

Chairman's Report

Dear Shareholders,

On behalf of the Board of Directors of Abraj Energy Services SAOG, I am pleased to present the condensed interim financial statements for half year ended and for three months period ended 30th June 2023.

HSE:

Abraj HSE performance in Q2 2023 was great as there was no Loss Time Incident (LTI) or major incident in Q2 2023. All Units have achieved unit KPI target score in Q2 2023 as per the set criteria.

Company Financial Performance

During the half year ended 30th June 2023, the Company has completed all the planned major maintenance activities for some of the drilling rigs in 2023. This is required to be done for ongoing recertification of rig equipments.

Key Financials of your company:-

Revenue during H1-2023 (6 months period ended 30th June), has increased compared to H1 2022 by 2.2% from OMR 68.2 M to OMR 69.7 M. Further, during Q2-2023 (3 months period ended 30th June) increase in revenue compared to Q2 2022 by 7.4% from OMR 33.8 M to OMR 36.3 M).

Total expense during H1-2023 (6 months period ended 30th June) has increased compared to H1-2022 by 8.8 % from OMR 58.2 M to OMR 63.3 M. Further, during Q2-2023 (3 months period ended 30th June) total expense has increased compared to Q2-2022 by 8.3% from OMR 30 M to RO 32.5 M.

Profit after tax during H1-2023, has decreased compared to H1 2022 by 37.5% from OMR 10.4 M to OMR 6.5 M as a result of major planned maintenance activities and also finance cost had increased due to higher benchmark rate of USD loans for USD LIBOR rate in H1-2023 compared to H1-2022.

Segment Financial Performances – H1-2023 Vs H1-2022 and Q2-2023 Vs Q2-2022:

Drilling and Workover

This segment revenue has remained almost the same during H1-2023 at OMR 61.4 M as compared to that of H1-2022 i.e. 61.3 M. However, during Q2-2023, the revenue has increased compared to Q2-2022 by 7.3 % from OMR 30.0 M in Q2-2022 to OMR 32.2 M despite no change in the asset count.

Profit after tax for this segment has decreased by 42.1 % in H1-2023 as compared to that of H1-2022 from OMR 10.6 M to OMR 6.1 M. During Q2-2023 profit after tax for this segment has decreased by 10.3 % from OMR 4.1 M in Q2-2022 to OMR 3.7 M in Q2-2023. This decrease is largely due to increase in OPEX as a result of major planned maintenance activities carried out during H1-2023 and higher finance cost due to higher benchmark reference rate for USD loans as compared to H1-2022.

Services and Others

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This segment revenue has increased by 19% during H1-2023 as compared to that of H1-2022 from OMR 6.9 M to OMR 8.2 M. This segment revenue during Q2-2023 has increased compared to Q2 2022 from OMR 3.8 M to OMR 4.1 M). The increase in revenue is mainly from fracturing business.

As a result of the above, Profit after tax for this segment during H1-2023 has increased to OMR 353 K compared to a loss of OMR 213 K in H1-2022. During Q2-2023, profit after tax for this segment has increased to OMR 161 K as compared to a loss of OMR 220 K during Q2-2022.

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Acknowledgements:

On behalf of the Board of Directors, I take this opportunity to express their sincere and deep gratitude to the vision and wise leadership of the country's leader His Majesty Sultan Haitham bin Tariq for maintaining sustainable growth and prosperity of Omani Economy. Abraj Board also appreciates the valuable support and guidance from the various stakeholders such as Government agencies, Shareholders, Clients, Management, Employees, Bankers and Suppliers.

Ayad Al Balushi

Chairman of the Board

Statement of Financial Position, Current, Non-current	Thousands/Omani Rial/Reviewed		
	Standalone 30/06/2023	Standalone 30/06/2022	Standalone 31/12/2022
STATEMENT OF FINANCIAL POSITION			
CONSOLIDATED AND SEPARATE			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	191,801	200,793	196,106
Intangible assets other than goodwill	248	221	191
Right-of-use assets	5,035	5,382	5,996
Deferred tax asset	540		662
Other non-current financial assets	2,428	1,653	1,299
Total non-current assets	200,052	208,049	204,254
CURRENT ASSETS			
Current inventories	21,776	16,913	18,605
Trade and other current receivables	41,221	37,084	36,869
Cash and bank balances	4,573	18,494	22,569
Other current financial assets	30	121	140
Total current assets other than non-current assets or disposal groups classified as held for sale or as held for distribution to owners	67,600	72,612	78,183
Total current assets	67,600	72,612	78,183
Total assets	267,652	280,661	282,437
EQUITY AND LIABILITIES			
EQUITY			
Share capital	77,020	77,020	77,020
Statutory reserve	9,710	8,447	9,062
Retained earnings (Accumulated losses)	48,970	53,002	58,539
Total equity	135,700	138,469	144,621
LIABILITIES			
NON-CURRENT LIABILITIES			
NON-CURRENT PROVISIONS			
Non-current provisions for employee benefits	2,061	1,855	1,955
Total non-current provisions	2,061	1,855	1,955
Borrowings, non-current			
Non-current lease liabilities	3,378	3,871	4,288
Deferred tax liabilities	4,387	4,310	4,437
Contract liabilities, non-current / Deferred non-current revenue	1,475	2,247	1,857
Total non-current liabilities	81,283	94,449	89,490
CURRENT LIABILITIES			
CURRENT PROVISIONS			
Trade and other current payables	24,660	24,427	23,417
Borrowings, current			
Current lease liabilities	1,932	1,736	1,958
Current tax liabilities, current	1,193	1,498	3,083
Contract liabilities, current/ Deferred current revenue	772	910	1,027
Other current financial liabilities		615	
Total current liabilities other than liabilities included in disposal groups classified as held for sale	50,669	47,743	48,326
Total current liabilities	50,669	47,743	48,326
Total liabilities	131,952	142,192	137,816
Total equity and liabilities	267,652	280,661	282,437

Subclassifications of Assets, Liabilities and Equity, Current, Non-current	Thousands/Omani Rial/Reviewed		
	Standalone 30/06/2023	Standalone 30/06/2022	Standalone 31/12/2022
SUBCLASSIFICATIONS OF ASSETS, LIABILITIES AND EQUITIES			
CONSOLIDATED AND SEPARATE			
ASSETS			
NON-CURRENT ASSETS			
EXPLORATION AND EVALUATION ASSETS			
INVESTMENT PROPERTIES			
INVESTMENT PROPERTIES AT COST			
INVESTMENT PROPERTIES AT FAIR VALUE			
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD			
OTHER CURRENT NON-FINANCIAL ASSETS			
CURRENT ASSETS			
INVENTORIES			
Spares and consumables	22,744	17,645	19,573
Allowance for slow moving and obsolete inventories	968	732	968
Total current inventories	21,776	16,913	18,605
TRADE AND OTHER CURRENT RECEIVABLES			
Accounts receivables	32,710	29,666	27,084
Receivables due from related parties	6,088	5,215	5,866
PREPAYMENTS AND ACCRUED INCOME			
Prepayments	1,222		415
Advances	231	2,321	2,480
Total prepayments and accrued income	1,453	2,321	2,895
Other receivables	1,074	36	1,332
Allowance for expected credit losses	104	154	308
Total trade and other current receivables	41,221	37,084	36,869
CASH AND CASH EQUIVALENTS			
CASH			
Cash on hand	506	53	39
Balances with banks	4,067	8,288	4,081
Total cash	4,573	8,341	4,120

INTERIM CONDENSED FINANCIAL STATEMENTS WERE APPROVED BY THE BOARD OF DIRECTORS ON
27 Jul 2023

CASH EQUIVALENTS			
Total cash and cash equivalents	4,573	8,341	4,120
Short-term deposits, not classified as cash equivalents		10,153	18,449
Total cash and bank balances	4,573	18,494	22,569
OTHER CURRENT NON-FINANCIAL ASSETS			
EQUITY			
RESERVES			
LIABILITIES			
NON-CURRENT LIABILITIES			
NON-CURRENT PROVISIONS FOR EMPLOYEE BENEFITS			
Employee End of Term Benefits, non current	2,061	1,855	1,955
Total Non-current provisions for employee benefits	2,061	1,855	1,955
BORROWINGS, NON CURRENT			
Borrowings from banks and other financial institutions, non current	69,982	82,166	76,953
Total Borrowings, non current	69,982	82,166	76,953
CURRENT LIABILITIES			
BORROWINGS, CURRENT			
Borrowings from banks and other financial institutions, current	22,112	18,557	18,841
Total Borrowings, current	22,112	18,557	18,841
TRADE AND OTHER CURRENT PAYABLES			
Accounts payable	15,906	11,858	15,928
Payables to related parties	1,231	1,046	886
ACCRUALS AND DEFERRED INCOME			
Accruals	3,149	7,412	2,513
Total accruals and deferred income	3,149	7,412	2,513
Other payables	4,374	4,111	4,090
Total trade and other current payables	24,660	24,427	23,417
PROVISIONS FOR EMPLOYEE BENEFITS, CURRENT			

Income Statement, Function of expense	Thousands/Omani Rial/Reviewed			
	Standalone 01/04/2023-30/06/2023	Standalone 01/04/2022-30/06/2022	Standalone 01/01/2023-30/06/2023	Standalone 01/01/2022-30/06/2022
PROFIT OR LOSS				
CONSOLIDATED AND SEPARATE				
PROFIT OR LOSS				
Revenue	36,308	33,775	69,647	68,195
Cost of sales	27,981	25,804	55,111	49,816
Gross profit	8,327	7,971	14,536	18,379
General and administrative expense	1,813	1,623	3,028	3,028
Other expenses	443	412	541	653
Other operating gains (losses)		17	14	103
Profit (loss) from operating activities	6,071	5,953	10,981	14,801
Finance income	57	126	101	238
Finance costs	1,422	1,454	3,286	2,833
Profit (loss) before income tax	4,706	4,625	7,796	12,206
Income tax expense, continuing operations	829	702	1,313	1,839
Profit (loss) from continuing operations	3,877	3,923	6,483	10,367
Profit (loss) for period	3,877	3,923	6,483	10,367
PROFIT (LOSS), ATTRIBUTABLE TO				
BASIC AND DILUTED EARNINGS PER SHARE				
BASIC EARNINGS PER SHARE				
Basic earnings (loss) per share from continuing operations	5.000	5.100	8.400	13.500
Total basic earnings (loss) per share	5.000	5.100	8.400	13.500
DILUTED EARNINGS PER SHARE				
Diluted earnings (loss) per share from continuing operations	5.000	5.100	8.400	13.500
Total diluted earnings (loss) per share	5.000	5.100	8.400	13.500

Statement of comprehensive income - Net of tax	Thousands/Omani Rial/Reviewed			
	Standalone 01/04/2023- 30/06/2023	Standalone 01/04/2022- 30/06/2022	Standalone 01/01/2023- 30/06/2023	Standalone 01/01/2022- 30/06/2022
STATEMENT OF COMPREHENSIVE INCOME				
CONSOLIDATED AND SEPARATE				
Net Profit / (Loss) for the Period		3,877	3,923	6,483
OTHER COMPREHENSIVE INCOME (LOSS) TO BE RECLASSIFIED TO STATEMENT OF INCOME IN SUBSEQUENT PERIODS				
OTHER COMPREHENSIVE INCOME (LOSS) NOT TO BE RECLASSIFIED TO STATEMENT OF INCOME IN SUBSEQUENT PERIODS				
Total comprehensive income for the Period		3,877	3,923	6,483
COMPREHENSIVE INCOME ATTRIBUTABLE TO				10,367

Analysis of Income and Expense, Function of Expense	Thousands/Omani Rial/Reviewed			
	Standalone 01/04/2023-30/06/2023	Standalone 01/04/2022-30/06/2022	Standalone 01/01/2023-30/06/2023	Standalone 01/01/2022-30/06/2022
ANALYSIS OF INCOME AND EXPENSE				
CONSOLIDATED AND SEPARATE				
REVENUE				
Sale of goods	1,623	1,855	3,240	3,102
Revenue from rendering of services	29,351	26,578	55,940	54,493
LEASE REVENUE				
Operating lease rentals	5,334	5,342	10,467	10,600
Total lease revenue	5,334	5,342	10,467	10,600
Total revenue	36,308	33,775	69,647	68,195
OTHER INCOME				
EXPENSES				
COST OF SALES				
Cost of material consumed	5,426	4,973	10,827	8,900
Employee benefit expense	12,070	11,476	23,719	22,055
Fuel and electricity	76	55	121	101
Depreciation, depletion and amortisation	5,317	5,409	10,571	10,648
Other cost of goods sold	5,092	3,891	9,873	8,112
Total cost of sales	27,981	25,804	55,111	49,816
GENERAL AND ADMINISTRATIVE EXPENSES				
Rent and utility expenses	111	6	119	11
Employee benefit expense	1,170	1,249	2,315	2,392
Director's remuneration and sitting fees	64	29	97	55
Expected credit losses - trade and other receivables	0	10	(204)	38
Depreciation, depletion and amortisation	94	92	185	188
Legal and professional expense	227	30	309	53
Vehicle expenses	11	8	17	15
Printing and stationary	1	3	1	4
Advertisement and business promotion	22	3	22	60
Other expenses and fees	113	193	167	212
Total General and administrative expenses	1,813	1,623	3,028	3,028
SELLING, DISTRIBUTION AND MARKETING EXPENSES				

INTERIM CONDENSED FINANCIAL STATEMENTS WERE APPROVED BY THE BOARD OF DIRECTORS ON
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Statement of cash flows, indirect method	Thousands/Omani Rial/Reviewed	
	Standalone 01/01/2023-30/06/2023	Standalone 01/01/2022-30/06/2022
STATEMENT OF CASH FLOWS		
CONSOLIDATED AND SEPARATE		
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Profit for the period before taxation	7,796	12,206
ADJUSTMENTS TO RECONCILE PROFIT (LOSS)		
Adjustments for depreciation and amortisation expense	10,756	10,836
Adjustments for increase (decrease) in employee benefit liabilities	196	186
Adjustments for finance costs	3,286	2,833
Adjustments for finance income	101	238
Adjustments for gain (loss) on disposals, property, plant and equipment	541	632
Other adjustments to reconcile profit (loss)	364	(224)
Total adjustments to reconcile profit (loss)	13,960	12,761
Cash flows from (used in) operations before changes in working capital	21,756	24,967
WORKING CAPITAL CHANGES		
Adjustments for decrease (increase) in inventories	(3,171)	(2,750)
Adjustment for decrease (increase) in trade and other receivables	(4,993)	19,225
Adjustments for increase (decrease) in trade and other payables	1,243	(15,161)
Adjustments for decrease (increase) in other working capital items	1,443	(462)
Total adjustments to working capital changes	(5,478)	852
Net cash flows from (used in) operations	16,278	25,819
Income taxes paid (refund)	(3,119)	(3,474)
Interest paid, classified as operating activities	(3,130)	(2,513)
Employees end of service benefits paid	(90)	(185)
Net cash flows from (used in) operating activities	9,939	19,647
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Proceeds from sales of property, plant and equipment	25	21
Purchase of property, plant and equipment	6,852	16,442
Purchase of intangible assets	87	3
Interest received	101	238
Other inflows (outflows) of cash, classified as investing activities	17,852	987
Net cash flows from (used in) investing activities	11,039	(15,199)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Proceeds from borrowings	53,653	34,617
Repayments of borrowings	57,353	36,867
Payments of lease liabilities	1,421	1,532
Dividends paid to equity holders of parent	15,404	
Net cash flows from (used in) financing activities	(20,525)	(3,782)
Net increase (decrease) in cash and cash equivalents before effect of exchange rate changes	453	666
Net increase (decrease) in cash and cash equivalents	453	666
Cash and cash equivalents at beginning of period	4,120	7,675
Cash and cash equivalents at end of period	4,573	8,341

INTERIM CONDENSED FINANCIAL STATEMENTS WERE APPROVED BY THE BOARD OF DIRECTORS ON
27 Jul 2023

Statement of changes in equity	Thousands/Omani Rial/Reviewed							
	Share Capital	Retained earnings (accumulated Losses)	Statutory reserve	Standalone	Share Capital	Retained earnings (accumulated Losses)	Statutory reserve	Standalone
	Standalone	Standalone	Standalone	01/01/2023-30/06/2023	Standalone	Standalone	Standalone	01/01/2022-30/06/2022
	01/01/2023-30/06/2023	01/01/2023-30/06/2023	01/01/2023-30/06/2023		01/01/2022-30/06/2022	01/01/2022-30/06/2022	01/01/2022-30/06/2022	
STATEMENT OF CHANGES IN EQUITY								
STATEMENT OF CHANGES IN EQUITY								
Equity at beginning of period (before adjustments)	77,020	58,539	9,062	144,621	77,020	49,196	7,410	133,626
Equity at beginning of period (after adjustments)	77,020	58,539	9,062	144,621	77,020	49,196	7,410	133,626
CHANGES IN EQUITY								
COMPREHENSIVE INCOME								
Net Profit / (Loss) for the Period		6,483		6,483		10,367		10,367
Total comprehensive income		6,483		6,483		10,367		10,367
Transfer to reserves		(648)	648	0		(1,037)	1,037	0
Dividends		15,404		15,404		5,524		5,524
Total increase (decrease) in equity		(9,569)	648	(8,921)		3,806	1,037	4,843
Equity at end of period	77,020	48,970	9,710	135,700	77,020	53,002	8,447	138,469

1 Legal status and principal activities

Abraj Energy Services SAOG (the “Company”) is a public joint stock company registered in the Sultanate of Oman. The Company was incorporated on 24 May 2006 and commenced its commercial operations on 4 March 2007. The Company was a closed joint stock company till 31 December 2022. During the year 2022, the Company initiated the transformation from closed to a public joint stock Company. The Company became a public joint stock company on 14 March 2023. The Company is a subsidiary of OQ Exploration and Production LLC (the “Parent”), a limited liability company incorporated in Sultanate of Oman. The ultimate controlling party is Oman Investment Authority (the “Ultimate Parent”), the investment arm of the Government of Sultanate of Oman.

The registered address of the Company is PO Box 1156, Postal Code 130, Azaiba, Sultanate of Oman.

The principal activities of the Company are to provide Oilfield Services which mainly includes services such as onshore drilling, workover, flowback, well testing, well intervention, cementing, fracturing, coil tubing, integrated project management, drilling fluids services and training services.

The Company has established two branches in the Kingdom of Saudi Arabia and Kuwait. The Company signed a contract with Saudi Arabian Chevron Inc. - Kuwait Gulf Oil Company to provide three rigs for a project in the Wafra fields of the Saudi Arabia -Kuwaiti neutral zone and has also provided performance guarantee of RO 5.4 million to Kuwait Gulf Oil Company. For Saudi Arabia branch, no significant transactions have taken place.

2. Basis of preparation

These condensed interim financial statement for the six months period ended 30 June 2023 have been prepared in accordance with *IAS 34 Interim Financial Reporting* and should be read in conjunction with the Company’s last annual financial statements as at and for the year ended 31 December 2022 ('last annual financial statements'). They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company’s financial position and performance since the last annual financial statements.

3. Use of judgements and estimates

In preparing these condensed interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

Use of judgements and estimates (continued)

Determining the lease term

In case where the Company is a lessee, it 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 Company applies judgment and considers all relevant factors that create an economic incentive for the Company to extend the term beyond its expiry date when determining the lease term. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstance that is within its control and affect its ability to exercise (or not to exercise) the option to renew.

Impairment of property and equipment

Management performs impairment reviews on the Company's properties and equipment assets quarterly with reference to indicators in IAS 36 Impairment of Assets. Where indicators are present and an impairment test is required, the calculation of the recoverable amount requires estimation of future cash flows within complex impairment models. Key assumptions and estimates in the impairment models relate to: commodity prices and the long-term corporate economic assumptions thereafter, discount rates that are adjusted to reflect risks specific to individual assets, and the related cost profiles.

Useful lives of property and equipment

Management estimates the useful lives and residual value of assets based on best estimates of the expected period for which the Company will derive economic benefits and the expected price for which the asset will fetch in the market when asset is sold. The calculation of useful lives and residual values is based on management's assessment of various factors such as the maintenance programs and normal wear and tear based on industry practice. These estimates are reviewed by the management at each financial year end.

Measurement of fair values

A number of the Company's accounting policies require the measurement of fair values, for both Financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. Fair value is done by external consultant for some income generated assets which represents all types of income generated assets.

The assets team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the assets team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the Standards, including the level in the fair value hierarchy in which the valuations should be classified.

Use of judgements and estimates (continued)

Measurement of fair values (continued)

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability are categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Further information about the assumptions made in measuring fair values is included in note 29.

4. Change in accounting policy

Except as described below, the accounting policies applied in these condensed interim financial statements are the same as those applied in the Company's financial statements as at and for the year ended 31 December 2022.

The policy for recognising and measuring income taxes in the interim period is disclosed in Note 22 and is consistent with that applied in the comparative interim period except for the changes outlined below.

A. Deferred tax related to assets and liabilities arising from a single transaction

The Company has adopted Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 from 1 January 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary difference - e.g leases and decommissioning liabilities. For leases and decommissioning liabilities, an entity is required to recognize the associated deferred tax assets and liabilities from the beginning of the earliest period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of the equity that date. For all other transactions, the amendments apply to the transactions that occur after the beginning of the earlier period presented. The Company accounted for deferred tax on leases liabilities applying the “integrally linked” approach resulting in a similar outcome to the amendments, except that the Company deferred tax asset or liability was recognised on net basis. Following the amendments, the Company has recognized a separate deferred tax liability and deferred tax asset as disclosed in the note 22 of these condensed interim financial statements.

Change in accounting policy (continued)

4.1 New and amended standards adopted by the Company

Following are the standards that are effective from 1 January 2023:

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

The above-mentioned new accounting standards and amendments no impact on the opening equity balances as at 1 January 2023 as a result of the change.

4.2 Impact of new standards (issued but not yet adopted by the Company)

Following are the standards that are effective from 01 January 2023.

- IFRS 17 Insurance Contracts
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFS Practice Statement 2
- Definition of Accounting Estimate - Amendments to IAS 8

IFRS 17 Insurance Contracts is not applicable to the Company and for other standards as mentioned above do not have any material impact on these condensed interim financial statements upon adoption.

4.3 New and revised IFRS in issue but not yet effective

- Amendments to IAS 1, Presentation of financial statements' on classification of liabilities
- Amendments to IFRS 16, Lease liability in a sale and leaseback
- Amendments to IAS 1, Non-current liabilities with covenants

These are not expected to have a significant impact on the Company's condensed interim financial statements.

5 Property and equipment

	Rigs and well services equipment RO'000	Furniture and fixtures RO'000	Office and computer equipment RO'000	Motor vehicles RO'000	Building RO'000	Capital work in progress (note 6) RO'000	Total RO'000
Cost							
At 1 January 2022 (audited)	338,849	1,035	1,913	2,605	3,778	17,887	366,067
Additions during the year	4,825	6	131	194	-	7,096	12,252
Transfer from capital work-in-progress (note 6)	21,297	105	17	-	15	(21,434)	-
Disposals	(4,330)	(1)	(909)	(343)	-	-	(5,583)
Assets written off	(589)	-	-	-	-	-	(589)
At 31 December 2022 (audited)	<u>360,052</u>	<u>1,145</u>	<u>1,152</u>	<u>2,456</u>	<u>3,793</u>	<u>3,549</u>	<u>372,147</u>
At 1 January 2022 (audited)	338,849	1,035	1,913	2,605	3,778	17,887	366,067
Additions during the period	917	2	21	-	-	5,097	6,037
Transfer from capital work-in-progress (note 6)	20,696	48	13	-	-	(20,757)	-
Disposals	<u>(1,934)</u>	<u>-</u>	<u>(908)</u>	<u>(286)</u>	<u>-</u>	<u>-</u>	<u>(3,128)</u>
At 31 June 2022 (unaudited)	<u>358,528</u>	<u>1,085</u>	<u>1,039</u>	<u>2,319</u>	<u>3,778</u>	<u>2,227</u>	<u>368,976</u>
At 1 January 2023 (audited)	360,052	1,145	1,152	2,456	3,793	3,549	372,147
Additions during the period	632	10	65	-	-	5,001	5,709
Transfer from capital work-in- progress (note 6)	6,582	-	-	-	2	(6,584)	-
Disposals	(1,090)	-	-	(26)	-	-	(1,116)
Assets written off	(741)	-	-	-	-	-	(741)
At 30 June 2023 (unaudited)	<u>365,436</u>	<u>1,155</u>	<u>1,217</u>	<u>2,430</u>	<u>3,795</u>	<u>1,966</u>	<u>375,999</u>

5 Property, plant and equipment (continued)

	Rigs and well services equipment RO'000	Furniture and fixtures RO'000	Office and computer equipment RO'000	Motor vehicles RO'000	Building RO'000	Capital work in progress (note 6) RO'000	Total RO'000
Accumulated depreciation and impairment							
At 1 January 2022 (audited)	156,276	873	1,626	2,085	605	-	161,465
Depreciation charge for the year	18,823	52	143	114	152	-	19,284
Disposals	(3,470)	(1)	(909)	(328)	-	-	(4,708)
31 December 2022 (audited)	171,629	924	860	1,871	757	-	176,041
At 1 January 2022 (audited)	156,276	873	1,626	2,085	605	-	161,465
Depreciation charge for the period	9,331	25	81	59	75	-	9,571
Disposals	(1,674)	-	(908)	(271)	-	-	(2,853)
31 June 2022 (Unaudited)	163,933	898	799	1,873	680	-	168,183
1 January 2023 (audited)	171,629	924	860	1,871	757	-	176,041
Depreciation charge for the period	9,227	41	61	43	76	-	9,448
Disposals	(1,265)	-	-	(26)	-	-	(1,290)
At 30 June 2023 (unaudited)	179,591	965	921	1,888	833	-	184,199
Net Carrying Amount At 30 June 2023 (unaudited)	185,845	190	296	542	2,962	1,966	191,801
At 31 December 2022 (audited)	188,423	221	292	585	3,036	3,549	196,106

Property and equipment (continued)

Details of depreciation and amortization is as below:

	(Unaudited)			
	Three months ended		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
	RO'000	RO'000	RO'000	RO'000
Depreciation on property and equipment	4,813	4,823	9,448	9,571
Amortisation of intangible assets (note 7)	16	16	29	32
Depreciation on right-of-use assets (note 8a)	582	662	1,279	1,233
Depreciation and amortization	5,411	5,501	10,756	10,836

The total depreciation and amortization charge for the period is allocated as follows:

Cost of sales (note 19)	5,317	5,409	10,571	10,648
General and administrative expenses (note 20)	94	92	185	188
	5,411	5,501	10,756	10,836

- During the period, the Company recognised finance cost of RO 21.3 thousand for period ended 30 June 2023 (for year ended 31 December 2022: RO 14.6 thousand) in the cost of the capital work-in-progress of qualifying assets.
- Rigs and well services equipment have a negative pledge against the term loan facilities with commercial banks mentioned in note 14.
- The Company has leased out rigs and well service equipment under operating lease.

Impairment assessment:

There is no movement in the impairment provision during the current period as the Company did not identify any impairment triggers, hence no impairment assessment was carried out.

Capital work-in-progress

	30 June 2023 (Unaudited) RO'000	30 June 2022 (Unaudited) RO'000	31 December 2022 (Audited) RO'000
Rigs and other service line assets not commissioned	551	1565	2,527
Building under construction	<u>1,415</u>	<u>662</u>	<u>1,022</u>
Balance as at period / year end	<u>1,966</u>	<u>2,227</u>	<u>3,549</u>
The movement in capital work in progress is as follows:			
At 1 January	3,549	17,887	17,887
Additions during the period/year	5,001	5,097	7,096
Transfer to property, plant and equipment(note 5)	<u>(6,584)</u>	<u>(20,757)</u>	<u>(21,434)</u>
Balance as at period / year end	<u>1,966</u>	<u>2,227</u>	<u>3,549</u>

Transfer to property and equipment mainly represents commissioning of new assets relating to the drilling & workover business.

7 Intangible assets

	30 June 2023 (Unaudited) RO'000	30 June 2022 (Unaudited) RO'000	31 December 2022 (Audited) RO'000
Cost			
At beginning of the period /year	635	2,414	2,414
Additions during the period /year	87	3	3
Write offs	<u>-</u>	<u>(1,782)</u>	<u>(1,782)</u>
At end of the period /year	<u>722</u>	<u>635</u>	<u>635</u>
Amortization			
At beginning of the period /year	444	2,164	2,164
Charge for the period /year (note 5)	30	32	62
Write offs	<u>-</u>	<u>(1,782)</u>	<u>(1,782)</u>
At end of the period /year	<u>474</u>	<u>414</u>	<u>444</u>
Carrying amount at end of the period /year	<u>248</u>	<u>221</u>	<u>191</u>

Intangible assets consist of computers software used in the ordinary course of the business.

Right-of-use assets

	Building RO'000	Land RO'000	Equipment RO'000	Vehicles RO'000	Total RO'000
At 1 January 2022 (audited)	215	43	231	4,446	4,935
Additions	197	58	206	3,407	3,868
Terminations and related adjustments	(71)	(21)	(218)	(204)	(514)
Impact of lease modification	15	108	-	304	427
Less: Depreciation	<u>(220)</u>	<u>(65)</u>	<u>(113)</u>	<u>(2,322)</u>	<u>(2,720)</u>
At 1 January 2023 (audited)	136	123	106	5,631	5,996
Additions	294	24	-	-	318
Less: Depreciation	<u>(124)</u>	<u>(30)</u>	<u>(53)</u>	<u>(1,072)</u>	<u>(1,279)</u>
At 30 June 2023 (unaudited)	<u>306</u>	<u>117</u>	<u>53</u>	<u>4,559</u>	<u>5,035</u>

8b. Lease liabilities

	30 June 2023 (Unaudited) RO'000	31 December 2022 (Audited) RO'000
Lease liabilities	<u>5,310</u>	<u>6,246</u>
Current portion	1,932	1,958
Non-current portion	<u>3,378</u>	<u>4,288</u>
Balance as at period / year end	<u>5,310</u>	<u>6,246</u>
At 1 January	6,246	5,139
Additions	318	3,868
Terminations and other adjustments	-	(530)
Impact of lease modification	-	427
Add: interest cost (Note 21)	167	350
Less: payments during the period / year end	<u>(1,421)</u>	<u>(3,008)</u>
Balance as at period / year end	<u>5,310</u>	<u>6,246</u>

Maturity analysis of lease liabilities is disclosed in note 27.

Lease liabilities (continued)

The Company leases several assets including buildings, land, equipment and vehicles. The average lease term is 5 to 10 years (31 December 2022: 5 to 10 years). During the period, no contracts were modified. Re-measurement of lease liabilities with nil impact (31 December 2022: increased by RO 427 thousand). The corresponding adjustment was made to right-of-use assets. Incremental borrowing rate used is 5.5% p.a (2022: 5.5% p.a)

	30 June 2023 (Unaudited) RO'000	31 December 2022 (Audited) RO'000
Amounts recognized in profit and loss		
Amortization expense on right-of-use assets	1,279	2,720
Interest expense on lease liabilities	167	350
Expense relating to short-term leases	-	16
	<u>1,446</u>	<u>3,086</u>

9a Trade and other receivables

Trade receivables from non - related parties	32,710	27,084
Trade receivable from a related party (note 23)	6,088	5,866
Less: allowance for expected credit losses	(104)	(308)
	<u>38,694</u>	<u>32,642</u>
Other receivables*	1,067	1,326
Deposits	7	6
Balance as at period / year end	<u>39,768</u>	<u>33,974</u>

*Other receivables include cost for Initial Public Offering (IPO) amounted to RO 200 thousand (for year ended 31 December 2022: RO 1,326 thousand) which are to be claimed from the Parent Company.

The ageing of trade receivables and receivable from a related parties at the reporting date was:

	Gross 30 June 2023 RO'000	Impairment 30 June 2023 RO'000	Gross 31 December 2022 RO'000	Impairment 31 December 2022 RO'000
Not past due	33,630	14	28,924	25
Past due 1-90 days	4,457	2	3,511	15
Past due 91-180 days	279	1	112	6
Past due 181-270 days	109	-	6	1
Past due 271-360 days	70	1	37	-
More than one year	253	86	360	261
	<u>38,798</u>	<u>104</u>	<u>32,950</u>	<u>308</u>

Trade and other receivables (continued)

Movement in the allowance for impaired debt is as follows:

	30 June 2023 (Unaudited) RO'000	31 December 2022 (Audited) RO'000
Balance as at 1 January	308	116
Add : charge for the period / year	-	192
Less : reversal of the provision for the period/year	(204)	-
Balance as at period / year end	<u>104</u>	<u>308</u>

At the period end, total trade receivables as mentioned above are assigned in favor of commercial banks under the terms of the Facility (note 14).

The Company has concentration of credit risk with respect to trade debtors and, at the reporting date 84% (31 December 2022: 87%) of trade receivables are due from four customers. These are reputable customers with a good track record of payments and the Company monitors the receivable position on a regular basis.

9b Advance and prepayments

	30 June 2023 (Unaudited) RO'000	31 December 2022 (Audited) RO'000
Advance to suppliers	231	2,457
Advance to employees	-	23
Prepayments	1,222	415
Balance as at period / year end	<u>1,453</u>	<u>2,895</u>

10 Inventories

Stores, spares and consumables	22,744	19,573
Provision obsolete and slow-moving inventories	(968)	(968)
Balance as at period / year end	<u>21,776</u>	<u>18,605</u>

Movement in the provision for inventories is as follows:

Balance as at 1 January	968	732
Charge for the period / year	-	236
Balance as at period / year end	<u>968</u>	<u>968</u>

11(a) Cash and cash equivalents

	30 June 2023 (Unaudited) RO'000	31 December 2022 (Audited) RO'000
Cash on hand	506	39
Cash at bank	4,067	4,081
Total cash and cash equivalents	<u>4,573</u>	<u>4,120</u>

11(b) Bank Term Deposit

Bank term deposit	-	17,853
Accrued income on deposits	-	596
	<u>-</u>	<u>18,449</u>

During the period, the company had encashed the term deposit. Bank term deposit consisted of fixed deposits denominated in Rial Omani and carried annual effective interest rate of 3.80% to 4.50% per annum.

12 Share capital

	30 June 2023 (Unaudited) RO'000	31 December 2022 (Audited) RO'000
Share capital		
Authorized share capital		
2,000,000,000 (2022: 200,000,000) shares of Baisa 100 each	<u>200,000</u>	<u>200,000</u>
Issued and paid up share capital		
770,200,000 (2022: 77,020,000) shares of Baisa 100 each	<u>77,020</u>	<u>77,020</u>

Approved / Paid dividend

In the Annual General Meeting (AGM) held in March 2023, the shareholders approved to pay a dividend of 20 baisa per share amounting to RO 15,404,000 representing 93% of profit after tax relating to financial year 2022 (2022: 7.17 baisa per share amounting to RO 5,523,900 relating to the financial year 2021 representing 30% of profit after tax).

13 Legal reserve

Under the article 132 of the Commercial Companies Law, requires that 10% of the Company's profit be transferred to a non-distributable legal reserve until the amount of legal reserve becomes equal to one-third of the Company's share capital. This reserve is not available for distribution

Term loans

	Maturity	30 June 2023 (Unaudited) RO'000	31 December 2022 (Audited) RO'000
Total			
Term loan I [note 14 (a)]	December 2025	20,188	21,630
Term loan II [note 14 (b)]	December 2027	7,163	7,500
Term loan III [note 14 (c)]	repaid	-	32,021
Term loan IV [note 14 (d)]	December 2029	21,115	19,974
Term loan V [note 14 (e)]	November 2025	12,710	14,669
Term loan VI [note 14 (f)]	December 2029	30,918	-
		<u>92,094</u>	<u>95,794</u>
Non-current portion			
Long term loan I	December 2025	12,257	15,862
Long term loan II	December 2027	5,884	6,395
Long term loan III	repaid	-	27,095
Long Term loan IV	December 2029	17,205	16,850
Long Term loan V	November 2025	8,299	10,751
Long Term loan VI	December 2029	26,337	-
		<u>69,982</u>	<u>76,953</u>
Current portion			
Long term loan I	December 2025	7,931	5,768
Long term loan II	December 2027	1,279	1,105
Long term loan III	repaid	-	4,926
Long Term loan IV	December 2029	3,910	3,124
Long Term loan V	November 2025	4,411	3,918
Long Term loan VI	December 2029	4,581	-
		<u>22,112</u>	<u>18,841</u>

(a) Term loan I

The term loan is denominated in Omani Rials the term loan is repayable in 20 quarterly installments. The last instalment is repayable in December 2025. Interest on the term loan is payable at Central Bank of Oman's weighted average interest rate on Deposit (WAIRD) for private sector OMR time deposits Plus fixed margin.

(b) Term loan II

The term loan is denominated in Omani Rials the term loan. The maturity period and the interest rates have been revised. The loan is repayable in 27 quarterly instalments of RO 255,822 each up to 2025. The remaining balances is repayable in 8 quarterly instalments of RO 542,622 with last installment repayable in December 2027. Interest on term loan is payable on monthly basis and is reset on semi annual basis.

(c) Term loan III

The term loan is fully repaid in February 2023.

Term loans (continued)

(d) Term loan IV

The term loan, was denominated in USD to finance the new projects for the purchase of two Rigs and other company assets. The full drawdown was completed by June 2023. The loan was converted from USD to OMR in April 2023. The loan is repayable in 32 equal instalments and the final maturity of the loan on 31 December 2029. The interest on term loan is payable on quarterly basis and is reset on semi annual basis.

(e) Term loan V

This term loan acquired during March 2022. The term loan is denominated in USD and is repayable in 15 quarterly instalments. The last instalment is repayable in November 2025. Interest on the term loan is payable at SOFR plus fixed margin.

(f) Term loan VI

New term loan acquired during February 2023. The term loan is repaid in 28 quarterly installments. The last instalment is repayable in December 2029. Interest on the term loan is payable at Central Bank of Oman's weighted average interest rate on Deposit (WAIRD) for private sector OMR time deposits Plus fixed margin

Security terms for the above loans

Securities for the loans are as follows:

- Clean loan with no mortgage / charge on the assets financed.
- Assignment of revenues for the assets financed from the client to the bank.
- Negative lien over the assets financed through management undertaking to the bank.
- Letter of Awareness from the Shareholder.
- There is no breach on any of the covenants as per the facilities documents executed with the bank. (2022: no breach)
- All the USD loans have been swapped with OMR loans, except for Term Loan V, which will also be swapped with an OMR loan.

15. Deferred income and deferred expenses

15a Deferred income

An analysis of deferred income is set out below:

	30 June 2023 (Unaudited) RO'000	31 December 2022 (Audited) RO'000
Deferred income	<u>2,247</u>	<u>2,884</u>
Current portion	772	1,027
Non-current portion	<u>1,475</u>	<u>1,857</u>
Balance as at period / year end	<u>2,247</u>	<u>2,884</u>

Deferred income, deferred payment obligation and deferred expenses (continued)

15a Deferred income (continued)

	30 June 2023 (Unaudited) RO'000	31 December 2022 RO'000
Balance as at 1 January	2,884	3,161
Add: income received during the period / year	-	1,950
Less: income recognized during the period / year	<u>(637)</u>	<u>(2,227)</u>
Balance as at period / year end	<u><u>2,247</u></u>	<u><u>2,884</u></u>

In line with the Company's accounting policy, mobilization income is accounted over the contract period and accordingly the revenue pertaining to future period is deferred.

15b. Deferred expenses

An analysis of deferred expense is set out below:

	30 June 2023 (Unaudited) RO'000	31 December 2022 (Audited) RO'000
Deferred expenses	<u>136</u>	<u>259</u>
Current portion	30	140
Non-current portion	<u>106</u>	<u>119</u>
Balance as at period / year end	<u><u>136</u></u>	<u><u>259</u></u>
1 January	259	378
Add: cost incurred during the period / year	-	184
Less: cost accounted during the period / year	<u>(123)</u>	<u>(303)</u>
Balance as at period / year end	<u><u>136</u></u>	<u><u>259</u></u>

In line with the Company's accounting policy, mobilization cost on existing rigs for a new contract is accounted over the contract period and accordingly the expenses pertaining to future period is deferred.

16 Employees' end of service benefits

	30 June 2023 (Unaudited) RO'000	31 December 2022 (Audited) RO'000
At 1 January	1,955	1,854
Add: cost incurred during the period / year	196	325
Less: payments during the period / year	<u>(90)</u>	<u>(224)</u>
Balance as at period / year end	<u><u>2,061</u></u>	<u><u>1,955</u></u>

Trade payables

	30 June 2023 (Unaudited) RO'000	31 December 2022 (Audited) RO'000
Trade payables	9,337	9,172
Payables for other services	6,231	6,411
Payables for acquisition of assets	338	345
	<u>15,906</u>	<u>15,928</u>

17b Other payables

Accrued expenses	2,657	2,392
Leave encashment payable	3,617	2,659
Performance bonus payable	683	1,406
Due to a related party (note 23)	1,231	886
Accrued interest	492	121
Other Payable	74	25
	<u>8,754</u>	<u>7,489</u>

18 Revenue

Unaudited

	<u>Three months ended 30 June</u>		<u>Six months ended 30 June</u>	
	2023 RO'000	2022 RO'000	2023 RO'000	2022 RO'000
Revenue from contracts with customers				
Disaggregation of revenue:				
<i>Revenue recognized over time:</i>				
Service revenue - drilling, work over, well services and maintenance	29,351	26,578	55,940	54,493
<i>Revenue recognized point in time:</i>				
Contract revenue - product	<u>1,623</u>	<u>1,855</u>	<u>3,240</u>	<u>3,102</u>
	<u>30,974</u>	<u>28,433</u>	<u>59,180</u>	<u>57,595</u>
Other revenue				
Leased operating assets	<u>5,334</u>	<u>5,342</u>	<u>10,467</u>	<u>10,600</u>
Total revenue	<u>36,308</u>	<u>33,775</u>	<u>69,647</u>	<u>68,195</u>

All revenues are generated in the domestic Oman market.

Cost of sales

	Unaudited			
	Three months ended 30 June		Six months ended 30 June	
	2023 RO'000	2022 RO'000	2023 RO'000	2022 RO'000
Employee related cost (note 20b)	12,070	11,476	23,719	22,055
Depreciation and amortization (note 5)	5,317	5,409	10,571	10,648
Materials and spares consumed	5,426	4,973	10,827	8,900
Transportation	1,749	1,185	3,320	2,941
Camp and catering cost	880	797	1,751	1,509
Equipment rentals	469	321	744	631
Repairs and maintenance	525	571	1,119	868
Inspection	327	230	719	436
Reimbursable cost	336	175	562	379
Insurance	194	190	385	390
Vehicle running	87	108	159	187
Mobilization / demobilization expenses	39	162	124	409
Communication	123	70	246	134
Water and electricity	76	55	121	101
Business travel	32	22	77	48
Vehicle rentals	234	60	402	89
Legal and Professional Charges	16	-	138	-
Miscellaneous	81	-	127	91
	27,981	25,804	55,111	49,816

20a General and administrative expenses

Employee related costs (note 20b)	1,170	1,249	2,315	2,392
Depreciation and amortization (note 5)	94	92	185	188
Consumables and materials consumed	18	8	20	14
Repairs and maintenance	65	169	69	169
Legal and professional	227	30	309	53
Directors - other remuneration (note 23)	56	19	75	38
Rent	108	-	111	0
Communication	-	3	6	6
Water and electricity	3	6	8	11
Advertisement and sales promotion	22	3	22	60
Insurance	7	5	8	6
Printing and stationary	1	3	1	4
Vehicle running	3	3	6	5
Directors - sitting fees (note 23)	8	10	22	17
Business travel	20	6	24	8
Vehicle rentals	8	5	11	10
Food expenses	1	-	6	0
Subscription and membership	2	-	34	5
Miscellaneous	-	2	-	4
	1,813	1,613	3,232	2,990

Employee related costs

	Unaudited			
	Three months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022
	RO'000	RO'000	RO'000	RO'000
The employee cost consist the following:				
Wages and salaries	9,635	9,172	18,939	18,122
Performance bonus	316	319	625	619
End of service benefits (note 16)	72	68	196	185
Others	3,217	3,166	6,274	5,521
	<u>13,240</u>	<u>12,725</u>	<u>26,034</u>	<u>24,447</u>

21 Finance costs and finance income

An analysis of finance cost is set out below:

Interest on long term loans	1,298	1,351	2,733	2,552
Bank charges / exchange fluctuations	44	16	386	121
Interest on lease liabilities (note 8b)	80	87	167	160
	<u>1,422</u>	<u>1,454</u>	<u>3,286</u>	<u>2,833</u>

An analysis of finance income is set out below:

Interest income on fixed deposits	<u>57</u>	<u>126</u>	<u>101</u>	<u>238</u>
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22 Taxation

Income Tax

Income tax comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that effects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Temporary differences in relation to a right-of-use asset and a lease liability for a specific lease are regarded as a net package (the lease) for the purpose of recognizing deferred tax.

Taxation (continued)

Deferred tax

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are only offset only if certain criteria are met.

Current and deferred tax for the year

The Company is liable for income tax, in accordance with the income tax laws of Sultanate of Oman, at the rate of 15% of taxable income.

The Company's effective tax rate is 16.84% (30 June 2022: 15.07%).

Recognized in statement of profit or loss:

	Three months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022
	RO'000	RO'000	RO'000	RO'000
Statement of profit or loss:				
Current tax:				
Current period	783	567	1,230	1,704
Prior period	46	237	46	237
Deferred tax				
Current period	-	(100)	37	(100)
	829	702	1,313	1,839

Taxation (continued)

Reconciliation

The following is a reconciliation of income taxes calculated at the applicable tax rate with the income tax expenses:

	<u>Unaudited</u>			
	<u>Three months ended 30 June</u>		<u>Six months ended 30 June</u>	
	2023	2022	2023	2022
	RO'000	RO'000	RO'000	RO'000
Reconciliation				
Profit before tax	<u>4,706</u>	<u>4,625</u>	<u>7,796</u>	<u>12,206</u>
Income tax as per rates mentioned above	705	694	1,169	1,831
Non-deductible expenses	76	(229)	96	(229)
Prior year adjustment- current tax	<u>48</u>	<u>237</u>	<u>48</u>	<u>237</u>
Tax expense for the year	<u>829</u>	<u>702</u>	<u>1,313</u>	<u>1,839</u>
Current tax payable				
Current tax payable	<u>1,193</u>	<u>1,498</u>	<u>1,193</u>	<u>1,498</u>

The deferred tax (liability) / asset comprises the following temporary differences:

	As at 1 January RO'000 (audited)	(Charge) / reversal to profit or loss RO'000	As at 31 June RO'000 (unaudited)
Deferred tax liabilities			
Property and equipment	(4,398)	32	(4,366)
Deferred expenses	<u>(39)</u>	<u>18</u>	<u>(21)</u>
	<u>(4,437)</u>	<u>50</u>	<u>(4,387)</u>
Deferred tax assets			
Provision for impairment	46	(31)	15
Deferred income	433	(95)	338
Provision for inventory	145	-	145
Right-of-use assets and lease liabilities	<u>38</u>	<u>4</u>	<u>42</u>
	<u>662</u>	<u>(122)</u>	<u>540</u>

Taxation (continued)

Reconciliation (continued)

31 December 2022	As at 1 January RO'000	(Charge) / reversal to profit or loss RO'000	As at 31 December RO'000
Deferred tax liabilities			
Property and equipment	(4,830)	432	(4,398)
Deferred expenses	(57)	18	(39)
	<u>(4,887)</u>	<u>450</u>	<u>(4,437)</u>
Deferred tax assets			
Deferred payment obligation	156	(156)	-
Provision for impairment	17	29	46
Deferred income	474	(41)	433
Provision for inventory	-	145	145
Right-of-use assets and lease liabilities	31	7	38
	<u>678</u>	<u>(16)</u>	<u>662</u>

The tax returns of the Company up to the years 2020 has been agreed with the Secretariat General for Taxation at the Ministry of Finance.

The Board of Directors are of the opinion that additional taxes, if any, related to the open tax years would not be significant to the Company's financial position as at 30 June 2023.

23 Related party transactions and balances

The Company has entered into transactions with shareholders and entities over which shareholders have the ability to control or exercise significant influence in financials and operating decisions. The transactions are in the normal course of business and terms of providing and receiving such transactions are based on mutually agreed terms. Details of significant related party transactions and the balances involved are as follows:

	Three months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022
	RO'000	RO'000	RO'000	RO'000
Sale of goods and services				
Revenue from the Parent Company - Drilling and workover and well services	<u>5,938</u>	<u>14,185</u>	<u>10,873</u>	<u>25,423</u>
Purchases of goods and services				
Fuel, lubricants and others from Oman Oil Marketing Company SAOG— entity under common control	<u>1,251</u>	<u>1,370</u>	<u>2,539</u>	<u>2,554</u>
Directors - sitting fees	<u>8</u>	<u>10</u>	<u>22</u>	<u>17</u>
Directors - other remunerations	<u>56</u>	<u>19</u>	<u>75</u>	<u>38</u>

Related party transactions and balances (continued)

	<u>Three months ended 30 June</u>		<u>Six months ended 30 June</u>	
	2023	2022	2023	2022
	RO'000	RO'000	RO'000	RO'000
Key management compensation				
Basic salaries and allowances	329	283	514	418
End of service benefits	4	2	8	5
	<u>333</u>	<u>285</u>	<u>552</u>	<u>423</u>

	30 June 2023 (Unaudited) RO'000	31 December 2022 (Audited) RO'000
Related party balances		
Receivable from the Parent Company (note 9a)	<u>6,088</u>	<u>5,866</u>
Payable to Oman Oil Marketing Company SAOG – entity under common control (note 17b)	<u>1,231</u>	<u>886</u>

These balances are interest free and repayable on demand.

24 Contingent liabilities

The Company has contingent liabilities in respect of bank guarantees and other matters arising from the legal cases of the Company from which it is anticipated that no material liabilities will arise. At 30 June 2023, contingent liabilities includes bank guarantees and performance bonds issued by the Company amounting to RO 25,450,226 (31 December 2022: RO 21,498,908) and RO 2,962,439 contingent liabilities from legal cases (31 December 2022: RO 3,371,155). The major portion of contingent liabilities pertaining to legal case is relating to an amount of RO 2,456,416 (31 December 2022: RO 2,456,416) for which case is filed by one of the supplier in the primary court. The case is ongoing and no decision is yet pronounced.

25 Commitments

As at 30 June 2023, the Company had contractual capital commitments of RO 1,128,145 (31 December 2022: RO 6,263,203).

26 Segment reporting

The Company's structure reflects various activities in which it is engaged. At the reporting date, the Company has two reportable segments: Drilling and Work Over, Well Services and Others.

Sales to external customers are all domestic within the Sultanate of Oman.

Information related to each reportable segment is set out below. Segment profit/(loss) before tax is used to measure performance because the chief operating decision makers believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

Segment reporting (continued)

The financial information that the chief operating decision makers reviews for Drilling and Workover and Well services & others are as follows:

	Drilling and Work Over		Well Services and Others		Total	
	Six months period ended at 30 June					
	2023	2022	2023	2022	2023	2022
	(Unaudited) RO'000					
Revenue	61,440	61,280	8,207	6,914	69,647	68,194
Direct-Depreciation	(7,928)	(7,989)	(1,219)	(1,278)	(9,147)	(9,267)
Gross profit	13,639	18,177	898	202	14,537	18,379
Indirect-Depreciation	(291)	(302)	(39)	(34)	(330)	(336)
Operating profit	10,321	14,976	660	(175)	10,981	14,801
Finance costs	(2,852)	(2,641)	(434)	(192)	(3,286)	(2,833)
Finance income	-	223	101	15	101	238
Profit/(loss) before tax	7,469	12,557	327	(351)	7,796	12,206
Taxation	(1,254)	(1,877)	(59)	38	(1,313)	(1,839)
Profit/(loss) for the period	6,215	10,680	268	(313)	6,483	10,367

	Drilling and Work Over		Well Services and Others		Total	
	30 June 2023	31 Dec 2022	30 June 2023	31 Dec 2022	30 June 2023	31 Dec 2022
	(Unaudited) RO'000	(audited) RO'000	(Unaudited) RO'000	(audited) RO'000	(Unaudited) RO'000	(audited) RO'000
Total segment assets	234,773	246,087	32,879	36,350	267,652	282,437
Total segment liabilities	115,743	132,375	16,209	5,441	131,952	137,816

27 Financial risk management

The Company has exposure to the following risks arising from:

- Credit risk
- Liquidity risk
- Market risk

Financial instruments carried on the statement of financial position comprise trade and other receivables, cash and cash equivalents, bank deposits, trade and other payables, lease liabilities and borrowings.

The classification of financial assets depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial risk management (continued)

Financial risk factors

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to mitigate the potential adverse effects on the Company's financial performance.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers or counterparty. The carrying amount of financial assets represents the maximum credit exposure.

As at June 2023, though the Company has significant bank balances, Management believes that the risk arising out of these balances are minimal as these are with local banks with good financial standing.

The Company does not foresee any significant increase in credit risk based on the financial condition of the bank and other factors if any, since the date such financial asset is being originated as the bank's credit ratings have not gone down by two notches after the date of deposit till the date of the condensed interim financial information.

For trade receivables, the Company has applied the simplified approach in IFRS 9 to measure the loss allowance at expected credit loss (ECL).

The Company determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

The Company always measures the loss allowance for trade receivables at an amount equal to lifetime ECL.

The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Company's exposure to credit risk on trade and other receivables is influenced mainly by the individual characteristics of each customer. The Company has a significant concentration of credit risk as below.

As at the reporting date the Company has provided for RO 104 thousand (2022: RO 308 thousand) as total provision for impaired debts from its customers (note 9). Apart from this, management believes that the Company is not exposed to any significant credit risk.

Financial risk management (continued)

Credit risk (continued)

Financial assets	30 June 2023 RO'000 (Unaudited)	31 December 2022 RO'000 (Audited)
Trade and other receivables	39,768	33,974
Bank term deposits	-	18,449
Cash at bank	4,067	4,081
Total	43,835	56,504

The following table details the risk profile of trade receivables based on the Company's provision matrix:

Calculation of ECL provision trade receivables – provision matrix approach

As of 30 June 2023	Carrying amount before ECL	ECL %	Lifetime ECL	Net carrying amount after ECL
Not past due	33,630	0.05%	14	33,616
1-90 days	4,457	0.49%	2	4,455
91-180 days	279	25.81%	1	278
181-270 days	109	2.75%	-	109
271-365 days	70	2.86%	1	69
> 365 days	253	33.99%	86	167
	38,798	0.52%	104	38,694

Calculation of ECL provision trade receivables – provision matrix approach

As of 31 December 2022	Carrying amount before ECL	ECL %	Lifetime ECL	Net carrying amount after ECL
Not past due	28,924	0.1%	25	28,899
1-90 days	3,511	0.4%	15	3,496
91-180 days	112	5.4%	6	106
181-270 days	6	16.7%	1	5
271-365 days	37	-	-	37
> 365 days	360	72.5%	261	99
	32,950	0.93%	308	32,642

Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The detail maturities of the Company's financial liabilities, at reporting date are given below:

Non-derivative financial liabilities

	Contractual cash flow					
	Carrying amount RO'000	Total RO'000	6 months or less RO'000	6 to 12 months RO'000	1 to 5 years RO'000	More than 5 years RO'000
30 June 2023 (Unaudited)						
Term loans	92,094	92,094	10,246	10,063	66,785	5,000
Interest	-	12,120	2,363	2,062	7,610	84
Lease liabilities	5,310	5,310	1,040	1,200	3,059	11
Trade payables	15,906	15,906	15,906	-	-	-
Other payables	1,231	1,231	1,231	-	-	-
	114,541	126,661	30,786	13,325	77,454	5,095

	Contractual cash flow					
	Carrying amount RO'000	Total RO'000	6 months or less RO'000	6 to 12 months RO'000	1 to 5 years RO'000	More than 5 years RO'000
31 December 2022 (Audited)						
Term loans	95,794	110,694	12,005	12,006	82,085	4,598
Lease liabilities	6,246	6,495	1,256	1,065	4,137	37
Trade payables	15,928	15,928	15,928	-	-	-
Other payables	886	886	886	-	-	-
	118,854	134,003	30,075	13,071	86,222	4,635

Financial risk management (continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Foreign currency risk

The Company's functional and presentation currency is Rial Omani. The Company's contracts with its clients are entered in US \$ as well as in Rial Omani and therefore its receipts are in US \$ and in Rial Omani. Part of the Company's expenses are in US \$ and partly in Rial Omani. However, since Rial Omani is effectively pegged to US \$, the Company is not exposed to any significant currency risks.

Interest rate risk

The Company is exposed to interest rate risk since substantial portion of its borrowings are on floating interest rates. However, the risk is limited to 3 months LIBOR since the spread is fixed for the tenure of the loan.

The management intends to swap all of its US Dollar-denominated loans for new Omani Rial-denominated loans in the first half of 2023, with the intention of using the new loans to reduce its interest costs.

Cash flow sensitivity analysis for variable rate instruments

A change of 20 basis points in interest rates as at 31 March would have increased (decreased) equity by the amounts shown below:

	2023		2022	
	20 bp Increase	20 bp Decrease	20 bp Increase	20 bp Decrease
Interest rate expense	(258)	58	(130)	130

Interest rate benchmark reform

Fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of London interbank-offered rates (LIBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Company has exposure to LIBOR and SOFR (Secured Overnight Financing Rate) on its long term debt.

The Company considers that a contract is not yet transitioned to an alternative benchmark rate when interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fallback clause that deals with the cessation of the existing IBOR (referred to as an 'unreformed contract').

The alternative reference rate for the US dollar LIBOR is the Secured Overnight Financing Rate (SOFR). In March 2021, the Financial Conduct Authority announced that US dollar settings (except for one-week and two-month US dollar settings) will either cease to be provided or no longer be representative after 30 June 2023.

Financial risk management (continued)

Interest rate risk (continued)

As explained in the previous annual financial statements, the Company was in the process of implementing appropriate fallback clauses for all US dollar LIBOR-indexed exposures. All US Dollar LIBOR loans were successfully converted to OMR loans. As of 30th June, the company still had one US dollar loan remaining, which is priced at the reference rate for the US dollar LIBOR, known as the Secured Overnight Financing Rate (SOFR).

There has been no significant change in the balance of the banking credit facilities, which include those with a fallback clause that deals with the cessation of the existing IBOR since the previous annual reporting date. See the previous annual financial statements for more detail.

28 Capital management

The Company's policy is to maintain a strong capital base to sustain future development of the business. The management monitors the return on equity, which the Company defines as net profit divided by total shareholders' equity on weighted average basis.

29 Fair value of financial assets and liabilities

The fair value of the financial assets and liabilities approximates their carrying value as stated in the statement of financial position.

30 Earnings per share

Earnings per share are calculated by dividing the net profit for the period attributable to the shareholders of the Parent Company by the weighted average number of shares in issue during the period as follows:

	<u>(Unaudited) Three months ended 30 June</u>		<u>(Unaudited) Six months ended 30 June</u>	
	2023	2022	2023	2022
Profit attributable to shareholders (RO'000)	<u>3,877</u>	<u>3,923</u>	<u>6,483</u>	<u>10,367</u>
Weighted average number of shares for basic and diluted EPS (Thousand)	<u>770,200</u>	<u>770,200</u>	<u>770,200</u>	<u>770,200</u>
Basic and diluted earnings per share (Baiza)	<u>5.0</u>	<u>5.1</u>	<u>8.4</u>	<u>13.5</u>

Changes in cash flows from financing activities

	Term loan RO'000	Short term loan RO'000	Lease liabilities RO'000	Total RO'000
30 June 2023				
At 1 January 2023 (Audited)	95,794	-	6,246	102,040
Disbursement / availed during the period	53,653	-	-	53,653
Non-cash adjustments	-	-	318	318
Repayments during the period	(57,353)	-	-	(57,353)
Payment of lease liabilities	-	-	(1,254)	(1,254)
At 30 June 2023 (Unaudited)	92,094	-	5,310	97,404
<i>Other Changes</i>				
Interest expense	2,733	-	167	2,900
Interest paid	(2,733)	-	(167)	(2,900)
30 June 2022				
At 1 January 2022 (Audited)	102,973	-	5,139	108,112
Disbursement / availed during the period	22,972	11,645	-	34,617
Non-cash adjustments	-	-	1,840	1,840
Repayments during the period	(25,222)	(11,645)	-	(36,867)
Payment of lease liabilities	-	-	(1,372)	(1,372)
At 30 June 2022 (Unaudited)	100,723	-	5,607	106,330
<i>Other Changes</i>				
Interest expense	2,552	-	160	2,712
Interest paid	(2,552)	-	(160)	(2,712)
31 December 2022				
At 1 January 2022 (Audited)	102,974	-	5,139	108,113
Disbursement / availed during the period	25,020	11,645	-	36,665
Non-cash adjustments	-	-	3,765	3,765
Repayments during the period	(32,300)	(11,645)	-	(43,845)
Payment of lease liabilities	-	-	(2,658)	(2,658)
At 31 December 2022 (Audited)	95,794	-	6,246	102,040
<i>Other Changes</i>				
Interest expense	5,690	36	350	6,076
Interest paid	(5,959)	(36)	(350)	(6,345)

32 Reclassification of comparative information

The following corresponding figures for 31 December 2022 in the statement of financial position have been reclassified by separating the deferred tax asset and deferred tax liability in order to conform with the presentation for the current period. As a result of this reclassification, the non-current assets increased by amounting RO 662 thousand to RO 204,252 thousand which was previously reported as RO 203,592 thousand while non-current liabilities increased by RO 662 thousand to RO 89,490 which was previously reported as RO 88,828 thousand Such reclassifications do not affect previously reported profits and shareholder's equity.

Reclassification of comparative information (continued)

Description	Amount in RO'000	Head of account in financial statements for the year ended 31 December 2022 after reclassification	Head of account in financial statements for the year ended 31 December 2022 before reclassification
Deferred tax asset which was net off against deferred tax liability	662	Deferred tax asset in the non-current assets	No deferred tax asset in the presented non-current assets
Deferred tax liability	4,437	Deferred tax liability in the non-current liability	Deferred tax liability in the non-current liability

Filing Information	01/04/2023-30/06/2023
GENERAL INFORMATION ABOUT FINANCIAL STATEMENTS	
Type of company	SAOG
Commercial Registration (CR) number	1844555
Name of reporting entity	ABRAJ ENERGY SERVICES SAOG
Listing status	Listed
Ticker code (Symbol)	ABRJ
Licensing Status	Not Licensed with CMA
Licensed for	Not Applicable
Type of Fund	Not Applicable
Sector	Services Sector
Sub-sector	Oil and Gas
Category of filer	Services Companies
Reporting period frequency	Quarter 2
Whether reporting entity is preparing financial statements for the first financial period since its establishment	No
Reporting period start date	01/04/2023
Reporting period end date	30/06/2023
Description of reporting currency	Omani Rial
Level of rounding off for monetary values	Thousands
Description of nature of financial statements	Reviewed
Preparation format	Standalone