ADES
INTERNATIONAL HOLDING LTD.

Annual Report 2017

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ADES AT A GLANCE

ADES International Holding ("ADES", the "Group" or the "Company") is a leading oil and gas drilling and production services provider in the Middle East and North Africa ("MENA") that focuses on creating value for Exploration & Production ("E&P") players in the region. The Group's constantly evolving portfolio of services includes offshore and onshore contract drilling, workover and production services.

Since establishment in 2002, ADES has grown to become Egypt's largest offshore drilling operator as well as a key player in the MENA region by number of rigs, with a growing presence in the Kingdom of Saudi Arabia ("KSA") and Algeria.

Our Edge

ADES' business model focuses on leveraging the Group's lean cost structure, its highly-skilled workforce of 1,372 personnel and its customer-centric approach to create real value for its clients.

Lean Cost Structure

ADES specialises in acquiring and refurbishing legacy 'fit for purpose' offshore assets which, among other cost-saving measures, enable the Group to offer competitive rates to its clients.

Highly-Skilled Workforce

Backed by a highly capable in-house refurbishment and maintenance team, the Group benefits from a highly-skilled, low-cost, largely Egyptian workforce.

Customer-Centric Approach

As a service company, the Group's business revolves around providing tailored solutions and superior service to its clients, characterised by its commitment to global industry standards and ever-expanding services and solutions.

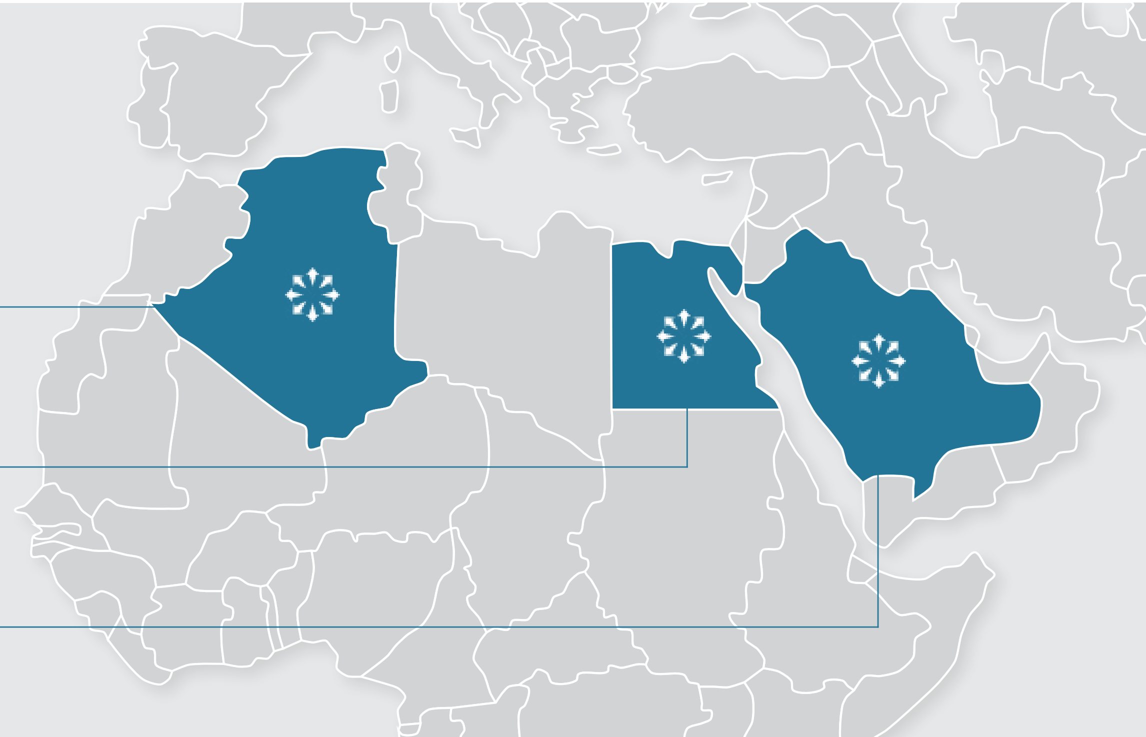
Our Geographical Footprint

ADES operates in pre-selected markets with natural barriers to entry and with a focus on low-risk, non-harsh shallow water environments.

Algeria 3 Onshore Drilling Rigs

Egypt 7 Offshore Drilling Rigs
1 Mobile Offshore Production Unit (MOPU)

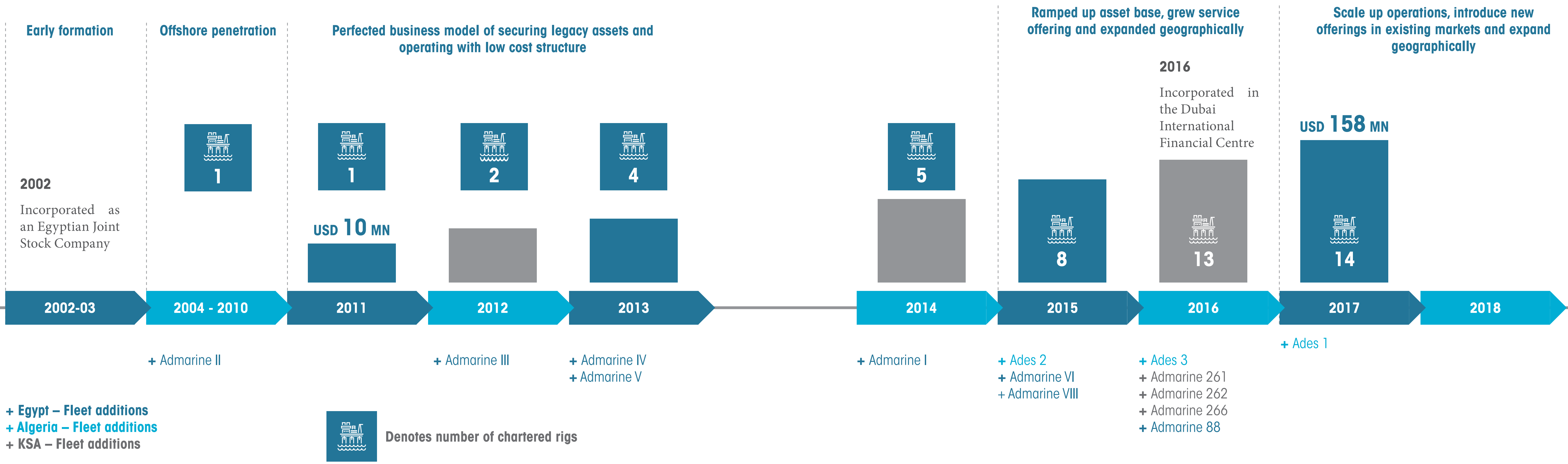
KSA 3 Offshore Drilling Rigs



Our Corporate Evolution

We entered the offshore services market in 2007, developing an extensive track record of operational excellence while fostering long-standing client relationships. Since 2007, we have refined our business model of acquiring legacy assets and assembled a highly proficient in-house refurbishment and maintenance team.

Our dedication to continuously evolve throughout the last decade has seen ADES' quick ascension in regional oilfield services markets to become the top offshore driller in Egypt and the third largest jack-up driller in MENA by number of rigs, with almost 13-fold revenue growth since 2011.



2017 HIGHLIGHTS

78%
Fleet Utilisation in 2017
> 90% average since 2012

USD 158 mn
Revenue in 2017
▲ 18% y-o-y

0.41
Recordable Injury Frequency Rate vs. 0.56 industry average in 2017

Initial Public Offering – London Stock Exchange

Following a sustained period of operational growth, ADES entered a new stage in its development, joining the ranks of internationally recognised oil and gas services companies listed on the Main Market of the London Stock Exchange with a successful initial public offering in May 2017. The listing introduced ADES to the global equity market, raising primary proceeds of USD 170 million, with a further USD 73 million offered by existing shareholders. The listing provided ADES with the funding required to leverage the Group's established platform and market presence and expand its operations in existing and new markets.

Exceptional Operational Performance

Revenue increased 17.5% year-on-year to USD 157.6 million in 2017, with most of our growth attributed to the high utilisation of our employed rigs. Growth was also driven by the realisation of the full-year impact of drilling and workover operations of our three offshore rigs in the KSA (deployed in November 2016), our MOPU operations in Egypt through Admarine I (deployed in February 2016) and our onshore drilling operations in Algeria, through ADES 3 (deployed in October 2016). The Group's standard low-cost base was maintained, resulting in adjusted EBITDA and normalised net profit growth of 11.2% and 30.6% respectively.

Strong Rig Utilisation

While rig utilisation worldwide has remained low on the back of stagnating recovery in global oil prices, ADES has maintained its average fleet utilisation at above 90% since 2012, significantly higher the average Middle East jack-up utilisation rate of 75% and global average of 65%[1] over the same period. ADES successfully renewed and extended all of its contracts which expired during the year and was awarded three new contracts in 2017, underlining our ability to cultivate long-term relationships with existing and prospective clients.

[1] *Source: Clarksons Research – Offshore Drilling Rig Monthly (February, 2018)*

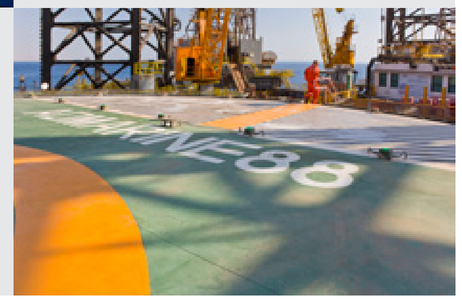
[2] *Adjusted EBITDA - Operating profit for the year before depreciation and amortisation, employee benefit provision and other provisions and impairment of assets under construction*

[3] *Normalised Net Profit – Net Profit for the year before the one-time IPO expense of USD 5.1 million during FY 2017*

USD 80 mn
Adjusted EBITDA[2] in 2017
▲11% y-o-y

USD 76 mn
Net Debt as at 31 Dec. 2017
▼ 67% y-o-y

USD 50 mn
Normalised Net Profit[3] in 2017
▲ 31% y-o-y



Evolving and Strengthening our Service Range

In November 2017, ADES, through its subsidiary, ADES S.A.E., entered into a long-term joint-venture ("JV") agreement with a subsidiary of Houston, US-headquartered Vantage Drilling International ("Vantage"). The JV entails the marketing and operation of Vantage's deepwater drilling units in Egyptian waters on a bareboat charter agreement basis. The JV will operate on a profit-sharing basis and ADES will have exclusive marketing rights within Egypt. Discussions are currently underway with regional operators as the JV aims to capture opportunities amid significant discoveries and prospective drilling programmes in Egypt's Mediterranean basin. The agreement exemplifies ADES' asset-light model and is a natural development of ADES' strategy to target growth, while maintaining its optimised cost structures across operating environments.

Signing of Purchase and Sale Agreement for New Rigs

In December 2017, ADES signed a purchase and sale agreement ("PSA") to acquire three ultra-shallow operating offshore jack-up rigs already contracted in the Arabian Gulf from Nabors Drilling International II Limited (a subsidiary of Nabors Industries Ltd.) for a total purchase price of USD 83 million, payable in a combination of cash and ADES shares (the "Transaction"). The agreement also provided for the existing drilling contracts associated with the rigs to be transferred to ADES. The Transaction will bring the number of the Group's rigs under contract in the Arabian Gulf to six, further cementing ADES' position in the KSA market. The rigs themselves had each been in continuous service for more than 10 years, making them among the most in-demand assets in the region.

Sustained Exemplary Safety Performance

ADES is committed to complying with the highest occupational health, safety and environmental ("HSE") standards and to continuously improving the Group's performance in these areas. ADES achieved over 4.34 million man hours with a Recordable Injury Frequency Rate ("RIFR") (per 200,000 working hours) at 0.41, below the IADC worldwide standard rate of 0.56, underlining the success of the Group's HSE management system in identifying, prioritising and controlling risks.

CHAIRMAN'S STATEMENT

Having served on ADES' Board of Directors since its inception, I have committed to focusing the Board's efforts both on transforming the Company into a leading regional player and rooting its success in sound governance standards. The Board has provided key oversight and guidance to the Company's management as it enters its first full year as a listed Company on the London Stock Exchange ("LSE").

ADES listed on the LSE in May 2017, with EFG Hermes Investment Banking acting as Sole Global Coordinator and Joint Bookrunner and Citigroup Global Markets as Joint Bookrunner. The listing raised primary proceeds of USD 170 million, with a further USD 73 million offered by existing shareholders. The Company's entire issued share capital of 42,203,030 shares was admitted to the standard listing segment of the Official List of the UK Listing Authority and began trading on the LSE's main market for listed securities under the ticker ADES.

Since then, ADES has made strong progress in realising its key strategic platforms, delivering exceptional results and reaffirming its position as the number-one player in the Egyptian offshore drilling market by number of rigs, while simultaneously growing its regional presence and maintaining our exemplary safety record at well above the worldwide standard. Our fast-growing KSA operation and expanding footprint in Algeria are helping accelerate our transformation into a more regionally diversified company.

Meanwhile, with oil and gas markets stabilising in recent months and as strengthening regional emerging economies become an increasing driver for demand, we are aiming to replicate our success and proven growth strategy across new geographies in the region. ADES' long-standing relationships with its clients and exemplary safety record, its active participation in regional tenders and its strong balance sheet put the business in an ideal position to capture further contract wins.

As a company incorporated and registered in the Dubai International Financial Centre ("DIFC") whose shares have been admitted to the standard listing segment of the UK Official List, ADES is not required to comply with the requirements of the UK Corporate Governance Code (the "Governance Code") issued by the Financial Reporting Council (FRC) in April 2016. However, the Board is committed to good corporate governance practices and has put in place a framework that enables the Company to voluntarily comply with key components of the Governance Code and best practices in keeping with the nature of ADES' business. During the 2017 financial year, we established an Audit Committee, a Remuneration Committee and a Nomination Committee in an effort to assist the Board in making the most informed decisions.

The Board has throughout the year adhered to its role of developing and cultivating the Company's values and ethics along with setting and meeting its strategic goals to set the Company up for long-term growth. We are confident that we have developed effective risk management frameworks and ensured that the necessary resources are in place to meet ADES' goals. We believe these efforts are not only part and parcel of our success, but the key to long-term growth and driving shareholder value.

I have great confidence in the direction of our business, which has been driven by our CEO Dr. Mohamed Farouk. Along with the senior management team, his effective leadership and day-to-day running of the firm has delivered a solid platform from which we are well positioned to build on.

As a final note I would like to thank all of our employees and business partners for their continued support and hard work. I look forward to continue to work with you in the 2018 financial year.

Mr. Ayman Abbas,
Chairman of the Board

STRATEGIC REPORT

CHIEF EXECUTIVE'S REVIEW

In our first full-year results following our May 2017 IPO on the London Stock Exchange, ADES has successfully sustained its growth trajectory and delivered a solid operational and financial performance.

Our top-line recorded growth of 18% to USD 158 million on the back of continued high rig utilisation rates, above the current average Middle East jack-up utilisation rate of 75%[4]. This growth was supported by our increasingly diversified revenue mix across different regional geographies.

In addition, ADES' low-cost business model saw us maintain adjusted EBITDA margins in excess of 50% and deliver a net profit growth rate of approximately 17% year-on-year. Importantly, we continued to set the benchmark for service quality and safety performance with an RIFR rate of 0.41, well below the IADC worldwide standard rate of 0.56 as of 31 December 2017.

ADES' continued success is driven by our three-pillar growth strategy of replenishing our backlog, actively participating in tendering activity to expand our footprint and increase market share while targeting smart and accretive acquisition opportunities. 2017 saw the Company make significant progress on all three fronts.

We closed the year with a total backlog of USD 427 million as at 31 December 2017, reflecting the realisation of value from contractual agreements with the addition of new contract awards and renewals, which continue to refill the backlog. In Egypt, we maintained our market-leading position having renewed and been awarded new contracts from leading oil nationals and joint ventures, including GPC, Petrozenima and Petrobel, thereby securing multi-million dollar revenue streams for ADES in the upcoming years. Our ability to sustain our backlog at a time of lower oil prices is due to our customer-centric approach that delivers a tailored service with superior quality and an impeccable safety record at highly competitive rates.

ADES is also actively participating in tenders across existing and new MENA region markets, with the aim of securing several new contracts in the coming months. With the common theme of bearing relatively lower costs to produce oil, our goal across our target markets is to grow our market share and expand our presence, while building on the success of recent ventures into Algeria and KSA. In just one year, revenues from our KSA operation have grown significantly and now constitute over 34% of our total revenues. We are working to replicate this success in new markets across the MENA region. Active participation in tenders is also supported by our exclusive marketing agreements with leading shipyards to market new-build and offshore jack-up rigs on a revenue-sharing basis. This innovative model helps broaden our service offering and strengthen our ability to enter new markets while maintaining our low-cost model.

We were also pleased to sign a long-term agreement to establish a JV with a subsidiary of Vantage, which will see ADES operate Vantage's deepwater drilling units in Egyptian waters on a bareboat charter agreement basis. We expect FY2018 to be a year of tendering for the JV, which we anticipate will start delivering revenue from 2019.

ADES' underlying competitive edge is its ability to execute smart acquisitions and build a fleet of high-quality legacy rigs that deliver a superior service and can be deployed at attractive day rates. In December 2017, we signed a PSA with Nabors Drilling International II Limited to acquire three operating offshore jack-up rigs in the Arabian Gulf. This USD 83 million deal – payable in a combination of cash and ADES shares – will double our Arabian Gulf fleet and number of contracted rigs, further strengthen our backlog and have an immediate positive impact on revenues and cash flow-generation.

In line with our post-IPO growth strategy of scaling-up operations in existing and target markets, ADES will continue to leverage its purchasing power and streamlined decision-making process to swiftly act on acquisition opportunities that meet our criteria for delivering long-term sustainable growth. To expand the range of opportunities we are able to consider, the Company has remained committed to putting in place the necessary debt arrangements to bolster our already strong cash position following the IPO. To this end, we signed a USD 450 million syndicated credit facility (the "Facility") in March 2018, with the majority of the Facility allocated to provide ADES with greater flexibility to pursue further acquisitions in high-growth markets.

Outlook

We expect 2018 to deliver organic growth from existing operations with the realisation of several of our strategic efforts during 2017, including the commencement of new contracts and securing new tenders across the region as well as from the Nabors acquisitions, which once completed, will add to our revenue and earnings. Given the timing of completion of the Nabors transaction and the resulting contribution of the three rigs to revenues, we expect overall Company revenues will be materially weighted towards the second half of the year.

ADES will continue to deliver on our main strategic pillars and build our backlog through contract renewals and extensions while actively participating in tenders across MENA. We have made significant process on the latter and we expect to update shareholders on this in the coming months, in line with our objective to scale up our operations and penetrate new markets.

In the post FY2017 period, we signed a USD 450 million syndicated credit facility in March 2018 which we believe will, alongside the proceeds from the IPO, enhance ADES' purchasing power and position it to take advantage of a wider range of opportunities. In addition to funding potential acquisitions, the Facility will also be used to refinance the Company's existing debt (which comprises two facilities maturing in 2020 and 2021) and to finance anticipated future working capital. The Facility was jointly arranged by Bank of America Merrill Lynch and the European Bank for Reconstruction and Development ("EBRD"), and was signed with participation from 11 multi-lateral, regional and local banks.

The current recovery and stabilisation of global oil prices reinforces ADES' ability to maximise value from its business model. We will continue executing our strategy to expand our presence in existing markets, venture into new high-growth MENA geographies and pursue accretive acquisition opportunities, all with the ultimate aim of sustaining our growth trajectory and continuing to deliver returns.

Dr. Mohamed Farouk,
Chief Executive Officer

[4] *Source: Clarksons Research - Offshore Drilling Monthly (February, 2018)*

OVERVIEW OF ADES

ADES International Holding is a leading MENA-based oil and gas drilling and production services provider with a differentiated, low-cost business model and a customer-centric approach. The Group specialises in acquiring, reconditioning, deploying and operating legacy “fit for purpose” onshore and offshore assets at competitive rates.

From its base in Egypt, ADES leverages its low-cost structure and highly-skilled workforce of 1,372 employees to consistently set the benchmark for high quality and efficient services. With an extensive track record of serving leading regional and global oil and gas clients, the Group helps high-profile E&P players onshore and in shallow offshore waters maximise the value of their resources.

Our Services

ADES’ offering is characterised by our commitment to global industry standards, an ever-expanding range of solutions and superior service. Our offshore services encompass drilling and workover, MOPU production services and accommodation and catering. Our onshore services primarily consist of drilling and workover services. We also provide barge-based projects services (outsourcing various operating projects for clients, such as maintenance and repair services). As of 31 December 2017, ADES had backlog of USD 427 million under its client contracts.

Drilling & Workover Services

Offshore & onshore drilling & workover services leased at operating day rates

Through our fleet of nine offshore Through our fleet of nine offshore legacy jack-up drilling rigs, three onshore rigs and a team of experienced and highly-skilled employees, we currently provide offshore drilling and workover services in Egypt and the KSA, specialising in shallow-water and non-harsh environments, and onshore natural gas drilling and workover services in Algeria.

Recently, we entered into agreements which have enabled us to exclusively market newly-built offshore jack-up rigs and extend our service offering to deepwater drilling services, without significant associated capital expenditure (See “New Initiatives in 2017 – Asset-Light Model”).

MOPU Services

Mobile offshore platform equipped with production and process facilities in conjunction with an FSO (used as a storage unit)

We launched our mobile offshore production unit (“MOPU”) services in February 2016 with the deployment of Admarine I in the Gulf of Suez, Egypt. Admarine I is a modified jack-up rig that has been converted into an integrated MOPU and for Floating Storage and Offloading (“FSO”). MOPUs typically offer shorter lead times and a lower upfront investment cost than alternatives, as they comprise existing units which are modified rather than built from scratch. We currently provide MOPU services to Petrozenima, which encompass crude oil processing, storage and offloading into crude oil tankers.

Jack-up Barge & Project Services

Offshore jack-up barge used to provide offshore support services to GUPCO

We provide a wide range of marine tasks and offshore support services, including offshore accommodation, with Admarine II, our jack-up barge located in the Gulf of Suez in Egypt. We also provide equipment and construction support related to well intervention and other projects such as Well Servicing Platform Maintenance. Admarine II is currently chartered to the Gulf of Suez Petroleum Company (“GUPCO”) at a daily rate.

Other Services

Accommodation, catering and equipment rental to its offshore rig clients

ADES provides auxiliary oilfield services, such as accommodation and catering to our offshore rig clients onboard our units. We also rent out any necessary equipment which has not been provided by clients under any existing contracts.

New Initiatives in 2017 – Asset-Light Model

While ADES has a proven track record of offering exceptional value for money within its primary focus in shallow, non-harsh environments, the Company has extended its reach into deepwater drilling and new-build rigs in Egypt, while retaining its low-cost model through strategic agreements.

The agreements will enable us to generate additional revenue and expand the Group's portfolio of services, without incurring the significant capital expenditure associated with its new services, in line with our asset-light model.

Deepwater Drilling Services

Service: Deepwater Drilling
Introduced: November 2017
Location: Egypt

In November 2017, ADES' subsidiary, ADES S.A.E entered into a long-term JV agreement with a subsidiary of Vantage Drilling International which will see ADES operate Vantage's deepwater drilling units in Egyptian waters on a bareboat charter agreement basis. Discussions are currently underway with regional operators as the JV aims to capture opportunities amid significant discoveries and prospective drilling programme in Egypt's Mediterranean basin. The JV will operate on a profit-sharing basis and ADES will have exclusive marketing rights in Egypt.

New Build Offshore Jack-up Drilling

Service: Jack-up Drilling Rigs (including high-specification rigs)
Introduced: March 2017
Location: Egypt

In March 2017, ADES signed term sheets with leading Southeast Asian parties, enabling ADES to exclusively market new-build offshore jack-up rigs, including high specification rigs, with the goal of securing new business throughout Egypt. Subject to the execution of client contracts, the parties will enter into lease agreements for the respective rigs with the option for ADES to purchase the rig during the term of the lease at a pre-determined price.

Our Fleet

We entered the offshore services market in 2007 and have since significantly grown our offshore rig fleet, primarily through acquisition and refurbishment of legacy rigs. Onshore, we have grown our fleet through the purchase of new-build rigs. As at 31 December 2017, we had a fleet of 10 jack-up offshore drilling rigs (including one jack-up barge), three onshore drilling rigs and a MOPU, complete with an FSO.

ADES' entire fleet is certified by the American Bureau of Shipping ("ABS"), a renowned classification society that is relied on by the global oilfield services industry for certifying the operational capability and safe management of offshore drilling rigs. This certification is a crucial component of the Group's successful pre-qualification status with oilfield operators.

Fleet Evolution

	2012	2013	2014	2015	2016	2017
MOPU	0	0	1	1	1	1
Jack-up Barge & Projects	1	1	1	1	1	1
Offshore Jack-up Rig	1	3	3	5	9	9
Onshore Rig	0	0	0	1	2	3

We create value for E&P players in the MENA region through our constantly evolving portfolio of services and expanding fleet. In 2017, we increased our reach into the onshore drilling space in Algeria with the acquisition of ADES 1, bringing the total number of onshore rigs in Algeria to three.

Acquisitions During 2017

ADES 1

Fleet Type: One Onshore Drilling Rig
Date of Acquisition: March 2017
Location: Egypt

The Group acquired its third onshore rig, ADES 1, from AMAK on 30 March 2017, for which the Group is currently awaiting results of ongoing tenders in Algeria. The rig was manufactured in 2007.

PSAs Signed During 2017

Nabors 655, Nabors 656, Nabors 657[5]

Fleet Type: Three Offshore Drilling Rigs
Date of Acquisition: (PSA signed in Dec. 2017)
Location: KSA

In December 2017, the Group signed a purchase and sale agreement with Nabors Drilling International II Limited to acquire three operating offshore jack-up rigs, currently contracted by a major national oil company in the Arabian Gulf, for a total purchase price of USD 83 million. The Transaction is expected to close after the fulfilment of the conditions precedent, as outlined in the purchase and sale agreement, including the renewal of its existing multi-year drilling contract terms.

[5] *PSA signed - not yet finalised*
[6] *Does not include the three offshore rigs for which the group signed the purchase and sale agreement in December 2017, as the deal is expected to be finalised in 2018*

Fleet List as of 31 December 2017[6]

Fleet	Type	Date of Acquisition	Year of Manufacture	Max. Working Water Depth (ft)
Egypt				
Admarine I	MOPU	2014	1982	150
Admarine II	Jack-up barge	2004	1983	150
Admarine III	Jack-up rig	2012	1974	250
Admarine IV	Jack-up rig	2013	1976	307
Admarine V	Jack-up rig	2013	1981	250
Admarine VI	Jack-up rig	2015	1976	250
Admarine 88	Jack-up rig	2016	1974	350
Admarine VIII	Jack-up rig	2015	1981	300
KSA				
Admarine 261	Jack-up rig	2016	1979	250
Admarine 262	Jack-up rig	2016	1982	250
Admarine 266	Jack-up rig	2016	1979	250
Algeria				
Ades 2	Onshore drilling	2015	2016	n/a
Ades 3	Onshore drilling	2016	2016	n/a
Ades 1	Onshore drilling	Q1 2017	2007	n/a

Our Markets

The Oil and Gas Industry

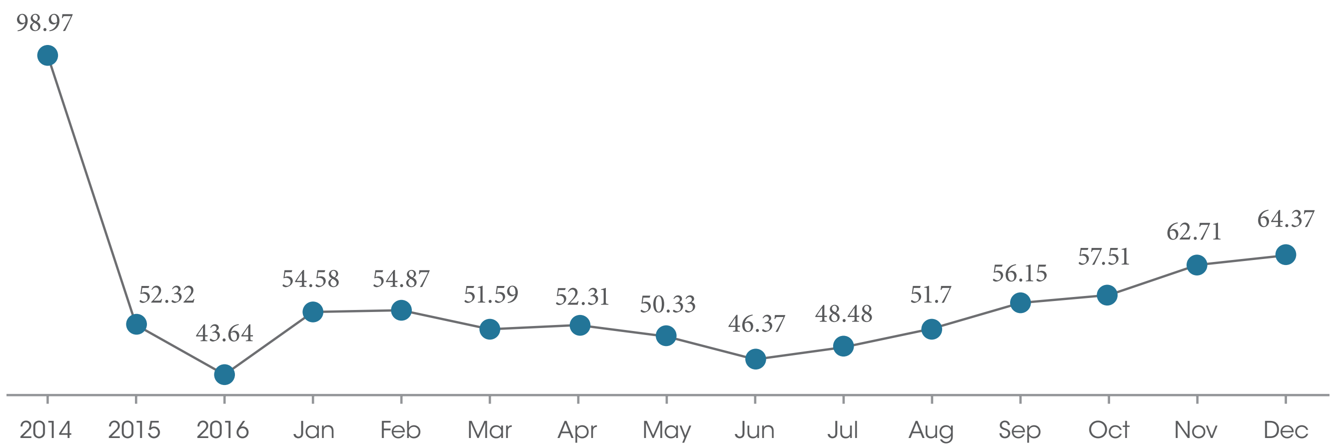
The petroleum industry has entered a period of dynamic change during the current decade in terms of both supply and demand. The potential for growth in demand for liquid fuels is focused on the emerging economies of China, India, and the Middle East, while liquid fuels demand in the United States, Europe, and other countries with well-established oil markets seems to have peaked.

After three turbulent years in the oil and gas sector, confidence in the industry's recovery has improved substantially on the back of rising global oil prices. The oil market regained traction during the second half of 2017, as production limits imposed by the Organization of Exporting Countries ("OPEC") helped support the global oil price recovery.

The Dated Brent oil price averaged USD 54.15 per barrel ("bbl") in 2017, up more than USD 10/bbl from USD 43.73/bbl in 2016, representing a year-on-year growth of 24%. In January 2018, the price rallied to a high of USD 71.28/bbl, the first time Brent crude had exceeded the USD 60/bbl mark since the end of 2014.

Oil remained the world's leading fuel in 2017, accounting for a third of global energy consumption and gained global market share for the second year in a row, following 15 years of declines from 1999 to 2014. With the average economic and population growth expected to be higher across non-OECD regions over the next two decades, most of the growth in world liquid fuels consumption through to 2040 is expected to come from non-OECD regions.

Brent Crude Price (USD/bbl)



Source: U.S. Energy Information Administration

Note: Calculated by EIA from daily data by taking an unweighted average of the daily closing spot prices for a given product over the specified time period

Capital expenditure ("CAPEX") in global oil production fell to USD 200 billion in 2016 from an all-time high of c. USD 520 billion in 2014, as companies increasingly tried to scale back investments to conserve cash[7]. With the recovery of oil and gas prices in 2017, the industry is cautiously optimistic. Strict discipline over CAPEX expenditure is expected to continue in the oil and gas sector, with many E&P companies maintaining cost control measures through 2018. McKinsey & Company estimates drilling activity will rebound to its 2014 levels by 2021.

While income and population growth are expected to heavily influence the demand for energy, downward pressure on economic growth and falling energy intensity is expected to partially offset associated increases in energy consumption driven by favorable demographics.

During the downturn in offshore drilling activity, oversupply became a significant concern for the rig market, despite the efforts of owners to remove units from the marketable fleet through cold stacking and scrapping. However, demand now appears to be increasing in line with oil prices, with the number of active rigs increasing from 306 in 2016 to 318 in 2017.

[7] *Source: McKinsey & Company Insights*

Global Jack-up Rig Demand (No. of Rigs, end) and Utilisation Rates (%)

Total	2015	2016	2017	2018f	2019f
Demand	350	306	318	342	383
Working Utilisation	74%	64%	66%	71%	75%

Source: Clarksons Research

Utilisation of the combined jack-up and floater fleet stood at 67% at the start of February 2018, a four percentage point increase on the historical low seen a year before. By 2019, utilisation is expected to reach 75%, with the number of active jack-ups projected to increase by a Compound Average Growth Rate ("CAGR") of 9.7% between 2017 and 2019 to 383 jack-up rigs[8].

Jack-up Rig Utilisation Rates (%) by Region as at December 2017

Global	Med/Casp	Middle East	NW Europe	N. America	Asia Pacific	S&C America	West Africa
65%	82%	74%	65%	55%	60%	33%	47%

Source: Clarksons Research

TThe rig count in the Middle East has increased over the long term and while the number of active rigs deployed in the region has decreased each year since 2014, such decreases have been less dramatic than in other regions. The Middle East was the only region where there were more active jack-up rigs deployed in 2017 than there were in 2008.

Contracted Rigs (No. of Rigs, end) by Region

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018f	CAGR ('09 '17)
North America	82	57	59	68	75	85	65	39	36	34	-10%
Latin America	18	18	15	15	10	12	12	12	7	4	-11%
Sub-Saharan Africa	25	18	18	25	27	25	22	13	6	10	-16%
Northwestern Europe	34	28	32	38	42	45	52	44	29	30	-2%
Med/Casp/Black Sea	32	31	27	25	27	32	31	25	28	25	-2%
Middle East	118	118	114	118	133	152	148	146	142	142	2%
Asia Pacific	69	73	78	86	90	104	100	71	58	73	-2%
Worldwide	**382**	**346**	**346**	**379**	**406**	**457**	**432**	**350**	**306**	**318**	**-3%**

Source: Clarksons Research

[8] *Source: McKinsey & Company Insights*

Where We Operate

Egypt

7 offshore drilling rigs
1 MOPU

Producing 678.5 thousand bbl per day in 2017, Egypt is a significant non-OPEC oil producer (the largest in Africa) and refiner. According to the BP Statistical Review of World Energy report for 2017, Egypt's proven reserves stood at 3.5 billion bbl, maintaining the country's position as the holder of the sixth-largest proven oil reserves in the African continent. Its strategic location is valuable for global energy markets, as it serves as a major transit route for oil shipped from the Persian Gulf to Europe and the US, through the operation of the Suez-Mediterranean ("SUMED") Pipeline and the Suez Canal. The country benefits from low production costs and a relatively large volume of both onshore and offshore oil and gas fields. Egypt is by far the largest offshore oil and gas producing country in the Mediterranean by volume, with its activities mainly concentrated in the Egyptian Mediterranean/Nile Delta Basin and the Gulf of Suez.

One of the major factors in Egypt's evolving energy sector has been the rise in consumption, which in turn has put pressure on the country's status as a net exporter. However, significant oil and gas discoveries have been made in recent years, with the most significant being ENI's Zohr discovery in 2015. Zohr has an estimated 30,000 billion cubic feet (bcf) of reserves and is the largest gas field in the Mediterranean Sea to date. Production in the field commenced in December 2017, bringing the total production of natural gas to 3.4 million tons in December 2017, up from 2.7 million tons in December 2016.

In Egypt, ADES is a market leader in drilling and related services in the Gulf of Suez, where it was the largest offshore driller as of 31 December 2017 in terms of the number of offshore jack-up rigs employed. Our clients include leading international oil companies, such as BP and ENI, as well as the Egyptian General Petroleum Company ("EGPC"), Egypt's national oil company. In 2016, we launched our MOPU service in Egypt, which was first of its type in the country.

KSA

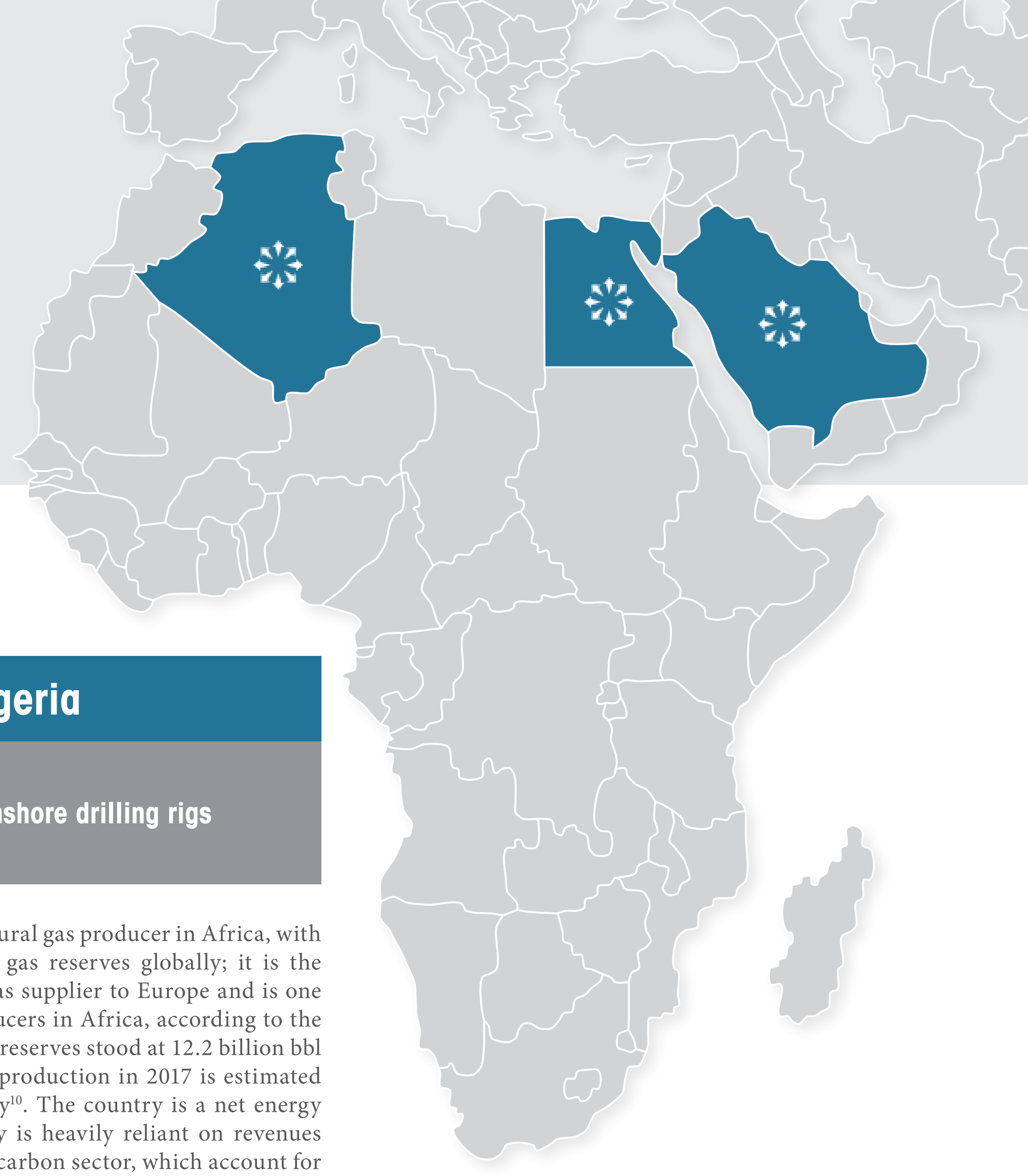
3 offshore drilling rigs

KSA possesses around 22% of the world's proven petroleum reserves and ranks as the largest global exporter of petroleum. Its oil and gas sector accounts for approximately 50% of its GDP, and 85% of its export earnings. In 2016, KSA produced 12.4 million bbl per day, or 40% of total Middle East oil output[9]. The country had the Middle East's largest oil, gas and petrochemicals market in the 2011-2016 period, with a total of USD 69.4 billion worth of contracts awarded, accounting for over a quarter of the regional total.

The KSA rig market is also one of very few markets in the world where rig fixing activity has remained high through the downturn. Throughout 2015 and 2016, numerous rig fixtures were entered into by the Saudi Arabian Oil Company (Aramco), the national petroleum and natural gas company of KSA, mainly for long term contracts (with a typical average contract duration of approximately 3 years). The KSA has set ambitious production growth targets both for oil and gas, aiming to grow production by 20-30% for the longer term. High growth targets, combined with a large share of production coming from drilling-intensive legacy assets, could lead to continued strong demand for offshore drilling in the country. If KSA increases production in line with indicated longer-term goals, this would likely necessitate strong growth in the country's active rig count.

The KSA has tentatively planned an IPO for Aramco in the next two years. The IPO is expected to make Aramco the world's most valuable listed company and will likely have far-reaching effects for the global oil and gas market and related services sectors.

In late 2016, ADES launched operations in the KSA with the acquisition of three legacy offshore rigs operating under contract. These acquisitions have enabled ADES to enter as a key player into the KSA and the wider GCC region's oil and gas services market. We currently have 319 employees based in the KSA and serve high profile clients including Aramco. Our prequalification with Aramco is expected to facilitate the expansion of services we can offer in the Kingdom and across other lucrative GCC markets.



Algeria

2 onshore drilling rigs

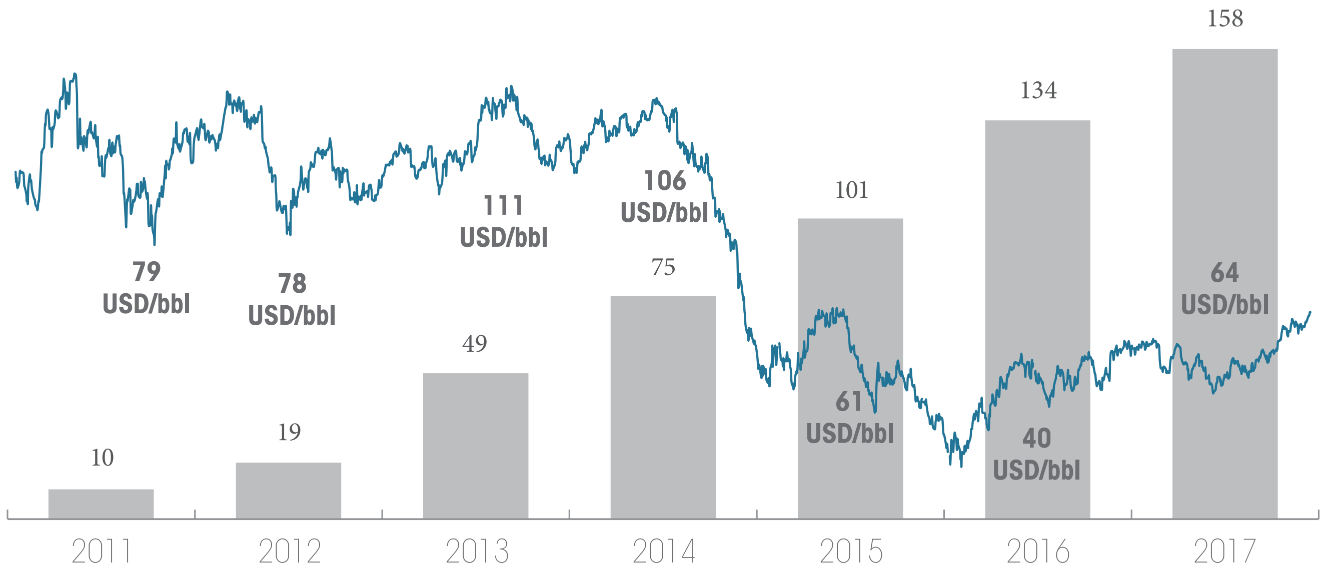
Algeria is the leading natural gas producer in Africa, with the 11th largest natural gas reserves globally; it is the second-largest natural gas supplier to Europe and is one of the top three oil producers in Africa, according to the EIA. Algeria's proven oil reserves stood at 12.2 billion bbl in 2016 and its daily oil production in 2017 is estimated at 1.7 million bbl per day[10]. The country is a net energy exporter whose economy is heavily reliant on revenues generated from its hydrocarbon sector, which account for about 30% of the country's GDP, more than 95% of export earnings, and 60% of budget revenues.

ADES expanded its operations to Algeria in 2015, where we currently have three onshore new-build rigs (with two currently under contract) and around 50 employees. As a natural gas-centric market, we provide onshore natural gas drilling and workover services to our Algeria-operating clients, which includes SH-FCP (an ENI JV with Sonatrach operating in Algeria) and Groupement Sonatrach AGIP (an ENI subsidiary JV with Sonatrach).

[9] *U.S. Energy Information Administration*
[10] *Ibis*

STRATEGY & BUSINESS MODEL

Cycle-Proof Business Model



Focus on low-cost production areas such as MENA

MENA drilling activity remains higher due to lower break-even prices than the global average

Focus on workover drilling & maintenance

Focus on workover drilling and maintenance, mainly constituting OPEX, which is typically less cyclical than CAPEX

No deals on speculation

Assesses potential acquisitions through two methods:

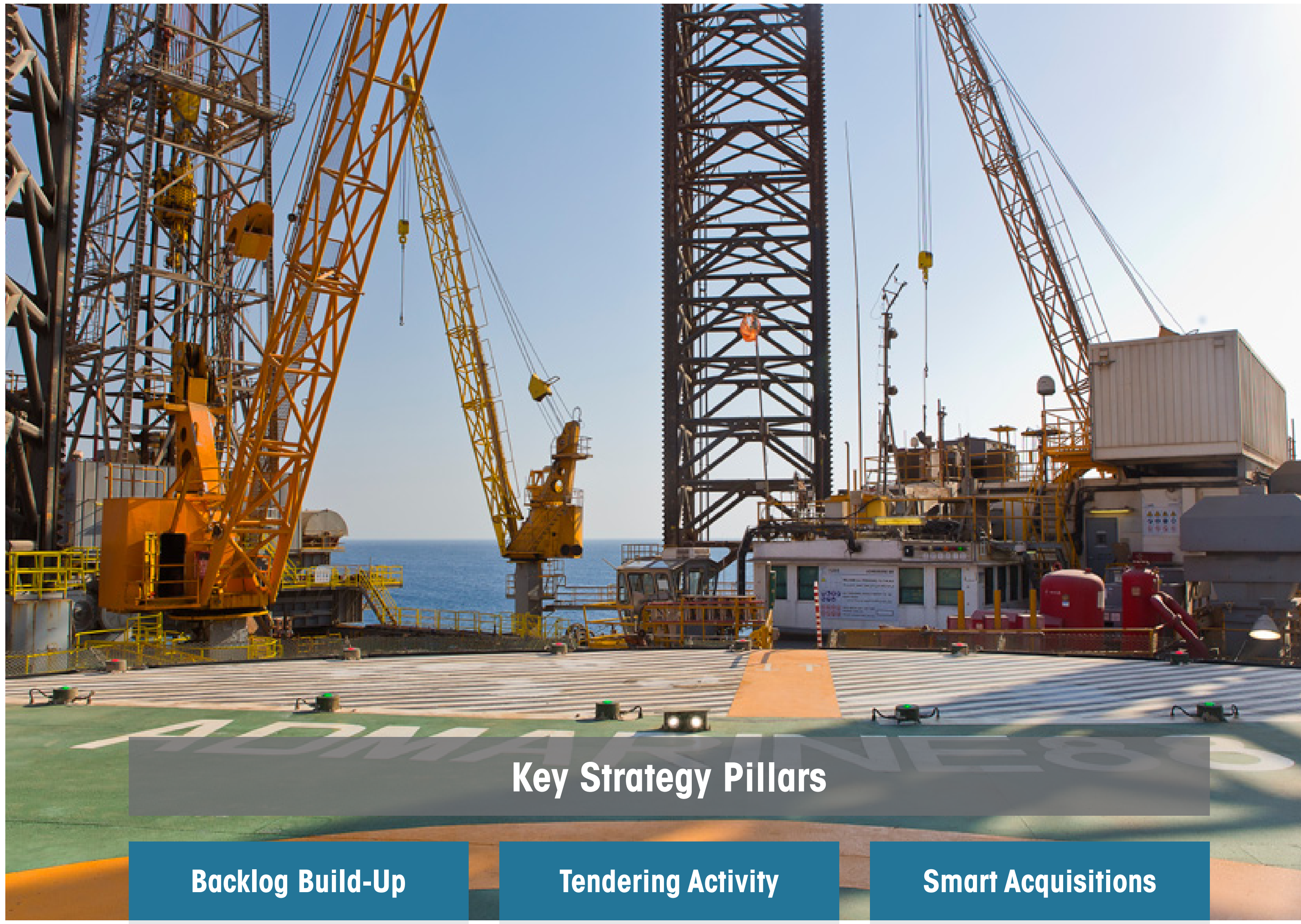
- Buy-to-Contract Model – Securing the contract before finalising the acquisition of the asset
- Contract Acquisition Model – Acquiring chartered assets with ongoing contracts

Backlog management

Maintaining backlog at 2x net debt – ensuring maintenance of a minimum level of liquidity to pay contractual obligations at all times

Our Strategy

Our ability to deliver strong operational results is underpinned by our three-pillar strategy, including the build-up of our backlog through contract extensions and renewals, significant participation in tender activity to increase our market share in existing and new markets, and targeting smart acquisition opportunities. Execution of this strategy is made possible thanks to our lean cost structure, operational excellence, impeccable safety record and robust balance sheet.



Key Strategy Pillars

Backlog Build-Up

ADES proactively manages its backlog though contract extensions and renewals. Execution of this strategy is made possible on the back of our strong client relationships, operational excellence and impeccable safety record

Tendering Activity

ADES has been actively participating in tenders across its existing portfolio of services in new markets in addition to its existing markets

Smart Acquisitions

We leverage our robust balance sheet position and strong relationships with our stakeholders, from rig owners and brokers to regulators and banks to execute smart, accretive acquisitions that provide various synergies

1. Backlog Build-Up

ADES' commitment to our clients, our ability to provide tailored services and our exemplary safety record has allowed us to maintain long-term relationships with high-profile local and international energy companies. ADES has continually demonstrated its ability to secure new awards and extend existing contracts with high-profile clients, which is testament to the effectiveness of our business model.

Contract Awards in 2017

Rig	Country	Date of Acquisition	Contract Term	Optional Extension	Expected Start Date
Admarine III	Egypt	2016	2 years	2 years	Q4 2017
Admarine 88	Egypt	2016	3 months	3 months	H1 2018
Admarine VIII	Egypt	2016	6 months	3 months	H1 2018

ADES has renewed or extended all of its contracts which expired during 2017, underlining our success in proactively managing our backlog though contract extensions and renewals.

Renewals and Extensions during 2017 / Early 2018

Fleet List	Country	Date of Acquisition	Previous Expiry	Renewal/Extension Term	Prior Renewals
Admarine II	Egypt	2004	Dec-17	3 months	4 renewals
Admarine IV	Egypt	2013	Dec-17	6 months	4 renewals
Admarine V	Egypt	2013	June-17	1 year	3 renewals
Admarine VI	Egypt	2015	Mar-18	2 years	2 renewals

2. Tendering Activity

In line with our successful expansion into Algeria and KSA in 2015 and 2016 respectively, ADES is scaling up its operations in existing and new markets through increased participation in a substantial pipeline of active tenders across the region. As of 31 December 2017, ADES was actively participating in several tenders in existing and new markets.

Our pre-qualifications give us the ability to remain highly active in the MENA oilfield services market and prospective clients have increasingly invited us to bid on on- and offshore tenders across the region.

3. Smart Acquisitions

ADES' management consistently seeks, creates and efficiently executes value-accretive transactions for legacy assets. Between 2011 and 2017, we have grown our fleet from one jack-up barge to 12 offshore rigs, a MOPU and 3 onshore rigs by the end of 2017.

Acquisition Criteria

- Located in the MENA Region
- Accretive to Group Share Value
- Onshore/Offshore Rigs
- Present Synergies

Our ability to obtain legacy assets at attractive prices is underpinned by the comprehensive market intelligence gained from our relationships with multiple stakeholders—including rig owners, brokers, regulators and banks. ADES is consistently seeking opportunities to acquire assets in good condition, often put up for sale by distressed sellers, that have the potential to enhance margins and financial returns. Our ability to swiftly act on these opportunities due to our streamlined decision-making process and track record of acquisitions during the last few years has allowed us to outpace competition in auction processes and achieve attractive pricing.

Acquisition Strengths

- Market intelligence
- Robust relationships with stakeholders
- Streamlined decision-making process
- Close-out deals in minimal timeframe

In December 2017, ADES signed a purchase and sale agreement with Nabors Drilling International II Limited, a subsidiary of Nabors Industries Ltd ("Nabors") for three operational jack-up rigs located in the KSA for a total purchase price of USD 83 million, payable in combination of cash and ADES shares. Once completed, the acquisition will bring the number of our offshore rigs under contract in the Arabian Gulf to six, further cementing our position as a major low-cost operator of offshore drilling rigs in the region. The PSA also provides for the rigs' existing drilling contracts with a major client to be transferred to ADES.

The rigs, which have each been in continuous service for more than 10 years, making them among the most in-demand assets in the region, have recently been refurbished, with five-year inspections already implemented on two rigs and the third due in 2018.

Business Model

Our success lies in our ability to deliver superior services while maintaining low OPEX and CAPEX in an industry that is typically associated with high expenses and significant fixed capital requirements – allowing us to deliver consistent financial and operational growth against a challenging and cyclical sector backdrop.

Key Components of Our Success

Business Function | Success Factors | ADES' Edge

Asset acquisition and supply chain

Market Intelligence
Relationships
Liquidity

- Focus on legacy assets for offshore drilling resulting lower upfront CAPEX
- Comprehensive market intelligence and strong relationships with rig owners, brokers, regulators and banks
- Streamlined decision-making process, enabling ADES to act swiftly on opportunities
- Strong liquidity and ability to repay contractual debt obligations

Refurbishment and/or maintenance of assets

Technical Capabilities
Manpower

- In-house maintenance and technical support team, benefitting ADES through:
  - Greater control over maintenance programme from time and cost perspective, eliminating third-party embedded profit margins
  - Reduced downtime as maintenance can be performed without having to idle the rigs

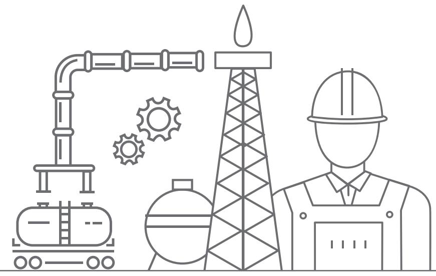
Marketing and Contract Procurement

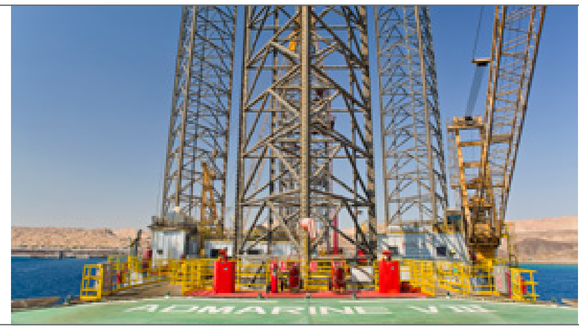
Market Intelligence
Strong Reputation
Attractive Pricing

- Strong reputation in the MENA region with international and national E&P players
- Low cost-base allowing for attractive pricing
- Continuous pre-qualification with key operators in current and target markets
- Thorough evaluation of opportunities in current and target markets

Operation of Assets

Manpower
Training
Safety





- Focus on low-risk, non-harsh shallow water environments
- Predominantly local workforce paid in local currency against USD-denominated revenues, minimising OPEX
- Focus on workover drilling and maintenance which is less cyclical than CAPEX-phase work
- Exemplary safety performance, with an RIFR of 0.41, below the IADC worldwide standard rate of 0.56 as of 31 December 2017

Asset Acquisition and Supply Chain

A key pillar of ADES' strategy is to expand its fleet through the smart acquisitions. This has typically involved the acquisition of legacy assets from distressed buyers.

As part of the initial asset appraisal system, the Asset Acquisition team is responsible for determining the required refurbishment scope, time and cost of target acquisitions.

The Asset Acquisition team works with a network of vendors and brokers to identify potential assets ideally suited to the contracts that the Group has been awarded. This is performed in parallel with the contract bidding process. The Asset Acquisition team assesses rigs from a technical and financial standpoint and carries out physical inspections to verify their technical compliance.

Offshore rigs are typically purchased and refurbished at a fraction of the price paid for new rigs with similar characteristics and features, allowing ADES to minimise upfront CAPEX and achieve attractive financial returns on its assets.

Acquisition of Legacy Offshore Assets

Acquisitions & associated refurbishment cost c. 20-50% of the price of similar new rigs

% of Ref. Price[11]	Asset Acquired	
34%	2004	Admarine II
22%	2012	Admarine III
16%	2013	Admarine IV
22%	2013	Admarine V
52%	2014	Admarine I
29%	2015	Admarine VI
23%	2015	Admarine 8
18%	2016	Admarine 88
29%	2016	Admarine 261, 262, 266

[11] *Reference prices for Admarine I, II, III, IV, V and VI as of July 2015, Admarine 8 as of November 2015, Admarine 88 as of December 2015 and Admarine 261, 262 and 266 as of August 2016*

Refurbishment and Operational Maintenance of Assets

ADES' in-house refurbishment and maintenance team provides it with an advantage over its peers – as none of its key competitors maintain an in-house refurbishment team – and is core to its successful business model. By keeping maintenance and refurbishment in-house, ADES exercises greater control over its maintenance programme from a time and cost perspective.

The refurbishment team plays a vital role in identifying and screening new rigs and estimating the required capital needed at the time of rig acquisitions. The department conducts the majority of the reactivation work required on any acquired rigs, further lowering upfront CAPEX and eliminating most third party embedded profit margins.

Unless a rig requires significant steel and metal replacement or refurbishment work, the team can be mobilised to perform maintenance at the rigs without having to idle them, thus reducing their downtime and boosting their utilisation.

Refurbishment & Maintenance Team	Functional Overview
Mechanical	• Provides technical support and maintenance for the unit's mechanical systems • Handles & supervises all overhaul worked internally or externally • Provides support to all major projects • In-house training for all units' mechanical teams
Power Generation	• Provides technical support and maintenance for the unit's electrical teams and maintenance of electrical system • Handles and supervises all overhaul work and repairs of electrical equipment in external workshops • Provides support to the major projects • In-house training for all of the unit's electrical teams
Well Control	• Monitors and controls well control equipment to assure that fleet and associated activities are maintained and repaired in accordance to international regulations and standards • Provides technical support to all major maintenance projects
Electrical	• Provides technical support and maintenance for the unit's electrical teams and maintenance of electrical system • Handles and supervises all overhaul worked and repairs of electrical equipment in external workshops • Provides support to the major projects • In-house training for all of the unit's electrical teams
Preventative Maintenance	• Ongoing preventative maintenance and repair work to keep the rigs in solid operational condition • Prepares maintenance data package for all new units, reviews and updates the PM system work instructions in accordance with the OEM & technical bulletins. • In-house training for whole team

Marketing/Contract Procurement

The build-up of our current backlog through contract extensions and renewals is another of our key pillars. ADES is always on the lookout for opportunities to bid for new contracts, at the same time as maintaining strong client relationships to help ensure the renewal of existing contracts.

The Marketing department is responsible for constantly analysing and evaluating opportunities in the Group's current and target markets. Once the feasibility and attractiveness of an opportunity has been determined, ADES will formally enter the bidding process.

The Marketing department is also actively involved in gaining pre-qualification status with major clients in target markets with the aim of ensuring that ADES is able to react swiftly when a lucrative opportunity presents itself.

ADES' Pre-Qualifications

June 2014	Algeria
November 2014	Iraq
June 2015	KSA
February 2016	India
April 2016	Mexico
March 2017	Kuwait & KSA Neutral Zone
October 2017	Gulf of Guinea
November 2017	Ghana
November 2017	Bahrain
December 2017	UAE

Operation of Assets

The key to our continued exceptional service offering is our focus on prioritising client satisfaction. Our Quality Management and Control department utilises a comprehensive assessment programme with five key review pillars which are continuously monitored to ensure consistency in our quality of service across all of our contracts.

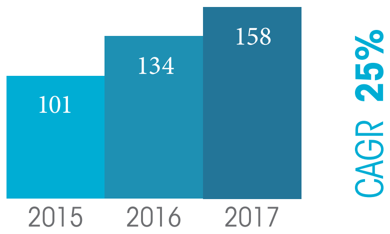
Operational Assessment

Safety Review	• Forms the foundation of the operational assessment and is considered the most important aspect of the operations • Our safety assessment measures the number of major incidents and first-aid occurrences that required the intervention of medical professionals
Employee Turnover	• ADES is committed to promoting from within and to implementing employee retention programmes aimed at retaining its talented employees • Annual and monthly turnover per rig are used to assess employee satisfaction across all levels of the organisation
Performance Review	• The performance of each rig is measured against its respective client's drilling and workover programme. • Slippage is measured on a continual basis to ensure that no significant deviation results in negative feedback from clients • Feedback forms are received on a monthly basis from clients
Financial Assessment	• Rigs are treated as stand-alone financial centres and are benchmarked against their planned budget and forecasted operational cost • Metrics measured include cost overrun and revenue generated vs. budget
Client Relationships	• Strong client relationships are critical to ensure continuity of contracts – many of which are renewed regularly • Monthly feedback reports received from clients are regularly submitted by rig managers for assessment and approval to our HQ staff • Each rig also has a client representative on board who is responsible for monitoring and directing any new developments in ongoing drilling and workover programmes

PERFORMANCE

Financial Key Performance Indicators

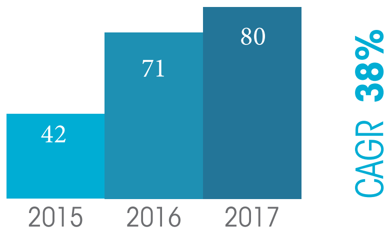
Revenue (USD MN)



Definition
Total revenue from the operation of offshore and onshore assets for clients, in addition to other sources, including catering services and projects income.

Comments
Revenue growth was driven by the full-year impact of drilling and workover operations in the KSA, our MOPU operations in Egypt and our onshore drilling operations in Algeria.

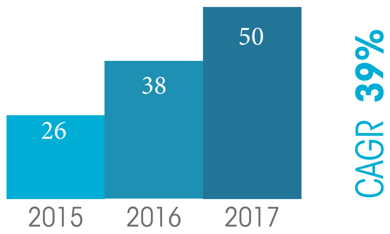
Adjusted EBITDA (USD MN)



Definition
Operating profit for the year before depreciation and amortisation, employee benefit provision and other provisions and impairment of assets under construction.

Comments
Growth in adjusted EBITDA is driven by capitalising on significant economies of scale at the administrative level, further enhanced by the devaluation of the Egyptian Pound.

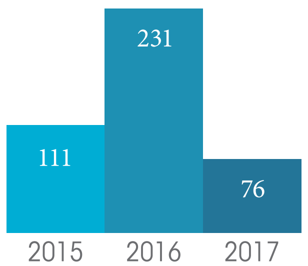
Normalised Net Profit (USD MN)



Definition
Net Profit for the year before the one-time IPO expense of USD 5.1 million during 2017.

Comments
Normalised net profit growth was driven by the combination of the ramp-up in our revenues, economies of scale and the November 2016 devaluation of the Egyptian pound. Additionally, we reviewed and revised the estimated useful life of our rigs, from 15 years to 27 years, further strengthening our bottom-line.

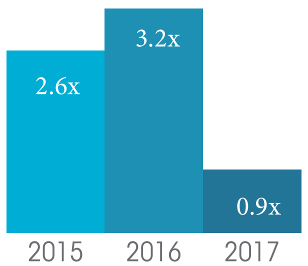
Net Debt (USD mn)



Definition
Total interest-bearing loans and borrowings minus cash and cash equivalents.

Comments
The significant fall in net debt was mainly driven by the settling the current portion of our long-term loans (CPLTD) and the growth in our cash & cash equivalents.

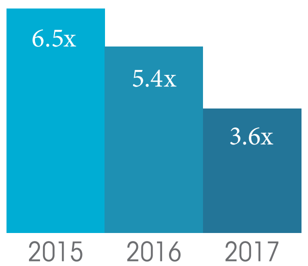
Net Debt to Adjusted EBITDA (x)



Definition
Net Debt as of 31 December 2017 divided by adjusted EBITDA.

Comments
Net debt to adjusted EBITDA fell significantly in 2017 as a result of the considerable fall in ADES' net debt combined with growing EBITDA due to the scale-up of operations.

Interest Coverage (x)

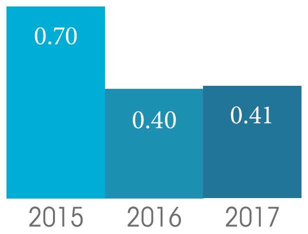


Definition
Operating profit divided by interest expenses for the same period. Used to determine how easily a company can pay their interest expenses on outstanding debt.

Comments
While our interest coverage ratio decreased between 2015 and 2017, it remains significantly high, signifying our ability to service our debt obligations within the near future.

Operational Key Performance Indicators

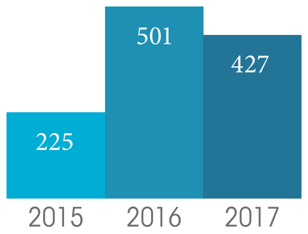
RIFR (200,000 man hours)



Definition
Recordable injuries divided by total working hours.

Comments
ADES is committed to complying with its HSE Management System resulting in an RIFR which is maintained at significantly below the IADC worldwide standard rate of 0.56 as of 31 December 2017.

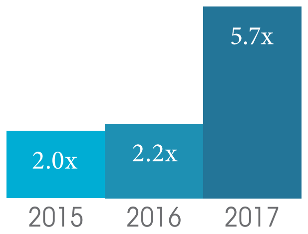
Backlog (USD MN)



Definition
The total amount payable to ADES during the remaining term of an existing contract plus any optional client extension provided for in such contract.

Comments
Backlog growth in 2016 was the result of the employment of new rigs in Algeria and KSA while our backlog in 2017 reflected the realisation of value from contractual agreements with the addition of new contract awards and renewals, which continue to refill the backlog.

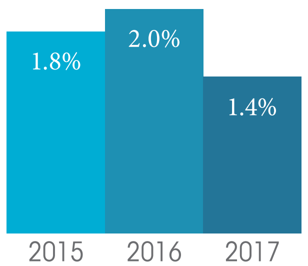
Backlog to Net Debt (x)



Definition
ADES' total backlog divided by net debt. We aim to maintain a ratio of 2x backlog to net debt to ensure we can sufficiently cover outstanding debt commitments.

Comments
Our backlog to net debt position was boosted significantly in 2017 by the considerable drop in net debt. ADES believes that our backlog and net debt exceeds sufficient relative levels.

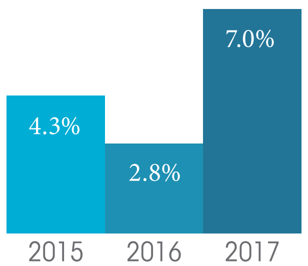
Rig Downtime



Definition
Total non-productive operating time for rigs in operations divided by total available hours for rigs in operation.

Comments
Rig downtime decreased due to strong in-house rig maintenance capabilities and efficient inventory management, enabling ADES to achieve its clients' drilling programmes.

Workforce Turnover (%)



Definition
Refers to the number or percentage of workers who leave an organisation and are replaced by new employees.

Comments
We have been increasingly successful in retaining our top employees due to the development of employee retention programmes by ADES' HR recruitment division.

Business Review

Income Statement

Summary Income Statement (USD '000)	2017	2016	% change
Revenues	**157,590**	**134,116**	**17.5%**
Gross Profit	79,267	70,843	11.9%
Gross Profit Margin	50.3%	52.8%	-2.5 pts
Adjusted EBITDA[12]	**80,318**	**72,227**	**11.2%**
Adj. EBITDA Margin	51.0%	53.9%	-2.9 pts
Net Profit[13]	**44,574**	**38,013**	**17.3%**
Net Profit Margin	28.3%	28.3%	0.0 pts
Normalised Net Profit	**49,637**	**38,013**	**30.6%**
Normalised Net Profit Margin	31.5%	28.3%	3.2 pts
Earnings per Share (USD)	**1.16**	**1.19**	**-3.0%**
No. of Shares	38,553,620[14]	31,900,000	

Revenue

Consolidated revenue grew 17.5% year-on-year from USD 134.1 million in 2016 to USD 157.6 million in 2017, with most of our growth attributed to the high utilisation of our employed rigs. Growth was also driven by the realisation of the full-year impact of drilling and workover operations of our three offshore rigs in the KSA (deployed in November 2016), our MOPU operations in Egypt through Admarine I (deployed in February 2016) and our onshore drilling operations in Algeria, through ADES 3 (deployed in October 2016).

Revenue by Country (USD '000)	FY2017	FY2016	% change
Egypt	82,298	108,502	-24%
KSA	53,738	11,552	365%
Algeria	21,554	14,062	53%
Total	**157,590**	**134,116**	**18%**

Revenue from Egypt fell by 24% year-on-year to USD 82.3 million in 2017 due to scheduled upgrade projects performed on Admarine II and Admarine VI during 2017. Although in absolute terms operations in Egypt made up the largest proportion of our business in 2017, its contribution fell 29 percentage points from 81% in 2016 to 52% in 2017 as we diversify our geographical revenue mix with increasing contributions from Algeria and KSA. Management will continue to expand its operations into new markets as an important strategy to reducing the financial risk of any significant economic or regulatory challenges faced in any of our markets.

Our operations in KSA have quickly become an important contributor to our total revenue after just one full year of operations. Revenues grew considerably from USD 11.6 million in 2016 to USD 53.7 million in 2017, representing a year-on-year growth of 365% and was the highest contributor to our top-line growth for the period. KSA's contribution to revenues grew by 25 percentage points to 34% in 2017, representing the impact of our three offshore rigs, Admarine 261, Admarine 262 and Admarine 266, which were deployed in the country in November 2016. Management expects KSA's contribution to further increase in the coming years, particularly as upgrade works on Admarine 261 and Admarine 266 were completed in 2017, with both rigs now expected to operate at higher utilisation rates. It is also worth noting that Admarine 262 is scheduled for upgrade projects in 2018.

Revenue from our operations in Algeria grew significantly between 2016 and 2017, from USD 14.1 million to USD 21.6 million and representing 14% of revenue in 2017. Growth was primarily driven by revenue generated from our third new rig addition, ADES 3, which came online in October 2016. ADES 3 generated revenues of USD 10.8 million in FY2017, up a significant 227.4% year-on-year compared to the USD 3.3 million recorded in FY2016.

[12] *Adjusted EBITDA - Operating profit for the year before depreciation and amortisation, employee benefit provision and other provisions and impairment of assets under construction*

[13] *Normalised Net Profit – Net Profit for the year before the one-time IPO expense of USD 5.1 million during FY2017*

[14] *Based on weighted average number of shares*

Revenue Contribution by Country	FY2017	FY2016	% change
Egypt	52%	81%	-29 pts
KSA	34%	9%	25 pts
Algeria	14%	10%	4 pts

Assets by Country & Type (as at 31 December 2017)	MOPU	Offshore Rig	Onshore Rig
Egypt	1	7	-
KSA	-	3	-
Algeria	-	-	3
Total Assets	**1**	**10**	**3**

Revenue by Segment (USD '000)	FY2017	FY2016	% change
Drilling & Workover	117,868	99,472	18%
MOPU	25,853	15,694	65%
Jack-Up Barge & Projects	9,901	14,593	-32%
Others	3,968	4,357	-9%
Total	**157,590**	**134,116**	**18%**

Drilling & Workover (75% of revenues in FY2017)

Drilling & Workover, which includes onshore and offshore drilling as well as workover services, is the Company's main source of revenue. ADES' focus on servicing clients in the development and production phases, particularly well maintenance and workover services, has allowed the Company to enjoy long-term, sustainable contracts in a sub-sector that is less susceptible to oil price fluctuations.

Drilling & Workover revenue grew by 18.5% year-on-year from USD 99.5 million in 2016 to USD 117.9 million in 2017. Despite its modest growth, this segment is the largest contributor to top-line growth due to its considerable contribution to ADES' revenue, which remained stable at 75% in FY2017 compared to the previous year.

Revenue growth in this segment was primarily driven by the full-year impact of new rigs which were deployed during the latter half of 2016. These included three offshore rigs, Admarine 261, Admarine 262 and Admarine 266 deployed in the KSA in November 2016 and the commencement of operations by ADES 3 in Algeria in October 2016.

MOPU (16% of revenues in FY2017)

MOPU services, which were launched in February 2016, generated USD 25.9 million in revenues in 2017 and recorded year-on-year growth of 64.7% during the period. We currently provide MOPU services, such as crude oil processing and storage, to Petrozenima through the deployment of Admarine I in the Gulf of Suez. The rig was production-ready in October 2016, allowing ADES to catch the full-year effect of production-related day rate additions during 2017. Its contribution to total revenue grew from 12% in 2016 to 16% in 2017.

Jack-Up Barge & Projects (6% of revenues in FY2017)

As part of its offshore services, ADES leases its offshore jack-up barge, Admarine II, which is currently leased to GUPCO in the Gulf of Suez area in Egypt. Additionally, ADES generates project revenue primarily from contracting fees charged for clients' outsourcing of various operating projects to third party personnel, including maintenance, construction and repair services. Revenue from the Company's Jack-Up Barge & Projects contributed a combined 6% to total revenue, recording USD 9.9 million in FY2017, down 32.2% year-on-year versus the USD 14.6 million recorded in FY2016. This decrease was partly attributed to planned upgrade works on Admarine II, leading the barge to be taken out of operation, as well as an overall decline in project activity during the year.

Others (3% of revenues in FY2017)

Other revenue includes catering revenue and the rental of essential operating equipment that the client has not supplied. Other revenue recorded USD 4.0 million in 2017, representing 2.53% of total revenues.

Gross Profit

Gross profit grew 11.9% year-on-year from USD 70.8 million in 2016 to USD 79.2 million in 2017. Our gross profit margin (GPM) fell by 2.5 percentage points, from 52.8% in 2016 to 50.3% in 2017. The slight contraction in our GPM is attributed to the launch of our operations in the KSA, where salary costs are higher than in Egypt. Management is actively implementing a plan to ensure more Saudi nationals are employed in the KSA over foreign nationals, ahead of our planned further expansion into the country.

Operating Profit

Operating profit for the year recorded USD 58.8 million in 2017, up 15.5% year-on-year from USD 50.9 million in 2016. Operating profit growth was driven by capitalising on significant economies of scale at the administrative level. As most of ADES' administrative staff are remunerated in local currencies while our revenue is predominantly USD-denominated, ADES' operating margin was further enhanced by the November 2016 devaluation of the Egyptian pound, with the Company maintaining administrative expenses as a percentage of revenue at 12%. This saw adjusted EBITDA increase by 11.2% year-on-year to USD 80.3 million in 2017 (USD 72.2 million in 2016), with an EBITDA margin of 51.0%.

Management also expects that the growth in our KSA operations as well as entry into new markets over the coming few years will allow ADES to benefit from economies of scale as we apportion our existing on-the-ground management and crew across a growing number of rigs without compromising on the quality and reputation of our services or safety of our employees.

Net Finance Charges

Our finance cost amounted to USD 16.6 million in 2017, representing a 75.5% year-on-year increase from USD 9.4 million in 2016. This was the result of the USD 55 million KSA syndication facility taken out in November 2016 to fund the acquisition of Admarine 261, 262 and 266.

In addition, ADES recorded a finance income of USD 7 million in 2017, representing a net-of-tax return from investing USD 120 million in Egyptian Treasury Bills; this effectively offset the increase in finance cost bringing net charges to USD 9.5 million in FY2017 in-line with FY2016 levels.

IPO-Related Expenses

One-time IPO expenses, in relation to the successful completion of ADES' IPO in May 2017, stood at USD 5.1 million.

Normalised Net Profit

Normalised net profit, which excludes the one-time IPO expense of USD 5.1 million, grew from USD 38.0 million in FY2016 to USD 49.6 million in FY2017. The ramp-up in revenues from ADES' entry into the KSA and our operations in Algeria, combined with improved economies of scale and the November 2016 devaluation of the Egyptian pound, resulted in the expansion of our normalised net profit margin of 3.2 percentage points to 31.5% in FY2017.

Balance Sheet

Assets

Total assets stood at USD 587.9 million as at 31 December 2017, representing a 47.4% increase year-on-year from USD 398.8 million as at 31 December 2016. Growth in our cash & cash equivalents, resulting from our May 2017 IPO, was the main attributor to asset growth during 2017. An increase in our net fixed assets, which grew from USD 290.7 million as at 31 December 2016 to USD 322.4 million as at 31 December 2017, was driven by capital expenditures related to upgrade works on ADES' rigs, as well as the acquisition of ADES 1 for USD 5 million. Accounts receivable increased from USD 50.8 million as at 31 December 2016 to USD 66.0 million as at 31 December 2017 resulting primarily from the growth in the Company's revenue. The Accounts receivables balance decreased by USD 5.3 million from USD 71.3 million as at 30 June 2017, demonstrating the positive trend in collections.

Liabilities

Noncurrent liabilities consist solely of the Company's long-term loans, which saw a decrease between 31 December 2016 and 31 December 2017 from USD 190.0 million to USD 155.8 million. The decline came as the Company settled the current portion of its long-term loans (CPLTD), amounting to USD 30.4 million as at 31 December 2016.

Current liabilities increased slightly from USD 103.9 million as at 31 December 2016 to USD 114.1 million as at 31 December 2017. The increase was due to a USD 5.2 million overdraft facility drawn by the Company as well as an increase in the CPLTD by USD 5.6 million associated with the Company's new KSA syndicated loan. Despite the substantial growth in the Company's operating costs, trade and other payables only increased slightly from USD 27.9 million in FY2016 to USD 31.2 million at the close of FY2017.

Net Debt decreased from USD 230.5 million as at 31 December 2016 to USD 75.5 million, mainly driven by the Company settling the current portion of its long-term loans (CPLTD), amounting to USD 30.4 million and the growth in our cash & cash equivalents.

Outlook

We expect 2018 to deliver continued organic growth from existing operations with the realisation of several of the Company's strategic efforts during 2017, including the commencement of new contracts and securing new tenders across the region. The Nabors acquisitions, once completed, will add to the Company's revenue and earnings, and as a result of the expected timing of completion, we expect overall Company revenues to be weighted materially towards the second half of the year.

In March 2018, we signed a USD 450 million syndicated credit facility, with participation from 11 multi-lateral, regional and local banks, to provide ADES with greater flexibility to pursue further acquisitions, in line with our post-IPO growth strategy of scaling up operations in existing and target markets. The Facility will also be used to refinance the Company's existing debt (which comprises two facilities maturing in 2020 and 2021) and to finance anticipated future working capital. The Facility, which was jointly arranged by the Bank of America Merrill Lynch and the European Bank for Reconstruction and Development, comprises three separate tranches, all of which have a five-year maturity and will carry an interest rate per annum of LIBOR plus 5%, broadly in line with the applicable rates on the Company's existing facilities.

Management is continually evaluating acquisition opportunities that meet ADES' criteria of being located in the MENA region, within our core line of business and which will provide accretive value to shareholders.

PRINCIPAL RISKS & MITIGATIONS

ADES' executive management, its Committees and its Board are actively involved in identifying, assessing, prioritising, monitoring and limiting the impact of any risks to the Company. This is revisited on a regular basis. Where applicable, risk mitigation measures are already inherent in ADES' primary business activities.

Risk management is essential to implementing the Group's strategy and delivering long-term value to its stakeholders. Going forward, we will continue to build on our existing risk mitigation framework and enhance our risk management and internal control systems across the business in line with changes to the UK Corporate Governance Code.

Risk	Description	Mitigation	Strategic pillars
1	The Company operates in the oil and gas industry, which may be negatively affected by volatile oil and natural gas prices	• The Company's operates in low-cost oil production markets, creating room to absorb margin pressure • The Company is currently focused on workover and maintenance activities, which are generally less sensitive to volatility in oil and gas prices	• Grow backlog • Active tendering
2	Rig upgrade and refurbishment projects, rig relocations and acquisitions of additional rigs are all subject to risks, including delays and cost overruns	• The Company's preferred strategy to acquire legacy assets under running contracts, which tend to require minimal to no refurbishment • As part of the Company's expansion plans, the Company may acquire higher specification rigs, drillships, or other assets which do not usually require upgrade or refurbishment	• Smart acquisitions
3	The contract drilling industry is highly competitive and cyclical, with periods of low demand and excess rig availability	• The Company operates in the MENA region, which had the highest rig utilisation rate globally at 74% (worldwide average was 64%) as at December 2017[15] • ADES minimises its operating expense through the utilisation of local workforce, allowing it to charge competitive day rates	• Grow backlog • Active tendering
4	ADES' business involves operating hazards, and its insurance and indemnities from the Company's clients may not be adequate to cover potential losses from its operations	• As an oil and gas service provider, ADES is committed to complying with the occupational HSE care standards. The Company maintains insurance policies, deploys detailed HSE management systems and runs continuous training and awareness programmes • To date, ADES achieved over 4.34 million man hours with a Recordable Injury Frequency Rate ("RIFR") (per 200,000 working hours) at 0.41, below the IADC worldwide standard rate of 0.56	• Adherence to our strict HSE Policy

[15] *Source: Clarksons Research – Offshore Drilling Rig Monthly (February 2018)*

Risk	Description	Mitigation	Strategic pillars
5	The Company relies on a relatively small number of clients and the loss of a significant client could have a material adverse effect on the Company	• The Company has forged and maintained strong client relationships through the provision of superior services, evidenced by the consistent extension and renewals of all contracts which expired in 2017 • The Company is looking into entering new markets through tendering activities across MENA	• Grow backlog • Active tendering
6	The Company has a significant level of debt, which could have significant consequences for its business and future prospects	• The Company has consistently maintained its backlog at 2x net debt	• Grow backlog • Active tendering
7	Businesses operating in the Middle East and Africa, ADES focus regions, are exposed to continued political and economic instability and social disorder	• The oil and gas industry in the MENA region is one of the primary sources of income for its members' respective governments, with measures typically imposed to protect the oil and gas industry, especially during periods of political or economic unrest • ADES mitigates this risk through diversifying its revenue pie into new markets across MENA to reduce the risk of adverse business in any markets in which it operates	• Active tendering
8	The countries in which the Company operates or plans to operate may face significant economic and regulatory challenges. For example, the Egyptian economy may be subject to the risk of continued high and increasing inflation due to the devaluation of the Egyptian Pound and recovery in GDP growth rates as economic reforms continue to be implemented	• Egypt, which represents c. 50% of the Company's revenues, has demonstrated significant progress in restoring and maintaining confidence from the international community with Standard and Poor's (S&P) and Fitch Ratings raising Egypt's sovereign rating outlook to 'positive' from 'stable' in November 2017 and January 2018, respectively • Active tendering into new markets across MENA as well as accelerate expansion outside Egypt, will enable ADES to diversify its revenue sources, should regulations in any of its current markets affect the Company's business	• Active tendering

SUSTAINABILITY REPORT

Company Policies

To ensure that our employees have a safe and rewarding work experience and that our activities positively impact the communities in which we operate, ADES is implementing policies that will bring the Company in line with international environmental, health and safety ("EHS") standards, including EBRD performance requirements.

Labour and Working Conditions

Our human resource ("HR") policies specifically prohibit the use of child labour and endorse equal opportunity in the workplace. Special regulations prohibit discrimination of any kind and assure equal treatment on the basis of age, disability, gender, religion and beliefs, nationality, marital status, race and political views.

As a Company, we also intentionally hire individuals with special needs with the goal of ensuring that they compose at least 5% of our workforce. To guarantee safe and healthy work environments, ADES adheres to international hygiene and safety standards and conducts regular inspections of our workplace conditions.

To provide employees with a safe and effective channel for raising concerns and address problems as efficiently as possible, ADES has updated it workers' grievance process. Workers can submit complaints through the grievance form located online or directly to their line manager, HR manager, or the recently appointed corporate social responsibility ("CSR") manager.

Promoting Healthy Living

ADES has also organised a special initiative to promote an active and healthy lifestyle among its employees. The Company has built a state-of-the-art gym on its premises and organised a dedicated crossfit training programme. Additionally, ADES has launched a campaign to raise awareness about the importance of maintaining a healthy diet and lifestyle.

Community Impact and Stakeholder Engagement

According to ADES' policies, no land acquisition will be carried out that could result in physical or economic displacement of communities. The Company also takes steps to verify with operators at the onset of a contract that no activities will result in communities' economic displacement.

Furthermore, our HR department, in partnership with our CSR manager, is committed to ensuring that stakeholders are engaged in our work and that their input is integrated into operating procedures. To ensure that operations have a positive impact on communities, we also incorporate volunteer and charitable work into our business plan.

Sustainability Report

To further our contribution to the communities in which we work and ensure that our operations have a net positive impact on the environment, ADES plans to issue its first sustainability report encompassing its activities during the 2017 financial year by the end of 2018.

Corporate Social Responsibility

ADES recognises corporate citizenship as one of its core values and always seeks to ensure that our work benefits the communities in which we work. In particular, we provide support to charitable organisations, and our employees donate time, money, and talents to support various initiatives focused on food access, education and other areas.

The Aljoud Foundation

The Aljoud Foundation is a nongovernmental organisation focused on social, food and educational initiatives. Since the foundation's inception, ADES has donated both money and volunteer hours to a wide range of initiatives. In 2017, ADES collected donations from its employees to support Aljoud's activities with low-income families throughout Egypt during the holy month of Ramadan.

Providing Power to El-Heiz Village

In 2017, ADES donated funds and resources to an initiative led by the Rotaract Club of Cairo Royal to provide El-Heiz Village with solar power as a reliable and efficient energy source. Located near El Bahariya Oasis on the ancient trade route to El Farafra Oasis, El-Heiz Village consists of 17 communities with a combined population of 3,500 people. Until recently, the village had extremely limited access to electricity, with the sole source of power being a single diesel generator that only operated for three hours each day.

Supporting Social Initiatives

Every year, ADES provides financial donations and assistance to a variety of initiatives designed to help those in need. In the past, ADES has participated in the following initiatives:

- Providing financial support to low-income families
- Sponsoring orphaned girls to live independent lives
- Providing medical support for people in need in the form of paying for medical appointments, surgeries, and medical equipment and prosthetic devices necessary to treat chronic conditions
- Distributing meals and food boxes during Ramadan; organising a corporate charity day in Ramadan
- Distributing clothing and blankets to homeless people in winter
- Funding literacy classes, subsidising school expenses and distributing school supplies
- Supporting the Egyptian paralympic weight-lifting team in local and international competitions

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

Corporate Governance Statement

Whilst as a company with a listing on the standard listing segment of the Official List, the Company is not required to comply with the requirements of the UK Corporate Governance Code issued by the Financial Reporting Council ("FRC"), as amended from time to time (the "Governance Code"), the Board acknowledges the importance of good corporate governance and has adopted a corporate governance framework which voluntarily complies with many aspects of the Governance Code that the Board considers appropriate, taking into account the size of the Company and nature of its business. The Governance Code can be found on the FRC's website at www.frc.org.uk.

Throughout the financial year ending 31 December 2017, ADES has been in compliance with the provisions set out in the Governance Code with the exception of the following: 1) Code provision C.3.6, which requires that the Audit Committee monitor and review the effectiveness of the internal audit activities. As the Company was listed in May 2017, the Audit Committee is currently in the process of implementing a framework where it will regularly monitor and review the effectiveness of our internal audit function, the annual internal audit plan, all reports from the internal auditor and the management's responsiveness to any findings or recommendations of the internal auditor. This will include (but will not be limited to regular meetings with the internal auditor and the management during 2018 onward to discuss any issues or concerns arising from the internal audits and 2) Code provision B.6.1, which requires the board to state in the annual report how performance evaluation of the board, its committees and its individual directors has been conducted. As the Company was listed in May 2017, this provision will be implemented in 2018. However, the Board believes that the mix of skills, experience, age and length of service is appropriate to the requirements of the Company.

Board of Directors

Board of Directors – Solid Leadership

Ayman Mamdouh Abbas
Chairman
Appointed: 22 May 2016

Previous Experience
Mr. Abbas has been a member of the Company's board since its inception. He has held management positions in the oil and gas industry since 1998, when he co-founded and served as managing director and board member of the Egyptian Chinese Drilling Company (ECDC). Mr. Abbas has been chairman of ADES Group in 2003 and has played a key role in transforming the company into a regional player. He was also a board member of Advansys Systems, a group focusing on the provision of solutions for the oil and gas industry. Beyond oil and gas, Mr. Abbas has led investments in industries including real estate, trading and commercial representation, food and agriculture, and control and automation engineering. He was previously Managing Partner at Invensys for Engineering and Services Egypt, a joint venture established in 2004 with Invensys Systems (IES), a FTSE 100 company focusing on outsourcing technology and engineering services worldwide. Mr. Abbas was also Managing Partner of financial investment firm Compass Capital and a partner at 10th of Ramadan for Pharmaceutical Industries and Diagenetic Reagents (Rameda) SAE. In 2015, he assumed the role of Chairman of the Board for Advansys Engineering Service & Consultancy.

Education
BA in Business Administration - American University in Cairo, Egypt

Dr. Mohamed Farouk
Managing Director and Chief Executive
Appointed: 22 May 2016

Previous Experience
Dr. Farouk has been a member of the Company's Board since its inception and has served as Chief Executive Officer since 2012, during which time he has led the Company's expansion into new markets and services as ADES transforms into a leading international rig operator. Dr. Farouk joined the Group from Invensys Operations Management (IOM), a FTSE 100 company, where he was most recently Senior Vice President for Global Delivery and Operations based in Texas. He served earlier with Invensys as Director of Invensys Global Engineering Excellence Centres in Egypt, India, China and Argentina, prior to which he was the General Manager of Invensys Engineering and Services in Egypt. He began his career in 1991 as a Project Engineer at ConiSys Egypt, a provider of control and instrumentation systems technology.

Education
PhD in Systems Engineering and Control - Case Western Reserve University - Ohio, USA
Associate Professor of Electrical Engineering - Cairo University, Egypt

Independent Director | Audit Committee | Remuneration Committee | Nominations Committee

Nabil Kassem
Non-Executive Director
Appointed: 1 March 2017

Previous Experience
Mr. Kassem is currently the Managing Director of Private Equity, at Gulf Capital; the Founder, CEO and Managing Partner of excellenceO2 and the Executive Chairman, Founder and CEO of Optimind Corporation. From 2000 to 2005, Mr. Kassem was Vice President of Global Sales for Schlumberger Oilfield Services and the Vice President and General Manager for the Middle East & Asia Pacific region for Schlumberger Information Solutions. He later assumed the role of VP and Managing Director at Invensys Operations Management for the MENA and Asia-Pacific regions, after which he established his industrial consulting firm, Optimind. Parallel to his work at Optimind, Mr. Kassem founded excellenceO2, an operations consultancy serving clients across a number of industries. In 2011, Mr. Kassem joined Gulf Capital in 2011 and holds a number of directorships.

Education
BS in Mechanical Engineering - Birmingham University, UK
M.Eng in Control Systems – Sheffield University, UK
Diploma – Sloan School of Management, UK

Ulf Henriksson
Non-Executive Director
Appointed: 1 March 2017

Previous Experience
Mr. Ulf Henriksson brings to the Board a wealth of experience in industrial products and markets. He was most recently the President and Chief Executive Officer of Dematic Group, the global engineering and logistics company operating in 35 countries, where he served from April 2012 to November 2016. During his tenure at Dematic, Mr. Henriksson delivered equity investors a return of 7.5x following their divestment to KION Group in 2016. From 2005, Mr. Henriksson spent six years as CEO of Invensys plc. He was also previously a Board Member of Hexagon AB from 2007 to May 2013 and senior advisor to TPG Capital from September 2011 to December 2012.

Education
BA in Economics and Marketing – University of Lulea, Sweden
Masters in Engineering – University of Lulea, Sweden

Mohamed Walid Cherif
Non-Executive Director
Appointed: 1 March 2017

Previous Experience
Mr. Cherif is Managing Director and Co-Head of Credit at Gulf Capital and has over 20 years of experience in international finance across emerging markets, including in his role as the Head of the NBK Capital Mezzanine Fund, where he was responsible for overall operations and made a number of mezzanine investments in companies in the Middle East and Turkey. Mr. Cherif also spent more than nine years at the World Bank Group's International Finance Corporation in Washington, D.C, Dubai and Istanbul.

Education
MBA - George Washington University, United States
BA in Business Administration - Institut Supérieur de Gestion, University of Tunis III, Tunisia

Yasser Hashem
Non-Executive Director
Appointed: 1 March 2017

Previous Experience
Mr. Hashem has been Managing Partner of Zaki Hashem & Partners, Attorneys at Law, since 1996, where his primary areas of expertise include corporate, M&A, capital markets and telecommunications law. In more than 27 years of professional practice, Mr. Hashem has advised on corporate structure and restructuring for both foreign and domestic companies and continues to provide counsel to foreign and domestic investors on the most efficient structures through which to do business in Egypt. Mr. Hashem has been lead counsel on numerous M&A and capital market transactions, a number of which are among the largest to have taken place in Egypt in recent years. Mr. Hashem was admitted before the Egyptian Court of Cassation in 2007.

Education
L.L.B. - Cairo University's Faculty of Law
BA in Business Administration - Institut Supérieur de Gestion, University of Tunis III, Tunisia
Member of the Egyptian Society of International Law and the Licensing Executive Society.

Directors' Report

Board Composition

Name	Position	Nationality	Appointment Date
Ayman Abbas	Executive Chairman	Egyptian	22 May 2016
Dr. Mohamed Farouk	Managing Director	Egyptian	22 May 2016
Nabil Kassem	Independent Board Member	Canadian	1 March 2017
Ulf Henriksson	Independent Board Member	Swedish	1 March 2017
Mohamed Walid Cherif	Independent Board Member	Tunisian	1 March 2017
Yasser Hashem	Independent Board Member	Egyptian	1 March 2017

Board composition, roles & independence

ADES' Board of Directors consists of six members, including the Chairman, Ayman Abbas, the Managing Director, Dr. Mohamed Farouk and four Non-Executive Directors. This is consistent with the Governance Code which recommends that at least half of the Board of directors of a UK-listed company, excluding the Chairman, should comprise Non-Executive Directors determined by the Board to be independent in character and judgment and free from relationships or circumstances which may affect, or could appear to affect, the director's judgment. The membership of the Board and biographical details for each of the Directors are incorporated into this report by reference and appear on pages 49-50.

The role of the Board is to develop and cultivate the value, ethics and culture of ADES, set the Company's strategic goals and ensure that the necessary resources are in place to effectively meet its set goals. The Board is also responsible for the assessment and establishment of the necessary controls to effectively manage the Company's risk. The Board monitors the performance of the business and management against its strategic objectives with the ultimate objective of creating and delivering shareholder value.

The Board considers that a diversity of skills, experience, knowledge and perspective is required in order to govern the business effectively. The Board and its Committees are dedicated to ensuring that the composition of its members have the right balance of skills and experience necessary in their respective roles to lead the organisation in accordance with the highest standards of governance.

The Board has formally adopted a Board charter to assist directors in fulfilling their responsibilities. It details the functions and responsibilities of the Board and the Board Committees and the matters specifically reserved for the Board. It covers the scope of the Board's authority, strategy and management.

Mr. Abbas was appointed as the Executive Chairman of the Company on its incorporation in the DIFC on 22 May 2016. Prior to this, he served as Chairman of ADES Group since 2003 and has played a key role in transforming the Company into a regional player. Mr. Abbas does not meet the independence criteria set out in the Governance Code, however, the Board believes that Mr. Abbas's extensive experience in the oil and gas industry as well as across the Company's business, justifies the Company's departure from the independence guidelines outlined in the Governance Code. The Executive Chairman is responsible for ensuring that all Directors actively contribute to the determination of the Company's strategy in addition to chairing the Board meetings and ensuring their appropriate agendas.

The Chairman ensures that the directors of the Board are continuously updated with information on the Company's performance through periodic reports and presentations and through regular updates via mail or telephone.

The Governance Code recommends that the roles of the Chairman and Chief Executive should not be exercised by the same individual. ADES complies with this recommendation through a clearly established division of responsibilities between Mr. Abbas and the Company's CEO, Dr. Mohamed Farouk, who is also an Executive Director on the Board. While the Chairman is responsible for the leadership and effectiveness of the Board, the Chief Executive Officer is responsible for the day-to-day management of the Company and implementation of its strategy, developing proposals for Board approval and ensuring that a regular dialogue with shareholders is maintained.

In line with the Governance Code, at least half of the Board, excluding the Chairman, comprises independent, Non-Executive Directors. The Non-Executive Directors bring with them an external perspective to the Board's decision-making process and strategy. Their range of international experience ensures their constructive challenging and unique insight into the development of potential strategies. The Directors' independence ensures their ability to scrutinise the management's execution of its planned strategies. The Board's four Non-Executive Directors, Mohamed Walid Cherif, Nabil Kassem, Yasser Hashem and Ulf Henriksson were each appointed on 1 March 2017. Each appointment is for an initial term of three years, subject to being re-elected as director at each AGM. The Board recommends the re-election of Mohamed Walid Cherif, Nabil Kassem, Yasser Hashem and Ulf Henriksson as Non-Executive Directors of the Company and resolutions approving the re-election of these directors are being proposed at the AGM to be held in 2018.

Between its listing date and 31 December 2017, there have been no changes to the Board's composition.

Board Committees

As envisaged by the Governance Code, the Board has established an Audit Committee, a Remuneration Committee and a Nomination Committee to assist in its decision-making. The members of the Committees are members of the Board and are appointed by the Board. Each Committee is required to produce regular reports on its deliberations, findings and recommendations and has its own terms of reference[16] which are approved by the Board. Details on the composition of each Committee are set out below.

Committee	Chairman	Members
Audit Committee	Nabil Kassem	Yasser Hashem Mohamed Walid Cherif
Remuneration Committee	Dr. Mohamed Farouk	Nabil Kassem Mohamed Walid Cherif
Nomination Committee	Ayman Abbas	Dr. Mohamed Farouk Ulf Henriksson Mohamed Walid Cherif Nabil Kassem

Audit Committee

The Audit Committee is appointed by the Board and consists of a minimum of three non-executive Board members. The current members of the Audit Committee are Nabil Kassem, Yasser Hashem and Mohamed Walid Cherif. The chairman of the Audit Committee is Nabil Kassem, who was appointed by the Board for a period of one year.

Under its terms of reference, the Audit Committee is required to meet at least four times and hold a meeting with the external auditors at least once a year without the presence of any executive member. There was 1 formal Audit Committee Meeting during 2017 to review the half-year results as the Company was listed in May 2017. The Committee's latest meeting took place on 18 March 2018 to review and approve ADES' annual results, in line with its plan fulfilling its minimum meeting requirement during the year according to the Governance Code. During the meeting, the Audit Committee discussed the significant issues related to the consolidated financial statements, as identified by our External Auditors. For more details, please refer to the Independent Auditor's Report on page 68.

For details of the Audit Committee's role, function and responsibilities, please refer to the Report of the Audit Committee beginning on page 58.

Remuneration Committee

The members of the Remuneration Committee are appointed by, and act at the discretion of, the Board and consists of a minimum of two members of the Board. The current members of the Remuneration Committee are Dr. Mohamed Farouk, Nabil Kassem and Mohamed Walid Cherif.

Under its terms of reference, the Remuneration Committee is required to meet at least once a year and is responsible for reviewing and approving, on behalf of the Board, the amount and types of compensation to be paid to each member of the Board and executive management. During 2017, the Remuneration Committee did not meet. While the terms of reference of the Remuneration Committee state that this Committee should meet at least once a year, the Directors considered that no meeting of the Remuneration Committees was required in 2017 as the relevant matters were approved prior to the constitution of the Committee.

For details of the Remuneration Committee's role, function and responsibilities, please refer to the Report of the Remuneration Committee on page 62.

[16] *The terms of reference for each of the Audit Committee, Remuneration Committee and Nomination Committee are available on the Company's website: http://investors.adihgroup.com/*

Nomination Committee

The Nomination Committee is appointed by the Board and consists of a minimum of two Non-Executive Board members. The current members of the Nomination Committee are Ayman Abbas, Dr. Mohamed Farouk, Ulf Henriksson, Mohamed Walid Cherif and Nabil Kassem.

The main responsibilities of the Nomination Committee are reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and making recommendations with regard to any changes as well as succession planning for both Executive and Non-Executive Directors.

Under its terms of reference, the Nomination Committee is required to meet twice per year or as often as its Chairman deems appropriate. During 2017, the Nomination Committee did not meet. While the terms of reference of Nomination Committee state that this Committee should meet at least twice a year, the Directors considered that no meeting of the Nomination Committees was required in 2017 as the relevant matters were approved prior to the constitution of the Committee.

For details of the Nomination Committee's role, function and responsibilities, please refer to the Report of the Nomination Committee beginning on page 60.

Meeting Calendar for 2017

Name	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Annual General Meeting												
Board Meetings				✓	✓				✓		✓	
Audit Committee									✓			
Remuneration Committee												
Nomination Committee												

Meeting & Committee attendance

Name	Position	Board Meetings	Audit Committee	Remuneration Committee	Nominations Committee
Ayman Abbas	Executive Chairman	4	N/A	N/A	-
Mohamed Farouk	Chief Executive Officer	4	N/A	N/A	-
Mohamed Walid Cherif	Independent Board Member	4	1	-	-
Nabil Kassem	Independent Board Member	4	1	-	-
Yasser Hashem	Independent Board Member	4	1	N/A	N/A
Ulf Henriksson	Independent Board Member	4	N/A	N/A	-
Total Meetings Held		**4**	**1**	-	-

N/A – Not applicable (non-member)

Meetings and attendance

The Board meets to review the Company's strategic and financial performance and schedules other meetings necessary to fulfill its role, including the review of potential investments, JVs and agreements, and financing arrangements. During the year, the Directors held 4 Board meetings and 1 meeting of the Audit Committee. While the terms of reference of the Remuneration Committee state that this Committee should meet at least once a year, the Directors considered that no meeting of the Remuneration Committees was required in 2017 as the relevant matters were approved prior to the constitution of the Committee. Additionally, while the terms of reference of Nomination Committee state that this Committee should meet at least twice a year, the Directors considered that no meeting of the Nomination Committees was required in 2017 as the relevant matters were approved prior to the constitution of the Committee.

The Board is supplied with regular and timely information concerning the activities of the Company in order to enable it to exercise its responsibilities and control functions in a proper and effective manner. All the Directors have access to the advice and services of the Group's General Counsel and are able to seek independent advice from an external advisor at the Company's expense in line with the Company's internal procedure for seeking such advice if they consider it necessary in the furtherance of their duties to do so.

Under the Governance Code, the Board is required to evaluate its performance on an annual basis, which will commence in 2018. The Board believes that the mix of skills, experience, age and length of service is appropriate to the requirements of the Company. The Board monitors the requirement to refresh the Board. The entire Board retires and stands for re-election annually at the AGM and resolutions approving the re-election of each member of the Board are being proposed at the next AGM to be held in 2018.

Shareholder Engagement

As a newly listed Company admitted only in May 2017 to the London Stock Exchange, we are committed to effective and open communications with our shareholders. Whilst our Chairman assumes overall responsibility for communication of shareholder views to the Board, investor relations activities are primarily handled by the CEO and CFO with the support of a dedicated investor relations team.

We communicate on a regular basis with our shareholders as well as liaise with them on an ad-hoc basis as and when questions arise. We utilise a combination of presentations, group calls and one-on-one meetings to discuss our interim and full year results with stock market participants. In the intervening periods meetings are held with existing and prospective shareholders, analysts and brokers, to update them on our latest performance or to introduce them to the Company and provide all parties with a better understanding of how we manage our business.

The Annual General Meeting will be used as an opportunity to communicate with all shareholders. In addition, financial results are posted on the Company's website, investors.adihgroup.com, as soon as they are announced. The Notice of the Annual General Meeting is also available on the Company's website, investors.adihgroup.com. It is intended that the Chairmen of the Nomination, Audit and Remuneration Committees will be present at each Annual General Meeting.

Significant Shareholders

As at 31 December 2017, the following persons held or are expected to hold an interest which represents 3.0 per cent or more of the voting share capital of the Company:

		As at the Latest Practicable Date
Name	**No. of Ordinary Shares**	**As a percentage of total Ordinary Shares in issue**
ADES Investments Holding Limited	27,446,772	65.04%

ADES Investments Holding Ltd (ADES Investments) is owned 67% by Intro Investments Holding Ltd (which is owned by the Abbas family) and 33% by Sky Investments Holding Ltd (which is owned by the Hussein family). Accordingly, on 8 May 2017, the Company entered into a relationship agreement with ADES Investments (the "Relationship Agreement"), which regulates the degree of control that ADES Investment and its respective associates may exercise over the management of the Company and ensures compliance with the independence provisions set out in the Listing Rules. Under the terms of the Relationship Agreement, for so long as ADES Investment remains a Significant Shareholder, then it shall have the right to nominate one director of the Company.

Internal Controls

The Board acknowledges its responsibility for establishing and maintaining the Company's system of internal controls. This system is designed to identify, evaluate and manage the significant risks, including material, financial, operational and compliance, to which the Company is exposed. Our system of internal controls embodies the following key features:

- A clear strategy outlined and implemented by the Board
- A clear organisational structure and delegation of authority
- Our Code of Conduct based upon ADES' core values
- Financial planning including annual budgets, quarterly reviews and five-year forecasting
- Oversight and approval of projects and/or contract awards either through executive management and/or, where required on major projects, the Board
- Oversight and approval of asset acquisitions either through executive management and/or, where required on major projects, the Board

There are various policies and procedures which embed regulatory requirements into the daily operations of the Group such as the Anti-Corruption and Bribery Policy, Ethics Policy, Insider Information and Disclosure Policy, Procedure for Directors taking independent Advice, Related Party Transaction Policy and Share Dealing Code.

ADES manages much of its risk throughout its day-to-day operations with internal benchmarks and strategy guidelines, which include, but are not limited to, the following:

- Operating in low-cost oil production markets, creating room to absorb margin pressure
- Focusing on workover and maintenance activities, which are generally less sensitive to volatility in oil and gas prices
- Maintaining an asset-light model by primarily acquiring legacy assets which require minimal to no refurbishment
- Acquiring assets either after its associated tender is awarded or already attached to running contracts
- Maintaining our backlog at 2x net debt to ensure a minimum level of liquidity to pay our contractual obligations at all times

The Audit Committee supports the Board in the performance of its responsibilities by reviewing those procedures that relate to risk management processes and financial controls. As the Company was listed in May 2017, the Audit Committee is in the process of implementing a framework where it will regularly consider the reports of the internal audit function and the external auditor and will report to the Board on such matters as it feels should be brought to the Board's attention as well as review of the effectiveness of the Company's accounting system, internal audit and internal controls. This framework was integrated during the review of our 2017 full-year results, where the Audit Committee met on 18 March 2018 to review and approve ADES' annual results and discuss the significant issues related to the consolidated financial statements, as identified by our External Auditors. For more details, refer to the Independent Auditor's Report on page 68.

The Directors, having reviewed the effectiveness its system of internal financial, operational and compliance controls and risk management, consider that the system of internal controls operated effectively throughout the financial year and up to the date the financial statements were signed.

On behalf of the Board

Dr. Mohamed Farouk
Chief Executive Officer

Ayman Abbas
Executive Chairman

Report of the Audit Committee

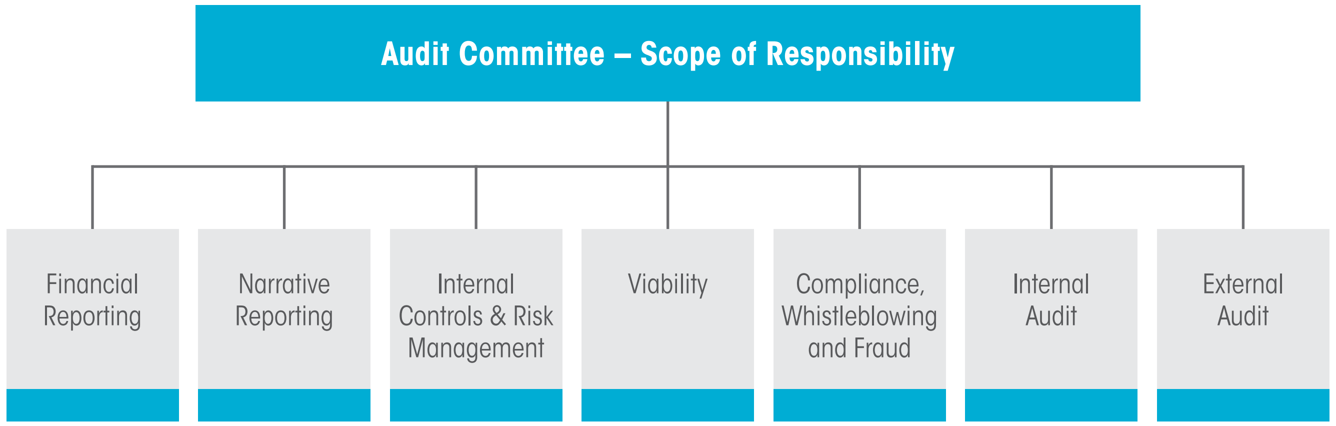
Audit Committee Members

Chairman
Nabil Kassem

Members
Mohamed Walid Cherif
Yasser Hashem

Our role

The role of the Audit Committee is to monitor the integrity of our financial statements as well as any formal announcement relating to ADES' financial performance, review our established internal financial controls and monitor and review the effectiveness of our internal function. The Audit Committee is also responsible for establishing written procedures for the appointment of any external auditor, assisting the Board through recommendations in relation to the appointment, re-appointment and removal of our external auditor as well as reviewing and monitoring the external auditor's independence and objectivity, taking into consideration relevant UK professional and regulatory requirements.



External audit

The Company's external auditor is Ernst & Young Middle East (Dubai branch), who were appointed on 16 March 2017. The external auditors conduct their work in accordance with International Accounting Standards.

The Audit Committee discusses any problems and reservations arising from the interim and final audits, and any matters the external auditor may wish to discuss (in the absence of management where necessary) and to assist in the resolution of any disagreements or difference between the external auditor and management. Prior to each audit, the Committee will discuss with the external auditors the nature and scope of the audit and reporting obligations. For more details, please refer to the Independent Auditor's Report.

The Committee is primarily responsible for making recommendation to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of the external auditor. The Committee will regularly review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with the applicable standards. The Committee is also responsible for developing and implementing a policy on engaging the external auditor should the Company require non-audit services.

Internal audit

As the Company was listed in May 2017, the Audit Committee is currently in the process of implementing a framework where it will regularly monitor and review the effectiveness of our internal audit function, the annual internal audit plan, all reports from the internal auditor and the management's responsiveness to any findings or recommendations of the internal auditor, ensuring that there is open communication between the different functions and that the internal audit plan is aligned to the business's key risks.

The Audit Committee is also in the process of implementing a framework where it will hold regular meetings with the internal auditor and the management from 2018 onwards to discuss any issues or concerns arising from the internal audits. To assess the audit effectiveness, meetings will be held between the Audit Committee and management to discuss the performance of the internal auditor without him being present. The head of internal audit will also be given the right of access to the chairman of the Board and to the Committee.

Financial reporting

Prior to its submission to the Board, provided that such monitoring and review is not inconsistent with any requirement for prompt reporting under the Disclosure Guidance and Transparency Rules, the Audit Committee is responsible for monitoring and discussing with management the integrity of our financial statements, including annual and half-yearly reports, preliminary results announcements and any formal announcements relating to ADES' financial performance, reviewing and reporting to the Board significant financial reporting issues and judgments which they contain having regard to matters communicated to it by the external auditor. Where the Audit Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board.

The Audit Committee also reviews summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price-sensitive nature.

The Audit Committee has reviewed the Annual Report and the Accounts. In its opinion, taken as a whole, they are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance.

Audit Committee attendance and meetings

Under its terms of reference, the Audit Committee is required to meet at least four times and hold a meeting with the external auditors at least once a year without the presence of any executive member. There was 1 formal Audit Committee Meeting during 2017 to review the half-year results as the Company was listed in May 2017. The Audit Committee's latest meeting took place on 18 March 2018 to review and approve ADES' annual results, in line with its plan fulfilling its minimum meeting requirement during the year according to the Governance Code. During the meeting, the Audit Committee discussed the significant issues related to the consolidated financial statements, as identified by our External Auditors. For more details, please refer to the Independent Auditor's Report on page 68.

On behalf of the Board

Nabil Kassem
Chairman of the Audit Committee

Report of the Nomination Committee

Nomination Committee Members

Chairman
Ayman Abbas

Members
Dr. Mohamed Farouk
Ulf Henriksson
Mohamed Walid Cherif
Nabil Kassem

Our role

The role of the Nomination Committee is to regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) required of the Board and to make recommendations for changes (if any) as well as succession planning for both Executive and Non-Executive Directors. The Nomination Committee identifies and nominates key personnel and senior management for the Company, keeping under review the leadership needs of the Company, both Executive and Non-Executive, with the shared goal of maintaining a solid leadership ADES to compete effectively in the marketplace, maximise efficiency and sustain its growth trajectory.

Name of Director	Date of appointment	Notice period for ADES	Notice period for Director
Ayman Abbas	22 May 2016	12 months	60 days
Dr. Mohamed Farouk	22 May 2016	12 months	60 days
Mohamed Walid Cherif	1 March 2017	1 month	1 month
Nabil Kassem	1 March 2017	1 month	1 month
Yasser Hashem	1 March 2017	1 month	1 month
Ulf Henriksson	1 March 2017	1 month	1 month

Our members

As per the code, the majority of the Nomination Committee is made up of Independent Non-Executive directors (namely Mohamed Walid Cherif, Nabil Kassem, Yasser Hashem and Ulf Henriksson). The Board's chairman, Ayman Abbas, is also the chairman of the Nomination Committee, in line with the Governance Code's guidelines.

While the Chairman and the Chief Executive Officer retained their continuous leadership roles with ADES, the non-executive members were neither appointed through an external search consultancy nor open through advertising but were directly nominated to their current positions by the Company's management due to their diverse range of extensive experience and in-depth knowledge of the oil and gas industry.

Contracts and letters of appointment

Under the terms of reference, the Nomination Committee is responsible for ensuring that on appointment to the Board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, Committee service and involvement outside Board meetings. This letter of appointment containing the terms and conditions of appointment of any Non-Executive Director should be made available for inspection by any person at the Company's registered office during normal business hours and our AGM.

Succession planning

A principal key to our access is ADES' ability to attract, retain and incentivise talented individuals to deliver our strategy. The Nomination Committee is responsible for reviewing talent, capability and succession at the most senior levels of the business and to make recommendations to the Board regarding plans for succession for both Executive and Non-Executive Directors (and in particular for the key roles of Chairman and Chief Executive). The Committee is committed, in the course of its work, to give full consideration to succession planning with regard to both the Board and senior management appointments, taking into account the challenges and opportunities facing the Company and the skills and expertise the Board will require from its members in the long-run.

Nomination Committee attendance and meetings

The Nomination Committee is committed to meeting no less than two times per year and as frequently as any routine or non-routine matter requires. The Committee Chairman is expected to report formally to the Board on its proceedings after each meeting of the Committee on all matters within its duties and responsibilities. Following the IPO in May 2017, the Nomination Committee did not meet for the remainder of 2017 as the relevant matters were approved prior to the constitution of the Nomination Committee and the Directors considered that no further meeting was required in 2017.

Diversity

As a leading regional player with an expanding geographical footprint, diversity forms an integral part of the way we do business and is encouraged. We provide equal opportunities across all levels of the Company in line with our philosophy of encouraging diversity and excluding discrimination. Together, the Board and management are committed to creating a culture that provides a non-discriminatory work environment which embraces diversity.

The Board remains diverse in terms of nationality and age as well as international and industry experience. Currently all the members of the Board are male, however the Nomination Committee is committed to appointing whoever is considered the best candidate for the role, regardless of age, disability, gender, religion and beliefs, nationality, marital status and race. The Nomination Committee recognises the importance of Board diversity in encouraging innovative thinking, leading to better decision-making and governance and aspires to diversify its Board further as part of its succession planning process.

On behalf of the Board

Ayman Abbas
Chairman of the Nomination Committee

Report of the Remuneration Committee

Remuneration Committee Members

Chairman
Dr. Mohamed Farouk

Members
Nabil Kassem
Mohamed Walid Cherif

Our role

The Remuneration Committee is responsible for reviewing and approving, on behalf of the Board, the amount and types of compensation to be paid to each member of the Board and executive management. The remuneration policy lays down the principles governing remuneration and provides general guidelines for incentive pay to the members of the Board and senior management. The overall object of the remuneration policy is to attract, motivate and retain qualified members of the Board and senior management, as well as to ensure that the Board, senior management and shareholders have common interests in achieving the Company's goals.

Remuneration policy

Members of the Board receive an annual fixed remuneration. The remuneration must be reasonable considering the amount of work required by the Board members and the extent of their liability and should reflect market terms.

Executive Directors

At Admission, the Company has set an aggregate total remuneration of USD 4,000,000 (including base salary, annual performance bonuses and other benefits) shared equally between the Executive Chairman and the Chief Executive Officer. The Remuneration Committee's policy is to provide a base salary relative to an appropriate benchmark, considering organisations of broadly similar size and complexity in the exploration and production sector on appointment to the Board.

Mr Abbas and Dr. Farouk are eligible to participate in an annual bonus scheme, with the potential to receive bonus payments of such amounts as the Board may determine, subject to such conditions and KPI targets.

Non-Executive Dirctors

For Non-Executive Directors, fee levels are reviewed annually and reflect market conditions and the complex nature of the Company's business and geographic environment and are intended to be sufficient to attract individuals with appropriate knowledge and experience. Non-Executive Directors are also entitled to reimbursement of reasonable expenses. The Non-Executive Directors are otherwise not entitled to participate in the Company's executive remuneration programmes or pension arrangements.

Directors' remuneration (USD 000)

Non-Executive Directors	Basic fee	Additional fees	Total remuneration for FY17
Mohamed Walid Cherif	50	-	50
Nabil Kassem	50	-	50
Yasser Hashem	50	-	50
Ulf Henriksson	50	-	50

Review of the Remuneration

The existing Directors' Remuneration Policy was not subject to renewal during 2017 as the independent members of the Board were appointed in March 2017. The Remuneration Committee believes that the existing policy and model is well understood by the business, supports our culture and continues to appropriately align shareholders' interests and the Company's strategy. In 2018 and onwards, we will commence and maintain a regular review of our Remuneration Policy and targets for future variable pay awards so that we can remain confident that our policy reflects the Company's strategic objectives.

On behalf of the Board

Dr. Mohamed Farouk
Chairman of the Remuneration Committee

Statement of Directors' Responsibilities

The following statement, which should be read in conjunction with the Auditors' responsibility section of the Independent Auditors' Report, has been prepared with a view to distinguish the respective responsibilities of the Directors and of the Auditors in relation to the consolidated financial statements.

The Directors are responsible for preparing the Annual Report and the consolidated financial statements in accordance with applicable law and regulations.

The Directors have prepared the consolidated financial statements for the Group in accordance with the International Financial Reporting Standards ("IFRS").

The consolidated financial statements are required to present fairly for each financial period the Group's financial position, financial performance and cash flows. In preparing the Company's consolidated financial statements the Directors are also required to:

- Properly select and consistently apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Make an assessment of the Company's ability to continue as a going concern.

The Directors confirm that they have complied with the above requirements in preparing the consolidated financial statements. The Directors also confirm that they consider the Annual Report and consolidated financial statements, taken as a whole, to be fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

The Directors are satisfied that the Company has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, the Directors continue to adopt the going concern basis in preparing the condensed financial statements.

The Directors are responsible for ensuring that the Company keeps proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the consolidated financial statements comply with the DIFC Companies Law (Law 2 of 2009, as amended) ("Companies Law").

The Directors are also responsible for taking such steps as are reasonably available to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. We confirm to the best of our knowledge:

- The consolidated financial statements, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group taken as a whole; and
- The Annual Report includes a fair review of the development and performance of the business and the position of the Group taken as a whole, together with a description of the principal risks and uncertainties they face.

On behalf of the Board

Dr. Mohamed Farouk
Chief Executive Officer

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of ADES International Holding Ltd (the "Company") and its subsidiary (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidatd statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the shareholders of the Group (as a body), for our audit work, for this report, or for the opinions we have formed. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Dubai International Financial Centre ("DIFC"), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Recoverability of overdue trade receivable balances

Trade receivables are generally on 30 to 90 days terms after which trade receivables are considered to be past due. As at 31 December 2017, USD 25,639,149 (2016: USD 20,421,805) out of total gross trade receivables of USD 69,681,069 (2016: USD 50,789,113) were overdue for more than 90 days. The Group has recorded a provision for impairment in trade receivables amounting to USD 3,693,766 (2016: USD 3,114,651). Refer to significant accounting estimates, judgements and assumptions in note 3 and disclosure of accounts receivable in note 13.

We focused on this area because it requires a significant judgement by management and due to the materiality of the amounts involved.

We tested management's assessment as to the recoverability of the receivables. We gained an understanding of the local environment in Egypt and monitored its impact on operations. We confirmed the receivables balance and/or agreed the subsequent receipts and balances to supporting documentation. We tested aged balances where no provision was recognised to check that there were no indicators of impairment. This included verifying if payments had been received since the year-end and reviewing historical payment patterns.

Classification of investment in Egyptian Chinese Drilling Company ("ECDC")

The Group holds a 48.75% ownership interest in ECDC which is a Joint Stock Company operating in storing and renting machinery and the provision of equipment to the petroleum industry. The Group has classified this investment as an available for sale – financial asset, as the management believes the Group does not have control or significant influence over ECDC. Refer to significant accounting estimates, judgements and assumptions in note 3 and disclosure of available for sale financial asset in note 10.

We considered the audit of classification of this investment to be a key audit matter as this requires significant management judgment, and there was risk that 48.75% ownership would give the Group power to control or significant influence over ECDC which would result in accounting for it either as a subsidiary or associate / joint venture.

We have obtained and inspected supporting documentation and held discussion with the Group's external legal counsel who provided a written legal opinion that the Group do not have the power or the right to appoint Board Members of ECDC and that ADES does not have any representation on the existing Board of ECDC.

Useful life of rigs included in property and equipment

During 2017, the Group has reviewed the useful life of rigs included in property and equipment and revised its estimate from 15 years to 27 years for the purpose of depreciation. It is accounted for as a change in estimate effective from 1 January 2017. The change in estimated useful life of rigs was based on an internal assessment and technical study.

We identified this as a key audit matter as the change has material impact on the depreciation charge and it requires management to make judgements, estimates and assumptions. Refer to significant accounting estimates, judgements and assumptions in note 3.

We reviewed and challenged the internal technical study performed by the Group. We made enquiries of the maintenance director who prepared the internal study about his qualifications, as well as the key inputs and assumptions used. We benchmarked the useful life estimated by management against judgements applied by peer companies. We also reviewed a third party fair valuation report prepared for one of the Group's rigs where the third party stated that a rig will have useful life of 30 years which is consistent with management's estimate. We analytically re-computed the depreciation charge based on the updated useful life and compared it to the depreciation charge recorded by management.

Other information included in the Group's 2017 Annual Report

Other information consists of the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and in compliance with the applicable provisions of the Companies Law pursuant to DIFC Law No. 2 of 2009, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Directors are responsible for overseeing the Group's financial reporting process.

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

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on other legal and regulatory requirements

We also confirm that, in our opinion, the consolidated financial statements include, in all material respects, the applicable requirements of the Companies Law pursuant to DIFC Law No. 2 of 2009. We have obtained all the information and explanations which we required for the purpose of our audit and, to the best of our knowledge and belief, no violations of the Companies Law pursuant to DIFC Law No. 2 of 2009 have occurred during the year which would have had a material effect on the business of the Group or on its financial position.

For Ernst & Young

22 March 2018
Dubai, United Arab Emirates

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

USD	Notes	2017	2016
Assets			
Non-current assets			
Property and equipment	16	**322,441,975**	290,661,449
Intangible assets	17	**544,540**	15,265
Available for sale financial asset	11	**1,950,000**	1,950,000
Total non-current assets		**324,936,515**	292,626,714
Current assets			
Inventories	13	**20,919,477**	17,777,071
Accounts receivable	14	**65,987,303**	50,789,113
Due from related parties	25	**305,616**	277,117
Prepayments and other receivables	15	**38,773,075**	32,152,163
Cash and cash equivalents	12	**136,964,417**	5,192,864
Total current assets		**262,949,888**	106,188,328
Total assets		**587,886,403**	398,815,042
Equity and liabilities			
Equity			
Share capital	21	**42,203,030**	1,000,000
Share application money	21	**-**	30,900,000
Share premium	21	**158,224,346**	-
Merger reserve	1&22	**(6,520,807)**	(6,520,807)
Legal reserve	22	**6,400,000**	4,481,408
Retained earnings		**117,703,129**	75,047,782
Total equity		**318,009,698**	104,908,383
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	19	**155,155,414**	189,929,837
Provisions	20	**620,083**	101,368
Total non-current liabilities		**155,775,497**	190,031,205
Current liabilities			
Trade and other payables	18	**52,664,243**	51,055,925
Interest-bearing loans and borrowings	19	**57,333,621**	45,804,082
Provisions	20	**1,836,000**	2,933,915
Due to related parties	25	**2,267,344**	4,081,532
Total current liabilities		**114,101,208**	103,875,454
Total liabilities		**269,876,705**	293,906,659
Total equity and liabilities		**587,886,403**	398,815,042

The accompanying notes 1 to 29 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

USD	Notes	2017	2016
Revenue	5	**157,590,031**	134,116,116
Cost of revenue	6	**(78,323,458)**	(63,273,396)
Gross profit		**79,266,573**	70,842,720
General and administrative expenses	7, 29	**(19,032,975)**	(14,713,106)
End of services cost	20	**(623,817)**	(101,368)
Provision for impairment of trade receivables	14	**(579,115)**	(2,362,197)
Impairment of assets under construction	16	**-**	(765,291)
Provisions		**(274,647)**	(2,027,004)
Operating profit		**58,756,019**	50,873,754
Finance costs	8	**(16,550,209)**	(9,428,294)
Finance income	12	**7,015,552**	
Provision for impairment of dividends receivable	15	**(245,000)**	-
Loss on disposal of property and equipment		**-**	(7,537)
Other income		**2,461,500**	100,794
Other expenses		**(1,395,025)**	-
Other taxes	29	**(1,573,448)**	(241,721)
IPO expenses	9	**(5,063,369)**	-
Profit for the year before income tax		**43,406,020**	41,296,996
Income tax credit/ (expense)	10	**1,167,919**	(3,284,273)
Profit for the year		**44,573,939**	38,012,723
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods		**-**	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods		**-**	-
Total comprehensive income		**44,573,939**	38,012,723
Profit for the year and total comprehensive income			
attributable to equity holders of the Parent		**44,573,939**	38,012,723
Earnings per share - basic and diluted attributable to equity holders of the Parent (USD per share)	23	**1.16**	1.19

The accompanying notes 1 to 29 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

USD	Share capital	Share premium	Share application money	Merger reserve	Legal reserve	Retained earnings	Total
As at 1 January 2016	-	-	-	32,000,000	2,999,264	48,617,203	83,616,467
Profit for the year	-	-	-	-	-	38,012,723	38,012,723
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	38,012,723	38,012,723
Transfer to legal reserve by Subsidiary (Note 22)	-	-	-	-	1,482,144	(1,482,144)	-
Consideration to shareholders on reorganisation of the group	-	-	-	(38,520,807)	-	-	(38,520,807)
Dividends by Subsidiary (Note 24)	-	-	-	-	-	(10,100,000)	(10,100,000)
Share application money	-	-	30,900,000	-	-	-	30,900,000
Share capital issued	1,000,000	-	-	-	-	-	1,000,000
As at 31 December 2016	1,000,000	-	30,900,000	(6,520,807)	4,481,408	75,047,782	104,908,383
Balance at 1 January 2017	1,000,000	-	30,900,000	(6,520,807)	4,481,408	75,047,782	104,908,383
Profit for the year	-	-	-	-	-	44,573,939	44,573,939
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	44,573,939	44,573,939
Transfer to legal reserve by Subsidiary (Note 22)	-	-	-	-	1,918,592	(1,918,592)	-
Share application money (Note 21)	30,900,000	-	(30,900,000)	-	-	-	-
Share capital issued (Note 21)	10,303,030	-	-	-	-	-	10,303,030
Share premium (Note 21)	-	158,224,346	-	-	-	-	158,224,346
As at 31 December 2017	**42,203,030**	**158,224,346**	**-**	**(6,520,807)**	**6,400,000**	**117,703,129**	**318,009,698**

The accompanying notes 1 to 29 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

USD	Notes	2017	2016
Operating activities			
Profit for the year before income tax		**43,406,020**	41,296,996
Adjustments for:			
Depreciation of property and equipment	16	**20,618,505**	18,450,476
Amortisation of intangible assets	17	**45,202**	9,110
Provision for impairment of trade receivables	14	**579,115**	2,362,197
Impairment of property and equipment	16	**-**	765,291
Provisions	20	**898,464**	2,128,372
Interest on bank credit facilities and loans	8	**16,550,209**	9,428,294
Loss on disposal of property and equipment		**-**	7,537
Finance income		**(7,015,552)**	-
Other income		**(2,461,500)**	-
Cash from operations before working capital changes		**72,620,463**	74,448,273
Inventories		**(680,906)**	(1,389,006)
Accounts receivable		**(15,777,305)**	(36,309,980)
Due from related parties		**(28,499)**	(78,254)
Prepayments and other receivables		**(6,620,912)**	(17,215,150)
Trade and other payables		**3,346,719**	23,451,590
Due to related parties		**(1,814,188)**	(6,612,990)
Cash flows from operations		**51,045,372**	36,294,483
Income tax paid	10	**(570,482)**	(427,210)
Provisions paid	20	**(1,477,664)**	(606,730)
Net cash flows from operating activities		**48,997,226**	35,260,543
Investing activities			
Purchase of intangible assets	17	**(21,579)**	-
Proceeds from disposal of property and equipment		**-**	17,455
Purchase of property and equipment	16	**(52,951,929)**	(134,169,024)
Interest received	12	**7,015,552**	-
Net cash flows used in investing activities		**(45,957,956)**	(134,151,569)
Financing activities			
Proceeds from interest-bearing loans and borrowings	19	**36,581,041**	120,899,330
Repayment of interest-bearing loans and borrowings	19	**(59,825,925)**	(21,373,845)
Proceeds from increase in share capital share application money	21	**10,303,030**	31,900,000
Proceeds from share premium	21	**158,224,346**	
Cash to shareholders on reorganisation of the Group, net of obligation assumed	1	**-**	(29,710,961)
Dividends paid		**-**	(13,552,699)
Interest paid	8	**(16,550,209)**	(9,428,294)
Net cash flows from financing activities		**128,732,283**	78,733,531
Net increase/ (decrease) in cash and cash equivalents		**131,771,553**	(20,157,495)
Cash and cash equivalents at the beginning of the year	12	**5,192,864**	25,350,359
Cash and cash equivalents At the end of the year	12	**136,964,417**	5,192,864

The accompanying notes 1 to 29 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Background

ADES International Holding Ltd (the "Company") was incorporated and registered in the Dubai International Financial Centre (DIFC) on 22 May 2016 with registered number 2175 under the Companies Law - DIFC Law No. 2 of 2009 (and any regulations thereunder) as a private company limited by shares. The Company's registered office is at level 5, Index tower, Dubai International Financial Centre, PO Box 507118, Dubai, United Arab Emirates. The principal business activity of the Company is to act as a holding company and managing office. The Company and its subsidiary (see below) constitute the Group (the "Group"). The Company is owned by ADES Investments Holding Ltd., a company incorporated on 22 May 2016 under the Companies Law, DIFC Law no. 2 of 2009.

The Company owns Advanced Energy System (ADES) (S.A.E.) (the "Subsidiary") that was established as an Egyptian joint stock company in Egypt and whose shares are not publicly traded.

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

In 2016, pursuant to a reorganisation plan (the "Reorganisation") the ultimate shareholders of the Subsidiary:

(i) established the Company as a new holding company with share capital of USD 1,000,000 and made an additional capital contribution of USD 30,900,000 for additional shares that were allotted on 23 March 2017. No such reorganisations took place in 2017.
(ii) transferred their shareholdings in Advanced Energy System (ADES) (S.A.E.) to the Company for a total consideration of USD 38,520,807 comprising of cash of USD 29,710,961 and the assumption of shareholder obligation of USD 8,809,846.

2 Significant accounting policies

2.1 Basis of Preparation

The Consolidated financial statements have been prepared under the historical cost basis.

These financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and applicable requirements of United Arab Emirates laws and in compliance with the applicable provisions of the Companies Law pursuant to DIFC Law No. 2 of 2009.

These consolidated financial statements have been prepared on the historical cost basis. The consolidated financial statements are presented in United States Dollars ("USD"), which is Company's functional and presentation currency.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at 31 December 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. Subsidiaries are fully consolidated from the date of acquisition or incorporation, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The Consolidated financial statements of the subsidiaries are prepared for the same reporting period as the Group, using consistent accounting policies.

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

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

Business combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owner of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gain or losses arising from such re-measurement are recognised in profit or loss. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 in profit or loss.

Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of profit or loss.

Associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint controls are similar to those necessary to determine control over subsidiaries.

2.2 CHANGES IN THE ACCOUNTING POLICIES AND DISCLOSURES

a) New and amended standards and interpretations

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2017, they did not have a material impact on the consolidated financial statements of the Group. The nature and the impact of each new standard or amendment is described below:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Group has provided the information for both the current and the comparative period in the consolidated statement of cash flows.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. The application has no effect on the Group's consolidated financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

Annual Improvements Cycle - 2014-2016

Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. These amendments did not affect the Group's consolidated financial statements as it does not have interest in entities that is classified as held for sale other than already disclosed in the consolidated financial statements.

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

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective. The Group is currently assessing the impact of these new standards on the consolidated financial statements.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the Interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

(i) The beginning of the reporting period in which the entity first applies the interpretation
Or
(ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Interpretation is effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed. However, since the Group's current practice is in line with the Interpretation, the Group does not expect any effect on its consolidated financial statements.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply interpretation from its effective date. Since the Group operates in a complex multinational tax environment, applying the Interpretation may affect its consolidated financial statements and the required disclosures. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

IFRS 2 Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Group is in the process of carrying out detailed impact analysis for IFRS 9.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is in the process of carrying out detailed impact analysis for IFRS 15.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group is in the process of carrying out detailed impact analysis for IFRS 16.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to credit risk.

The following specific recognition criteria must also be met before revenue is recognised:

Rendering of services

Revenue arising from service contracts is recognised, net of discount, in accordance with the terms of the contracts when the services are performed.

Dividends

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

Interest income

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

Borrowing costs

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

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above.

Income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate. The Group is not subject to income tax in accordance with the Egyptian tax law (Egypt) and DIFC law (UAE). The Subsidiary's Branches are subject to income tax in accordance to Kingdom of Saudi Arabia Law and Algeria Law.

Deferred tax

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

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

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

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

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

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

Foreign currencies

The Company and its Subsidiary functional currency is USD. Transactions in foreign currencies are initially recorded at the date the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss. Non- monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Inventories

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

Property and equipment

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

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	Years
Rigs	27
Mobile Offshore Production Unit (MOPU)	5
Furniture and fixtures	10
Drilling pipes	5
Tools	10
Computers and equipment	5
Motor vehicles	5
Leasehold improvements	5

Rigs include overhaul, environment and safety costs that are capitalised and depreciated over 5 years. No depreciation is charged on assets under construction. The useful lives and depreciation method are reviewed annually to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets. Any change in estimated useful life is applied prospectively effective from the beginning of year. Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the consolidated statement of profit or loss as the expense is incurred.

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

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

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

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

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. After initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets are not capitalised and expenditure is reflected in the consolidated profit and loss in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Intangible assets are amortised using the straight-line method over their estimated useful lives (5 years).

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets are initially measured at fair value, plus transaction costs. All recognised financial assets are subsequently measured at amortised cost except for available for sale financials assets which are measured at fair value:

Financial assets

Financial assets are initially measured at fair value, plus transaction costs. All recognised financial assets are subsequently measured at amortised cost except for available for sale financials assets which are measured at fair value:

(i) Bank balances and cash
Bank balances and cash in the consolidated statement of financial position comprise cash in hand and at banks.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Interest income is recognised by applying the EIR, except for short-term receivables when the recognition of interest would be immaterial. The EIR amortisation is included in finance income in the consolidated statement of profit or loss. The losses arising from impairment are recognised in the consolidated statement of profit or loss when there is objective evidence that an asset is impaired. This category generally applies to trade and other receivables. For more information on receivables, refer to Note 14.

De-recognition of financial assets

A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

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

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

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the financial assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate.

For financial assets carried at amortised cost, the carrying amount is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated statement of profit or loss.

Financial asset together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or decreased by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the consolidated statement of profit or loss.

Financial liabilities and equity instruments issued by the Group

Debt and equity instruments are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual agreements.

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivative instrument as appropriate. The Group determines the classification of its financial liabilities at the initial recognition.

(i) Trade and other payables

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

(ii) Loans and borrowings

All loans and borrowings are initially recognised at the fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iii) Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, then the difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

Offsetting of financial instruments

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

Impairment of non-financial assets

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

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

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Group as a lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments including prepayments, made under operating leases (net of any incentives received from the lessor) are recognised as expenses in the consolidated statement of profit or loss in accordance with the terms of the lease contracts over the lease term based on a straight line basis.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount can be reliably estimated. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of profit or loss net of any reimbursement. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation at the end of the reporting period, using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

Contingencies

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

Legal reserve

According to the Subsidiary's articles of association, 5% of the net profit for the prior year of the Subsidiary is transferred to a legal reserve until this reserve reaches 20% of the issued capital. The reserve is used upon a decision from the general assembly meeting based on the proposal of the Board of Directors of the Subsidiary.

Fair value measurement

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

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

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

Cash dividend and non-cash distribution to equity holders of the parent

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

3 SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

Judgments

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

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

Finance lease commitments – Group as lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated income statement on a straight line basis over the period of the lease. Lease incentives, typically rent free period, is recognised in the same manner as operating lease rentals.

Available for sale financial asset

The Group holds an investment in Egyptian Drilling Chinese Company (refer to Note 11). The Group has treated this investment as an available for sale financial asset as the legal formalities for change in the articles of association is not complete and accordingly, ADES have no representation or ability to enforce representation on the Board of Directors. The completion of these formalities will result in the accounting of this investment from available for sale financial asset to an associate/ joint arrangement.

Estimates and assumptions

Impairment of trade receivables

An estimate of the collectible amount of trade receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates. At the consolidated statement of financial position date, gross trade receivables were USD 69,681,069 (2016: USD 53,903,764) and the provision for impairment in trade receivables was USD 3,693,766 (2016: USD 3,114,651) Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of profit or loss.

Taxes

The Group is exposed to income taxes in certain jurisdictions. Significant judgement is required to determine the total provision for taxes. Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies. At the consolidated statement of financial position date, income tax payable was USD 1,118,662 (2016: USD 2,857,063).

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows.

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates. During the year the management revised estimated useful life of rigs from 15 years to 27 years based on the technical assessment effective from 1 January 2017, which resulted in a decrease of depreciation charge by the amount of USD 8,605,090.

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. At the consolidated statement of financial position date, gross inventories were USD 20,919,477 (2016: USD 17,777,071) with no provisions for slow moving items. Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the consolidated statement of profit or loss.

Impairment of dividends receivable

The Group has dividends receivable from Egyptian Drilling Chinese Company (refer to note 15) which is classified as available for sale financial asset. Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of profit or loss.

4 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer (CEO) that are used to make strategic decisions. The CEO considers the business from a geographic perspective and has identified four geographical segments. Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss before intersegment charges.

Segment

USD	Egypt	Algeria	KSA	UAE	Total
For the year ended 31 December 2017					
Revenue	82,298,101	21,553,917	53,738,013	-	**157,590,031**
Gross profit	66,856,413	1,862,965	10,547,195	-	**79,266,573**
Finance costs	16,550,209	-	-	-	**16,550,209**
Finance income	-	-	-	(7,015,552)	**(7,015,552)**
Income tax (credit) expense	-	(2,005,247)	837,328	-	**(1,167,919)**
Profit	39,507,786	1,498,558	2,339,436	1,228,159	**44,573,939**
Total assets as at 31 December 2017	427,916,290	8,279,182	21,713,922	129,977,009	**587,886,403**
Total liabilities as at 31 December 2017	255,812,927	4,447,760	9,391,481	224,537	**269,876,705**

COGS included bareboat charter agreements between Egypt and both KSA and Algeria "Lease agreement"

For the year ended 31 December 2017					
Other segment information:					
Capital expenditure	52,925,672	519	25,738	-	**52,951,929**
Intangible assets additions	21,579	-	-	-	**21,579**
Total	52,947,251	519	25,738	-	**52,973,508**
Depreciation and amortisation	17,457,917	865,290	2,340,500	-	**20,663,707**
For the year ended 31 December 2016					
Revenue	108,501,995	14,062,376	11,551,745	-	**134,116,116**
Gross profit	59,740,283	5,454,019	5,648,418	-	**70,842,720**
Finance costs	8,722,886	61,520	643,888	-	**9,428,294**
Income tax expense	-	2,927,210	357,063	-	**3,284,273**
Profit	31,164,856	2,892,499	4,076,059	(120,691)	**38,012,723**
Total assets as at 31 December 2016	285,031,429	30,001,212	83,527,793	254,608	**398,815,042**
Total liabilities as at 31 December 2016	282,332,927	5,994,104	5,553,301	26,327	**293,906,659**
Other segment information:					
Capital expenditure	58,383,993	10,568,232	65,216,799	-	**134,169,024**
Total	58,383,993	10,568,232	65,216,799	-	**134,169,024**
Depreciation and amortisation	16,832,604	962,046	664,936		**18,459,586**
Impairment of property and equipment	765,291	-	-	-	**765,291**

5 REVENUE

USD	2017	2016
Units operations	**147,841,157**	123,713,864
Catering services	**2,450,360**	2,537,195
Projects income*	**6,752,850**	7,295,711
Others	**545,664**	569,346
	157,590,031	134,116,116

** Projects income represents services relating to outsourcing various operating projects for clients such as maintenance and repair services.*

6 COST OF REVENUE

USD	2017	2016
Project direct costs	**5,681,202**	6,615,569
Maintenance costs	**7,307,833**	6,079,605
Staff costs	**25,677,414**	15,666,367
Rental equipment	**2,744,852**	2,483,465
Insurance	**3,637,194**	2,958,675
Depreciation (Note 16)	**20,426,233**	18,296,945
Other costs	**12,848,730**	11,172,770
	78,323,458	63,273,396

7 GENERAL AND ADMINISTRATIVE EXPENSE

USD	2017	2016
Staff costs	**10,137,211**	10,046,238
Depreciation and amortisation (Notes 16, 17)	**237,474**	162,641
Professional fees	**2,117,751**	1,988,492
Business travel expenses	**1,250,543**	255,517
Free zone expenses	**1,606,634**	1,405,381
Rental expenses	**877,701**	546,832
Other expenses	**2,797,128**	3,710,156
Net foreign exchange loss/ (gain)	**8,533**	(3,402,151)
	19,032,975	14,713,106

8 FINANCE COSTS

USD	2017	2016
Interest on bank credit facilities and loans	**16,550,209**	9,428,294
	16,550,209	9,428,294

9 IPO EXPENSES

These expenses relates to the initial public offering made during the year. Out of the total amount of USD 6,535,593 incurred during the year, amount of USD 5,063,369 was recognised as expenses in the consolidated statement of comprehensive income for the year while an amount of USD 1,472,224 was debited to the consolidated statement of changes in equity.

10 INCOME TAX

USD	2017	2016
Consolidated statement of profit or loss:		
Current income tax (credit)/ expense	**(1,167,919)**	3,284,273
Consolidated statement of financial position:		
Current liabilities:		
Balance at 1 January	**2,857,063**	-
Charge for the year	**1,214,416**	3,284,273
Release during the year	**(2,382,335)**	-
Paid during the year	**(570,482)**	(427,210)
Balance at 31 December (Note 18)	**1,118,662**	2,857,063
Profit before income tax	**43,406,020**	41,296,996
Tax calculated at domestic tax rates applicable to profits in the primary jurisdiction of 0% (2016: 0%)	**-**	-
Effect of different tax rates in countries in which the Group operates	**951,750**	2,650,811
Non-deductible expenses	**262,666**	218,060
Prior year adjustments*	**(2,382,335)**	
Other		415,402
Income tax expense recognised in the consolidated statement of profit or loss	**(1,167,919)**	3,284,273

The effective tax rate, excluding the credit in respect of prior year adjustments, is 3% (2013: 8%).

The Group operates in jurisdictions which are subject to tax at higher rates than the statutory corporate tax rate of 0%, which is applicable to profits in Algeria and Kingdom of Saudi Arabia where applicable tax rate is 26% and 20% respectively. In addition to statutory corporate tax rate of 26%, the operations in Algeria are also subject to 15% Branch tax on accounting profit.

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

** Prior year adjustments represent tax provision recorded in Algeria during 2016 which is released during 2017 based on the tax filings and tax assessment.*

11 AVAILABLE FOR SALE FINANCIAL ASSET

USD	Country of Incorporation	Ownership	2017	2016
Egyptian Chinese				
Drilling Company	Egypt	48.75%	**1,950,000**	1,950,000

The Group acquired the investment on 30 March 2015 from AMAK Drilling and Petroleum Services Co. (a related party) at par value. Egyptian Chinese Drilling Company is a Joint Stock Company operating in storing and renting machinery and all needed equipment to the petroleum industry.

The Group recognised dividends of USD 1,225,000 from Egyptian Chinese Drilling Company during the year ended 31 December 2015 which is outstanding as at 31 December 2017 (note 15).

This investment is measured at cost less any impairment as its fair value cannot be reliably measured. The Group has treated this investment as available for sale as the legal formalities for change in the articles of association is not complete and accordingly, has no representation on the Board. The completion of these formalities will result in the accounting of this investment from available for sale financial asset to an associate/ joint arrangement.

Fair value hierarchy

USD	31 December 2017 And 2016	Level 1	Level 2	Level 3
	1,950,000	-	-	**1,950,000**

12 CASH AND CASH EQUIVELANTS

USD	2017	2016
Cash on hand	**8,931**	23,656
Bank balances	**9,942,280**	5,169,208
Treasury bills	**127,013,206**	-
	136,964,417	5,192,864
Bank balances and cash comprise of balances in the following currencies:		
United States Dollar (USD)	**9,469,067**	1,813,324
Saudi Riyal (SAR)	**178,817**	1,686,404
Egyptian Pound (EGP)	**121,869**	1,338,380
United Arab Emirates Dirham (AED)	**1,012**	8,492
Great British Pound (GBP)	**54**	23,285
Euro (EUR)	**64**	(51)
Algerian Dinar (DZD)	**180,335**	323,027
Kuwaiti Dinar (KWD)	**(7)**	3
T-bill's (EGP)*	**127,013,206**	-
	136,964,417	5,192,864

** Treasury bills represent short-term investment made by the Group with original maturity less than 90 days. The Group had invested in July 2017 for an amount of USD 119,797,343 with a maturity period ranging from 78 to 85 days. This investment matured in October 2017 and was re-invested with an amount of USD 124,889,042 which accrued interest receivable of USD 2,124,164 as of 31 December 2017.*

The finance income reported in the consolidated statement of comprehensive income for the year amounting to USD 7,015,552 pertains to total interest received from the investment in treasury bills.

13 INVENTORIES

USD	2017	2016
Spare parts for		
Jack Up Rig Admarine (I)	**149,814**	132,408
Drilling Barge Admarine (II)	**306,372**	252,953
Jack Up Rig Admarine (III)	**1,928,526**	1,859,621
Jack Up Rig Admarine (IV)	**1,953,838**	2,094,650
Jack Up Rig Admarine (V)	**1,735,892**	1,628,081
Jack Up Rig Admarine (VI)	**982,287**	1,308,961
Jack Up Rig Admarine (VIII)	**1,734,004**	1,931,522
Jack Up Rig Admarine (88)	**2,249,594**	2,321,311
Onshore Rig ADES 2	**373,293**	366,715
Onshore Rig ADES 3	**164,709**	161,397
Jack Up Rig Admarine 261	**2,640,679**	1,941,572
Jack Up Rig Admarine 262	**3,245,151**	1,746,536
Jack Up Rig Admarine 266	**2,234,649**	1,684,284
Spare parts in warehouse		
Inventory	**1,220,669**	347,060
	20,919,477	17,777,071

Inventories mainly represent spare parts.

14 ACCOUNTS RECEIVABLE

USD	2017	2016
Trade receivables	**69,681,069**	53,903,764
Provision for impairment in trade receivables	**(3,693,766)**	(3,114,651)
	65,987,303	50,789,113

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

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

USD	2017	2016
As at 1 January	**3,114,651**	752,454
Charge for the year	**579,115**	2,362,197
As at 31 December	**3,693,766**	3,114,651

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

		Past due but not impaired				
USD	Neither past due nor impaired	<30 days	30 - 60 days	61 - 90 days	>90 days	Total
2017	**25,138,781**	**5,889,514**	**4,474,001**	**8,539,624**	**21,945,383**	**65,987,303**
2016	9,749,411	11,792,203	4,858,481	3,967,213	20,421,805	50,789,113

15 PREPAYMENTS AND OTHER RECEIVABLES

USD	2017	2016
Advances to contractors and suppliers	**6,027,286**	3,225,691
Advances to employees	**6,378**	13,626
Accrued revenue*	**12,975,535**	17,587,148
Margin LG (Note 28)	**3,602,290**	3,511,930
Insurance with customers	**3,911,475**	3,945,436
Aramco Invoice Retention	**6,525,863**	-
Other receivables and deposits	**4,744,248**	2,643,332
Dividends receivable	**1,225,000**	1,225,000
Provision for impairment in dividends receivables	**(245,000)**	-
	38,773,075	32,152,163

** Accrued revenue represents services rendered but not yet billed at the reporting date.*

The movement in the provision for impairment of dividends receivable is as follows:

USD	2017	2016
Charge for the year	**245,000**	-
As at 31 December	**245,000**	-

16 PROPERTY AND EQUIPMENT

USD	Rigs *	Furniture and fixtures	Drilling pipes	Tools	Assets under construction	Computer and equipment	Motor vehicles	Leasehold improvements	Total
31 December 2017									
Cost:									
As at 1 January 2017	268,524,908	957,088	4,007,526	12,425,178	50,893,103	473,311	249,765	70,039	**337,600,918**
Additions	41,453	97,175	-	799,461	51,820,656	193,184	-	-	**52,951,929**
Transfers	47,963,113	100,145	4,067,500	8,752,548	(61,045,720)	-	-	162,414	-
Transfer to intangible Assets	-	-	-	-	(552,898)	-	-	-	**(552,898)**
As at 31 December 2017	**316,529,474**	**1,154,408**	**8,075,026**	**21,977,187**	**41,115,141**	**666,495**	**249,765**	**232,453**	**389,999,949**
Accumulated depreciation and impairment:									
As at 1 January 2017	(39,436,649)	(271,041)	(852,125)	(5,184,627)	(765,291)	(253,165)	(106,533)	(70,038)	**(46,939,469)**
Depreciation charge for the year	(18,702,802)	(96,288)	(801,505)	(887,069)	-	(80,216)	(38,987)	(11,638)	**(20,618,505)**
As of 31 December 2017	**(58,139,451)**	**(367,329)**	**(1,653,630)**	**(6,071,696)**	**(765,291)**	**(333,381)**	**(145,520)**	**(81,676)**	**(67,557,974)**
Net book value:									
As of 31 December 2017	**258,390,023**	**787,079**	**6,421,396**	**15,905,491**	**40,349,850**	**333,114**	**104,245**	**150,777**	**322,441,975**

Capitalised borrowing costs

The amount of borrowing costs capitalised during the year ended 31 December 2017 was USD 2,608,790 (2016: USD 1,408,530).

16 PROPERTY AND EQUIPMENT (cont'd)

USD	Rigs *	Furniture and fixtures	Drilling pipes	Tools	Assets under construction	Computer and equipment	Motor vehicles	Leasehold improvements	Total
31 December 2016									
Cost:									
As at 1 January 2016	145,371,553	795,518	2,498,001	11,393,235	51,911,665	362,797	294,566	70,039	212,697,374
Additions	420,891	161,570	-	1,031,943	132,444,106	110,514	-	-	134,169,024
Transfers	122,732,464	-	1,509,525	-	(124,241,989)	-	-	-	-
Transfers from assets under construction to inventory	-	-	-	-	(9,220,679)	-	-	-	(9,220,679)
Disposals	-	-	-	-	-	-	(44,801)	-	(44,801)
As at 31 December 2016	**268,524,908**	**957,088**	**4,007,526**	**12,425,178**	**50,893,103**	**473,311**	**249,765**	**70,039**	**337,600,918**
Accumulated depreciation and impairment:									
As at 1 January 2016	(23,857,683)	(192,112)	(251,890)	(3,097,887)	-	(198,448)	(75,453)	(70,038)	(27,743,511)
Impairment of project under construction	-	-	-	-	(765,291)	-	-	-	(765,291)
Depreciation charge for the year	(15,578,966)	(78,929)	(600,235)	(2,086,740)	-	(54,717)	(50,889)	-	(18,450,476)
Disposals	-	-	-	-	-	-	19,809	-	19,809
As of 31 December 2016	**(39,436,649)**	**(271,041)**	**(852,125)**	**(5,184,627)**	**(765,291)**	**(253,165)**	**(106,533)**	**(70,038)**	**(46,939,469)**
Net book value:									
As of 31 December 2016	**229,088,259**	**686,047**	**3,155,401**	**7,240,551**	**50,127,812**	**220,146**	**143,232**	**1**	**290,661,449**

Depreciation charge is allocated as follows:

USD	2017	2016
Cost of revenue (Note 6)	**20,426,233**	18,296,945
General and administrative expenses (Note 7)	**192,272**	153,531
Total depreciation charge	**20,618,505**	18,450,476

Assets under construction

Assets under construction represent the amounts that are incurred for the purpose of acquiring property and equipment until it is ready to be used in the operation. Included in property and equipment at 31 December 2017 was, an amount of USD 40,349,850 (2016: USD 50,127,812) mainly relating to expenditure for the assets under construction. Assets under construction will be transferred to 'Rigs' and 'Tools' of the property and equipment after completion.

** All rigs are pledged to the lenders (banks) against loans and borrowings (Note 19) except for ADES 1, ADES 2, ADES 3 and Admarine 88.*

17 INTANGIBLE ASSETS

USD	2017	2016
Cost:		
As at 1 January	**167,980**	167,980
Additions	**21,579**	-
Transfers	**552,898**	-
As at 31 December	**742,457**	167,980
Accumulated amortisation:		
As at 1 January	**(152,715)**	(143,605)
Amortisation charge for the year	**(45,202)**	(9,110)
As at 31 December	**(197,917)**	(152,715)
Net carrying amount		
As at 31 December	**544,540**	15,265

Intangible assets represent computer software and the related licenses.

18 TRADE AND OTHER PAYABLES

USD	2017	2016
Local trade payables	**26,945,291**	27,766,226
Foreign trade payables	**3,779,363**	-
Notes payable	**446,289**	150,218
Accrued expenses	**10,118,154**	7,438,635
Accrued interest	**1,751,724**	1,616,446
Income tax payable (Note 10)	**1,118,662**	2,857,063
Other payables	**1,355,726**	4,078,303
Dividends payable (Note 24)	**7,149,034**	7,149,034
	52,664,243	51,055,925

19 INTEREST-BEARING LOANS AND BORROWINGS

USD	2017	2016
Balance as at 1 January	**235,733,919**	136,208,434
Borrowings drawn during the year	**36,581,041**	120,899,330
Borrowings repaid during the year	**(59,825,925)**	(21,373,845)
Balance as at 31 December	**212,489,035**	235,733,919
Maturing within 12 months	**57,333,621**	45,804,082
Maturing after 12 months	**155,155,414**	189,929,837
Balance as at 31 December	**212,489,035**	235,733,919

Type	Interest rate %	Latest maturity	2017 USD	2016 USD
Current interest-bearing loans and borrowings				
Loan 1 Syndication				
Tranche A	4.5% + 3 Month LIBOR	5 years	**16,000,000**	16,000,000
Tranche C			**5,000,000**	5,000,000
Tranche D			**3,800,000**	3,800,000
Loan 2 Syndication				
Tranche A	5.5% + 3 Month LIBOR	5 years	**11,111,111**	5,555,556
Credit facility 1	4.50% + 3 Month LIBOR	1 year / renewable	12,306,542	11,791,608
Credit facility 4	1.25% + Corridor	Renewable	**(206)**	(223)
Credit facility 5	1.25% + Corridor	Renewable	**2,542,374**	2,571,426
Credit facility 6	2.50% + Corridor	Renewable	**6,573,800**	1,085,715
Total current interest-bearing loans and borrowings			**57,333,621**	45,804,082
Non-current interest-bearing loans and borrowings				
Loan 1 Syndication				
Tranche A	4.5% + 3 Month LIBOR	5 years	**45,533,610**	60,686,926
Tranche B	4.5% + 3 Month LIBOR		**40,000,000**	40,000,000
Tranche C	4.5% + 3 Month LIBOR		**15,000,000**	20,000,000
Tranche D	4.5% + 3 Month LIBOR		**17,399,507**	21,200,000
Loan 2 Syndication				
Tranche A	5.5% + 3 Month LIBOR	5 years	**33,333,827**	43,042,911
Tranche B	5.5% + 3 Month LIBOR	5 years	**3,888,470**	5,000,000
Total non-current interest-bearing loans and borrowings			**155,155,414**	189,929,837
Total interest-bearing loans and borrowings			**212,489,035**	235,733,919

The Group has secured interest-bearing loans and borrowings as follows:

Bank credit facilities

1. Credit facility 1 is granted by the Arab International Bank (AIB) with an overdraft facility limit amounting to USD 10,000,000 which is automatically renewable and increased by USD 2,500,000 during the year 2016 to be USD 12,500,000 and is secured by the assignment of proceeds under the umbrella of Loan 1 syndication.

2. Credit facility 5 is granted by the Egyptian Gulf Bank (EGB) with an overdraft facility limit amounting to EGP 45,000,000 which is secured by promissory note.

3. Credit facility 6 is granted by the Arab International Bank (AIB) with an overdraft facility limit amounting to EGP 40,000,000 which is automatically renewable and increased by EGP 80,000,000 during the year 2017 to be EGP 120,000,000 and is secured by the assignment of proceeds under the umbrella of Loan 1 syndication.

Loan 1 - Syndication:

On 12 November 2015 the Group has signed a syndication loan agreement arranged by EBRD with total amount of USD 170 million divided over eight banks. The loan is divided into four tranches, the purpose and use of each facility is described as follows:

a) Tranche A

For refinancing certain existing financial indebtedness in full (including the payment of the fees, costs and expenses incurred under or in connection with the transaction documents) the remaining amount for general corporate purposes.

b) Tranche B

New working capital purposes and to refinance certain existing working capital facilities.

c) Tranche C

Capital expenditure for the acquisition of the new rigs and mobile offshore production units.

d) Tranche D "Murabaha Participant"

The Group shall apply the amount of all utilisations under the Murabaha Facility towards the capital expenditure for the acquisition of the new rigs and mobile offshore production units.

The Medium-term loan over 5 years includes a 15 months grace period and is paid quarterly in un-equal instalments starting from 23 February 2017 and the last instalment will be on 23 November 2020.

Loan 1 – Syndication is secured by the rigs Admarine I, Admarine II, Admarine III, Admarine IV, Admarine V, Admarine VI, and Admarine VIII and all related collection bank accounts and insurance proceeds collection bank accounts.

Loan 2 - Syndication:
On 25 October 2016 the Group has signed a syndication loan agreement arranged by EFG Hermes Advisory Inc. with total amount of USD 55 million divided over four banks. The loan is divided into two tranches, the purpose and use of each facility is described as follows:

a) Facility A
To partially finance the purchase price of the rigs.

b) Facility B
For the purpose of paying pre-operating expense including but not limited to insurance, office and yard expense. Agent and crew salaries and the payment of the fees, costs and expense incurred or may be incurred under or in connection with the financing.

The Medium-term loan over 5 years includes 9 month grace period and is paid quarterly in equal instalments except the last instalment starting from 25 July 2017 and the last instalment will be at 25 October 2021.

Loan 2 – Syndication is secured by the rigs Admarine 261, Admarine 262, and Admarine 266 and all related collection bank accounts and insurance proceeds collection bank accounts.

20 PROVISIONS

	As at 1 January USD	Accrued during*** the year USD	Paid during the year USD	As at** 31 December USD
2017 Other tax provisions *	**3,035,283**	**898,464**	**(1,477,664)**	**2,456,083**
2016 Other tax provisions *	1,513,641	2,128,372	(606,730)	3,035,283

** Other tax provisions mainly represent provision made for employee's taxes and withholding taxes which are borne by the Group.*

*** As at 31 December 2017, other tax provisions include long term liability with respect to employees' end of service benefits for an amount of USD 620,083 (2016: USD 101,368).*

**** The above amounts accrued during the year include amounts of USD 623,817 (2016: USD 101,368) with respect to employees' end of services cost for the year ended 31 December 2017, as disclosed in the consolidated statement of comprehensive income.*

21 SHARE CAPITAL

Share capital of the Group comprise:

USD	2017	2016
Authorised shares*	**1,500,000,000**	10,000,000
Issued shares	**42,203,030**	1,000,000
Shares par value	**1.00**	1.00
Issued and paid up capital	**42,203,030**	1,000,000
Share application money **	**-**	30,900,000
Share premium***	**158,224,346**	-

The Company was incorporated and registered in DIFC on 22 May 2016.

The shareholding structure as at 31 December 2017 is:

Shareholders	Shareholding %	No. of shares	Value USD
ADES Investment Holding Ltd	65	**27,431,970**	27,431,970
Individual shareholders	35	**14,771,060**	14,771,060
	100	**42,203,030**	42,203,030

The shareholding structure as at 31 December 2016 was:

Shareholder	Shareholding %	No. of shares	Value USD
ADES Investment Holding Ltd	100	**1,000,000**	1,000,000

** During the year, the authorised share capital of the Company was increased to USD 1,500,000,000 comprising of 1,500,000,000 shares.*

*** Share application money amounting to USD 30,900,000 representing funds received in advance has been transferred to share capital account upon issuance of the shares in 2017. Additionally, share capital amounting to USD 10,303,030 issued over and above the balance of share application money during 2017.*

**** Share premium represents the excess of fair value received over the par value of shares issued as a result of IPO as mentioned in note 1.*

22 RESERVES

Legal reserve
As required by Egyptian Companies' Law and the Subsidiary's Articles of Association, 5% of the net profit for the year is transferred to legal reserve. The Subsidiary may resolve to discontinue such annual transfers when the reserve totals 20% of the issued share capital of the Subsidiary. As of 31 December 2017, the balance of legal reserve amounted to USD 6,400,000 (2016: USD 4,481,408).

Merger reserve
As disclosed in Note 1, pursuant to a reorganisation plan, the shareholders reorganised the Group by establishing the Company as a new holding company. Merger reserve represents the difference between the consideration paid to the shareholders under the reorganisation plan and the nominal value of the Subsidiary shares. Prior to the reorganisation, the merger reserve comprise of the share capital and share application money of the Subsidiary.

23 EARNINGS PER SHARE

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

Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares.

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

USD	2017	2016
Profit attributable to the ordinary equity holders for basic and diluted EPS	**44,573,939**	38,012,723
Weighted average number of ordinary shares – basic and diluted	**38,553,620**	31,900,000
Earnings per share – basic and diluted (USD per share)	**1.16**	1.19

24 DIVIDENDS DECLARED AND PAID

USD	2017	2016
Declared:		
To shareholders (deducted from retained earnings)	-	10,100,000
To employees "Employee benefits" (charged to consolidated statement of profit or loss)	-	5,323,933
Declaration for the year	-	15,423,933
Unpaid dividends from prior years	-	10,601,733
	-	26,025,666
Paid during the year	-	(18,876,632)
Dividends payable (Note 18)	**7,149,034**	7,149,034

The above dividends represent dividends of the Subsidiary which was declared and partially paid prior to the reorganisation.

25 RELATED PARTIES TRANSACTIONS AND BALANCES

Related party transactions

During the year, the following were the significant related party transactions recorded in the consolidated statement of comprehensive income or consolidated statement of financial position:

Assets purchased from related parties amounted to USD 5,000,000 (2016: USD 7,940,000) (Note 16).

Other major related party transactions are:
During the year, the Group had transferred funds to a related party, AMAK for Drilling & Petroleum Services Co. (other related party), amounting to USD 6,793,453 for settlement of fixed assets purchased during the years 2017 and 2016.

Related party balances

Significant related party balances included in the consolidated statement of financial position are as follows:

	2017		2016	
	Due from USD	Due to USD	Due From USD	Due to USD
Shareholder				
ADES Investment Holding Ltd	-	**211,629**	-	26,327
Ultimate Shareholder				
Sky Investment Holding ltd.	**60,000**	-	60,000	-
Into Investment Holding ltd.	**74,998**	-	60,000	-
Other related parties				
Misr El Mahrousa	-	-	-	207,065
Advansys Project	-	-	9,499	-
Apetco Co.	-	-	1,115	-
Advansys Creative Solutions	-	-	26,212	-
AMAK for Drilling & Petroleum Services Co.	**2,054,687**	-	3,848,140	
ADVANSYS FOR ENG.SERV. & CONS	**1,028**	-	-	
Advansys Telecom Co.	-	-	-	-
Intro for Trading & Contracting Co.	-	-	29,291	-
ECDC - Free Zone	**170,618**	-		-
Others	-	-	91,000	-
	305,616	**2,267,344**	277,117	4,081,532

Compensation of key management personnel

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

USD	2017	2016
Short-term benefits	**1,890,000**	840,000

Terms and conditions of transactions with related parties

Outstanding balances at the year-end are unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2017, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2016: USD Nil). This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Overview
The Group's principal financial liabilities, comprise creditors, due to related parties, interest bearing loans and borrowings and other credit balances. The main purpose of these financial liabilities is to finance the Group's operations and to provide support to its operations. The Group's principal financial assets include cash in hand and at banks, including highly liquid investments with maturity less than 90 days, accounts receivable, due from related parties, available for sale financial assets and other receivables that arrive directly from its operations.

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

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

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

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

Credit risk
Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables and due from related parties) and from its financing activities, including letter of guarantees with banks, foreign exchange transactions and other financial instruments. As at 31 December 2017, the top three debtors of the Group represent 84% (2016: 66%).

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

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

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

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

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, such as interest rate risk and currency risk. Financial instruments affected by market risk include: loans and borrowings. The Group neither designate hedge accounting or hold or issue derivative financial instruments.

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

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

USD	Increase/decrease in basis points	Effect on profit before income tax
31 December		
2017		
USD	**+100**	**(985,126)**
USD	**-100**	**985,126**
31 December		
2016		
USD	+100	(1,044,883)
USD	-100	1,044,883

The Group has a short-term investment in treasury bills that is held in EGP and matured in USD. The exchange rate is secured from the Central Bank of Egypt at the breakeven level of the investment and it matured in January 2018.

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency).

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

USD	Change in USD rate	Effect on profit before income tax USD
31 December 2017		
USD	**+10%**	**1,250,162**
USD	**-10%**	**(1,250,162)**
31 December		
2016		
USD	+10%	586,006
USD	-10%	(586,006)

Liquidity risk

The cash flows, funding requirements and liquidity of the Group are monitored by Group management. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of banks overdraft and bank loans. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

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

Financial liabilities

USD	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
As at 31 December 2017					
Interest-bearing loans and borrowings	**12,666,983**	**35,941,765**	**175,584,530**	-	**224,193,278**
Trade and other payables	**44,802,928**	**7,861,315**	-	-	**52,664,243**
Due to related parties	**2,267,344**	-	-	-	**2,267,344**
Total undiscounted financial liabilities	**59,737,255**	**43,803,080**	**175,584,530**	-	**279,124,865**
As at 31 December 2016					
Interest-bearing loans and borrowings	9,793,808	33,612,574	218,413,360	-	261,819,742
Trade and other payables	43,805,477	7,250,448	-	-	51,055,925
Due to related parties	4,081,532	-	-	-	4,081,532
Total undiscounted financial liabilities	57,680,817	40,863,022	218,413,360	-	316,957,199

Capital management

Capital includes share capital, share application money and retained earnings.

The primary objective of the Group's capital management is to ensure that it will be able to continue as a going concern while maintaining a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Group's strategy remains unchanged since inception. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or return capital to shareholders. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio between 30% and 80%. However, the gearing ratio for the year is only 19% due to the funds raised from the IPO during the year in order to meet the Group's growth strategy. The Group includes within net debt, interest bearing loans and borrowings, less cash and cash equivalents, excluding discontinued operations.

USD	2017	2016
Interest - bearing loans and borrowings (Note 19)	**212,489,035**	235,733,919
Cash and cash equivalents (Note 12)	**(136,964,417)**	(5,192,864)
Net debt	**75,524,618**	230,541,055
Total equity	**318,009,698**	104,908,383
Total capital	**393,534,316**	335,449,438
Gearing ratio	**19%**	69%

27 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

28 CONTINGENT LIABILITIES AND COMMITMENTS

USD	2017	2016
Contingent liabilities		
Letter of guarantees (Note 15)	**21,301,884**	21,540,428
Capital commitments		
Capital commitments		
Purchase agreement*	**83,000,000**	-
Purchase orders**	**1,743,996**	-
Total capital commitments	**84,743,996**	-

Contingent liabilities represents letters of guarantee issued in favour of General Authority for Investment, Petrobel Group, Egyptian General Petroleum Corporation, Petro Gulf of Suez, Suze Abu Zenima Petroleum Company (Petro Zenima) and Association Sonatrach - First Calgary Petroleum. The cover margin on such guarantees amounted to USD 3,602,290 (2016: USD 3,511,930) (Note 15).

** On 19th December 2017, the Group signed a purchase and sale agreement (PSA) with Nabors Drilling International II Limited to acquire three operating offshore jack-up rigs in the Arabian Gulf amounting to USD 83 million which is payable in a combination of cash and the Company's shares.*

*** Purchase orders which were submitted to the vendors but services not received as of 31 December 2017.*

29 COMPARATIVE INFORMATION

USD	Reported As previously 2016	Reclassifications	Reclassified balances 2016
General and administrative expenses:	15,056,195	(343,089)	14,713,106
Other expenses	4,053,245	(343,089)	3,710,156
End of services cost	-	101,368	101,368
Other taxes	-	241,721	241,721
Current liabilities:			
Trade and other payables	51,157,293	(101,368)	51,055,925
Non - current liabilities:			
Provisions	-	101,368	3,035,823

The reclassifications are made to improve the quality of the information presented.

The third year statement of financial position is not presented as these reclassifications have no material impact on the third year numbers.

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INTERNATIONAL HOLDING LTD.