

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 the third quarter of 2023 and for the nine-month period ended 30th September 2023.

HSE:

Abraj HSE performance in Q3 2023 was great as there was no Loss Time Incident (LTI) or major incident in Q3 2023. LTIF remained zero at the end of Q3 2023. All Units have achieved unit KPI target score in Q3 2023 as per the set criteria.

Company Financial Performance

As already reported earlier, during the half year ended 30th June 2023, the Company had completed all the planned major maintenance activities involving recertification of rig equipment for some of the drilling rigs in 2023.

Key Financials of your company:-

Revenue has increased during the nine months period ended 30th September 2023, compared to the same period of 2022 by 3.6% from OMR 102.4 M to OMR 106.1 M. Further, during Q3-2023 (3 months period ended 30th September 2023) revenue increased compared to Q3 2022 by 6.6% from OMR 34.2M to OMR 36.4 M mainly driven by more rig months operational and also due to new Frac contract in Well Services

Total expense during nine month period ended 30th September 2023 has increased compared to the same period in 2022 by 8.1 % from OMR 88.2 M to OMR 95.3 M. This is largely due to 2 new rigs commissioned in Q1 2022 working for the full 9 months in 2023 and also due to planned major maintenance activities involving recertification of rig equipment's for some of the drilling rigs in 2023. During Q3-2023 (3 months period ended 30th September 2023) total expense has increased compared to Q3-2022 by 5.9% from OMR 30.1 M to RO 31.9 M driven by CAT IV major maintenance for rigs.

Profit after tax for the nine-month period ended 30th September 2023 decreased by 24.2% from OMR 14.6 M to OMR 11.1 M as a result of the above higher operating cost and also finance cost had increased due to higher benchmark rate of USD loans for USD LIBOR rate in 9 Months ended Sep. 2023 as compared to the corresponding period of 9 months ended Sep. 2022. Profit after Tax for the 3 months ended 30th Sep. 2023, increased by 8.3 % from OMR 4.2 M to OMR 4.6 M.

Segment Financial Performances – 9 M -2023 Vs 9M -2022 and Q3-2023 Vs Q3-2022:

Drilling and Workover

Revenue has increased during the nine months period ended 30th September 2023 by 2.4% from OMR 91.6M to 93.8 M compared to the same period last year. Further, during Q3-2023, the revenue has increased compared to Q3-2022 by 6.7 % from OMR 30.3 M in Q3-2022 to OMR 32.3 M largely due to more rig months operational.

Profit after tax for this segment has decreased by 27.5 % in the nine-month period ended 30th September 2023 from OMR 14.9 M to OMR 10.8 M compared to the same period last year. As stated above, the decrease in the PAT is largely due to planned major maintenance activities involving recertification of rig equipment for some of the drilling rigs in 2023. During Q3-2023 profit after tax for this segment has increased by 11.3 % from OMR 4.1 M in Q3-2022 to OMR 4.6 M in Q3-2023.. This is largely due to higher revenue realized and also due to operational efficiency.

Services and Others

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This segment's revenue has increased by 14% during the nine-month period ended 30th September 2023 from OMR 10.8 M to OMR 12.3 M compared to the same period last year. This is due to the new Frac contract for Well Services. During the 3 months ended 30th Sep. 2023, this segment revenue has marginally increased compared to Q3 2022 from OMR 3.9 M to OMR 4.1 M. The increase in revenue is mainly from fracturing business.

Profit after tax for this segment for the nine-month period ended 30th September 2023 increased by OMR 572K from a loss of OMR 355K to a profit of OMR 237K compared to the same period last year. During Q3-2023, this segment registered a marginal loss of OMR 19K as compared to PAT of OMR 95 K during Q3-2022.

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 the sustainable growth and prosperity of the 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 30/09/2023	Standalone 30/09/2022	Standalone 31/12/2022
STATEMENT OF FINANCIAL POSITION			
CONSOLIDATED AND SEPARATE			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	190,193	197,446	196,106
Intangible assets other than goodwill	247	205	191
Right-of-use assets	4,503	4,988	5,996
Deferred tax asset	513	0	662
Other non-current financial assets	4,030	1,518	1,299
Total non-current assets	199,486	204,157	204,254
CURRENT ASSETS			
Current inventories	22,933	18,272	18,605
Trade and other current receivables	41,328	35,955	36,869
Cash and bank balances	4,292	20,828	22,569
Other current financial assets	25	96	140
Total current assets other than non-current assets or disposal groups classified as held for sale or as held for distribution to owners	68,578	75,151	78,183
Total current assets	68,578	75,151	78,183
Total assets	268,064	279,308	282,437
EQUITY AND LIABILITIES			
EQUITY			
Share capital	77,020	77,020	77,020
Statutory reserve	10,167	8,868	9,062
Retained earnings (Accumulated losses)	53,080	56,798	58,539
Total equity	140,267	142,686	144,621
LIABILITIES			
NON-CURRENT LIABILITIES			
NON-CURRENT PROVISIONS			
Non-current provisions for employee benefits	2,216	1,915	1,955
Total non-current provisions	2,216	1,915	1,955
Borrowings, non-current			
Non-current lease liabilities	2,928	3,550	4,288
Deferred tax liabilities	4,553	4,434	4,437
Contract liabilities, non-current / Deferred non-current revenue	1,285	2,048	1,857
Total non-current liabilities	78,336	90,492	89,490
CURRENT LIABILITIES			
CURRENT PROVISIONS			
Trade and other current payables	23,785	22,380	23,417
Borrowings, current			
Current lease liabilities	1,856	1,672	1,958
Current tax liabilities, current	2,055	1,901	3,083
Contract liabilities, current/ Deferred current revenue	764	849	1,027
Other current financial liabilities		322	
Total current liabilities other than liabilities included in disposal groups classified as held for sale	49,461	46,130	48,326
Total current liabilities	49,461	46,130	48,326
Total liabilities	127,797	136,622	137,816
Total equity and liabilities	268,064	279,308	282,437

Subclassifications of Assets, Liabilities and Equity, Current, Non-current	Thousands/Omani Rial/Reviewed		
	Standalone 30/09/2023	Standalone 30/09/2022	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	23,901	19,004	19,573
Allowance for slow moving and obsolete inventories	968	732	968
Total current inventories	22,933	18,272	18,605
TRADE AND OTHER CURRENT RECEIVABLES			
Accounts receivables	33,137	27,986	27,084
Receivables due from related parties	6,329	6,180	5,866
PREPAYMENTS AND ACCRUED INCOME			
Prepayments	869		415
Advances	136	1,917	2,480
Total prepayments and accrued income	1,005	1,917	2,895
Other receivables	978	36	1,332
Allowance for expected credit losses	121	164	308
Total trade and other current receivables	41,328	35,955	36,869
CASH AND CASH EQUIVALENTS			
CASH			
Cash on hand	265	56	39
Balances with banks	4,027	2,506	4,081
Total cash	4,292	2,562	4,120

INTERIM CONDENSED FINANCIAL STATEMENTS WERE APPROVED BY THE BOARD OF DIRECTORS ON
26 Oct 2023

CASH EQUIVALENTS			
Total cash and cash equivalents	4,292	2,562	4,120
Short-term deposits, not classified as cash equivalents	0	18,266	18,449
Total cash and bank balances	4,292	20,828	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	2,216	1,915	1,955
Total Non-current provisions for employee benefits	2,216	1,915	1,955
BORROWINGS, NON CURRENT			
Borrowings from banks and other financial institutions, non current	67,354	78,545	76,953
Total Borrowings, non current	67,354	78,545	76,953
CURRENT LIABILITIES			
BORROWINGS, CURRENT			
Borrowings from banks and other financial institutions, current	21,001	19,006	18,841
Total Borrowings, current	21,001	19,006	18,841
TRADE AND OTHER CURRENT PAYABLES			
Accounts payable	14,685	9,677	15,928
Payables to related parties	1,114	1,261	886
ACCRUALS AND DEFERRED INCOME			
Other payables	7,986	11,442	6,603
Total trade and other current payables	23,785	22,380	23,417
PROVISIONS FOR EMPLOYEE BENEFITS, CURRENT			

Income Statement, Function of expense	Thousands/Omani Rial/Reviewed			
	Standalone 01/07/2023-30/09/2023	Standalone 01/07/2022-30/09/2022	Standalone 01/01/2023-30/09/2023	Standalone 01/01/2022-30/09/2022
PROFIT OR LOSS				
CONSOLIDATED AND SEPARATE				
PROFIT OR LOSS				
Revenue	36,425	34,166	106,072	102,361
Cost of sales	27,547	25,969	82,658	75,785
Gross profit	8,878	8,197	23,414	26,576
Other income	(14)			83
General and administrative expense	1,657	1,549	4,685	4,577
Other expenses	154	329	695	962
Profit (loss) from operating activities	7,053	6,319	18,034	21,120
Finance income	29	151	130	389
Finance costs	1,453	1,726	4,739	4,559
Profit (loss) before income tax	5,629	4,744	13,425	16,950
Income tax expense, continuing operations	1,062	527	2,375	2,366
Profit (loss) from continuing operations	4,567	4,217	11,050	14,584
Profit (loss) for period	4,567	4,217	11,050	14,584
PROFIT (LOSS), ATTRIBUTABLE TO				
BASIC AND DILUTED EARNINGS PER SHARE				
BASIC EARNINGS PER SHARE				
Basic earnings (loss) per share from continuing operations	5.900	5.500	14.300	18.900
Total basic earnings (loss) per share	5.900	5.500	14.300	18.900
DILUTED EARNINGS PER SHARE				
Diluted earnings (loss) per share from continuing operations	5.900	5.500	14.300	18.900
Total diluted earnings (loss) per share	5.900	5.500	14.300	18.900

Statement of comprehensive income - Net of tax	Thousands/Omani Rial/Reviewed			
	Standalone 01/07/2023- 30/09/2023	Standalone 01/07/2022- 30/09/2022	Standalone 01/01/2023- 30/09/2023	Standalone 01/01/2022- 30/09/2022
STATEMENT OF COMPREHENSIVE INCOME				
CONSOLIDATED AND SEPARATE				
Net Profit / (Loss) for the Period		4,567	4,217	11,050
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		4,567	4,217	11,050
COMPREHENSIVE INCOME ATTRIBUTABLE TO				14,584

Analysis of Income and Expense, Function of Expense	Thousands/Omani Rial/Reviewed			
	Standalone 01/07/2023-30/09/2023	Standalone 01/07/2022-30/09/2022	Standalone 01/01/2023-30/09/2023	Standalone 01/01/2022-30/09/2022
ANALYSIS OF INCOME AND EXPENSE				
CONSOLIDATED AND SEPARATE				
REVENUE				
Sale of goods	1,784	1,800	5,024	4,901
Revenue from rendering of services	29,287	27,020	85,227	81,513
LEASE REVENUE				
Operating lease rentals	5,354	5,346	15,821	15,947
Total lease revenue	5,354	5,346	15,821	15,947
Total revenue	36,425	34,166	106,072	102,361
OTHER INCOME				
Miscellaneous income	(14)			83
Total other income	(14)			83
EXPENSES				
COST OF SALES				
Cost of material consumed	5,720	5,454	16,547	14,354
Employee benefit expense	11,719	10,788	35,438	32,843
Fuel and electricity	79	44	200	145
Depreciation, depletion and amortisation	5,329	5,399	15,900	16,047
Other cost of goods sold	4,700	4,284	14,573	12,396
Total cost of sales	27,547	25,969	82,658	75,785
GENERAL AND ADMINISTRATIVE EXPENSES				
Rent and utility expenses	10	8	18	19
Employee benefit expense	1,090	1,264	3,405	3,656
Director's remuneration and sitting fees	42	31	139	86
Expected credit losses - trade and other receivables	17	10	(187)	48
Depreciation, depletion and amortisation	105	85	290	273
Legal and professional expense	205	7	514	60
Vehicle expenses	1	2	7	7
Printing and stationary		2	1	6
Advertisement and business promotion	35	22	57	82
Other expenses and fees	152	118	441	340
Total General and administrative expenses	1,657	1,549	4,685	4,577
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 01/01/2023-30/09/2023	Standalone 01/01/2022-30/09/2022
STATEMENT OF CASH FLOWS		
CONSOLIDATED AND SEPARATE		
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Profit for the period before taxation	13,425	16,950
ADJUSTMENTS TO RECONCILE PROFIT (LOSS)		
Adjustments for depreciation and amortisation expense	16,190	16,320
Adjustments for increase (decrease) in employee benefit liabilities	382	257
Adjustments for finance costs	4,739	4,559
Adjustments for finance income	130	389
Adjustments for gain (loss) on disposals, property, plant and equipment	(695)	(962)
Other adjustments to reconcile profit (loss)	(888)	(1,667)
Total adjustments to reconcile profit (loss)	20,988	20,042
Cash flows from (used in) operations before changes in working capital	34,413	36,992
WORKING CAPITAL CHANGES		
Adjustments for decrease (increase) in inventories	(4,328)	(4,109)
Adjustment for decrease (increase) in trade and other receivables	(5,566)	1,138
Adjustments for increase (decrease) in trade and other payables	368	(17,686)
Adjustments for decrease (increase) in other working capital items	1,890	8,395
Total adjustments to working capital changes	(7,636)	(12,262)
Net cash flows from (used in) operations	26,777	24,730
Income taxes paid (refund)	(3,138)	(3,474)
Interest paid, classified as operating activities	(4,499)	(4,318)
Employees end of service benefits paid	(121)	(196)
Net cash flows from (used in) operating activities	19,019	16,742
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Proceeds from sales of property, plant and equipment	25	20
Purchase of property, plant and equipment	11,868	7,647
Purchase of intangible assets	105	3
Interest received	130	389
Other inflows (outflows) of cash, classified as investing activities	17,853	(7,113)
Net cash flows from (used in) investing activities	6,035	(14,354)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Proceeds from borrowings	53,653	34,616
Repayments of borrowings	61,092	40,039
Payments of lease liabilities	2,039	2,078
Dividends paid to equity holders of parent	15,404	
Net cash flows from (used in) financing activities	(24,882)	(7,501)
Net increase (decrease) in cash and cash equivalents before effect of exchange rate changes	172	(5,113)
Net increase (decrease) in cash and cash equivalents	172	(5,113)
Cash and cash equivalents at beginning of period	4,120	7,675
Cash and cash equivalents at end of period	4,292	2,562

INTERIM CONDENSED FINANCIAL STATEMENTS WERE APPROVED BY THE BOARD OF DIRECTORS ON
26 Oct 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	01/01/2023-30/09/2023	Standalone	Standalone	Standalone	01/01/2022-30/09/2022
	01/01/2023-30/09/2023	01/01/2023-30/09/2023	01/01/2023-30/09/2023		01/01/2022-30/09/2022	01/01/2022-30/09/2022	01/01/2022-30/09/2022	
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		11,050		11,050		14,584		14,584
Total comprehensive income		11,050		11,050		14,584		14,584
Transfer to reserves		(1,105)	1,105	0		(1,458)	1,458	0
Dividends		15,404		15,404		5,524		5,524
Total increase (decrease) in equity		(5,459)	1,105	(4,354)		7,602	1,458	9,060
Equity at end of period	77,020	53,080	10,167	140,267	77,020	56,798	8,868	142,686

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. In 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 nine months period ended 30 September 2023 have been prepared in accordance with *IAS 34 Interim Financial Reporting* and should be read in conjunction with the Company’s last annual audited 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 expenses. Actual results may differ from these estimates.

The significant judgements made by the 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.

3. 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.

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 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.

3. Use of judgements and estimates (continued)

Measurement of fair values (continued)

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 Accounting Standards, including the level in the fair value hierarchy in which the valuations should be classified.

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 at 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. The change in the accounting policy will also be reflected in the company's financial statement as at and for the year ending 31 December 2023.

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

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 and the impact will be assessed at the year end.

4.3 New and revised IFRS in issue but not yet effective as they effective from 1st Jan. 2024

- 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	Furnitur e and fixtures	Office and computer equipment	Motor vehicles	Buildi ng	Capital work in progress (note 6)	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	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)	-
Asset disposal / written off	(4,330)	(1)	(909)	(343)	-	-	(5,583)
Accrual for assets written off	(589)	-	-	-	-	-	(589)
At 31 December 2022 (audited)	360,052	1,145	1,152	2,456	3,793	3,549	372,147
At 1 January 2022 (audited)	338,849	1,035	1,913	2,605	3,778	17,887	366,067
Additions during the period	6,904	5	34	-	-	1,284	8,227
Transfer from capital work-in-progress (note 6)	17,752	47	16	-	-	(17,815)	-
Asset disposal / written off	(2,788)	(1)	(908)	(343)	-	-	(4,040)
Accrual for assets written off	(865)	-	-	-	-	-	(865)
At 31 September 2022 (unaudited)	359,852	1,086	1,055	2,262	3,778	1,356	369,389
At 1 January 2023 (audited)	360,052	1,145	1,152	2,456	3,793	3,549	372,147
Additions during the period	1,781	15	113	-	1	7,208	9,118
Transfer from capital work-in-progress (note 6)	8,729	-	71	2	-	(8,804)	(2)
Asset disposal / written off	(2,413)	-	-	(97)	-	-	(2,510)
Accrual for assets written off	(494)	-	-	-	-	-	(494)
At 30 September 2023 (unaudited)	367,655	1,160	1,336	2,361	3,794	1,953	378,259

CONDENSED INTERIM FINANCIAL STATEMENTS FOR NINE MONTHS PERIOD ENDED
30-09-2023 WERE APPROVED BY THE BOARD OF DIRECTORS ON 26-10-2023

5 Property and equipment (continued)

	Rigs and well services equipment	Furniture and fixtures	Office and computer equipment	Motor vehicles	Building	Capital work in progress (note 6)	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	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
Asset disposal / written off	(3,468)	(1)	(909)	(328)	-	-	(4,706)
Accrual for assets written off	(2)	-	-	-	-	-	(2)
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	14,047	39	113	88	114	-	14,401
Asset disposal / written off	(2,189)	(1)	(908)	(327)	-	-	(3,425)
Accrual for assets written off	(498)	-	-	-	-	-	(498)
30 September 2022 (Unaudited)	167,636	911	831	1,846	719	-	171,943
1 January 2023 (audited)	171,629	924	860	1,871	757	-	176,041
Depreciation charge for the period	13,979	62	90	64	114	-	14,309
Asset disposal / written off	(1,730)	-	-	(97)	-	-	(1,827)
Accrual for assets written of	(457)	-	-	-	-	-	(457)
At 30 September 2023 (unaudited)	183,421	986	950	1,838	871	-	188,066
Carrying amount							
At 30 September 2023 (unaudited)	184,234	174	386	523	2,923	1,953	190,193
At 31 December 2022 (audited)	188,423	221	292	585	3,036	3,549	196,106

5 Property and equipment (continued)

Details of depreciation and amortization is as below:

	(Unaudited)			
	Three months		Nine months	
	ended 30		ended 30	
	September		September	
	2023	2022	2023	2022
	RO'000	RO'000	RO'000	RO'000
Depreciation on property and equipment	4,861	4,830	14,309	14,401
Amortisation of intangible assets (note 7)	22	16	51	48
Depreciation on right-of-use assets (note 8a)	551	638	1,830	1,871
Depreciation and amortization	5,434	5,484	16,190	16,320

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

Cost of sales (note 19)	5,329	5,399	15,900	16,047
General and administrative expenses (note 20)	105	85	290	273
	5,434	5,484	16,190	16,320

- During the period, the Company recognised finance cost of RO 30.1 thousand at the interest rate as mentioned in note 14 (d) for period ended 30 September 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 leases.

Impairment assessment:

There is no movement in the impairment provision during the current period as the Company considered that there are no impairment triggers, hence no impairment assessment was carried out.

6 Capital work-in-progress

	30 September 2023 (Unaudited) RO'000	30 September 2022 (Unaudited) RO'000	31 December 2022 (Audited) RO'000
Rigs and other service line assets not commissioned	394	419	2,527
Building under construction	1,559	937	1,022
Balance as at period / year end	<u>1,953</u>	<u>1,356</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	7,208	1,284	7,096
Transfer to property and equipment (note 5)	<u>(8,804)</u>	<u>(17,815)</u>	<u>(21,434)</u>
Balance as at period / year end	<u>1,953</u>	<u>1,356</u>	<u>3,549</u>

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

7 Intangible assets

	30 September 2023 (Unaudited) RO'000	30 September 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	105	3	3
Transfers from CWIP (Note 7)	2	-	-
Write offs	<u>-</u>	<u>(1,782)</u>	<u>(1,782)</u>
At end of the period /year	<u>742</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)	51	48	62
Write offs	<u>-</u>	<u>(1,782)</u>	<u>(1,782)</u>
At end of the period /year	<u>495</u>	<u>430</u>	<u>444</u>
Carrying amount at end of the period /year	<u>247</u>	<u>205</u>	<u>191</u>

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

8a. 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	(220)	(65)	(113)	(2,322)	(2,720)
At 1 January 2023 (audited)	136	123	106	5,631	5,996
Additions	294	24	-	19	337
Less: Depreciation	(191)	(44)	(79)	(1,516)	(1,830)
At 30 September 2023 (unaudited)	239	103	27	4,134	4,503

8b. Lease liabilities

	30 September 2023 (Unaudited) RO'000	31 December 2022 (Audited) RO'000
Lease liabilities	4,784	6,246
Current portion	1,856	1,958
Non-current portion	2,928	4,288
Balance as at period / year end	4,784	6,246
At 1 January	6,246	5,139
Additions (note 8a)	337	3,868
Terminations and other adjustments	-	(530)
Impact of lease modification	-	427
Add: interest cost (Note 21)	240	350
Less: payments during the period / year end	(2,039)	(3,008)
Balance as at period / year end	4,784	6,246

Maturity analysis of lease liabilities is disclosed in note 27.

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).

8b. Lease liabilities (continued)

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 September 2023 (Unaudited) RO'000	31 December 2022 (Audited) RO'000
Amounts recognized in profit or loss		
Depreciation expense on right-of-use assets	1,830	2,720
Interest expense on lease liabilities	240	350
Expense relating to short-term leases	-	16
	<u>2,070</u>	<u>3,086</u>

9a Trade and other receivables

Trade receivables from non - related parties	33,137	27,084
Trade receivable from a related party (note 23)	6,329	5,866
Less: allowance for expected credit losses	(121)	(308)
	<u>39,345</u>	<u>32,642</u>
Other receivables*	962	1,326
Deposits	16	6
Balance as at period / year end	<u>40,323</u>	<u>33,974</u>

*Other receivables include cost for Initial Public Offering (IPO) amounted to RO 15 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 September 2023 RO'000	Impairment 30 September 2023 RO'000	Gross 31 December 2022 RO'000	Impairment 31 December 2022 RO'000
Not due	33,513	12	28,924	25
Due within 1-90 days	4,678	11	3,511	15
Due within 91-180 days	862	7	112	6
Due within 181-270 days	114	3	6	1
Due within 271-360 days	74	2	37	-
More than one year	225	86	360	261
	<u>39,466</u>	<u>121</u>	<u>32,950</u>	<u>308</u>

All the trade receivable are performing and none of the trade receivable have been considered as credit impaired.

9a Trade and other receivables (continued)

Movement in the allowance for impaired debt is as follows:

	30 September 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	(187)	-
Balance as at period / year end	121	308

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 85% (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 September 2023 (Unaudited) RO'000	31 December 2022 (Audited) RO'000
Advance to suppliers	136	2,457
Advance to employees	-	23
Prepayments	869	415
Balance as at period / year end	1,005	2,895

10 Inventories

Stores, spares and consumables	23,901	19,573
Provision for obsolete and slow-moving inventories	(968)	(968)
Balance as at period / year end	22,933	18,605

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	968	968

11(a) Cash and cash equivalents

	30 September 2023 (Unaudited) RO'000	31 December 2022 (Audited) RO'000
Cash on hand	265	39
Cash at bank	4,027	4,081
Total cash and cash equivalents	4,292	4,120

11(b) Bank Term Deposit

Bank term deposit	-	17,853
Accrued income on deposits	-	596
	-	18,449

During the period, the company had encashed the term deposit. Bank term deposit as of 31 December 2022 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 September 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	200,000	200,000
Issued and paid up share capital 770,200,000 (2022: 77,020,000) shares of Baisa 100 each	77,020	77,020

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 reserves

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.

14a Term loans

	Maturity	30 September 2023 (Unaudited) RO'000	31 December 2022 (Audited) RO'000
Total			
Term loan I [note 14 (a)]	December 2025	18,633	21,630
Term loan II [note 14 (b)]	December 2025	6,907	7,500
Term loan III [note 14 (c)]	Repaid	-	32,021
Term loan IV [note 14 (d)]	December 2029	20,333	19,974
Term loan V [note 14 (e)]	November 2025	12,710	14,669
Term loan VI [note 14 (f)]	December 2029	29,772	-
		88,355	95,794
Non-current portion			
Long term loan I	December 2025	12,257	15,862
Long term loan II	December 2025	5,628	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	7,072	10,751
Long Term loan VI	December 2029	25,192	-
		67,354	76,953
Current portion			
Long term loan I	December 2025	6,376	5,768
Long term loan II	December 2025	1,279	1,105
Long term loan III	Repaid	-	4,926
Long Term loan IV	December 2029	3,128	3,124
Long Term loan V	November 2025	5,638	3,918
Long Term loan VI	December 2029	4,580	-
		21,001	18,841

(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 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 543,622. Interest on term loan is payable on monthly basis at one year fixed deposit rate of the Bank plus fixed margin. The one year fixed deposit rate is reset on semi-annual basis by the bank.

14a Term loans (continued)

(c) Term loan III

The term loan is fully repaid in February 2023.

(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's assets. The full drawdown was completed by September 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 at one year fixed deposit rate of the Bank plus fixed margin. The one year fixed deposit rate is reset on semi-annual basis by the bank.

(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 repayable 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 all the above loans

- Clean loan with no mortgage / charge on the assets financed.
- Assignment of respective client's revenues for the assets financed by 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, for which company is working to swap with an OMR loan in the near future.

15. Deferred income and deferred expenses

15a Deferred income

An analysis of deferred income is set out below:

	30 September 2023 (Unaudited) RO'000	31 December 2022 (Audited) RO'000
Deferred income	2,049	2,884
Current portion	764	1,027
Non-current portion	1,285	1,857
Balance as at period / year end	2,049	2,884

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

15a Deferred income (continued)

	30 September 2023 (Unaudited) RO'000	31 December 2022 RO'000
Balance as at 1 January	2,884	3,161
Add: income received during the year	-	1,950
Less: income recognized during the year	(835)	(2,227)
Balance as at period / year end	<u>2,049</u>	<u>2,884</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 September 2023 (Unaudited) RO'000	31 December 2022 (Audited) RO'000
Deferred expenses	<u>125</u>	<u>259</u>
Current portion	25	140
Non-current portion	<u>100</u>	<u>119</u>
Balance as at period / year end	<u>125</u>	<u>259</u>
1 January	259	378
Add: cost incurred during the period / year	-	184
Less: cost accounted during the period / year	(134)	(303)
Balance as at period / year end	<u>125</u>	<u>259</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.

15c. Deferred expenses

The Capex Advances amounted to OMR 3,930 thousand (31 December 2022: OMR 1,180 thousand) includes an amount of OMR 1,363 thousand (31 December 2022: Nil) paid towards advances for capex suppliers for the Rigs to be commissioned in Kuwait.

16 Employees' end of service benefits

	30 September 2023 (Unaudited) RO'000	31 December 2022 (Audited) RO'000
At 1 January	1,955	1,854
Add: cost incurred during the period / year	382	325
Less: payments during the period / year	(121)	(224)
Balance as at period / year end	2,216	1,955

17a Trade payables

	30 September 2023 (Unaudited) RO'000	31 December 2022 (Audited) RO'000
Trade payables	6,975	9,172
Payables for other services	7,141	6,411
Payables for acquisition of assets	569	345
	14,685	15,928

17b Other payables

Accrued expenses	2,693	2,392
Leave encashment payable	3,953	2,659
Performance bonus payable	1,021	1,406
Due to a related party (note 23)	1,114	886
Accrued interest	264	121
Other Payables	55	25
	9,100	7,489

18 Revenue

	Unaudited			
	Three months ended 30		Nine months ended 30	
	September		September	
	2023	2022	2023	2022
	RO'000	RO'000	RO'000	RO'000
Revenue from contracts with customers				
<i>Disaggregation of revenue:</i>				
<i>Revenue recognized over time:</i>				
Service revenue - drilling, work over, well services and maintenance	29,287	27,020	85,227	81,513
<i>Revenue recognized point in time:</i>				
Contract revenue - product	1,784	1,800	5,024	4,901
	31,071	28,820	90,251	86,414
Other revenue				
Leased operating assets	5,354	5,346	15,821	15,947
Total revenue	36,425	34,166	106,072	102,361

All revenues are generated in the domestic Oman market.

19 Cost of sales

	Unaudited			
	Three months ended 30		Nine months ended 30	
	September		September	
	2023	2022	2023	2022
	RO'000	RO'000	RO'000	RO'000
Employee related cost (note 20b)	11,719	10,788	35,438	32,843
Depreciation and amortization (note 5)	5,329	5,399	15,900	16,047
Materials and spares consumed	5,720	5,454	16,547	14,354
Transportation	1,710	1,497	5,030	4,438
Camp and catering cost	900	817	2,651	2,326
Equipment rentals	206	430	950	1,061
Repairs and maintenance	576	466	1,695	1,334
Inspection	312	219	1,031	655
Reimbursable cost	199	109	761	488
Insurance	195	191	580	581
Vehicle running	145	104	304	291
Mobilization / demobilization expenses	12	37	136	446
Communication	92	149	338	283
Water and electricity	79	44	200	145
Business travel	30	32	107	80
Vehicle rentals	274	58	681	147
Legal and Professional Charges	25	82	163	101
Miscellaneous	24	93	146	165
	27,547	25,969	82,658	75,785

20a General and administrative expenses

Employee related costs (note 20b)	1,090	1,264	3,405	3,656
Depreciation and amortization (note 5)	105	85	290	273
Consumables and materials consumed	7	3	27	17
Repairs and maintenance	43	85	112	254
Legal and professional	205	7	514	60
Directors - other remuneration (note 23)	38	20	113	58
Rent	-	-	1	-
Communication	14	4	20	10
Water and electricity	10	8	18	19
Advertisement and sales promotion	35	22	57	82
Insurance	8	3	16	9
Printing and stationary	-	2	1	6
Vehicle running	1	2	7	7
Directors - sitting fees (note 23)	4	11	26	28
Business travel	37	7	61	15
Vehicle rentals	-	5	9	15
Food expenses	6	-	12	-
Subscription and membership	24	1	58	6
Miscellaneous	13	10	125	14
	1,640	1,539	4,872	4,529

20b Employee related costs

	<u>Unaudited</u>			
	<u>Three months ended 30</u>		<u>Nine months ended 30</u>	
	<u>September</u>		<u>September</u>	
	2023	2022	2023	2022
	RO'000	RO'000	RO'000	RO'000
The employee cost consist the following:				
Wages and salaries	9,244	9,192	28,183	27,314
Performance bonus	314	309	939	928
End of service benefits (note 16)	186	71	382	257
Others	3,065	2,480	9,339	8,000
	<u>12,809</u>	<u>12,052</u>	<u>38,843</u>	<u>36,499</u>

21 Finance costs and finance income

An analysis of finance cost is set out below:

Interest on long term loans	1,375	1,469	4,108	4,021
Bank charges / exchange fluctuations	5	176	391	297
Interest on lease liabilities (note 8b)	73	81	240	241
	<u>1,453</u>	<u>1,726</u>	<u>4,739</u>	<u>4,559</u>

An analysis of finance income is set out below:

Interest income on fixed deposits	6	151	107	389
Other finance income	23	-	23	-
	<u>29</u>	<u>151</u>	<u>130</u>	<u>389</u>

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.

22 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 17.70% (30 September 2022: 13.96%).

Recognized in the statement of profit or loss:

	<u>Unaudited</u>			
	<u>Three months ended 30</u>		<u>Nine months ended 30</u>	
	<u>September</u>		<u>September</u>	
	2023	2022	2023	2022
	RO'000	RO'000	RO'000	RO'000
Statement of profit or loss:				
Current tax:				
Current period	842	652	2,072	2,354
Prior period	(8)	-	38	237
Deferred tax:				
Current period	(93)	(125)	(56)	(225)
Prior period	321	-	321	-
	<u>1,062</u>	<u>527</u>	<u>2,375</u>	<u>2,366</u>

22 Taxation (continued)

Reconciliation

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

	<u>Three months ended 30 September 2023</u> RO'000	<u>Three months ended 30 September 2022</u> RO'000	<u>Unaudited</u> <u>Nine months ended 30 September 2023</u> RO'000	<u>Nine months ended 30 September 2022</u> RO'000
Reconciliation				
Profit before tax	5,629	4,744	13,425	16,950
Income tax as per rates mentioned above	845	711	2,014	2,542
Non-deductible expenses	(94)	(184)	2	(413)
Prior year adjustment- Deferred tax	321	-	321	-
Prior year adjustment- current tax	(10)	-	38	237
Tax expense for the year	<u>1,062</u>	<u>527</u>	<u>2,375</u>	<u>2,366</u>
Current tax payable				
Current tax payable	<u>2,055</u>	<u>1,901</u>	<u>2,055</u>	<u>1,901</u>

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

	As at 1 January 2023 RO'000 (audited)	(Charge) / reversal to profit or loss RO'000	As at 30 September 2023 RO'000 (unaudited)
Deferred tax liabilities			
Property and equipment	(4,398)	(136)	(4,534)
Deferred expenses	(39)	20	(19)
	<u>(4,437)</u>	<u>(116)</u>	<u>(4,553)</u>
Deferred tax assets			
Provision for impairment	46	(28)	18
Deferred income	433	(126)	307
Provision for inventories	145	-	145
Right-of-use assets and lease liabilities	38	5	42
	<u>662</u>	<u>(149)</u>	<u>513</u>

22 **Taxation (continued)**
Reconciliation (continued)

31 December 2022 (audited)	As at 1 January	(Charge) / reversal to profit or loss	As at 31 December
	RO'000	RO'000	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 have 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 September 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:

	Unaudited			
	Three months ended 30		Nine months ended 30	
	September		September	
	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>5,194</u>	<u>5,465</u>	<u>16,067</u>	<u>15,626</u>
Purchases of goods and services				
Fuel, lubricants and others from Oman Oil Marketing Company SAOG– entity under common control	<u>2,632</u>	<u>1,243</u>	<u>3,083</u>	<u>3,797</u>
Directors - sitting fees	<u>4</u>	<u>11</u>	<u>26</u>	<u>28</u>
Directors - other remunerations	<u>38</u>	<u>20</u>	<u>113</u>	<u>58</u>

23 Related party transactions and balances (*continued*)

	<u>Three months ended 30</u>		<u>Nine months ended 30</u>	
	<u>September</u>		<u>September</u>	
	2023	2022	2023	2022
	RO'000	RO'000	RO'000	RO'000
Key management compensation				
Basic salaries and allowances	191	151	705	604
End of service benefits	1	2	9	5
	<u>192</u>	<u>153</u>	<u>714</u>	<u>609</u>

	30 September	31 December
	2023	2022
	(Unaudited)	(Audited)
	RO'000	RO'000
Related party balances		
Receivable from the Parent Company (note 9a)	<u>6,329</u>	<u>5,866</u>
Payable to Oman Oil Marketing Company SAOG – entity under common control (note 17b)	<u>1,114</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 September 2023, contingent liabilities includes bank guarantees and performance bonds issued by the Company amounting to RO 25,309,816 (31 December 2022: RO 21,498,908) and RO 2,901,147 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 September 2023, the Company had contractual capital commitments of RO 26,070,008 (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.

26 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	
	Nine months period ended at 30 September					
	2023	2022	2023	2022	2023	2022
	(Unaudited) RO'000					
Revenue	93,780	91,581	12,292	10780	106,072	102,361
Direct-Depreciation and Amortization	(13,642)	(13,615)	(2,258)	(2,432)	(15,900)	(16,047)
Gross profit	22,267	26,056	1,147	520	23,414	26,576
Depreciation and Amortization	(256)	(244)	(34)	(29)	(290)	(273)
Operating profit	17,313	21,125	721	(5)	18,034	21,120
Finance costs	(4,184)	4,559	(555)	-	(4,739)	4,559
Finance income	-	389	130	-	130	389
Profit/(loss) before tax	13,129	17,309	296	(359)	13,425	16,950
Taxation	(2,316)	(2,390)	(59)	24	(2,375)	(2,366)
Profit/(loss) for the period	10,813	14,919	237	(335)	11,050	14,584

	Drilling and Work Over		Well Services and Others		Total	
	30 September 2023	31 Dec 2022	30 September 2023	31 Dec 2022	30 September 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	238,577	246,087	29,487	36,350	268,064	282,437
Total segment liabilities	113,739	132,375	14,058	5,441	127,797	137,816
Capital Expenditure	171,924	180,300	20,959	18,862	192,883	198,982

All property and equipment's are located in Oman.

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 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 September 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.

27 **Financial risk management (continued)**
Credit risk (continued)

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 121 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.

	30 September 2023 RO'000 (Unaudited)	31 December 2022 RO'000 (Audited)
Financial assets		
Trade and other receivables	40,313	33,974
Bank term deposits	10	18,449
Cash at bank	4,027	4,081
Total	44,350	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 September 2023 (unaudited)	Carrying amount before ECL	ECL %	Lifetime ECL	Net carrying amount after ECL
Not due	33,513	0.04	12	33,501
Due within 1-90 days	4,678	0.24	11	4,667
Due within 91-180 days	862	0.81	7	855
Due within 181-270 days	114	2.63	3	111
Due within 271-365 days	74	2.70	2	72
Due > 365 days	225	38.22	86	139
	39,466	0.31	121	39,345

27 Financial risk management (continued)
Credit risk (continued)

Calculation of ECL provision trade receivables – provision matrix approach

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

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 September 2023 (Unaudited)						
Term loans	88,356	88,356	10,578	10,424	64,282	3,072
Interest on loan	-	12,610	2,564	2,097	7,905	45
Interest on lease liabilities	-	182	35	40	106	-
Lease liabilities	4,785	4,785	976	1,072	2,727	10
Trade payables	14,685	14,685	14,685	-	-	-
Other payables	1,114	1,114	1,114	-	-	-
	<u>108,940</u>	<u>121,732</u>	<u>29,952</u>	<u>13,633</u>	<u>75,020</u>	<u>3,127</u>

27 **Financial risk management (continued)**
Liquidity risk (continued)

	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

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 SOFR and CBO WAIRD since the spread is fixed for the tenure of the loan.

The management has already swapped major portion of its US Dollar-denominated loans with new Omani Rial-denominated loans in the first half of 2023, with the intention of using the new loans to reduce its interest costs. The management is working on balance left over of USD loans to be converted to new Omani Rial denominated loans in the near future.

Cash flow sensitivity analysis for variable rate instruments

A change of 20 basis points in interest rates as at 30 September would have increased (decreased) equity by the amounts shown below:

	2023		2022	
	20 bp Increase (12)	20 bp Decrease 12	20 bp Increase (130)	20 bp Decrease 130
Interest rate expense				

27 Financial risk management (continued)

Interest rate risk (continued)

Interest rate benchmark reform

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

The Company already has contracted to the alternative reference rate for the US dollar LIBOR is the Secured Overnight Financing Rate (SOFR).

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. Except for one, all US Dollar LIBOR loans were successfully converted to OMR loans. As of 30th September, 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 unless stated otherwise.

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</u> <u>ended 30 September</u>		<u>(Unaudited) Nine months</u> <u>ended 30 September</u>	
	2023	2022	2023	2022
Profit attributable to shareholders (RO'000)	4,567	4,217	11,050	14,584
Weighted average number of shares for basic and diluted EPS (Thousand)	770,200	770,200	770,200	770,200
Basic and diluted earnings per share (Baiza)	5.9	5.5	14.3	18.9

31 Changes in cash flows from financing activities

	Term loan RO'000	Short term loan RO'000	Lease liabilities RO'000	Total RO'000
30 September 2023				
At 1 January 2023 (Audited)	95,794	-	6,246	102,040
Disbursement / availed during the period	53,653	4	-	53,657
Non-cash adjustments	-		337	337
Repayments during the period	(61,092)	(4)	-	(61,096)
Payment of lease liabilities	-	-	(1,799)	(1,799)
At 30 September 2023 (Unaudited)	88,355	-	4,784	93,139
<i>Other Changes</i>				
Interest expense	2,733	-	240	2,973
Interest paid	(2,733)	-	(240)	(2,973)
30 September 2022				
At 1 January 2022 (Audited)	102,974	-	5,139	108,113
Disbursement / availed during the period	22,971	11,645	-	34,616
Non-cash adjustments	-	-	2,161	2,161
Repayments during the period	(28,394)	(11,645)	-	(40,039)
Payment of lease liabilities	-	-	(2,078)	(2,078)
At 30 September 2022 (Unaudited)	97,551	-	5,222	102,773
<i>Other Changes</i>				
Interest expense	3,985	36	241	4,262
Interest paid	(3,985)	(36)	(241)	(4,262)
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 204,254 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.

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	01/07/2023-30/09/2023
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 3
Whether reporting entity is preparing financial statements for the first financial period since its establishment	No
Reporting period start date	01/07/2023
Reporting period end date	30/09/2023
Description of reporting currency	Omani Rial
Level of rounding off for monetary values	Thousands
Description of nature of financial statements	Reviewed
Preparation format	Standalone