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

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

Ernst & Young Professional Services (Professional LLC)
Paid-up capital (SR 5,500,000 – Five million five hundred thousand Saudi Riyal)
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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 2024, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including 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 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting 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)
(continued)

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
Revenue recognition	
The total revenue recognized for the year ended 31 December 2024 amounted to approximately SAR 6,199 million, of which approximately 67% is attributable to the customer contracts with its related party. 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. 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. Refer to note 2 for the Group's accounting policy relating to revenue recognition and Note 7 and 25 for details of revenue from contracts with customers.	Our audit procedures, among others, included the following: • We obtained an understanding of the management's process and controls for the revenue recognition; • 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; • We tested, on a sample basis, the revenue journal entries recorded before and after the period end to the supporting documents; • We performed a monthly trend analysis of the revenue recorded during the year and also compared a rig-wise revenue for 2024 with the revenue recorded for 2023. We obtained understanding of the material variances noted as a result of the above audit procedures; • We have recalculated revenue from the customer contracts, on a sample basis, based on the utilization days of the rigs, the contract rates and mobilization fees as per the customer contracts; • We performed the correlation analysis between the journal entries recorded in revenue, the trade receivable and contract assets and cash accounts.

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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
Acquisitions	
During the year ended 31 December 2024, the Group entered into a agreements to acquire two premium jackup rigs for a total consideration of SAR 726 million. We considered the accounting of the acquisition to be a key audit matter due to its significance to the consolidated financial statements, and significant judgment and estimates applied by Management in determining whether this constitutes an asset acquisition or a business combination, and the fair values of the acquired assets and assumed liabilities at the acquisition date. Refer to Note 2, 3 and 5 to these consolidated financial statements for the accounting policy, significant judgment and estimates and related disclosures, respectively.	Our audit procedures, among others, included the following: • We obtained understanding of management's process related to the acquisitions; • We reviewed the underlying documentation, terms and conditions of the transaction including the acquisition date and assessed the accounting treatment of the consideration transferred and the assets and liabilities acquired in accordance with IFRS Accounting Standards.; • We assessed the appropriateness of the valuation model. This involved checking the mathematical accuracy of the valuation workings and challenging the key assumptions and estimates considered by management. • We engaged our valuation specialists to assist us in reviewing the Group's fair valuation model and in assessing the methodology used to determine the fair value of assets acquired and liabilities assumed; • We assessed the adequacy of disclosures around the transaction, including disclosure of key assumptions and estimates in accordance with IFRS Accounting Standards that are endorsed in the Kingdom of Saudi Arabia.

Report on the Audit of the Consolidated Financial Statements (continued)

Other information included in The Group's 2024 Annual Report

Other information consists of the information included in the Group's 2024 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 2024 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 2024 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 IFRS Accounting 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 applicable provisions of the Regulations for Companies 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, i.e., the Board of Directors, are responsible for overseeing the Group's financial reporting process.

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

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

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.

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

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

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ADES HOLDING COMPANY (A SAUDI JOINT STOCK COMPANY) (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors, 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)

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EY
سجل تجاري ٢٠٥١٠٥٨٧٩٢
CR.2051058792
شركة إرنست ويونغ للخدمات المهنية
(مهنية ذات مسؤولية محدودة)
Ernst & Young Professional Services
(Professional LLC)

Al Khobar: 3 Ramadan 1446H
3 March 2025

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2024
(All amounts in thousands Saudi Arabian Riyal (SAR), unless otherwise stated)

	Notes	***For the year ended 31 December 2024 SAR'000***	*For the period from 28 December 2022 to 31 December 2023 SAR'000*
Revenue	7	**6,199,022**	4,331,903
Cost of revenue	8	**(3,839,972)**	(2,620,778)
GROSS PROFIT		**2,359,050**	1,711,125
General and administrative expenses	9	**(424,340)**	(369,834)
End of service employment benefits	22-b	**(51,504)**	(42,934)
Share-based payments expense	25	**(110,647)**	-
Finance costs, net	10	**(803,915)**	(711,255)
Other income/(expenses), net		**31,292**	(41,743)
IPO expenses		**-**	(15,980)
Bargain purchase gain	5	**7,500**	-
Acquisition transaction cost	5	**(6,142)**	-
Provision for other taxes	22-a	**(30,448)**	-
PROFIT FOR THE YEAR/PERIOD BEFORE INCOME TAX AND ZAKAT		**970,846**	529,379
Income tax and zakat expenses	11	**(154,651)**	(77,301)
PROFIT FOR THE YEAR/PERIOD		**816,195**	452,078
Attributable to:			
Equity holders of the Parent		**802,498**	442,097
Non-controlling interests		**13,697**	9,981
		816,195	452,078
Earnings per share basic and diluted attributable to equity holders of the parent (In SAR per share)	24	**0.73**	0.59
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods (net of any tax):			
Net gain/(loss) on cash flow hedge		**11,017**	(20,621)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods (net of any tax):			
Net remeasurement gain/(loss) on defined benefit plans		**68,316**	(42,754)
Net gain on equity instruments designated at fair value through other comprehensive income		**2,381**	-
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD, NET OF TAX		**81,714**	(63,375)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD, NET OF TAX		**897,909**	388,703
Attributable to:			
Equity holders of the Parent		**871,402**	389,559
Non-controlling interests		**26,507**	(856)
		897,909	388,703

The attached notes 1 to 32 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2024
(All amounts in thousands Saudi Arabian Riyal (SAR), unless otherwise stated)

	Notes	*31 December 2024 SAR'000*	*31 December 2023 SAR'000*
ASSETS			
Non-current assets			
Property and equipment	17	**17,567,622**	16,149,784
Intangible assets		**3,956**	354
Right of use assets	18-a	**494,146**	643,617
Derivative financial instruments	29-a,26	**61,850**	51,517
Prepayments and other receivables	15	**215,186**	221,366
Investments in joint venture	16	**25,416**	-
Total non-current assets		**18,368,176**	17,066,638
Current assets			
Inventories	13	**527,273**	331,892
Trade receivables	14	**857,833**	844,731
Contract assets	14	**524,671**	389,489
Prepayments and other receivables	15	**502,391**	352,315
Due from related parties	26	**1,223**	5,105
Investments at fair value through other comprehensive income (FVOCI)	29-b,26	**102,936**	-
Bank balances and cash	12,26	**744,187**	432,282
Total current assets		**3,260,514**	2,355,814
TOTAL ASSETS		**21,628,690**	19,422,452
EQUITY AND LIABILITIES			
Equity			
Share capital	23	**1,129,063**	1,129,063
Share premium	23	**2,890,367**	2,890,367
Treasury shares	23	**(28,127)**	(33,872)
Cash flow hedge reserve		**52,167**	41,150
Fair value reserve of financial assets at FVOCI		**2,381**	-
Share-based payment reserve		**119**	-
Retained earnings		**2,446,821**	1,721,532
Equity attributable to equity holders of the parent		**6,492,791**	5,748,240
Non–controlling interests		**45,193**	28,667
Total equity		**6,537,984**	5,776,907
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	21,26	**10,725,356**	9,169,595
Lease liabilities	18-b	**352,374**	487,358
Provisions	22	**188,571**	199,144
Deferred revenue	20	**679,962**	579,912
Deferred tax, net	11	**94,068**	61,331
Other payables	19	-	729
Total non-current liabilities		**12,040,331**	10,498,069
Current liabilities			
Trade and other payables	19	**1,270,308**	1,639,120
Deferred revenue	20	**358,976**	287,749
Income tax payable	11	**82,468**	30,218
Interest-bearing loans and borrowings	21,26	**1,331,334**	1,180,103
Provisions	22	**7,289**	10,286
Total current liabilities		**3,050,375**	3,147,476
Total liabilities		**15,090,706**	13,645,545
TOTAL EQUITY AND LIABILITIES		**21,628,690**	19,422,452

Dr. Mohamed Farouk
Vice Chairman

Hussein Badawy
Chief Financial Officer

The attached notes 1 to 32 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2024
(All amounts in thousands Saudi Arabian Riyal (SAR), unless otherwise stated)

	Attributed to the equity holders of the parent									
	Share capital SAR'000	*Share premium SAR'000*	*Treasury shares SAR'000*	*Fair value reserve of financial assets at FVOCI SAR'000*	*Cash flow hedge reserve SAR'000*	*Retained earnings SAR'000*	*Share based payment reserve SAR'000*	*Total SAR'000*	*Non-controlling interest SAR'000*	*Total equity SAR'000*
Balance at 1 January 2024	1,129,063	2,890,367	(33,872)	-	41,150	1,721,532	-	5,748,240	28,667	5,776,907
Profit for the year	-	-	-	-	-	802,498	-	802,498	13,697	816,195
Other comprehensive income	-	-	-	2,381	11,017	55,506	-	68,904	12,810	81,714
Total comprehensive income	-	-	-	2,381	11,017	858,004	-	871,402	26,507	897,909
Share-based payments (note 25)	-	-	-	-	-	-	110,647	110,647	-	110,647
Shares allotted under share based payment plan (note 25)	-	-	5,745	-	-	104,783	(110,528)	-	-	-
Dividends to non-controlling interests (note 30-a)	-	-	-	-	-	-	-	-	(9,981)	(9,981)
Dividends to shareholders (note 30-b)	-	-	-	-	-	(237,498)	-	(237,498)	-	(237,498)
Balance at 31 December 2024	**1,129,063**	**2,890,367**	**(28,127)**	**2,381**	**52,167**	**2,446,821**	**119**	**6,492,791**	**45,193**	**6,537,984**

The attached notes 1 to 32 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
For the year ended 31 December 2024
(All amounts in thousands Saudi Arabian Riyal (SAR), unless otherwise stated)

	Attributed to the equity holders of the parent								
	Share capital SAR'000	*Capital contribution SAR'000*	*Share premium SAR'000*	*Treasury shares SAR'000*	*Cash flow hedge reserve SAR'000*	*Retained earnings SAR'000*	*Total SAR'000*	*Non-controlling interest SAR'000*	*Total equity SAR'000*
Issuance of share capital	1,000	-	-	-	-	-	1,000	-	1,000
Profit for the period	-	-	-	-	-	442,097	442,097	9,981	452,078
Other comprehensive income	-	-	-	-	(20,621)	(31,917)	(52,538)	(10,837)	(63,375)
Total comprehensive income	-	-	-	-	(20,621)	410,180	389,559	(856)	388,703
Issuance of share capital – net of transaction costs	1,128,063	(857,088)	2,890,367	-	-	-	3,161,342	-	3,161,342
Issuance of treasury shares (note 23)	-	-	-	(33,872)	-	-	(33,872)	-	(33,872)
Transaction with the shareholders (note 23)	-	-	-	-	-	9,129	9,129	-	9,129
Acquisitions as part reorganisation under common control	-	857,088	-	-	61,771	1,302,223	2,221,082	36,350	2,257,432
Dividends to non-controlling interests (note 30-a)	-	-	-	-	-	-	-	(6,827)	(6,827)
Balance at 31 December 2023	1,129,063	-	2,890,367	(33,872)	41,150	1,721,532	5,748,240	28,667	5,776,907

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2024
(All amounts with thousand Saudi Arabian Riyal (SAR), unless otherwise stated)

	Notes	***For the year ended 31 December 2024 SAR'000***	*For the period from 28 December 2022 to 31 December 2023 SAR'000*
OPERATING ACTIVITIES			
Profit for the year/period before income tax and zakat		**970,846**	529,379
Adjustments for:			
Depreciation of property and equipment	17	**1,086,015**	665,676
Amortisation of intangible assets		**913**	199
Depreciation of right of use assets	18	**181,703**	131,589
Loss on disposal of assets		-	1,093
(Reversal)/provision for impairment of investment in a joint venture		**(6,815)**	5,024
End of service employment benefits	22-b	**51,504**	42,934
Share-based payments expense	25	**110,647**	-
Finance costs, net	10	**803,915**	711,255
IPO expenses		-	15,980
Share of results of investment in a joint venture		**(18,601)**	960
Dividends from investment in financial instruments	29-b/26	**(3,534)**	-
Bargain purchase gain	5	**(7,500)**	-
Acquisition transaction cost	5	**6,142**	-
Provision for other taxes	22-a	**30,448**	-
Provision for obsolete and slow-moving inventory	13	**1,401**	-
Reversal for impairment of Property and equipment	17	**(38,913)**	-
		3,168,171	2,104,089
Working capital changes:			
Inventories		**(184,463)**	(147,617)
Trade receivable		**(14,378)**	(289,984)
Contract assets		**(123,773)**	(133,866)
Due from related parties		**3,882**	4,734
Prepayments and other receivables		**6,654**	20,174
Trade and other payables		**69,170**	34,564
Deferred revenue		**171,277**	721,940
Due to related parties		-	6,975
Cash flows from operations		**3,096,540**	2,321,009
Income tax paid	11	**(73,814)**	(26,884)
Provisions paid	22	**(23,946)**	(11,421)
Net cash flows from operating activities		**2,998,780**	2,282,704
INVESTING ACTIVITIES			
Purchase of property and equipment		**(2,375,110)**	(4,048,366)
Purchase of intangible assets		**(1,225)**	**-**
Purchase of financial instruments	29-b	**(100,368)**	**-**
Reimbursement of the purchase price consideration	6	**-**	122,030
Acquisition of business, net of cash acquired	5	**(712,134)**	-
Acquisition of a subsidiary under common control, net of cash acquired		**-**	189,829
Proceeds from sale of property and equipment		**-**	22
Dividends from investment in financial instruments	26-a	**3,534**	-
Net cash flows used in investing activities		**(3,185,303)**	(3,736,485)

The attached notes 1 to 32 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the year ended 31 December 2024
(All amounts with thousand Saudi Arabian Riyal (SAR), unless otherwise stated)

	Notes	***For the year ended 31 December 2024 SAR'000***	*For the period from 28 December 2022 to 31 December 2023 SAR'000*
FINANCING ACTIVITIES			
Proceeds from loans and borrowings	21	**3,193,562**	3,447,680
Repayment of loans and borrowings	21	**(1,427,773)**	(3,650,568)
Finance cost paid, net		**(818,934)**	(869,655)
Net proceeds from issuance of shares, net of transaction costs		**-**	3,129,836
Payment of lease liabilities	18	**(200,948)**	(164,403)
Dividend paid to equity holders of the parent	30-b	**(237,498)**	-
Dividend paid to non-controlling interests	30-a	**(9,981)**	(6,827)
Net cash flows from financing activities		**498,428**	1,886,063
NET INCREASE IN BANK BALANCES AND CASH		**311,905**	432,282
Bank balances and cash at beginning of year/period	12	**432,282**	-
BANK BALANCES AND CASH AT THE END OF THE YEAR/PERIOD	12	**744,187**	432,282

Refer Notes 5, 13 and 18 for significant non-cash transactions.

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

1 BACKGROUND

Corporate information

ADES Holding Company (the "Company" or the "Parent Company") was incorporated on 28 December 2022 as a mixed closed joint stock company limited under Saudi laws. ADES Investment Holding Ltd is the ultimate controlling party (the "ultimate controlling party") of the Company. The Company and its subsidiaries together are referred as the "Group".

The company's head office is located at 7429 Prince Turki Street, Corniche District, Al Khobar, Kingdom of Saudi Arabia.

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 thousand. The Company became the new holding company of the Group through transfer of all issued and outstanding shares of ADES International Holding Ltd (the intermediate holding company of the Group) from ADES Arabia Holding Company (then existing holding company) to the Company. As a result of the aforementioned transfer of shares, during the period ended 31 March 2023, the Company issued additional shares for the amount of SAR 857,087 thousand at par to the Shareholders (as a result the total share capital increased SAR 858,087 thousand). There was no change to the Shareholders and their relative shareholdings before and after the reorganisation. On 12 June 2023, the Board of Directors of the Company proposed to issue additional shares for the amount of SAR 270,976 thousand at par value (as a result the total share capital post increase will be SAR 1,129,063 thousand).

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.

On 21 June 2023, the Capital Market Authority ("CMA") approved the Company's application for registering its share capital and offering of 338,719 thousand ordinary shares of the Company's total capital by way of sale of 101,616 thousand existing shares (the "Sale Shares") by existing shareholders (in proportion to their existing shareholding), and the issuance of 237,103 thousand 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).

On 1 Sha'ban 1445H (corresponding to 11 February 2024), the Company status changed from mixed joint company to listed joint stock company.

On 11 October 2023, the Company completed its Initial Public Offering ("IPO"), and its ordinary shares were listed on the Saudi Stock Exchange ("Tadawul").

	As of 31 December 2023			***As of 31 December 2024***		
Shareholder	***No. of shares'000***	***Ownership***	***Nominal value SAR'000***	***No. of shares'000***	***Ownership***	***Nominal value SAR'000***
ADES Investments Holding Ltd	412,277	36.50%	412,277	**412,277**	**36.50%**	**412,277**
The Public Investment Fund of the Kingdom of Saudi Arabia	268,548	23.80%	268,548	**268,548**	**23.80%**	**268,548**
Zamil Group Investment Co	75,647	6.70%	75,647	**75,647**	**6.70%**	**75,647**
Free Float	338,719	30%	338,719	**344,464**	**30.5%**	**344,464**
Treasury Shares	33,872	3%	33,872	**28,127**	**2.5%**	**28,127**
	1,129,063	100%	1,129,063	**1,129,063**	**100%**	**1,129,063**

The consolidated financial statements were authorised for issue on 3 Ramadan 1446H (corresponding to 3 March 2025) by the Board of Directors.

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

1 BACKGROUND (continued)

Corporate information (continued)

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, Malaysia, Kuwait, Tunisia, Qatar, India, Indonesia, Thailand 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:

Name	*Principal activities*	*Country of incorporation*	***As at 31 December 2024***	*As at 31 December 2023*
Advanced Energy Systems (ADES) (S.A.E) [1]	Oil & gas drilling and production services	Egypt	**100%**	100%
ADES Saudi Limited Company[1]	Oil and gas drilling and production services	KSA	**100%**	100%
Precision Drilling Company[2]	Holding company	Cyprus	**100%**	100%
Kuwait Advanced Drilling Services	Leasing of rigs	Cayman	**100%**	100%
Prime innovations for Trade S.A. E	Trading	Egypt	**100%**	100%
ADES International for Drilling	Leasing of rigs	Cayman	**100%**	100%
AG training	Training	Egypt	**70%**	70%
Advanced Transport Services	Leasing of transportation Equipment	Cayman	**100%**	100%
Advanced Drilling Services	Trading	Cayman	**100%**	100%
ADES for Drilling Services Ltd[3]	Extracting & Drilling Equipment & Machinery Rental	UAE	**100%**	100%
ADES International Holding Ltd	Holding Company	UAE	**100%**	100%
Emerald Driller Company[4]	Production services oil and gas drilling and production services	Cayman	**100%**	100%
ADES Drilling Services I Ltd.	Leasing of rigs	Bermuda	**100%**	100%
ADES Drilling Services II Ltd.	Leasing of rigs	Bermuda	**100%**	100%
ADES Drilling Services III Ltd.	Leasing of rigs	Bermuda	**100%**	100%
ADES Advanced Drilling Services Ltd.[5]	Leasing of rigs	Liberia	**100%**	100%
ADES Drilling Services IV Ltd.	Leasing of rigs	Bermuda	**100%**	100%
ADES Drilling Services V Ltd.	Leasing of rigs	Bermuda	**100%**	100%
ADES Drilling Services Ltd. [6]	Leasing of rigs	Bermuda	**100%**	100%
ADES GCC For Drilling Ltd. [7]	Oil and gas drilling and production services	Bermuda	**100%**	100%
ADES Drilling Services Cyprus Ltd.	Oil and gas drilling services	Cyprus	**100%**	100%
PT ADES Drilling Indonesia	Petroleum oil and natural gas mining supporting activities	Indonesia	**100%**	-
RIG FINANCE LTD [8]	Leasing of rigs	Bermuda	**100%**	-
ADRES HR Solution LTD	HR Services	Egypt	**60%**	-

The Company holds investment in Egyptian Chinese Drilling Company (ECDC) (Joint Venture) which is accounted for using the equity method of accounting in these consolidated financial statements.

1 Advanced Energy Systems (ADES) (S.A.E) has branches in Algeria, India, UAE and Iraq. ADES Saudi limited Company acquired 8 subsidiaries from Seadrill.
2 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.
3 ADES for Drilling Services Ltd set up a branch in Tunisia in 2021 and Thailand in 2024, and had changed its name from ADES Holding for Drilling Services Ltd.
4 Emerald Driller Company has a Branch in Qatar which handles operations in the country.
5 ADES Advanced Drilling Services Ltd has a branch in Congo.
6 ADES Drilling Services Ltd. has a branch in Indonesia.
7 ADES GCC For Drilling Ltd has a branch in KSA.
8 Rig Finance Ltd has a branch in Indonesia.

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 IFRS accounting standards 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 have been prepared under the historical cost basis, except for derivative financial instruments carried at fair value which includes interest rate swap contracts designated as hedging instruments and investment at fair value through other comprehensive income.

The consolidated financial statements are presented in Saudi Arabian Riyal and all values are rounded to the nearest thousand ("SAR000"), except when otherwise indicated. Saudi Arabian Riyal ("SAR") is the functional currency of the Company and the presentation currency for the Group.

The Group has prepared the financial statements on the basis that it will continue to operate as a going concern.

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. 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 year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (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;

2 MATERIAL ACCOUNTING POLICIES (continued)

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

Business combinations

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" Acquisition transaction cost" line-item in the consolidated statement of comprehensive income.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

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.

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.

2 MATERIAL ACCOUNTING POLICIES (continued)

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

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;
- the consolidated statement of comprehensive income reflects the results of the Existing Group Entities transferred to the Company from the effective date of reorganisaiton.

The Group applied the accounting policy with no restatement of periods prior to the reorganistion (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.

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.

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)
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 2024 (unless otherwise stated). 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:

- Amendments to IFRS 16: Lease Liability in a Sale and Leaseback
- Supplier Finance Arrangement - Amendments to IAS 7 and IFRS 7

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

- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants – Amendments to IAS 1

The amendment above has resulted in additional disclosure in Note 21 but have not had an impact on the classification of the Group's liabilities.

(b) Standards, amendments and interpretations in issued but not yet 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 18: Presentation and Disclosure in Financial Statements (1 January 2027)

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.2 CHANGES IN THE ACCOUNTING POLICIES AND DISCLOSURE (continued)

(b) Standards, amendments and interpretations in issued but not yet effective (continued)

- Amendments to IFRS 18: Presentation and Disclosure in Financial Statements (1 January 2027) (continued)

It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified ‘roles’ of the primary financial statements (PFS) and the notes.

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from ‘profit or loss’ to ‘operating profit or loss’ and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

The Group is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

- IFRS 19 Subsidiaries without Public Accountability: Disclosures

In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards.

IFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted.

As the Group’s equity instruments are publicly traded, it is not eligible to elect to apply IFRS 19.

- Lack of exchangeability – Amendments to IAS 21

In August 2023, the IASB issued amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity’s financial performance, financial position and cash flows.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted, but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

The Group is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

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.

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
Dividend income 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 if they are considered an integral part of the Group's cash management.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Taxes

Current taxes

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 taxes

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 taxes

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.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Taxes (continued)
Withholding Tax (WHT)
The Group withholds taxes on certain transactions with non-resident parties in respect to applicable tax laws and regulations of Kingdom of Saudi Arabia and the respective countries in which Group operates. Such withholding taxes suffered as a result of the transactions between the group companies are recorded as other taxes in the consolidated statement of comprehensive income.

Zakat
Zakat is levied based on adjusted income subject to zakat or the zakat base in accordance with the Regulations of the ZATCA in the Kingdom of Saudi Arabia. The Group computes its zakat by using the zakat base. The zakat provision is charged to the consolidated statement of comprehensive income. Differences, if any, resulting from the final assessments are adjusted in the period of their finalization.

Foreign currencies
The Group's consolidated financial statements are presented in SAR and all values are rounded to the nearest thousand ("SAR000"), except when otherwise indicated, which is also the Company's functional currency. For each entity, the Group determines the functional currency and items included in the consolidated 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.

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

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

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

At each reporting date, spare parts and consumables are assessed for impairment. If spare parts and consumables are impaired, their carrying amount is reduced to written down value; the impairment losses are recognized immediately in the consolidated statement of profit or loss and other comprehensive income.

Provision for obsolete, slow moving and damaged inventories is made considering various factors including age of the inventory items, historic usage and expected future utilization.

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 years 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:

	2024	2023
	Years	Years
Rigs	**27**	27
Furniture and fixtures	**10**	10
Drilling pipes	**5**	5
Tools	**5-10**	5-10
Building	**20**	20
IT equipment	**5**	5
Motor vehicles	**5**	5
Leasehold improvements*	**5**	5

*Or lease term, whichever is lower

Rigs include major maintenance and upgrades that are capitalised and depreciated over 5 years (2023: 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.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Property and equipment (continued)
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 years 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.

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 year 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 year end.

Intangible assets are amortized using the straight-line method over their estimated useful lives over 5 years (2023: 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.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

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

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.

The Group’s financial assets at amortised cost include trade receivables and due from related parties.

Financial assets designated at fair value through OCI (equity instruments):
These assets are subsequently measured at fair value. Dividends are recognized as income in the consolidated statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to the consolidated statement of profit or loss.

The Group’s financial assets at fair value through OCI include hedge instruments, and financial assets at fair value through OCI.

Financial assets at fair value through profit or loss:
These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in the consolidated statement of profit or loss.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

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 (a) 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 more than 365 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.

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, loans and borrowings including bank overdrafts 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. These are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

(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.

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.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

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 17 (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 years 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:

	2024 years	*2023 years*
Rigs	***Up to 5***	*Up to 5*
Yards and warehouse	**4**	4
Office premises	**5**	5
Motor vehicles	**3**	3
Other equipment	**5**	5
Furniture and fixture	**10**	10
Building	**20**	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.

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.

Cost of revenue
Cost of revenue includes staff cost, maintenance, depreciation, catering costs, rig move, direct and indirect overheads related to provision of services.

General and administrative expenses
All other expenses, excluding cost of revenue, financial charges, expenses/(gains) related to the acquisitions and other expenses are classified as general and administrative expenses. Allocations of common expenses between cost of revenue and general and administrative expenses, when required, are made on a consistent basis.

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.

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.

Share-based payments
The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognised in share-based payment expense, together with a corresponding increase in equity (other capital reserves).

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.

Judgement in determining whether assets and entity acquired qualify as a business combination

During 2024, the Group acquired rigs and related assets and liabilities (refer to note 5 for details). The Group performed an extensive analysis of the terms of the agreements entered into to give effect to the above transactions and applied the requirements of IFRS 3. Management's evaluation resulted in these transactions qualifying as a business combination.

Key sources of estimation uncertainty

Fair valuation of the acquired assets as part of business combinations

For fair valuation of the identified assets acquired (refer to note 5) which mainly include rigs and inventories, a valuation methodology based on a discounted cash flow (DCF) model was used, as there is a lack of reliable and comparable market data because of the nature of the assets. Key assumptions and estimates used to determine the fair value of the rigs and inventories include the following forecasted information:

- Forecasted day rates and rig utilisation
- Forecasted earnings before interest, tax and depreciation (EBITDA) margin
- Forecasted capital expenses
- Remaining useful life
- Discount factor based on weighted average cost of capital

3 SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS (continued)

Key sources of estimation uncertainty (continued)

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 track changes in credit risk which is assumed as the risk of default in meeting the debt obligation by the Country of respective customers. A forward-looking macroeconomic information is assessed to approximate the result of recognising lifetime expected credit losses. At the consolidated statement of financial position date, gross trade receivables and contract assets were SAR 1,528,465 thousand (2023: SAR 1,384,414 thousand) and the provision for impairment in trade receivables and contract assets was SAR 470,206 thousand (2023: SAR 470,206 thousand), refer to Note 14 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 and other 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 and zakat payable was SAR 82,468 thousand (2023: SAR 30,218 thousand). and the provision for tax of SAR 36,718 thousand (2023: SAR 10,286 thousand), refer to Note 22-a for details.

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 17.

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 (NRV)
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 625,526 thousand (2023: SAR 397,689 thousand). At the reporting date, the cumulative provision for slow moving items stands at SAR 98,253 thousand (2023: SAR 65,797 thousand). 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.

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

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 Nine geographical segments (31 December 2023: seven geographical segments). Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment.

Segment

	Egypt	*Algeria & Tunisia*	*Kingdom of Saudi Arabia*	*Kuwait*	*Qatar*	*India*	*Southeast Asia ******	*Total Segments*	*Corporate*	*Adjustments and Eliminations****	*Total*
	SAR'000	*SAR'000*	*SAR'000*	*SAR'000*	*SAR'000*	*SAR'000*	*SAR'000*	*SAR'000*	*SAR'000*	*SAR'000*	*SAR'000*
For the year ended 31 December 2024											
Revenue	486,016	197,466	4,142,669	615,425	356,135	220,266	181,045	6,199,022	-	-	6,199,022
External customers											
Inter-segment ***	448,254	-	33,581	2,850	41,501	-	-	526,186	-	(526,186)	-
Total Revenue	934,270	197,466	4,176,250	618,275	397,636	220,266	181,045	6,725,208	-	(526,186)	6,199,022
Income/(expenses)											
Cost of revenue*	(154,555)	(117,396)	(1,698,517)	(290,403)	(176,516)	(89,776)	(60,678)	(2,587,841)	-	-	(2,587,841)
General and administrative expenses	(23,792)	(14,869)	(251,858)	(40,546)	(19,534)	(13,671)	(5,422)	(369,692)	(54,648)	-	(424,340)
Finance costs (net)	(31,135)	(8,297)	(692,055)	(36,709)	(12,846)	(10,912)	(8,732)	(800,686)	(3,229)	-	(803,915)
Depreciation and amortization	(99,884)	(29,117)	(879,161)	(154,411)	(36,356)	(32,729)	(20,473)	(1,252,131)	-	-	(1,252,131)
Bargain purchase gain	-	-	-	-	-	-	-	-	7,500	-	7,500
Other expenses (net) **	(10,891)	33,896	(105,333)	(23,883)	(13,706)	(9,847)	(11,943)	(141,707)	(180,393)	-	(322,100)
Segment Profit / (Loss)	**165,759**	**61,683**	**515,745**	**69,473**	**97,177**	**63,331**	**73,797**	**1,046,965**	**(230,770)**	**-**	**816,195**
Total Assets as at 31 December 2024 (i)	**3,927,901**	**684,460**	**12,114,767**	**2,265,290**	**1,085,198**	**153,871**	**1,000,260**	**21,231,747**	**396,943**	**-**	**21,628,690**
Total Liabilities as at 31 December 2024 (ii)	**1,499,751**	**187,257**	**11,331,680**	**665,079**	**376,299**	**107,067**	**834,290**	**15,001,423**	**89,283**	**-**	**15,090,706**
Other Segment information											
Capital expenditure as at 31 December 2024 (i)	**74,014**	**161,993**	**1,076,940**	**247,492**	**32,817**	**128,376**	**743,308**	**2,464,940**	**-**	**-**	**2,464,940**

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

4 SEGMENT INFORMATION (continued)

Segment

	Egypt SAR'000	*Algeria & Tunisia SAR'000*	*Kingdom of Saudi Arabia SAR'000*	*Kuwait SAR'000*	*Qatar SAR'000*	*India SAR'000*	*Total Segments SAR'000*	*Corporate SAR'000*	*Adjustments and Eliminations*** SAR'000*	*Total SAR'000*
For the period ended 31 December 2023										
Revenue										
External customers	534,911	101,940	2,860,918	471,211	344,942	17,981	4,331,903	-	-	4,331,903
Inter-segment ***	277,114	-	-	6,844	-	-	283,958	-	(283,958)	-
Total Revenue	812,025	101,940	2,860,918	478,055	344,942	17,981	4,615,861	-	(283,958)	4,331,903
Income/(expenses)										
Cost of revenue*	(214,387)	(64,862)	(1,154,965)	(223,981)	(172,420)	(5,454)	(1,836,069)	-	-	(1,836,069)
General and administrative Expenses	(31,296)	(12,200)	(202,026)	(40,221)	(21,452)	(998)	(308,193)	(61,641)	-	(369,834)
Finance costs (net)	(55,466)	(7,261)	(604,150)	(40,119)	(21,277)	(2,042)	(730,315)	19,060	-	(711,255)
Depreciation and amortization	(95,882)	(19,452)	(527,095)	(97,468)	(42,209)	(2,602)	(784,708)	-	-	(784,708)
Other expenses (net) **	(8,718)	(2,574)	(118,872)	(14,102)	(5,596)	(1,367)	(151,229)	(26,730)	-	(177,959)
Segment Profit / (Loss)	129,162	(4,409)	253,810	55,320	81,988	5,518	521,389	(69,311)	-	452,078
Total Assets as at 31 December 2023 (i)	3,614,375	504,856	11,866,958	1,955,682	1,076,751	140,341	19,158,963	263,489	-	19,422,452
Total Liabilities as at 31 December 2023 (ii)	2,091,209	299,008	9,089,392	1,150,044	882,098	86,845	13,598,596	46,949	-	13,645,545
Other Segment information										
Capital expenditure as at 31 December 2023 (i)	121,296	85,834	3,577,793	533,151	13,762	418,649	4,750,485	-	-	4,750,485

* Excluding depreciation and amortisation.
** Other expenses (net) includes end of service employment benefits, other taxes, other income/(expenses) (net), income and zakat tax expense, share based payment expense, IPO expense, acquisition transaction cost and tax provision.
*** 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.
****Depreciation and amortisation recorded under cost of revenue.
***** Southeast Asia includes (Indonesia and Thailand).

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

5 BUSINESS COMBINATIONS

As part of the Group's strategy to expand its fleet and operations, the Group acquired two jackup rigs along with customer contracts based in Southeast Asia from Vantage. The acquisition date is determined as 30 October 2024. The transaction involves the direct acquisition of the Topaz rig, which is contracted to work in the offshore Malaysia-Thailand joint development area, and the shares of Rig Finance Ltd., which owns the Soehanah jackup based in Indonesia. These acquisitions are accounted for as business combinations in accordance with IFRS 3 Business Combinations. This transaction resulted in gain on bargain purchase because the fair value of identifiable assets and liabilities acquired exceeded the total fair value of the consideration paid. The Group utilised its position as one of the largest jack-up operator and available liquidity position. These have given added synergies to the Group to negotiate a favorable deal with a seller leading to the gain on bargain purchase supported with the management estimate of the fair value.

The group performed an extensive analysis of the terms of the agreements entered into to give effect to these transactions, applying the 'inputs, processes, and outputs' approach required by IFRS 3. Additionally, we consulted our legal advisor regarding the enforceability of the rights and obligations under these agreements, leading to the evaluation that transaction qualify as business combinations.

Identifiable net assets acquired
The provisional fair values of the identifiable assets and liabilities as at the acquisition were:

	Provisional fair values recognized on acquisition SAR,000
Property and equipment	**698,245**
Inventories	**12,319**
Accounts receivable and prepayments	**28,439**
Bank balances and cash	**1,864**
Total assets (provisional)*	**740,867**
Accounts payable and accruals	**5,902**
Employees' end of service benefits	**1,387**
Total liabilities (provisional)*	**7,289**
Total identifiable net assets at fair value (provisional)*	**733,578**
Gain from bargain purchase	**(7,500)**
Purchase consideration	**726,078**
Analysis of purchase consideration	
Net cash paid	**711,130**
Purchase price adjustment **	**14,948**
Purchase consideration	**726,078**
Analysis of cash flow on acquisition (included in cash flows from investing activities)	
Net Cash paid **	**(711,130)**
Transaction cost paid for acquisition	**(2,868)**
Cash and cash equivalent acquired	**1,864**
Net cash out flows on acquisition	**(712,134)**

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

5 BUSINESS COMBINATIONS (continued)

* Additional clarifications and analysis are required to determine the acquisition date fair value of the assets and liabilities acquired. Thus, the assets and liabilities may be subsequently adjusted, with a corresponding adjustment to gain from bargain purchase prior to 30 October 2025 (within one year from the transaction date).

** Outstanding consideration payable amounting to SAR 18,222 thousand is included in trade and other payables (Note 19).

From the date of acquisition, the acquired assets contributed SAR 40,542 thousand of revenue from continuing operations of the Group and reported the profit of SAR 22,173 thousand.

If the combination had taken place at the beginning of the year the acquired business would have contributed SAR 243,253 thousand of revenue of continuing operations and would have reported profit SAR 133,039 thousand.

6 REIMBURSEMENT OF PURCHASE PRICE CONSIDERATION

During the period ended 31 December 2023, the Group collected SAR 122,030 thousand 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.

7 REVENUES

	For the year ended 31 December 2024 SAR'000	*From 28 December 2022 to 31 December 2023 SAR'000*
Revenue from customer contracts		
Units operations	**5,919,699**	4,118,769
Catering services	**150,873**	95,296
Projects income*	**35,878**	31,064
Others	**77,494**	71,450
Revenue from lease		
Revenue from lease	**15,078**	15,324
	6,199,022	4,331,903

Refer to note 4 for 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, repair services and exploration and production.

Refer to note 14 and note 20 for trade receivable, contract asset and deferred revenue balances with respect to the customer contracts.

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

8 COST OF REVENUE

	For the year ended 31 December 2024 SAR'000	*From 28 December 2022 to 31 December 2023 SAR'000*
Depreciation and amortization (note 17)	**1,252,131**	784,708
Staff cost	**1,152,378**	803,948
Maintenance costs	**547,350**	348,000
Catering costs	**203,887**	144,855
Move costs	**119,276**	90,307
Crew change costs	**78,934**	58,155
Rental costs (note 18)	**73,022**	63,492
Insurance	**55,014**	38,476
Training cost	**52,814**	36,419
Project direct costs	**15,491**	20,366
Other costs	**289,675**	232,052
	3,839,972	2,620,778

9 GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended 31 December 2024 SAR'000	*From 28 December 2022 to 31 December 2023 SAR'000*
Staff cost	**288,989**	240,586
Professional fees	**25,386**	28,578
Business travel expenses	**22,412**	21,226
Free zone expenses	**16,711**	12,964
Depreciation and amortisation (note 17)	**16,500**	12,756
Communication expenses	**9,871**	8,930
Rental cost (Note 18)	**2,396**	3,083
Bank services charges	**2,169**	6,389
Other expenses	**39,906**	35,322
	424,340	369,834

Auditor's fee for the statutory audit and review of the Group's consolidated financial statements (including financial statements of certain subsidiaries) for the year/period ended 31 December 2024 amounted to SAR 3.855 million (2023: SAR 4.68 million). Auditors' fees for the provision of other services amounted to SAR 1.826 million (SAR 3.15 million).

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

10 FINANCE COSTS, NET

	For the year ended 31 December 2024 SAR'000	*From 28 December 2022 to 31 December 2023 SAR'000*
Interest cost:		
Loan interest expenses*	**762,828**	668,632
Amortisation of loan transaction costs	**46,223**	29,095
Interest rate swap related finance income	**(79,351)**	(71,619)
Interest on overdraft facilities	**10,870**	56,863
Interest on lease liabilities (note 18)	**39,877**	28,147
(Unwinding)/discounting on a long-term receivable	**(5,380)**	1,929
Other finance cost:		
Guarantees related finance costs	**20,867**	14,197
Other finance cost/(income), net	**7,981**	(15,989)
	803,915	711,255

* During the year ended 31 December 2024, the gross interest is SAR 784,076 thousand (2023: SAR 849,186 thousand) and the Group capitalized borrowing costs of SAR 21,248 thousand (2023: SAR 180,554 thousand) that is related to the capital refurbishment projects of the rigs that require substantial time to prepare such rigs for their intended use.

Loan interest expenses comprise amount of SAR 709,238 thousand (2023: SAR 598,961 thousand) under Islamic Banking Facilities (Sharia compliant) and amount of SAR 53,590 thousand (2023: SAR 69,671 thousand) under conventional facilities.

11 INCOME TAX AND ZAKAT

Consolidated statement of comprehensive income:

	For the year ended 31 December 2024 SAR'000	*From 28 December 2022 to 31 December 2023 SAR'000*
Current income tax	**50,859**	34,047
Zakat expense	**75,205**	19,602
Deferred tax charge	**28,587**	23,652
	154,651	77,301

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

11 INCOME TAX AND ZAKAT (continued)

Consolidated statement of comprehensive income: (continued)

	For the year ended 31 December 2024 SAR'000	*From 28 December 2022 to 31 December 2023 SAR'000*
Profit before income tax	**970,846**	529,379
Tax calculated at domestic tax rates applicable to profits in the primary jurisdiction of 8.89 % (2023:11.33%)	**86,284**	59,979
Effect of different tax rates in countries in which the Group operates	**145,367**	25,244
Non-deductible expenses	**13,389**	2,031
Non-taxable income	**(90,389)**	(10,068)
Adjustments in respect of current income tax of previous years	**-**	(4,382)
Withholding taxes	**-**	4,497
Income tax expense recognized in the consolidated Statement of comprehensive income	**154,651**	77,301

The effective tax rate is 15.9% (2023: 14.6%).

The Group operates in jurisdictions which are subject to tax rates different than the effective statutory corporate tax rate of 8.89% (2023:11.33%) (including Zakat tax rate of 2.5%) the mainly reason for the change the domestic's tax base which subject to income tax has been reduced. The other jurisdictions include Algeria, Kuwait, Tunisia, Qatar, India, Indonesia and Thailand where applicable tax rates are 26%, 15%, 15%,10%, 10%, 22% and 20% 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.

Consolidated statement of financial position:

	31 December 2024 SAR'000	*31 December 2023 SAR'000*
Current liabilities:		
Opening balance	**30,218**	-
Acquired as part of business combination under common control and reorganisation *	**-**	3,453
Charge for the year/period	**126,064**	53,649
Paid during the year/period	**(73,814)**	(26,884)
	82,468	30,218

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

11 INCOME TAX AND ZAKAT (continued)

Deferred tax recognise during the year/period relates to the following:

	For the year ended 31 December 2024 SAR'000	*From 28 December 2022 to 31 December 2023 SAR'000*
Deferred tax assets/ (liabilities)		
Property and equipment	**(27,538)**	(36,726)
Provision for employee terminal benefits	**(1,992)**	4,119
Provision and others	**943**	8,955
Fair value reserve of financial assets at FVOCI (Note 29-b)	**(187)**	-
Derivative financial instruments – cash flow hedges (Note 29-a)	**684**	3,963
Remeasurement on defined benefit plans (Note 22-b)	**(4,647)**	2,402
	(32,737)	(17,287)

Reconciliation of deferred tax assets/(liabilities), net:

	31 December 2024 SAR'000	*31 December 2023 SAR'000*
Opening balance	**(61,331)**	-
Acquired as part of business combination under common control and reorganisation *	**-**	(44,044)
Movement for the year/ period	**(32,737)**	(17,287)
	(94,068)	(61,331)

Deferred tax (expense) /benefit for the year/period is charged to consolidated statement of comprehensive income:

Profit or loss -income tax and zakat expense	**(28,587)**	(23,652)
Other comprehensive income	**(4,150)**	6,365
	(32,737)	(17,287)

* 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").

Components of zakat base

The company and its local subsidiary registered under the Saudi Arabian law, file their zakat and income tax declaration on a standalone basis. the significant components of the zakat base of the company, as per the new zakat regulations, are principally comprised of the difference between book net profit and adjusted net profit plus equity and equivalents plus non-current liabilities and current liabilities in excess of current assets (limited to deductible assets) less deductions. in addition, the zakat base is subject to a minimum and maximum cap as specified under the new zakat regulations.

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

11 INCOME TAX AND ZAKAT (continued)

Income tax and zakat assessments

The Company, along with certain affiliates are subject to zakat and tax review and audits in the jurisdictions where they operate.

For the Saudi Arabia domestic entities, the zakat and tax declarations for up to the year 2023 have been filed. However, the final assessments have not yet been raised by tax authorities. During 2024 and January 2025, the General Authority of Zakat, Tax, and Customs ("ZATCA") initiated tax audit by requesting specific information and analysis for year 2023 for both ADES Holding Company and the KSA Branch of ADES GCC For Drilling.

For Qatar, during the current year, there was an ongoing tax inspection in relation to the tax assessment for the period ended 31 December 2017 and year ended 31 December 2018. Based on the assessments, additional taxes was claimed by the tax authorities. This exposure mainly pertains to a higher tax rate that the tax authorities believe should apply to the Group. The Group has appealed against these assessments to the Tax Appeals Committee. Management believes that no tax provision is required in the consolidated financial statements with respect to this tax claim.

For other international entities, the examination of tax returns for certain prior years is still pending or ongoing. However, the Group is not aware of any material claims that may result in material additional tax payments and, as such, no provisions have been recorded in the consolidated financial statements.

Pillar two rules

The Organisation for Economic Co-operation and Development (OECD) / G20 Inclusive Framework on Base Erosion and Profit Shifting published the Pillar Two model rules designed to address the tax challenges arising from the digitalisation of the global economy.

The Group's Ultimate Parent Entity location is the Kingdom of Saudi Arabia, which has not yet enacted or implemented the Pillar Two rules. However, Pillar Two legislation is either effective, enacted or substantively enacted in certain jurisdictions the Group operates at reporting date.

As the legislation is effective for the Group's financial year beginning 1 January 2024, the Group has performed an assessment of the potential exposure to Pillar Two income taxes. Based on this assessment, the Pillar Two effective tax rates in most of the implementing jurisdictions in which the Group operates (or those with entities held via implementing jurisdictions) are above 15%. The limited number of jurisdictions where none of the transitional Country by Country Reporting safe harbour tests are not met or applicable, should not result in a material financial impact for the Group. The Group is closely monitoring further developments and legislation that will impact the Group's overall Pillar Two tax position on a going-forward basis.

The Group applies the IAS 12 exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

12 BANK BALANCES AND CASH

	31 December 2024 SAR'000	*31 December 2023 SAR'000*
Bank balances	**743,803**	431,828
Cash on hand	**384**	454
Bank balances and cash in the consolidated statement of financial position and bank balances and cash for the purpose of consolidated statement of cash flows	**744,187**	432,282

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

12 BANK BALANCES AND CASH (continued)

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

	31 December 2024 SAR'000	*31 December 2023 SAR'000*
United States Dollar (USD)	**473,620**	153,135
Saudi Riyal (SAR)	**156,709**	176,732
Egyptian Pound (EGP)	**32,796**	46,290
Indonesian Rupiah (IDR)	**31,706**	-
Kuwaiti Dinar (KWD)	**24,305**	47,594
India Rupee (INR)	**15,324**	7,478
Algerian Dinar (DZD)	**8,756**	567
Other currencies	**971**	486
	744,187	432,282

13 INVENTORIES

	31 December 2024 SAR'000	*31 December 2023 SAR'000*
Spare parts, supplies and consumables at:		
Offshore rigs	**387,356**	226,261
Warehouse and yards	**90,685**	65,460
Onshore rigs	**49,232**	40,171
	527,273	331,892

As at 31 December 2024, the inventories are stated net of provision for impairment of inventory of SAR 98,253 thousand (31 December 2023: SAR 65,797 thousand).

	31 December 2024 SAR'000	*31 December 2023 SAR'000*
Opening balance	**65,797**	-
Acquired as part of business combination under common control and reorganisation*	**-**	65,797
Charge during the year/period	**1,401**	-
Acquired as part of Business combinations	**33,328**	-
Write off during the year/period	**(2,273)**	-
Ending balance	**98,253**	65,797

* 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").

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

14 TRADE RECEIVABLES AND CONTRACT ASSETS

Trade receivables

	31 December 2024 SAR'000	*31 December 2023 SAR'000*
Trade receivables	**1,003,794**	994,925
Provision for impairment of trade receivables	**(470,206)**	(470,206)
	533,588	524,719
Invoice retention*	**324,245**	320,012
	857,833	844,731

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, the aging analysis of un-impaired trade receivables are as follows:

	Neither past due nor impaired SAR'000	***Past due but not impaired***				
		<30 days SAR'000	***30 - 60 days SAR'000***	***61 - 90 days SAR'000***	***>90 days SAR'000***	***Total SAR'000***
2024	**333,493**	**92,448**	**45,788**	**27,464**	**34,395**	**533,588**
2023	354,984	62,770	43,562	10,287	53,116	524,719

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

	31 December 2024 SAR'000	*31 December 2023 SAR'000*
Opening balance	**470,206**	-
Acquired as part of business combination under common control and reorganisation*	**-**	470,206
Ending balance	**470,206**	470,206

* 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").

Contract assets

As at 31 December 2024, the Group has contract assets of SAR 524,671 thousand (31 December 2023: SAR 389,489 thousand), there was no impairment of contract assets and hence no ECL has been recorded (31 December 2023: Nil). The contract assets are neither overdue nor impaired.

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

15 PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2024 SAR'000	*31 December 2023 SAR'000*
Advances to contractors and suppliers	**350,620**	320,966
Prepaid expenses	**70,968**	23,705
Prepaid mobilization revenue	**69,318**	58,143
Insurance deposits	**27,683**	25,902
Margin deposits against letter of guarantees	**15,005**	16,200
Provision for other receivables	**(6,828)**	(6,828)
Dividends receivable	**4,594**	4,594
Provision for impairment in dividends receivables	**(4,594)**	(4,594)
Other receivables*	**190,811**	135,593
	717,577	573,681
Current	**502,391**	352,315
Non-current	**215,186**	221,366
	717,577	573,681

* Includes due from Vantage Services (other related party) amounting to nil (31 December 2023: SAR 3,731 thousand).

16 INVESTMENTS IN A JOINT VENTURE

Investment in Egyptian Chinese Drilling Company:
The Group holds a 48.75% equity interest in Egyptian Chinese Drilling Company (ECDC). ECDC is a Joint Stock Company operating in storing and renting machinery and all needed equipment to the petroleum industry. As at 31 December 2024, the investment is stated net of provision for impairment of investment of SAR 25,416 thousand (31 December 2023: nil).

Summarised statement of financial position as at 31 December:

	2024 SAR'000	*2023 SAR'000*
Non-current assets	**66,076**	31,018
Current assets	**98,101**	98,586
Non-current liabilities	**-**	-
Current liabilities	**(112,042)**	(115,625)
Net assets	**52,135**	13,979
The Group's share in net assets at adjusted fair value equity - 48.75%	**25,416**	6,815
Impairment of ECDC investment	**-**	(6,815)
Net Assets	**25,416**	-

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

17 PROPERTY AND EQUIPMENT

31 December 2024	*Rigs SAR'000*	*Furniture and fixtures SAR'000*	*Drilling pipes SAR'000*	*Tools SAR'000*	*Assets under construction SAR'000*	*IT equipment SAR'000*	*Motor vehicles SAR'000*	*Leasehold improvement SAR'000*	*Building SAR'000*	*Leasehold land SAR'000*	*Total SAR'000*
Cost:											
As at 1 January 2024	13,979,466	17,156	148,545	502,983	2,944,280	11,185	2,235	636,229	20,078	58,478	18,320,635
Additions	934,964	1,454	7,047	48,699	712,314	3,818	298	58,101	-	-	1,766,695
Acquisitions through business combinations (Note 5)	698,245	-	-	-	-	-	-	-	-	-	698,245
Transfers	3,099,964	64	3,071	79,577	(3,197,645)	33	564	-	14,372	-	-
As at 31 December 2024	**18,712,639**	**18,674**	**158,663**	**631,259**	**458,949**	**15,036**	**3,097**	**694,330**	**34,450**	**58,478**	**20,785,575**
Accumulated depreciation and impairment:											
As at 1 January 2024	(1,826,169)	(3,421)	(85,797)	(173,546)	(2,870)	(6,276)	(1,669)	(71,103)	-	-	(2,170,851)
Depreciation	(864,446)	(2,279)	(24,241)	(57,468)	-	(2,910)	(426)	(132,842)	(1,403)	-	(1,086,015)
Reversal of impairment	38,913	-	-	-	-	-	-	-	-	-	38,913
As at 31 December 2024	**(2,651,702)**	**(5,700)**	**(110,038)**	**(231,014)**	**(2,870)**	**(9,186)**	**(2,095)**	**(203,945)**	**(1,403)**	**-**	**(3,217,953)**
Net book value:											
At 31 December 2024	**16,060,937**	**12,974**	**48,625**	**400,245**	**456,079**	**5,850**	**1,002**	**490,385**	**33,047**	**58,478**	**17,567,622**

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

17 PROPERTY AND EQUIPMENT (continued)

31 December 2023	*Rigs SAR'000*	*Furniture and fixtures SAR'000*	*Drilling pipes SAR'000*	*Tools SAR'000*	*Assets under construction SAR'000*	*IT equipment SAR'000*	*Motor vehicles SAR'000*	*Leasehold improvement SAR'000*	*Building SAR'000*	*Leasehold land SAR'000*	*Total SAR'000*
Cost:											
As of 28 December 2022	-	-	-	-	-	-	-	-	-	-	-
Acquired as part of reorganization under common control *	9,112,777	6,524	115,734	405,720	3,858,904	9,754	2,235	2,600	-	58,478	13,572,726
Additions	582,550	10,960	32,811	65,758	3,916,425	1,431	-	120,472	20,078	-	4,750,485
Transfers	4,284,139	2	-	31,505	(4,831,049)	-	-	515,403	-	-	-
Retirement & disposal	-	(330)	-	-	-	-	-	(2,246)	-	-	(2,576)
As of 31 December 2023	13,979,466	17,156	148,545	502,983	2,944,280	11,185	2,235	636,229	20,078	58,478	18,320,635
Accumulated depreciation and impairment:											
As of 28 December 2022*	-	-	-	-	-	-	-	-	-	-	-
Acquired as part of reorganization under common control*	(1,296,592)	(2,958)	(65,401)	(131,030)	(2,870)	(4,754)	(1,410)	(1,621)	-	-	(1,506,636)
Depreciation	(529,577)	(641)	(20,396)	(42,516)	-	(1,522)	(259)	(70,765)	-	-	(665,676)
Retirement & disposal	-	178	-	-	-	-	-	1,283	-	-	1,461
As of 31 December 2023	(1,826,169)	(3,421)	(85,797)	(173,546)	(2,870)	(6,276)	(1,669)	(71,103)	-	-	(2,170,851)
Net book value:											
At 31 December 2023	12,153,297	13,735	62,748	329,437	2,941,410	4,909	566	565,126	20,078	58,478	16,149,784

*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")

Most of the rigs are pledged to the lenders (banks) against loans and borrowings (note 21).

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

17 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 and amortization charge is allocated as follows:

	For the year ended 31 December 2024 SAR'000	*From 28 December 2022 to 31 December 2023 SAR'000*
Cost of revenue (note 8)	**1,252,131**	784,708
General and administrative expenses (note 9)	**16,500**	12,756
Total depreciation and amortization charge*	**1,268,631**	797,464

*Total depreciation and amortization charge for the year includes depreciation of property and equipment of SAR 1,086,015 thousand (31 December 2023: SAR 665,676 thousand), amortization of intangible assets and depreciation of right of use assets of SAR 913 thousand (31 December 2023: SAR 199 thousand) and SAR 181,703 thousand (31 December 2023: SAR 131,589 thousand) respectively.

Assets under construction and transfers:
Assets under construction represents the amounts that are incurred for any 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 that are not ready for use. Assets under construction will mainly be transferred to 'Rigs', 'Tools' of the property and equipment after completion. During the year ended 31 December 2024, the Group completed capital projects for the amount of SAR 3,197,645 thousand (31 December 2023: SAR 4,831,049 thousand) and transferred to the relevant asset categories.

During the year ended 31 December 2024, the Group capitalized borrowing costs of SAR 16,276 thousand (31 December 2023: SAR 180,554 thousand) that are 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 7.35% (31 December 2023: 7.56%) which is the effective interest rate of the related borrowings.

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

18 LEASES

18-a Right of use assets

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

31 December 2024	*Rigs SAR'000*	*Yards and warehouse SAR'000*	*Office Premises SAR'000*	*Motor vehicles SAR'000*	*Other Equipment SAR'000*	*Total SAR'000*
Cost:						
As at 1 January 2024	610,655	20,084	23,619	30,277	113,143	797,778
Additions	8,173	982	1,546	5,963	18,703	35,367
Terminated *	-	(56)	-	(3,137)	(4,964)	(8,157)
Other adjustments	-	(354)	-	(341)	(273)	(968)
As at 31 December 2024	**618,828**	**20,656**	**25,165**	**32,762**	**126,609**	**824,020**
As at 1 January 2024	(85,750)	(14,104)	(6,560)	(13,577)	(34,170)	(154,161)
Depreciation (note 17)	(124,824)	(3,463)	(4,989)	(10,672)	(37,755)	(181,703)
Terminated *	-	56	-	2,158	3,739	5,953
Other adjustments	-	(155)	(73)	-	265	37
As at 31 December 2024	**(210,574)**	**(17,666)**	**(11,622)**	**(22,091)**	**(67,921)**	**(329,874)**
Net Book Value						
At 31 December 2024	**408,254**	**2,990**	**13,543**	**10,671**	**58,688**	**494,146**

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

18 LEASES (continued)

18-a Right of use assets (continued)

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

31 December 2023	*Rigs SAR'000*	*Yards and warehouse SAR'000*	*Office Premises SAR'000*	*Motor vehicles SAR'000*	*Other Equipment SAR'000*	*Furniture and Fixture SAR'000*	*Building SAR'000*	*Total SAR'000*
Cost:								
As of 28 December 2022	-	-	-	-	-	-	-	-
Acquired as part of reorganization under common control **	331,766	19,302	6,564	9,123	44,558	9,514	28,318	449,145
Additions	318,461	782	19,683	21,241	68,585	-	-	428,752
Terminated *	(39,511)	-	(2,627)	-	-	-	-	(42,138)
Terminated- early settlement	-	-	-	-	-	(9,514)	(28,318)	(37,832)
Other adjustments	(61)	-	(1)	(87)	-	-	-	(149)
As of 31 December 2023	610,655	20,084	23,619	30,277	113,143	-	-	797,778
Accumulated depreciation:								
As of 28 December 2022	-	-	-	-	-	-	-	-
Acquired as part of reorganization under common control **	(15,981)	(9,863)	(4,380)	(8,510)	(13,577)	(2,141)	(3,659)	(58,111)
Depreciation (Note 17)	(95,361)	(4,227)	(3,934)	(5,108)	(20,593)	(951)	(1,415)	(131,589)
Terminated*	25,451	-	1,751	-	-	-	-	27,202
Terminated- early settlement	-	-	-	-	-	3,092	5,074	8,166
Other adjustments	141	(14)	3	41	-	-	-	171
As of 31 December 2023	(85,750)	(14,104)	(6,560)	(13,577)	(34,170)	-	-	(154,161)
Net Book Value								
At 31 December 2023	524,905	5,980	17,059	16,700	78,973	-	-	643,617

*Leases terminated during the year / period ended 31 December 2024 and 2023 have no impact on the cashflows of the Group. Accordingly, these are considered as non-cash transactions in the consolidated statement of cash flows.
** 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").

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

18 LEASES (continued)

18-b Lease liabilities

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

	31 December 2024 SAR'000	*31 December 2023 SAR'000*
Opening balance	**643,826**	-
Acquired as part of business combination under common control and reorganization*	**-**	376,688
Additions	**35,004**	419,110
Lease modification-Terminations	**(2,204)**	(14,936)
Lease modification-Other adjustments	**(66)**	(780)
Accretion of interest	**39,877**	28,147
Payments	**(200,948)**	(164,403)
	515,489	643,826
Current (note 19)	**163,115**	156,468
Non-current	**352,374**	487,358
	515,489	643,826

*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 for year/period:

	For the year ended 31 December 2024 SAR'000	*From 28 December 2022 to 31 December 2023 SAR'000*
Depreciation expense of right-of-use assets	**181,703**	131,589
Interest expense on lease liabilities (note 10)	**39,877**	28,147
Expense relating to short-term leases (Included in Cost of revenue as rental costs) (note 8)	**73,022**	63,492
Expense relating to short-term lease (Included in General and administrative expenses as rental costs) (note 9)	**2,396**	3,083
Total amount in the consolidated statement of comprehensive income	**296,998**	226,311

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

19 TRADE AND OTHER PAYABLES

	31 December 2024 SAR'000	*31 December 2023 SAR'000*
Trade payables*	**736,576**	1,091,998
Accrued expenses	**221,591**	268,757
Lease liabilities (note 18-b)	**163,115**	156,468
Accrued interest	**43,243**	44,823
Other payables	**105,783**	77,803
	1,270,308	1,639,849
Current	**1,270,308**	1,639,120
Non-current	**-**	729
	1,270,308	1,639,849

*Trade payables are non-interest bearing and are normally settled by the Group within 60-180 day terms.

20 DEFERRED REVENUE

	31 December 2024 SAR'000	*31 December 2023 SAR'000*
Opening balance	**867,661**	-
Acquired as part of business combination under common control and reorganization*	**-**	145,720
Additions	**567,319**	943,972
Revenue recognized	**(396,042)**	(222,031)
	1,038,938	867,661
Current	**358,976**	287,749
Non-current	**679,962**	579,912
Ending balance	**1,038,938**	867,661

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").

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

21 INTEREST BEARING LOANS AND BORROWINGS

	31 December 2024 SAR'000	*31 December 2023 SAR'000*
Opening balance	**10,349,698**	-
Acquired as part of reorganisation under common control* (note 1)	**-**	10,547,486
Borrowings drawn during the year/period	**3,193,562**	3,447,680
Borrowings repaid during the year/period	**(1,427,773)**	(3,650,568)
(Unamortised) /amortised arrangement fees, net	**(58,797)**	5,100
	12,056,690	10,349,698
Current	**1,331,334**	1,180,103
Non-current	**10,725,356**	9,169,595
	12,056,690	10,349,698

* 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.

Type	***Original tenor***	***31 December 2024 SAR'000***	*31 December 2023 SAR'000*
Current loans and borrowings			
Loan 1 Syndication Facility A	8 Years	**295,086**	303,607
Loan 1 Syndication Facility C	8 Years	**180,000**	180,000
Loan 1 Syndication Facility B	7 Years	**-**	75,000
Loan 1 Syndication Facility D	8 Years	**77,000**	-
Loan 2 BSF	7 Years	**184,924**	152,409
Loan 3 SNB	8 Years	**133,888**	133,817
Loan 4 AL Rajhi	8 Years	**142,782**	142,731
Loan 5 Al Inmaa	8 Years	**266,157**	141,026
Loan 6 Al Mashreq	5 Years	**6,600**	6,572
Credit Facility 2 – ABK		**38,328**	37,031
Credit Facility 4 – ENBD		**-**	2,195
Credit Facility 5 – ADCB		**-**	10
Credit Facility 6 – SAIB		**4,651**	252
Credit Facility 8 – EGB		**1,918**	5,453
Total current loans and borrowings		**1,331,334**	1,180,103

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

21 INTEREST BEARING LOANS AND BORROWINGS (continued)

Type	*Original tenor*	***31 December 2024 SAR'000***	*31 December 2023 SAR'000*
Non-current loans and borrowings			
Loan 1 Syndication Facility A	8 Years	**2,657,914**	3,026,248
Loan 1 Syndication Facility C	8 Years	**1,480,000**	1,660,000
Loan 1 Syndication Facility D	8 Years	**1,022,999**	-
Loan 2 BSF	7 Years	**1,336,875**	1,113,732
Loan 3 SNB	8 Years	**1,091,623**	1,225,510
Loan 4 AL Rajhi	8 Years	**1,135,328**	1,278,107
Loan 5 Al Inmaa	8 Years	**1,995,667**	854,497
Loan 6 Al Mashreq	5 Years	**4,950**	11,501
Total non-current loans and borrowings		**10,725,356**	9,169,595
Total loans and borrowings*		**12,056,690**	10,349,698

*The company's loans and borrowings comprise amount of SAR 10,926,768 thousand (2023:SAR 9,314,158 thousand) under Islamic Banking Facilities (Sharia compliant) and amount of SAR 1,129,922 thousand (2023:SAR 1,035,540 thousand) under conventional facilities.

Loans and borrowings carries coupon interest, based on fixed rates with average margin range of 0.9%-1.5% p.a. (2023: 0.9%-2% p.a).

The Group has secured loans and borrowings as follows:

- Loan 1 Syndication Facility A, B, C, E and D

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 310 million (SAR 1,162.5 million) and USD 1,290 million (SAR 4,837.5 million) divided over eight banks which include Goldman Sachs Bank USA, Riyad 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 Saudi Awwal Bank (formerly known as The Saudi British Bank) ('SAB') 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 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 2024, the principal amount outstanding is USD 819 million (equals to SAR 3.07 billion) (31 December 2023: 903 million (equals to SAR 3.39 billion)) and USD 442 million (equals to SAR 1,660 million) (31 December 2023: 490 million (equals to SAR 1,840 million)) of Facility A and C, respectively. During the year ended 31 December 2024, the Group has repaid SAR 315 million (31 December 2023: SAR 275 million) and SAR 180 million (31 December 2023: SAR 160 million) of Facility A and C, respectively.

21 INTEREST BEARING LOANS AND BORROWINGS (continued)

- Loan 1 Syndication Facility A, B, C, E and D (continued)

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 150 million (equals to SAR 562.5 million) under Facility B which has increased Facility B total commitments to USD 300 million (equals to SAR 1,125 million). 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 2024, the principal amount outstanding is Nil (31 December 2023: USD 20 million (equals to SAR 75 million)).

On 14 July 2024, the Group signed an amendment to its existing syndicated facility, securing an additional USD 3 billion, with the majority of existing lenders participating along with new, leading local and regional financial institutions (Alinma Bank, Bank Aljazira and Commercial Bank of Dubai PSC). The new USD 3 billion upsized financing is predominantly intended as a standby facility for the Group's ambitious expansion plans, divided into the equivalent of a USD 2.7 billion standby term tranche (Facility D). and additional USD 300 million Revolving Credit Facility (RCF) (Facility E). The USD 2.7 billion standby term tranche has 8.5 years term with a final maturity in December 2032, including a 12-month grace period. The amount to be utilized under the standby term tranche shall be repaid on a semi-annual basis at the final maturity date. RCF (Facility E) has 8 years with a final maturity in June 2032. During year 31 December 2024, the Group has utilized from tranche of USD 293 million (equals to SAR 1,099 million) (31 December 2023: Nil). The loan 1 Syndication Facility 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.

- Loan 2 BSF

In March 2022, ADES Saudi Limited Company signed a loan agreement with total amount of USD 380 million (equals to SAR 1,425 million) with Banque Saudi Francis. The loan is repayable in 27 Quarterly instalments effective from March 2023 to September 2029. During 2024, BSF facility was upsized with additional SAR 824 million which long-term. As at 31 December 2024, the principal amount outstanding is USD 407 million (equals to SAR 1,530 million) (31 December 2023: USD 339 million (equals to SAR 1,271 million)) 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 187.5 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 Nil (31 December 2023: SAR 150 million). During the year ended 31 December 2024, the Group has repaid SAR 153 million (31 December 2023: SAR 153 million).

- Loan 3 SNB

In April 2022, ADES Saudi Limited Company signed a loan agreement with total amount of USD 400 million (equals to SAR 1,500 million) with the Saudi National Bank. The loan is repayable in 29 Quarterly instalments effective from April 2023 to April 2030. As of 31 December 2024, the principal amount outstanding is USD 328 million (equals to SAR 1,230 million) (31 December 2023: USD 363 million (equals to SAR 1,364 million)) 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 year ended 31 December 2024, the Group has repaid SAR 135 million (31 December 2023: SAR 135 million).

- Loan 4 AL Rajhi

In June 2022, ADES Saudi Limited Company signed a loan agreement with total amount of SAR 937.5 million (USD 250 million) with Al Rajhi Banking & Investment Corporation. The loan is repayable in 29 quarterly instalments effective from July 2023 to July 2030. During 2022, ADES Saudi Limited Company and the bank agreed to increase the total loan amount to reach SAR 1,500 million (USD 400 million). As at 31 December 2024, the principal amount outstanding is USD 342 million (equals to SAR 1,284 million) (31 December 2023: USD 380 million (equals to SAR 1,428 million)) 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 year ended 31 December 2024, SAR 144 million (31 December 2023: SAR 72 million has been repaid on the outstanding balance.

21 INTEREST BEARING LOANS AND BORROWINGS (continued)

- Loan 5 Al Inmaa Facility

In July 2022, ADES Saudi Limited Company jointly signed a loan agreement in the amount of SAR 2,693 million (USD 718 million) 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 2,500 million (equals to USD 666.7 million)). As at 31 December 2024, the principal amount outstanding is USD 607 million (equals to SAR 2,277 million) (31 December 2023: USD 270 million (equals to SAR 1,014 million)) 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 Inma facility includes a separate line amounting to SAR 150 million for the purpose of covering short-term working capital needs, During the year ended 31 December 2024, the Group has repaid Nil (31 December 2023: SAR 1,262 million) related to the long-term loan, and Nil (31 December 2023: SAR 150 million (equal to USD 40 million)) related to working capital line. This is due to rescheduling the contract with new terms and agreed on one year grace period from 1st April 2024 to 1st April 2025.

- Loan 6 Mashreq Loan

During 2021, the Group obtained a loan facility of KWD 2.7 million (equals to SAR 33 million) 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 2024, the principal amount outstanding is is SAR 11,5 million (31 December 2023: SAR 18 million). During the year ended 31 December 2024, the Group has repaid SAR 6.6 million (31 December 2023: SAR 6.6 million).

Bank credit facilities

Credit Facility 2 is granted by Al Ahli Bank of Kuwait (ABK) with an overdraft facility limit amounting to USD 12 million equivalent to SAR 45 million 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 12 million equivalent to SAR 45 million 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 20 million equivalent to SAR 75 million 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 4 million equivalent to SAR 15 million available for overdrafts &/or Letters of Guarantee which is secured by promissory note & is renewable.

Credit Facility 6 is granted by Société Arabe Internationale De Banque – Egypt (SAIB) with a total amount of USD 20 million as equivalent to SAR 75 million 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 18 million equivalent to SAR 67.5 million available for overdrafts &/or Letters of Guarantee available for overdraft. It is secured by promissory note & is renewable.

Credit Facility 8 is granted by Egyptian Gulf Bank (EGB) with an overdraft facility limit amounting to USD 12.5 million equivalent to SAR 46.8 million 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.

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

21 INTEREST BEARING LOANS AND BORROWINGS (continued)

The secured bank loan is subject to the specific covenants:
The Group existing debt facilities includes certain financial covenants. The financial covenants are tested semi-annually as of end of June and December for each year, while management is proactively monitoring the covenants on looking forward basis. As of 31 December 2024 there has not been any non-compliance observed in relation to the financial covenants.

The financial covenants include minimum tangible net worth, current ratio, debt service coverage ratio and maximum Gearing, leverage and net leverage ratios. The definitions used for calculating the financial covenants are based on the debt facilities documentations which may vary from IFRS and includes certain adjustments to the actual accounts.

22 PROVISIONS

	31 December 2024 SAR'000	*31 December 2023 SAR'000*
Other provision**	**36,718**	10,286
Employees end of service benefit	**159,142**	199,144
	195,860	209,430
Current	**7,289**	10,286
Non-Current	**188,571**	199,144
	195,860	209,430

22-a Other Provisions:

	Opening balance SAR'000	***Acquired as part of reorganisation under common control during period * SAR'000***	***Charge during year/ period SAR'000***	***Paid during year/period SAR'000***	***As at 31 December SAR'000***
2024:					
Other provision**	**10,286**	**-**	**30,448**	**(4,016)**	**36,718**
2023:					
Other provision	-	14,777	-	(4,491)	10,286

*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").

**Other provisions primarily represent provision made for withholding taxes which are borne by the Group. The Group is subject to withholding taxes on intercompany lease agreements entered into between its subsidiaries in different countries. The Group is reasonability certain that the portion of withholding taxes suffered can be claimed as tax refund which is contingent upon successful completion of the required registrations under the relevant double tax treaties. The Group does not expect any further liability and is confident that the tax refund will be obtained for the future withholding taxes to be paid upon settlement of the lease related liabilities between the subsidiaries.

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

22 PROVISIONS (continued)

22-b Employees end of service benefit:

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 Kuwait, KSA, Qatar, Thailand and India Labour Laws. These benefits are unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

	2024 SAR'000	*2023 SAR'000*
Present value of defined benefit obligation	**159,142**	199,144
Charged on the consolidated statement of comprehensive income is as follows:		
Current service cost	**42,140**	37,733
Interest cost on benefit obligation	**9,364**	5,201
Net benefit expense	**51,504**	42,934

Movement in employees' end of service benefit during the year/period is as follows:

	2024 SAR'000	*2023 SAR'000*
Opening balance	**199,144**	-
Acquired as part of reorganisation under common control *	**-**	117,984
Net benefit expense	**51,504**	42,934
Remeasurement (gain)/ loss on defined benefit plans	**(72,963)**	45,156
Acquired as part of Business combinations (Note 5)	**1,387**	-
Benefits paid	**(19,930)**	(6,930)
	159,142	199,144

*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").

	2024	*2023*
Principal actuarial assumptions		
<u>1- KSA</u>		
Weighted average duration of defined benefit obligation	**7 years and 11 years**	7 years and 11 years
Discount factor used	**5.20% - 5.40%**	4.55% - 4.95%
Salary increases rate	**3%**	6%
Mortality rate	**100%WHO SA19**	100%WHO SA19
Rates of employee's turnover	**9% - 22%**	4% - 14%
<u>2- Kuwait</u>		
Weighted average duration of defined benefit obligation	**10 years**	12 years
Discount factor used	**4.55%**	4.10%
Salary increases rate	**3%**	6%
Morality rate	**100% WHO Ku19**	100% WHO Ku19
Rates of employee's turnover	**1.5% - 2.5%**	0.05% - 2%

22 PROVISIONS (continued)

22-b Employees end of service benefit: (continued)

	2024	*2023*
Principal actuarial assumptions (continued)		
<u>3- Qatar</u>		
Weighted average duration of defined benefit obligation	**6 years**	10 years
Discount factor used	**4.80%**	4.50%
Salary increases rate	**3%**	5%
Morality rate	**75% of WHO Qa19**	75% of WHO Qa19
Rates of employee’s turnover	**8% - 12%**	3%
<u>4- India</u>		
Weighted average duration of defined benefit obligation	**9 years**	-
Discount factor used	**7%**	-
Salary increases rate	**5%**	-
Morality rate	**100% IALM 2012-14**	-
Rates of employee’s turnover	**8%**	-
<u>5- Thailand</u>		
Weighted average duration of defined benefit obligation	**6 years**	-
Discount factor used	**4.4%**	-
Salary increases rate	**3%**	-
Morality rate	**100% WHO Th19**	-
Rates of employee’s turnover	**5%**	-

23 SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

	31 December 2024	*31 December 2023*
Authorised shares (in thousands / ‘000)*	**1,129,063**	1,129,063
Issued shares (in thousands / ‘000)	**1,129,063**	1,129,063
Shares par value (SAR)	**1**	1
Issued capital in SAR’000	**1,129,063**	1,129,063
Treasury shares in SAR’000	**(28,127)**	(33,872)
Outstanding share capital in SAR’000	**1,100,936**	1,095,191
Share premium in SAR’000**	**2,890,367**	2,890,367

*Upon incorporation on 28 December 2022, the authorised share capital of the Group was SAR 1,000 thousand comprising of 100 thousand shares.

As explained in Note 1, the Company issued additional shares of SAR 857,088 thousand at par to the Shareholders during the period ended 31 December 2023 as a result of the reorganisation. 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 ended 31 December 2023, the Group issued additional shares of SAR 270,975 thousand of which SAR 33,872 thousand were held as treasury shares, and the remaining shares of SAR 237,103 thousand 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).

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

23 SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES (continued)

The shareholding structure of the Company as at 31 December 2024 is as follows:

Shareholders	***Shareholding %***	***No. of shares '000***	***Value SAR'000***
ADES Investment Holding LTD	**36.5**	**412,277**	**412,277**
Public Investment Fund	**23.8**	**268,548**	**268,548**
Zamil Investments	**6.7**	**75,647**	**75,647**
Free Float	**30.5**	**344,464**	**344,464**
Treasury Shares	**2.5**	**28,127**	**28,127**
	100	**1,129,063**	**1,129,063**

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

Shareholders	*Shareholding %*	*No. of shares '000*	*Value SAR'000*
ADES Investment Holding LTD	36.5	412,277	412,277
Public Investment Fund	23.8	268,548	268,548
Zamil Investments	6.7	75,647	75,647
Free Float	30.0	338,719	338,719
Treasury Shares	3.0	33,872	33,872
	100	1,129,063	1,129,063

Transactions with the shareholders

During the period ended 31 December 2023, the group received SAR 9,129 thousand 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.

24 EARNINGS PER SHARE

Basic earnings per share (EPS) amounts are calculated by dividing the profit for the year attributable to the equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year 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 2024, 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:

	For the year ended 31 December 2024	*From 28 December 2022 to 31 December 2023*
Profit for the year/period attributable to the ordinary equity holders of the Parent for basic and diluted EPS (SAR'000)	**802,498**	442,097
Weighted average number of ordinary shares outstanding in thousands ('000) – basic and diluted	**1,097,325**	753,290
Earnings per share – basic and diluted (in SAR per share)	**0.73**	0.59

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

25 EQUITY SETTLED SHARE-BASED PAYMENTS

During the year ended 31 December 2024, the Directors resolved to grant 2,011 thousand shares, 1,810 thousand shares and 1,931 thousand shares respectively which totaling to 5,752 thousand ordinary shares with a par value of SAR 1.00 each to certain employees of the Group from the treasury shares held by the Company. The effective date of the awards are 10 March 2024, 2 June 2024 and 16 September 2024 respectively. According to the approved terms of the granted shares, the shares vested as granted and are not subject to performance or any other conditions.

For the year ended 31 December 2024, as a result of the awards discussed above, the Group has recognized expense arising from equity-settled share-based payment transactions amounting to SAR 110,647 thousand (2023: SAR Nil) in the consolidated statement of comprehensive income, with a corresponding increase in share based payment reserve account in the consolidated statement of changes in equity. The amount of expense recognized represents the fair value of the shares at the award dates.

Out of the total awarded shares 5,745 thousand shares amounting to SAR 110,528 thousand have been allotted from the treasury shares held by the Company and accordingly have been transferred from the treasury shares and share payment reserve to retained earnings in the consolidated statement of changes in equity. The remaining awarded shares will remain as treasury shares until they are allotted to the respective employees. After the transfer of the awarded shares that have been allotted from treasury shares, share based payment reserve amounted to SAR 119 thousand as at 31 December 2024.

26 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 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:

	For the year ended 31 December 2024 SAR'000	*From 28 December 2022 to 31 December 2023 SAR'000*
Revenue from other related parties	**4,142,669**	2,860,918
Revenue from the joint venture	**26,491**	14,807
Finance cost from other related parties	**381,458**	377,373
Net gain/(loss) on cash flow hedge	**5,656**	(10,651)
Loss from remeasurement equity instruments (FVOCI)	**2,568**	-
Dividends received from equity instruments (FVOCI)	**3,534**	-

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

26 RELATED PARTIES TRANSACTIONS AND BALANCES (continued)

(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 the consolidated statement of financial position. The balances with the entities controlled by the KSA Government are disclosed in the note (ii) below.

i) Due from balances with the related parties:

	31 December 2024 SAR'000	*31 December 2023 SAR'000*
Entities under common control		
Innovative Energy Holding Ltd	**1,223**	4,598
Other related parties		
Advantage Drilling Services	**-**	507
	1,223	5,105

Also, refer to note 15 for the due from related party balance recorded under other receivables.

The above outstanding balances at the year-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 year ended 31 December 2024, 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:

	31 December 2024 SAR'000	*31 December 2023 SAR'000*
Bank balances and cash with other related parties	**121,621**	45,267
Interest-bearing loans and borrowings from other related parties	**5,934,712**	4,606,293
Trade receivables and contact assets from other related parties	**650,518**	714,943
Trade receivables and contract assets from joint venture	**1,067**	10,386
Derivative financial instrument with other related parties	**35,860**	30,204
Trade payables to other related parties	**25,720**	128,570
Investment in equity securities (FVOCI) of other related parties	**102,936**	-
Investment in joint venture	**25,416**	-

Refer to the respective disclosure notes for the terms and conditions of the interest-bearing loans and other balances above with the related parties. Further, refer to note 28 for guarantees issued by the related parties.

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

	For the year ended 31 December 2024 SAR'000	*From 28 December 2022 to 31 December 2023 SAR'000*
Total benefits (including salary, bonus and other allowances)	**10,028**	17,800
Directors' remuneration	**2,833**	375

In addition, key management personnel have benefits from the share-based payments vested during the year/period ended 31 December 2024 amounting to SAR 145,742 thousand (31 December 2023: Nil).

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Overview
The Group's principal financial liabilities comprise trade and other payables and loans borrowings. 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
    iii. Price 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**.**

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 2024, the top three debtors of the Group represent 59% (2023:64%) 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. 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.

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. 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.

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

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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.

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 net profit is affected through the impact on floating rate borrowings as follows:

	Increase / decrease in basis points	*Effect on profit before income tax Increase / (Decrease)*
31 December 2024		
SAR ('000)	**+100**	**(13,640)**
SAR ('000)	**-100**	**13,640**
31 December 2023		
SAR ('000)	+100	(15,348)
SAR ('000)	-100	15,348

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.

	Change in SAR rate	*Effect on profit before income tax SAR* ('000)
31 December 2024		
EGP	**+10%**	**2,046**
EGP	**-10%**	**(2,046)**
31 December 2023		
EGP	+10%	4,208
EGP	-10%	(4,208)

Equity price risk
The Group's listed equity investment is susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk by placing limits on individual and total equity instruments.

At the reporting date, the exposure to listed equity investment at fair value was SAR 102,936 thousand. The Group as determined that an increase/(decrease) of 10% on the market price could have an impact of SAR 10,294 increase/(decrease) on the other comprehensive income and equity of the Group.

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

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

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

Financial liabilities

	Less than 3 months SAR ('000)	*3 to 12 months SAR ('000)*	*1 to 5 years SAR ('000)*	*Over 5 years SAR ('000)*	*Total SAR ('000)*
As at 31 December 2024					
Loans and borrowings	**434,886**	**1,736,168**	**10,158,533**	**3,114,078**	**15,443,665**
Trade and other payables*	**409,854**	**704,631**	**29,429**	**-**	**1,143,914**
Lease liability	**51,505**	**145,287**	**378,274**	**-**	**575,066**
Total undiscounted financial liabilities	**896,245**	**2,586,086**	**10,566,236**	**3,114,078**	**17,162,645**

	Less than 3 months SAR ('000)	*3 to 12 months SAR ('000)*	*1 to 5 years SAR ('000)*	*Over 5 years SAR ('000)*	*Total SAR ('000)*
As at 31 December 2023					
Loans and borrowings	466,725	1,487,075	7,098,350	4,605,871	13,658,021
Trade and other payables*	467,906	1,014,746	-	-	1,482,652
Lease liability	51,500	140,703	539,963	-	732,166
Total undiscounted financial liabilities	986,131	2,642,524	7,638,313	4,605,871	15,872,839

*Excluding lease liability and including other tax provisions.

Capital management
Capital includes share capital, share premium, 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%.

	2024 SAR'000	*2023 SAR'000*
Loans and borrowings (note 21)	**12,056,690**	10,349,698
Lease liabilities (note 18)	**515,489**	643,826
Bank balances and cash (note 12)	**(744,187)**	(432,282)
Net debt	**11,827,992**	10,561,242
Total equity	**6,537,984**	5,776,907
Total capital	**18,365,976**	16,338,149
Gearing ratio	**64%**	65%

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

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 (2023: 2 customers) drive more than 10% revenue from contract with customers and contribute to 77% (2023: 77%) revenue from contract with customer.

28 CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities

	31 December 2024 SAR'000	*31 December 2023 SAR'000*
Letter of guarantees	**1,544,234**	1,246,154

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 15,005 thousand (2023: SAR 16,200 thousand).

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 thousand for the issuance of Letters of Credit and Letters of Guarantees. As of 31 December 2024, the Group utilized letter of guarantees for a total amount of SAR 86,228 thousand (2023: SAR 136,130 thousand).

- The Group entered into bilateral agreement with Arab National Bank of KSA "ANB" bank dated Oct 2022 amounting to SAR 412,500 thousand available to cover working capital needs including issuance of letters of guarantees as of 31 December 2024, the Group utilized letter of guarantees for a total amount of SAR 493,989 thousand (2023: SAR 455,968 thousand).

- 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 thousand equivalent to SAR 45,000 thousand for the purpose of Working capital, Letter of guarantees and Letter of credit as of 31 December 2024, the Group utilized Letters of Credit for a total amount of SAR 5,270 thousand (2023: SAR 3,544 thousand).

- The Group entered into a bilateral agreement with Suez Canal Bank ''SCB'' amounted dated on October 2018 of USD 18,000 thousand equivalent to SAR 67,500 thousand for the purpose of Working capital, Letter of guarantees as of 31 December 2024, the Group utilized letter of guarantees for a total amount of SAR 43,991 thousand (2023: SAR 45,902 thousand).

- The Group entered into bilateral agreement with EG Bank "EGB with Letter of guaranteed facility dated February 2021 amounted of USD 10,000 thousand and EGP 50,000 thousand equivalent to SAR 40,899 thousand as of 31 December 2023, which was the same agreements as 2021, As of 31 December 2024, the Group utilized letter of guarantees for a total amount of SAR 40,051 thousand (2023: SAR 27,446 thousand).

28 CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Following are the facilities of the Group: (continued)

- The Group entered into bilateral agreement with Export Development Bank of Egypt “EBE” bank dated July 2018 amounted of USD 12,000 thousand equivalent to SAR 45,000 thousand for the purpose of Working capital, Letter of guarantees as of 31 December 2024, the Group utilized letter of guarantees for a total amount of SAR 26,139 thousand (2023: SAR 31,918 thousand).

- 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 thousand equivalent to SAR 75,000 thousand for the purpose of Working capital, Letter of guarantees and Letter of credit as of 31 December 2024, the Group utilized letter of credit for a total amount of SAR 9,938 thousand (2023: SAR 35,561 thousand).

- The Group has letter of guarantees of SAR 375 thousand (2023: SAR 375 thousand) with Arab International bank.

- The Group entered into a bilateral agreement with AL Rajhi bank dated May 2023 amounting to SAR 450,000 thousand. As of 31 December 2024, The Group utilized letter of guarantees for a total amount of SAR 447,685 thousand (2023: SAR 313,776 thousand).

- 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. As of 31 December 2024, The Group utilized letter of guarantees for a total amount of SAR 160,083 thousand (2023: SAR 161,652 thousand).

Transactions with the related parties:

- The Group entered into a bilateral agreement with National Commercial Bank in KSA (SNB) dated May 2019 amounted of SAR 10,999 thousand available to issuance of letters of guarantees. As of 31 December 2024, the Group utilized letter of guarantees for a total amount of SAR 9,519 thousand (31 December 2023: SAR 9,519 thousand).

- The Group entered into a bilateral agreement with Alinma Bank dated April 2019 amounted of SAR 37,500 thousand available to cover working capital needs including issuance of letters of guarantees. As of 31 December 2024, the Group utilized letter of guarantees for a total amount of SAR 24,364 thousand (31 December 2023: SAR 24,364 thousand).

- The Group entered into a bilateral agreement with Gulf International Bank dated Nov 2023 amounted of 250,000 thousand available to cover working capital needs including issuance of letters of guarantees. As of 31 December 2024, the Group utilized letter of guarantees for a total amount of SAR 196,602 thousand (31 December 2023: Nil).

Capital commitment
The Group has a capital commitment for SAR 229 million as at 31 December 2024 (31 December 2023: SAR 413 million).

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

29 FINANCIAL INSTRUMENTS AT FAIR VALUES

29- a 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:

	31 December 2024 SAR’000	*31 December 2023 SAR’000*
Non-current		
Derivative financial instruments designated as hedging instruments – cash flow hedges		
Interest rate swaps	**61,850**	51,517

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 thousand). 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 thousand – equals to SAR 738,750 thousand). 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).

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

29 FINANCIAL INSTRUMENTS AT FAIR VALUES (continued)

29- a 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 thousand), Saudi National Bank (SNB), (SAR 870,331 thousand) and Banqe Saudi Fransi (BSF) (SAR 1,078,680 thousand) 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).

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

The gain/(loss) recognized from the fair valuation of derivative is SAR 11,017 thousand (net of tax) for the year/period ended 31 December 2024 (2023: SAR 20,621 thousand).

29- b INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Number of shares	*Fair value of each share SAR*	*Cost SAR'000*	*As at 31 Dec 2024 SAR'000*
Saudi Arabian Oil Company (Saudi Aramco)	**3,669,724**	**28.05**	**100,368**	**102,936**

The movement of investment at fair value through other comprehensive income during the year/period:

	31 December 2024 SAR'000	*31 December 2023 SAR'000*
Opening balance	**-**	-
Additions during the year/period	**100,368**	-
Unrealized gain during year/period (before tax)	**2,568**	-
	102,936	-

During the year ended 31 December 2024, the Group received cash dividends of SAR 3,534 thousand (2023: nil) from Saudi Arabian Oil Company (Saudi Aramco).

The investment is classified as fair value through other comprehensive income basis irrevocable policy choice.

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

29 FINANCIAL INSTRUMENTS AT FAIR VALUES (continued)

29- b INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Total SAR'000	***Level 1 SAR'000***	***Level 2 SAR'000***	***Level 3 SAR'000***
31 December 2024				
Fair value through other comprehensive income				
Derivative financial instrument:				
Interest rate swap	**61,850**	**-**	**61,850**	**-**
Fair value through other comprehensive income				
Equity investment in				
Shares of other related party (note 29-b,26)	**102,936**	**102,936**	**-**	**-**

	Total SAR'000	*Level 1 SAR'000*	*Level 2 SAR'000*	*Level 3 SAR'000*
31 December 2023				
Fair value through other comprehensive income				
Derivative financial instrument:				
Interest rate swap	51,517	-	51,517	-

During the year ended 31 December 2024, 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 2023: Nil).

30 DIVIDENDS

30-a DIVIDENDS TO NON-CONTROLLING INTEREST

During 2024, dividends of SAR 9,981 thousand (2023: SAR 6,827 thousand) have been paid by UPDC, one of the Group's subsidiaries, to its non-controlling shareholders in respect of 2023 profits.

30-b DIVIDENDS TO SHAREHOLDERS

On 15 September 2024, the company's Board of Directors approved cash dividends of SAR 0.216 per share totaling to SAR 237,498 thousand (2023: Nil). It has been fully paid during the current year.

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

31 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current period presentation. The following table summarises the effect of prior period reclassifications on the consolidated statement comprehensive income. Such reclassifications have not impacted the previously reported profit or equity.

	31 December 2023		
	As previously reported SAR '000	*Reclassification SAR '000*	*As reported now SAR '000*
Statement of comprehensive income for the period 28 December 2022 to 31 December 2023			
Loss from assets disposal	(1,093)	1,093	-
Provision for impairment of investment	(5,024)	5,024	-
Other income	9,835	(9,835)	-
Other expenses	(22,974)	(18,769)	(41,743)
Other Taxes	(22,487)	22,487	-

32 SUBSEQUENT EVENTS

Subsequent to the year, the Board of Directors of the Company has proposed a cash dividend of SAR 242.2 million (SAR 0.22 per share), which is subject to the approval of the shareholders at the forthcoming Annual General Assembly of the Group. There were no other significant events subsequent to the year-end that requires either adjustments or disclosures in the consolidated financial statements.