10,285,804
Non-current	<u>199,144,169</u>



# ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 28 December 2022 to 31 December 2023

### 21 PROVISIONS (continued)

#### i) Other Provisions – current :

	<i>As at</i> 28 December 2022 SAR	<i>Charge</i> <i>during period</i> SAR	<i>Acquired</i> <i>as part of</i> <i>reorganisation</i> <i>under common</i> <i>control</i> <i>during period</i> <i>(Note 1)*</i> SAR	<i>Paid during</i> <i>the period</i> SAR	<i>31 December</i> 2023 SAR
Other provision	-	-	14,776,740	(4,490,936)	10,285,804
	-	-	14,776,740	(4,490,936)	10,285,804

Other provisions mainly represent provision made for employee's taxes and withholding taxes which are borne by the Group. The total balance is presented as current in the consolidated financial statement of financial position.

\*These represent the liabilities acquired as part of the reorganisation (note 1) and recorded using the pooling of interests method (refer to note 2 for accounting policy relating to "Group reorganisation and business combinations under common control")

#### ii) Employees end of service benefit – non current:

Provision is made for the full amount of end of service benefits due to non-Kuwait, non-Qatar and non-KSA national employees in accordance with the Kuwait, Qatar and KSA Labour Laws. These benefits are unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

	2023 SAR
<b>Present value of defined benefit obligation</b>	<b>199,144,169</b>
<b>Charges on the consolidated statement of comprehensive income is as follows:</b>	
Current service cost	37,732,595
Interest cost on benefit obligation	5,200,935
<b>Net benefit expense</b>	<b>42,933,530</b>
Movement in employees' end of service indemnities during the period is as follows:	
Defined benefit obligation at 28 December 2022	-
Acquired as part of reorganisation under common control (Note 1)	117,984,346
Net benefit expense	42,933,530
Remeasurement on loss on defined benefit plans	45,155,839
Benefits paid	(6,929,546)
	<b>199,144,169</b>

# ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 28 December 2022 to 31 December 2023

### 21 PROVISIONS (continued)

#### ii) *Employees end of service benefit – non current: (continued)*

	2023
<b>Principal actuarial assumptions</b>	
<b><u>1- KSA</u></b>	
Weighted average duration of defined benefit obligation	7 years and 11 years
Discount factor used	4.55% - 4.95%
Salary increases rate	6%
Mortality rate	100% WHO SA19
Rates of employee's turnover	4%-14%
<b><u>2- Kuwait</u></b>	
Weighted average duration of defined benefit obligation	12 years
Discount factor used	4.10%
Salary increases rate	6%
Mortality rate	100% WHO Ku19
Rates of employee's turnover	0.05% - 2%
<b><u>3- Qatar</u></b>	
Weighted average duration of defined benefit obligation	10 years
Discount factor used	4.50%
Salary increases rate	5%
Mortality rate	75% of WHO Qa19
Rates of employee's turnover	3%

### 22 SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

	2023 SAR
Authorised shares*	1,129,062,513
Issued shares	1,129,062,513
Shares par value	1
Issued capital	1,129,062,513
Treasury shares	(33,871,875)
Paid up capital	1,095,190,638
Share premium***	2,890,367,127

\*Upon incorporation on 28 December 2022, the authorised share capital of the Group was SAR 1,000,000 comprising of 100,000 shares. As at 31 December 2023, the authorised share capital of the Group was SAR 1,129,062,513 comprising of 1,129,062,513 shares.

As explained in Note 1, the Company issued additional shares of SAR 857,087,510 at par to the Shareholders during the period ended 31 December 2023 as a result of the reorganisation which is a non cash transaction. The difference between the capital of the Company at the date of the Group reorganisation and that of the previous holding company has been recorded against the retained earnings in the consolidated statement of changes in equity during the period ended 31 December 2023.

Further, during the period, the Group issued additional shares of SAR270,975,003 of which SAR33,871,875 were held as treasury shares, and the remaining shares of SAR 237,103,128 were issued as the new shares through initial public offering on the Tadawul Stock Exchange of the Kingdom of Saudi Arabia (refer to note 1). The issuance of the treasury shares is a non-cash transaction with no impact on the total equity of the Group.

\*\*\* Share premium represents the excess amounts received over the par value of the shares issued.

# ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 28 December 2022 to 31 December 2023

### 22 SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES (continued)

The shareholding structure of the Company as at 31 December 2023:

<i>Shareholder</i>	<i>Shareholding %</i>	<i>No. of shares</i>	<i>Value SAR</i>
ADES Investment Holding LTD	36.5	412,277,174	412,277,174
Public Investment Fund	23.8	268,547,522	268,547,522
Zamil Investments	6.7	75,647,188	75,647,188
Free Float	30	338,718,754	338,718,754
Treasury Shares	3	33,871,875	33,871,875
	<b>100</b>	<b>1,129,062,513</b>	<b>1,129,062,513</b>

#### *Transactions with the shareholders*

During the period ended 31 December 2023, the Company received SAR 9,128,781 from an entity under common control which is reported in retained earnings in the consolidated statements of changes in equity as the Company has no obligation to return it and the other party waived the balance.

### 23 EARNINGS PER SHARE

Basic earnings per share (EPS) amounts are calculated by dividing the profit for the period attributable to the ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the period after adjusting the number of ordinary shares by the treasury shares.

Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares. As at 31 December 2023, there were no potential dilutive shares and hence the basic and diluted EPS is same.

The information necessary to calculate basic and diluted earnings per share is as follows:

	<b>2023 SAR</b>
Profit attributable to the ordinary equity holders of the Parent for basic and diluted EPS	<b>442,097,695</b>
Weighted average number of ordinary shares – basic and diluted*	<b>753,290,402</b>
Earnings per share – basic and diluted (SAR per share)	<b>0.59</b>

\*The weighted average number of shares takes into account the weighted average effect of period from the date of incorporation of the Company, the date of issuance additional shares and the consolidated statement of financial position date.

# ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 28 December 2022 to 31 December 2023

### 24 RELATED PARTIES TRANSACTIONS AND BALANCES

The immediate controlling party is ADES Investment Holding Ltd. Note 1 provides information about the Group structure. Related parties represent directors and key management personnel of the Company, the Shareholders and entities controlled, jointly controlled or significantly influenced by such parties.

The Public Investment Fund of the Kingdom of Saudi Arabia is one of the Shareholders which is ultimately controlled by the Government of the Kingdom of Saudi Arabia (“KSA Government”). The entities controlled by the KSA Government are included in other related parties category below. The entities under common control represent the entities controlled by ADES Investment Holding Ltd or its shareholders.

The terms and conditions of the transactions entered into with the related parties are approved by the group’s management.

(a) Following are the significant related party transactions recorded in the consolidated statement of comprehensive income:

	<b>2023</b>
	<b>SAR</b>
Revenue from other related parties	<b>2,860,917,428</b>
Revenue from the joint venture	<b>14,806,502</b>
Finance cost from other related party	<b>377,372,647</b>
Net loss on cash flow hedge	<b>10,650,635</b>

(b) The balances with related parties other than the entities controlled by the KSA Government are reported as due to and from related parties on the face of consolidated statement of financial position. The balances with the entities controlled by the KSA Government are disclosed in the note (ii) below.

*i) Due to and from balances with the related parties:*

	<b>2023</b>
	<b>Due from</b>
	<b>SAR</b>
Entities under common control	
Innovative Energy Holding Ltd	<b>4,597,680</b>
<i>Other related parties</i>	
Advantage Drilling Services	<b>506,929</b>
	<b>5,104,609</b>

Also, refer to Note 14 for the due from related party balance recorded under other receivables.

The above outstanding balances at the period-end are unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the period ended 31 December 2023, the Group has not recorded any provision for expected credit losses relating to receivables and amounts owed by related parties. This assessment is undertaken each financial period by examining the financial position of the related party and the market in which the related party operates

*ii) Other significant balances are as follows:*

	<b>2023</b>
	<b>SAR</b>
Bank balances with other related parties (Refer to Note 11)	<b>45,266,583</b>
Interest-bearing loans and borrowings from other related parties (Refer to Note 20)	<b>4,606,293,232</b>
Trade receivables and contact assets from other related parties (Refer to Note 13)	<b>714,942,972</b>
Trade receivables and contract assets from joint venture (Refer to Note 13)	<b>10,386,153</b>
Derivative financial instrument with other related parties (Refer to Note 28)	<b>30,203,989</b>

Refer to the respective disclosure notes for the terms and conditions of the interest-bearing loans and other balances above with related parties. Further, refer to Note 27 for guarantees issued by the related parties.

# ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 28 December 2022 to 31 December 2023

### 24 RELATED PARTIES TRANSACTIONS AND BALANCES (continued)

(c) Other related party transactions:

Pursuant to the agreement dated 29 December 2022 signed by the Company and ADES Arabia Holding Company (entity under common control), the following financial assets and liabilities have been novated to the Company. These are non-cash transactions:

- Amount due from a subsidiary transferred to the Company as part of reorganisation amounting to SAR 745,113,893
- Transfer of loan amounting to SAR 885,318,338
- Transfer of payables amounting to SAR 629,269
- Transfer of receivable amounting to SAR 1,614,825

#### Compensation of key management personnel

The remuneration of key management personnel during the period was as follows:

	<b>2023</b> <b>SAR</b>
Total benefits*	17,799,561

\* Total benefits include annual salary, bonus and other allowances.

	<b>2023</b> <b>SAR</b>
Directors' remuneration during the period is SAR	375,000

### 25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

#### Overview

The Group's principal financial liabilities comprise trade and other payables, due to related parties, loans and borrowings and derivative instruments. The main purpose of these financial liabilities is to finance the Group's operations and to provide support to its operations. The Group's principal financial assets include cash in hand and at banks, including highly liquid investments with maturity less than 90 days, derivative instruments, trade receivables and contract assets, due from related parties and other receivables.

The Group is exposed to market risk, credit risk and liquidity risk. The Board of Directors of the Company oversees the management of these risks. The Board of Directors of the Company are supported by senior management that advises on financial risks and the appropriate financial risk governance framework for the Group. The Group's senior management provides assurance to the Board of Directors of the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Group policies and Group risk appetite. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

The Group has exposure to the following risks from its use of financial instruments:

- a) Credit risk,
- b) Market risk:
  - i. Interest rate risk
  - ii. Foreign currency risk
- c) Liquidity risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. The Group's current financial risk management framework is a combination of formally documented risk management policies in certain areas and informal risk management policies in other areas.

# ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 28 December 2022 to 31 December 2023

### 25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables, contract assets and due from related parties) and from its financing activities, including letter of guarantees with banks foreign exchange transactions and other financial instruments. As at 31 December 2023, the top three debtors of the Group represent 64% of trade receivable.

#### Trade receivables and contract assets

Customer credit risk is managed by the Group's established policy, procedures and controls relating to customer credit risk management. Credit quality of the customer is assessed based on a credit rating policy and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored.

The requirement for impairment is analysed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its wide number of customers operates in highly independent markets. In addition, instalment dues are monitored on an ongoing basis.

#### Other financial assets and bank balances

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Counterparty credit limits are reviewed by the Group's Board of Directors on an annual basis, and may be updated throughout the period subject to approval of the Group's senior management. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure to make payments. The Group's exposure to credit risk for the components of the consolidated statement of financial position is the carrying amounts of these assets. The Group limits its exposure to credit risk by only placing balances with international banks and reputable local banks. Management does not expect any counterparty in failing to meet its obligations.

#### Due from related parties

Due from related parties relates to transactions arising in the normal course of business with minimal credit risk, with a maximum exposure equal to the carrying amount of these balances.

#### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, such as interest rate risk and currency risk. Financial instruments affected by market risk include: loans and borrowings.

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

#### Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on loans and borrowings. With all other variables held constant, the Group's profit is affected through the impact on floating rate borrowings (net of impact of time deposits), as follows:

	<i>Increase / decrease in basis points</i>	<i>Effect on profit before income tax</i>
<b>31 December 2023</b>		
SAR	+100	(15,348,231)
SAR	-100	15,348,231

# ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 28 December 2022 to 31 December 2023

### 25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Company's functional currency which is Saudi Riyal ("SAR") or United States Dollar ("USD") to which functional currency is currently pegged. The Group is exposed to Egyptian Pound (EGP) in which the Group has substantial transactions.

The following tables demonstrate the sensitivity to a reasonably possible change in SAR exchange rates, with all other variables held constant. The impact on the Group's profit is due to changes in the value of monetary assets and liabilities. The Group's exposure to EGP currency is considered as significant currency risk and foreign currency changes for all other currencies is not material.

	<i>Change in SAR rate</i>	<i>Effect on profit before income tax SAR</i>
<b>31 December 2023</b>		
EGP	+10%	4,208,126
EGP	-10%	(4,208,126)

#### Liquidity risk

The cash flows, funding requirements and liquidity of the Group are monitored by Group management. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of banks overdraft and bank loans. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

#### Financial liabilities

	<i>Less than 3 months SAR</i>	<i>3 to 12 months SAR</i>	<i>1 to 5 years SAR</i>	<i>Over 5 years SAR</i>	<i>Total SAR</i>
<b>As at 31 December 2023</b>					
Loans and borrowings	466,725,304	1,487,075,467	7,098,349,674	4,605,870,680	13,658,021,125
Trade and other payables*	467,905,701	1,014,746,859	-	-	1,482,652,560
Lease liability	51,500,198	140,702,544	539,963,364	-	732,166,106
<b>Total undiscounted financial liabilities</b>	<b>986,131,203</b>	<b>2,642,524,870</b>	<b>7,638,313,038</b>	<b>4,605,870,680</b>	<b>15,872,839,791</b>

\*Excluding finance lease liability

#### Capital management

Capital includes share capital, share premium, other reserves, treasury shares and retained earnings.

The primary objective of the Group's capital management is to ensure that it will be able to continue as a going concern while maintaining a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Group's strategy remains unchanged since inception. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or return capital to shareholders. The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. The Group's policy is to keep the gearing ratio between 30% and 85%.

# ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 28 December 2022 to 31 December 2023

### 25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

	2023 SAR
Loans and borrowings (Note 20)	10,349,698,088
Lease liabilities (Note 16)	643,825,682
Bank balances and cash (Note 11)	(432,281,641)
Net debt	10,561,242,129
Total equity	5,776,906,167
Total capital	16,338,148,296
Gearing ratio	65%

#### Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a industry.

The Group's 2 customers drive more than 10% revenue from contract with customers and contribute to 77% revenue from contract with customer.

### 26 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities. Financial assets of the Group include bank balances and cash, trade receivables and contract assets, due from related parties, derivative financial instruments and other receivables. Financial liabilities of the Group include trade payables, due to related parties, loans and borrowings and other payables. The fair values of the financial assets and liabilities are not materially different from their carrying value unless stated otherwise.

### 27 CONTINGENT LIABILITIES AND COMMITMENTS

#### Contingent liabilities

	2023 SAR
Letter of guarantees	1,246,154,137

Contingent liabilities represent letters of guarantee issued in favour of Saudi Customs, Egyptian General Petroleum Corporation, Suze Abu Zenima Petroleum Company (Petro Zenima), Kuwait Oil Company, The Gulf of Suez Petroleum Company and others. The cover margin on such guarantees amounted to SAR 16,200,168.

#### Capital commitment.

The Group has a capital commitment for SAR 413 million for the period ended 31 December 2023 .



# ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 28 December 2022 to 31 December 2023

### 27 CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Following are the facilities of the Group:

- The Group entered into a bilateral Unfunded Trade Finance Facility Agreement with Arab Petroleum Investments Corporation (APICORP) in July 2019 for total facility amounting to SAR 112,500,000 for the issuance of Letters of Credit and Letters of Guarantees. As of 31 December 2023, the Group utilized letter of guarantees for a total amount of SAR 136,129,736.
- The Group entered into bilateral agreement with Arab National Bank of KSA “ANB” bank dated Oct 2022 amounting to SAR 412,500,000, available to cover working capital needs including issuance of letters of guarantees as of 31 December 2023 the Group utilized letter of guarantees for a total amount of SAR 455,968,498.
- The Group entered into a bilateral agreement with Al Ahli Bank of Kuwait Egypt “ABK” a facility dated on May 2019 amounted of USD 12,000,000 for the purpose of Working capital, Letter of guarantees and Letter of credit as of 31 December 2023, the Group utilized Letters of Credit for a total amount of SAR 3,543,750.
- The Group entered into a bilateral agreement with Suez Canal Bank “SCB” amounted dated on October 2018 of USD 18,000,000 for the purpose of Working capital , Letter of guarantees as of 31 December 2023, , the Group utilized letter of guarantees for a total amount of SAR 45,902,025.
- The Group entered into bilateral agreement with EG Bank “EGB with Letter of guaranteed facility dated February 2021 amounted of USD 10,000,000 as of 31 December 2023, which was the same agreements as 2021, the Group utilized letter of guarantees for a total amount of SAR 27,445,683.
- The Group entered into bilateral agreement with Export Development Bank of Egypt “EBE” bank dated July 2018 amounted of USD 12,000,000 for the purpose of Working capital, Letter of guarantees as of 31 December 2023, the Group utilized letter of guarantees for a total amount of SAR 31,917,595.
- The Group entered into a bilateral agreement with Emirates National Bank of Dubai S.A.E “ENBD” dated July 2021 amounted of USD 20,000,000 for the purpose of Working capital, Letter of guarantees and Letter of credit as of 31 December 2023, the Group utilized letter of credit for a total amount of SAR 35,561,213.
- The Group has letter of guarantees of SAR 375,000 as at 31 December 2023 with Arab International bank.
- The Group entered into a bilateral agreement with AL Rajhi bank dated May 2023 amounting to SAR 450,000,000. The Group utilized letter of guarantees for a total amount of SAR 313,775,863.
- The Group entered into a bilateral agreement with Banque Saudi Francis bank (BSF) dated March 2022 “Loan 2 BSF”. The facility agreement includes additional bonding limit to be utilized for the issuance of Letter of guarantees with total amount of SAR 187.5 million, additional overdraft limit with SAR 30 million and additional multipurpose limit to cover working capital needs including issuance for letter of guarantees and short term loans with total amount of SAR 150 million. The Group utilized letter of guarantees for a total amount of SAR 161,652,257.

*Transactions with the related parties:*

- The Group entered into a bilateral agreement with National Commercial Bank in KSA (SNB) dated May 2019 in SAR equivalent to SAR 10,999,999 available to issuance of letters of guarantees. As of 31 December 2023, the Group utilized letter of guarantees for a total amount of SAR 9,518,804.
- The Group entered into a bilateral agreement with Alinma Bank dated April 2019 in SAR equivalent to SAR 37,500,000 available to cover working capital needs including issuance of letters of guarantees. As of 31 December 2023, the Group utilized letter of guarantees for a total amount of SAR 24,363,713.

# ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 28 December 2022 to 31 December 2023

### 28 DERIVATIVE FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group has entered into an interest rate swap contract to manage its exposure to fluctuations in interest rates. The counterparty is generally a bank/financial institution. These financial exposures are managed in accordance with the Group's risk management policies and procedures.

The Group enters into interest rate swaps agreements, mainly to manage exposure on its variable rate loans and borrowings. The Group uses interest rate swap contracts to hedge exposure to variable interest rate fluctuations on interest payments for borrowings denominated in functional currency or currency pegged to functional currency of the Company.

There is an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate swap matches the terms of the variable rate loans and borrowings (i.e., notional amount, maturity, payment and reset dates). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the interest rate swap is identical to the hedged risk component.

To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instrument against the changes in fair value of the hedged item attributable to the hedged risk.

The hedge ineffectiveness can arise from:

- Different interest rate curve applied to discount the hedged item and hedging instrument
- Differences in timing of cash flows of the hedged item and hedging instrument
- The counterparties' credit risk differently impacting the fair value movements of the hedging instrument and hedged item

Fair value of derivative financial instruments are determined using valuation techniques based on information derived from observable market data.

The fair values of derivative financial instruments are as follows:

	<b>2023</b>
	<b>SAR</b>
Derivative financial instruments designated as hedging instruments – cash flow hedges	
Interest rate swaps	<b>51,516,820</b>
Current	-
Non-current	<b>51,516,820</b>

#### ***Derivative financial instruments designated as hedging instruments – cash flow hedges***

In 2022, the Group entered into three Interest Rate Swap (IRS) agreements with Banqe Saudi Fransi (BSF), Gulf International Bank (GIB), and Saudi National Bank (SNB) in relation to Loan 1 Syndication Facility A SAR portion (SAR 3,198,750,000). The objective of the cash flow hedge is to protect against cash outflows variability related to floating-rate interest payments on the hedged portion of the credit facility using the 6-month SAIBOR rate (as shown in the following table). Such cash outflows variability results from changes which may occur on the 6-month SAIBOR market rate (i.e. the designated benchmark interest rate).

In 2022, the Group entered into Interest Rate Swap (IRS) agreement with Banqe Saudi Fransi in relation to Loan 1 Syndication Facility A USD portion (USD 197,000,000 – equals to SAR 738,750,000). The objective of the cash flow hedge is to protect against cash outflows variability related to floating rate interest payments on the hedged portion of the credit facility using the 6-month SOFR rate (as shown in the following table). Such cash outflows variability results from changes which may occur on the 6-month SOFR market rate (i.e. the designated benchmark interest rate).

# ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 28 DERIVATIVE FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

#### *Derivative financial instruments designated as hedging instruments – cash flow hedges (continued)*

In 2022, the Group entered into three Interest Rate Swap (IRS) agreements with Saudi National Bank (SNB) in relation to Al- Rajhi Bank facility (SAR 937,500,000), Saudi National Bank (SNB), (SAR 870,331,250) and Banqe Saudi Fransi (BSF) (SAR 1,078,680,000) the objective of the cash flow hedge is to protect against cash outflows variability related to floating-rate interest payments on the hedged portion of the credit facility using the 3-month SAIBOR rate (as shown in the following table). Such cash outflows variability results from changes which may occur on the 3-month SAIBOR market rate (i.e. the designated benchmark interest rate).

During the period ended 31 December 2023, the Group discontinued Interest Rate Swap (IRS) agreement with Saudi National Bank (SNB) in relation to SAR portion of Loan 1 Syndication Facility A.

<b>Borrowing (hedged item)</b>	<b>Type</b>	<b>Notional amount</b>	<b>Hedged interest rate</b>	<b>Effective date</b>	<b>Maturity date</b>
Loan 1 Syndication Facility A	Syndicated loan	SAR 1,066,250,000	Floating (6m-SAIBOR)	01-Jun-22	31-Dec-29
Loan 1 Syndication Facility A	Syndicated loan	SAR 1,066,250,000	Floating (6m-SAIBOR)	01-Jun-22	31-Dec-29
Loan 1 Syndication Facility A	Syndicated loan	SAR 1,066,250,000	Floating (6m-SAIBOR)	01-Jun-22	31-Dec-29
Loan 1 Syndication Facility A	Syndicated loan	SAR 738,750,000 (USD 197,000,000)	Floating (6m-SOFR)	01-Jun-22	31-Dec-29
Al- Rajhi Bank facility – fully hedged	Bank facility	SAR 937,500,000	Floating (3m-SAIBOR)	30-Jun-22	01-Jul-30
Saudi National Bank – SNB partially hedged	Bank facility	SAR 870,331,250	Floating (3m-SAIBOR)	28-Apr-22	30-Apr-30
Bank Saudi Fransi – BSF partially hedged	Bank facility	SAR 1,078,680,000	Floating (3m-SAIBOR)	13-Apr-22	30-Apr-30

	<i>Total</i> <b>SAR</b>	<i>Level 1</i> <b>SAR</b>	<i>Level 2</i> <b>SAR</b>	<i>Level 3</i> <b>SAR</b>
<b>31 December 2023</b>				
<i>Derivative financial instrument:</i>				
Interest rate swap	<b>51,516,820</b>	-	<b>51,516,820</b>	-

The gain recognized from the fair valuation of derivative is SAR 20,620,873 (net of tax) for the period ended 31 December 2023.

During the period ended 31 December 2023, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 at fair value measurements. (31 December 2022).

### 29 DIVIDENDS

In the current period 31 December 2023, dividends of SAR 6,827,280 have been paid by UPDC, one of the Group's subsidiaries, to its non-controlling shareholders.

# ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

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### 30 ADDITIONAL FINANCIAL INFORMATION

Refer to Note 1 regarding the reorganisation. The results of the subsidiaries acquired under common control as part of reorganization for the year ended 31 December 2022 are presented below along the Group's results for the period ended 31 December 2023.

	<i>The Group's results for the period ended 31 December 2023 SAR</i>	<i>The results of the subsidiaries acquired as part of reorganization under common control 31 December 2022 SAR</i>
Revenue from contract with customers	4,331,902,893	2,467,200,801
Cost of revenue	(2,620,777,799)	(1,575,805,738)
<b>GROSS PROFIT</b>	<b>1,711,125,094</b>	<b>891,395,063</b>
General and administrative expenses	(369,833,743)	(246,111,932)
End of service employment benefits	(42,933,530)	(17,602,070)
Provision for impairment of trade receivables	-	(236,564,520)
Provision for impairment of inventory	-	(26,216,730)
Other provisions	-	(13,755,542)
Provision on other receivable	-	(1,687,500)
Finance costs	(711,254,622)	(302,992,606)
Finance income	-	19,193,726
Bargain purchase gain	-	422,267,407
Business acquisition cost	-	(8,424,226)
Loss from assets disposal	(1,093,478)	-
Provision for impairment of investment	(5,023,587)	-
IPO expenses	(15,980,048)	-
Other taxes	(22,487,420)	(16,676,275)
Other expenses	(22,974,249)	(17,526,329)
Other income	9,835,398	2,485,731
Gain on derivative financial instrument held for trade	-	5,168,505
<b>PROFIT FOR THE YEAR BEFORE INCOME TAX</b>	<b>529,379,815</b>	<b>452,952,702</b>
Income tax expense	(77,301,057)	(55,330,760)
<b>PROFIT FOR THE YEAR</b>	<b>452,078,758</b>	<b>397,621,942</b>
<b>Attributable to:</b>		
Equity holders of the Parent	442,097,695	390,448,249
Non-controlling interests	9,981,063	7,173,693
	<b>452,078,758</b>	<b>397,621,942</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of any tax):</i>		
Net (loss) / gain on cash flow hedge	(20,620,873)	74,901,412
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of any tax):</i>		
Remeasurement (loss) / gain on defined benefit plans	(42,754,018)	8,009,514
<b>OTHER COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR, NEXT OF TAX</b>	<b>(63,374,891)</b>	<b>82,910,926</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>	<b>388,703,867</b>	<b>480,532,868</b>
<b>Attributable to:</b>		
Equity holders of the Parent	389,589,379	466,749,628
Non-controlling interests	(855,512)	13,783,240
	<b>388,703,867</b>	<b>480,532,868</b>

# ADES HOLDING COMPANY (Listed Joint Stock Company) AND ITS SUBSIDIARIES

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The Group's consolidated financial position as at 31 December 2022 is disclosed below as additional information:

	2023	2022
	SAR	SAR*
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property and equipment	16,149,784,495	12,066,091,416
Intangible assets	354,126	552,745
Right of use assets	643,617,077	391,033,813
Investment in an associate and a joint venture	-	5,983,705
Derivative instruments	51,516,820	26,438,203
Prepayments and other receivables	221,365,535	319,991,694
<b>Total non-current assets</b>	<b>17,066,638,053</b>	<b>12,810,091,576</b>
<b>Current assets</b>		
Inventories	331,891,597	184,274,773
Trade receivables	844,730,710	560,672,629
Contract assets	389,489,342	255,623,760
Derivative instruments	-	49,663,832
Due from related parties	5,104,609	9,838,237
Prepayments and other receivables	352,314,802	440,351,867
Bank balances and cash	432,281,641	190,828,971
<b>Total current assets</b>	<b>2,355,812,701</b>	<b>1,691,254,069</b>
<b>TOTAL ASSETS</b>	<b>19,422,450,754</b>	<b>14,501,345,645</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	1,129,062,513	1,000,000
Capital contribution	-	857,087,512
Share Premium	2,890,367,127	-
Treasury shares	(33,871,875)	-
Cash flow hedge reserve	41,149,633	61,770,506
Retained earnings	1,721,531,737	1,302,222,702
<b>Equity attributable to equity holders of the Parent</b>	<b>5,748,239,135</b>	<b>2,222,080,720</b>
Non-controlling interests	28,667,032	36,349,824
<b>Total equity</b>	<b>5,776,906,167</b>	<b>2,258,430,544</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Interest-bearing loans and borrowings	9,169,594,591	9,575,406,029
Lease liability	487,357,834	270,132,952
Provisions	199,144,169	117,984,346
Deferred revenue	579,911,768	70,173,705
Deferred tax, net	61,330,677	44,043,640
Other payables	729,229	4,680,083
<b>Total non-current liabilities</b>	<b>10,498,068,268</b>	<b>10,082,420,755</b>
<b>Current liabilities</b>		
Trade and other payables	1,639,120,408	1,092,484,291
Deferred revenue	287,748,803	75,546,466
Income tax payable	30,217,807	3,453,210
Interest-bearing loans and borrowings	1,180,103,497	972,079,868
Provisions	10,285,804	14,776,740
Due to related parties	-	2,153,771
<b>Total current liabilities</b>	<b>3,147,476,319</b>	<b>2,160,494,346</b>
<b>Total liabilities</b>	<b>13,645,544,587</b>	<b>12,242,915,101</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>19,422,450,754</b>	<b>14,501,345,645</b>

\* Certain comparative information has been reclassified to conform with the current year presentation.