ADES
INTERNATIONAL HOLDING PLC.

A YEAR OF TRANSFORMATION

ANNUAL REPORT 2018

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ANNUAL REPORT 2018

INTRODUCTION

ADES AT A GLANCE

A leading oil and gas drilling and production services provider in the Middle East and North Africa

Our Focus

At ADES International Holding plc ("ADES" or "the Group"), we leverage our low-cost business model to provide superior services at competitive rates with a focus on creating value for our clients.

Our Key Activities

We specialise in acquiring and refurbishing legacy "fit for purpose" drilling assets. Our evolving portfolio of services primarily includes onshore and offshore contract drilling or workover services, such as maintenance, repair and enhancement of oil well production.

Our Portfolio

We are an established drilling operator in four markets of the Kingdom of Saudi Arabia (KSA), Egypt, Kuwait and Algeria, focused on the operations and maintenance segment of the oilfield cycle in operational and developing oil fields. We are headquartered in Dubai International Finance Centre, and our shares are listed on the London Stock Exchange.

Becoming a World-Class Player

In 2018, we significantly expanded our business through strategic acquisitions from Nabors Drilling International II Ltd. ("Nabors") and Weatherford International PLC ("Weatherford") and geographic expansion, which transformed ADES' business and has made it a recognised player in the MENA landscape of oil and gas services providers. Building on this, ADES stays focused on proving the resilience of its business model, with lean cost structure, market orientation and return on investment remaining key drivers for impact and sustainability.

A Strong Investment Case

Diversified Fleet and Lucrative Markets

41 rigs as of 31 December 2018[1], operating in markets with low extraction costs.

Lean Cost Structure and Customer-centric Approach

An attractive partner with competitive tailored solutions at advantageous rates, driven by low-cost business model.

Strong Team and Excellent Safety Track Record

Robust operational management that meets the highest safety standards.

Consistent Backlog Build-up and High Utilization Rate

Estimated total backlog of USD 1.2 billion and utilization rate of 85%.

[1] 49 rigs as at 31 March 2019

INTRODUCTION

2018
A YEAR OF TRANSFORMATION

RAPID FLEET GROWTH

During 2018, ADES significantly expanded its fleet through two major acquisitions from international players that saw it grow its asset base from 14 rigs in 2017 (including one MOPU) to 41 rigs in 2018 and effectively tripling its fleet. Early in the year, ADES acquired three offshore drilling rigs in Saudi Arabia from Nabors, doubling its offshore presence in KSA to six offshore rigs. In July 2018, ADES announced the signing of a definitive agreement with Weatherford for the acquisition of 31 onshore drilling rigs, with the Kuwait (12 onshore drilling rigs) and Saudi Arabia (11 onshore drilling rigs) segments of the deal finalised in November and December 2018, respectively.

In early 2019, ADES finalised the Weatherford transaction, including six onshore rigs in Algeria and two onshore rigs delivered outside of Southern Iraq and relocated to KSA, bring the Group's total fleet to 49 rigs as of 31 March 2019. ADES also ordered two new-build rigs to serve contracts secured in KSA.

USD 205.6 MN

Revenue in 2018
▲ 30% yoy

41 RIGS

(including 1 MOPU)
as at 31 December 2018[1]
▲ + 27 rigs during the year

January 2018	February 2018	June 2018	Nov-Dec 2018
9 Offshore Drilling Rigs 3 Onshore Drilling Rigs 1 MOPU 1 Jack-up Barge	+1 Offshore Rig in **West Africa**	+3 Offshore Rigs in **Saudi Arabia**	+12 Onshore Rigs in **Kuwait** +11 Onshore Rigs in **Saudi Arabia**
14 Rigs	15 Rigs	18 Rigs	41 Rigs

USD 101.1 MN

EBITDA in 2018
▲ 26 % yoy

USD 71.2 MN

Reported Net Profit in 2018
▲ 60% yoy

USD 424.4 MN

Net Debt as at 31 December 2018

USD 420.1 MN

Equity as at 31 December 2018

[1] *49 rigs as at 31 March 2019*

INTRODUCTION

GEOGRAPHICAL EXPANSION

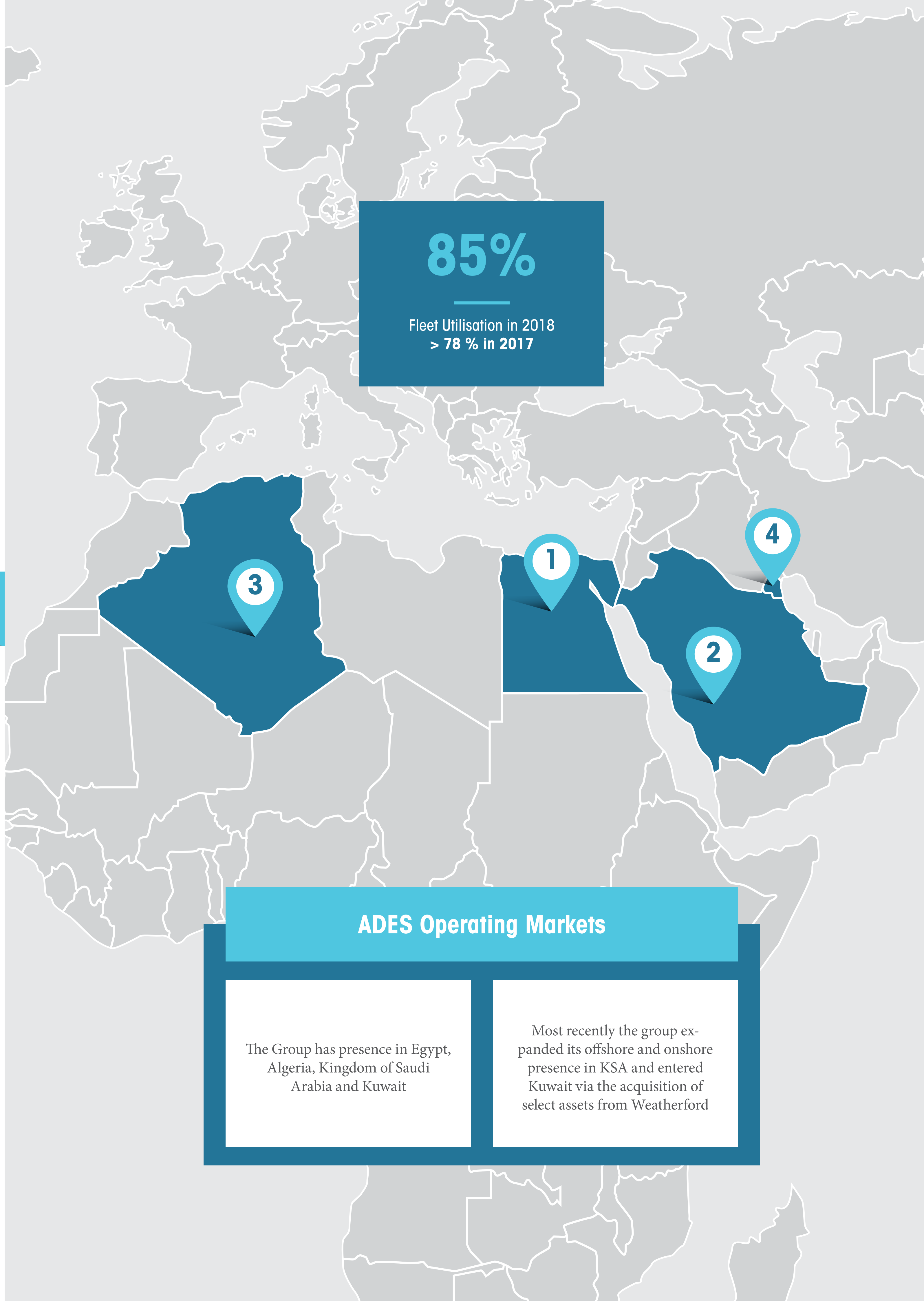
ADES is strengthening its footprint across key MENA markets through onshore and offshore acquisitions in Saudi Arabia and Algeria, while expanding into the high-potential and exclusive Kuwaiti market.

USD 1.2 BN

Backlog as at 31 December 2018
▲ 3x

	Countries[1]	Onshore Drilling	Offshore Jack-Up Rigs	MOPU	Offshore Jack-Up Barge
1	Egypt	1	6	1	1
2	Saudi Arabia[2]	11	6	--	--
3	Algeria[3]	2	--	--	--
4	Kuwait	12	--	--	--
5	West Africa[4]	--	1	--	--

[1] As at 31 December 2018.
[2] In March 2019, ADES completed the acquisition of two onshore rigs that were relocated from Southern Iraq to KSA. The Group also ordered two new-build onshore rigs to service newly awarded contracts in 2019.
[3] In February 2019, ADES completed the acquisition of four onshore rigs in Algeria followed by a further two onshore rigs acquired in March 2019.
[4] The rig is currently located in West Africa and is used for tendering activities in African markets where the Group operates.



85%

Fleet Utilisation in 2018
> 78 % in 2017

ADES Operating Markets

The Group has presence in Egypt, Algeria, Kingdom of Saudi Arabia and Kuwait

Most recently the group expanded its offshore and onshore presence in KSA and entered Kuwait via the acquisition of select assets from Weatherford

ASSET INTEGRATION PROGRAMME

With the rapid growth in our operational capacity, management launched a comprehensive strategy aimed at successful integration of ADES' newly acquired assets and personnel into the enlarged Group, ensuring we stay true to our promise to deliver top-quality services in line with the highest safety standards. The asset integration programme aims to achieve four key objectives developed and implemented in collaboration with top-tier global consultants:

Key Objectives

- Realize "synergies" & value creation opportunities.
- Create a common culture and bind key people.
- Design and build the new organization.
- Smooth day-to-day operations with minimal disruption.

Assess	Design	Deliverables	Plan	Implement
Internal assessments and external benchmarking.	Devise integration plan for the company.	Set target goals and outline integration risks and mitigations.	Organise strategy workshops and transformation offices and layout implementation plan.	Execute integration programme and measuring performance against KPIs.

Health, Safety and Environment

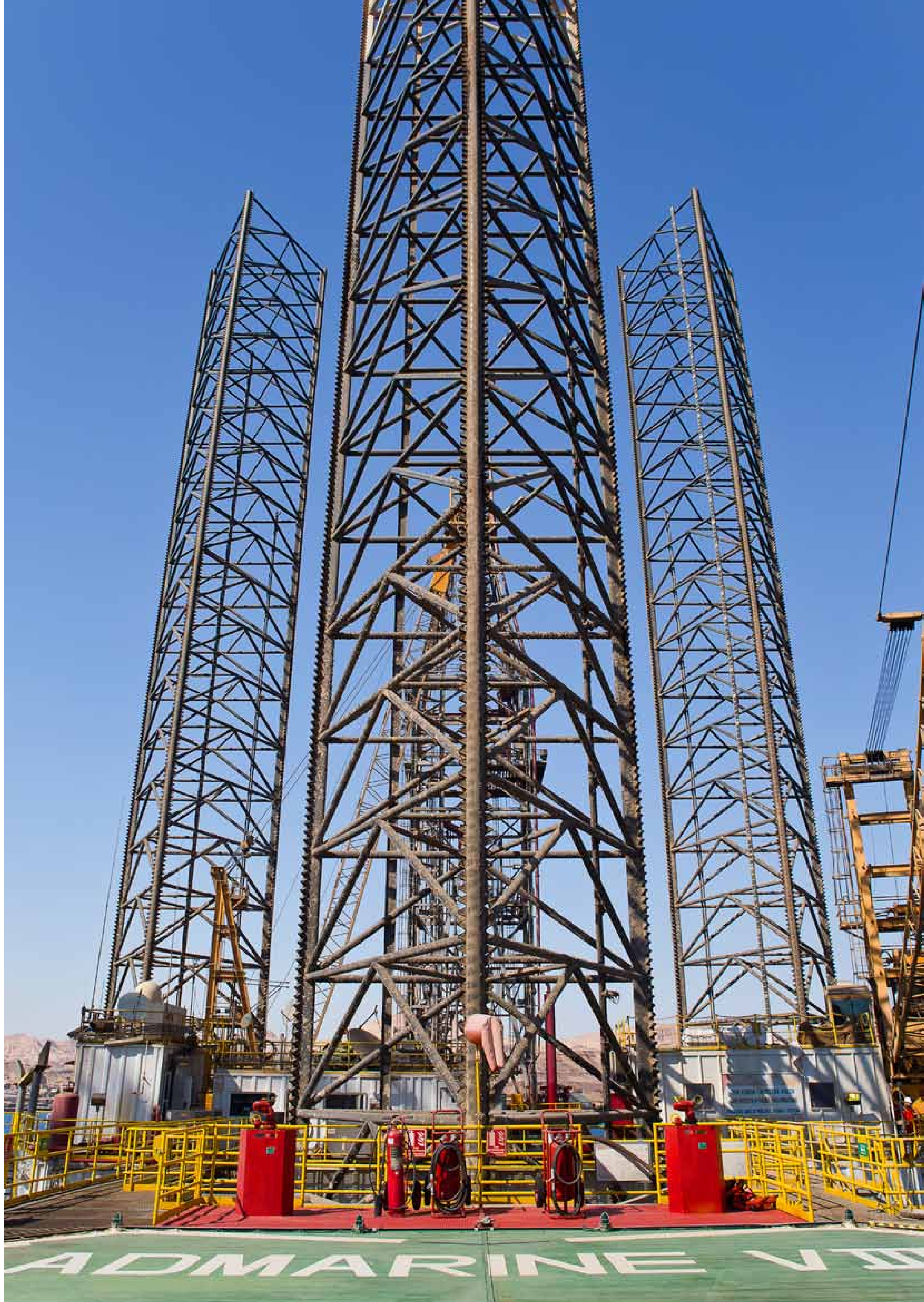
With the view that ADES's exemplary safety record is a key pillar of its success, management is also working with health, safety and environment ("HSE") consultants to review and develop the Group's safety procedures that are being rolled out across our enlarged fleet.

0.57

Recordable Injury Frequency Rate

vs. 0.68

industry average in 2018



INTRODUCTION

LETTER FROM THE CHAIRMAN

ADES has completed another year of successfully implementing its strategy, as evidenced by delivering strong results and a significant expansion of our regional footprint. The past year has seen the business transform from a leading national player in the Egyptian shallow water offshore drilling market, to a regional champion with a strong foothold in the onshore and offshore drilling space. We seized significant expansion opportunities through two strategic acquisitions from Nabors and Weatherford, which enabled us to establish a larger presence in the Saudi Arabian offshore drilling market and become one of the leading players in the Kuwaiti, Algerian and Saudi Arabian drilling onshore space. Notwithstanding our footprint expansion in 2018, we remained focused on the cornerstones of our success namely: consistent backlog build-up, a rigorous approach to risk management and an impeccable safety record.

At the Board level, strong governance standards have been a driving force behind the Company's successful expansion with the provision of key oversight and guidance throughout the year. We remained committed to upholding the highest standards of Corporate Governance and closely following in the spirit of the UK Corporate Governance Code.

> The business transformed from a leading national player in the Egyptian shallow water offshore drilling market, into a regional champion with a strong foothold in the onshore and offshore drilling space.

We are excited by what is ahead for ADES and I am confident that the Group is well placed to thrive. We enter 2019 with an enviable client list, including many of the region's top producers. The newly acquired assets that were under contract have already started to generate value for us, while those currently not under contract will allow us to participate more actively in tendering across the region. Looking ahead, we will continue proving the resilience of our business model, as we focus on lower cost production areas while providing a high-quality, cost-effective services. We are confident that this model serves us well, irrespective of market conditions and competition.

Finally, I would like to take this opportunity to thank all our employees, both those who have been with us from the beginning and all those who have recently joined, as well as our business partners for their continued support and hard work. You were the driving force behind our success in 2018 and I look forward to an even better 2019.

Mr. Ayman Abbas,
Chairman of the Board

STRATEGIC REPORT

> 2018 was a transformational year and the Group has emerged as a powerhouse in the MENA oil and gas drilling and production services industry

STRATEGIC REPORT

CHIEF EXECUTIVE'S REVIEW

Delivering on our Growth Strategies

2018 has marked a pivotal milestone in ADES' journey of transformation, and the Group has emerged as a powerhouse in the MENA oil and gas drilling and production services industry. We successfully utilised our financial firepower to execute important acquisitions that saw us rapidly expand our fleet and more than double the number of operating rigs, establish a solid foothold in the onshore drilling market and increase our footprint across the MENA region, all while maintaining solid financial results.

Since our listing in 2017, we have maintained a strong focus on building a robust corporate governance framework. After a period of significant operational growth, we are actively reviewing ways of augmenting our procedures and structures so that the highest standards are maintained.

Parallel to our strong financial performance and track record of operational excellence, we were able to successfully triple our backlog at year-end 2018 to c.USD 1.2 billion. The increase was due to the significant acquisitions executed at compelling valuation metrics and adding at the time of closing approximately USD 800 million of backlog across AA- and A-rated, sovereign IOCs and NOCs. In addition, we were able to successfully renew near-term expiring contracts at our Egyptian operations. In combination, these developments strongly underpin our revenue expectations for 2019 and long-term cash flow generation for the upcoming years.

We completed our first acquisition in June 2018 that saw us secure the Nabors rigs in KSA with a combined backlog of c.USD 140 million. The acquisition doubled our offshore fleet in KSA from three to six rigs, positioning us in the ultra-shallow drilling market and making us a top offshore player. Following the acquisition of the Nabors rigs, we successfully renewed a contract with Aramco in December 2018 for one of the newly acquired rigs for a total tenure of seven years, adding c. USD 150 million in backlog.

2018 also saw us strengthen our onshore capabilities while delivering on our goal to expand our presence across attractive pre-selected markets within the Middle East and Africa. We had executed the acquisition of 23 onshore rigs – 17 of which are contracted – in Kuwait and KSA from Weatherford in November and December 2018 respectively, while in early 2019 we finalised the acquisition of six further contracted onshore rigs in Algeria and two onshore rigs delivered outside Southern Iraq and relocated to KSA. These acquisitions have given us access to the onshore gas drilling market and the Kuwaiti onshore deep drilling market as a tier one pre-qualified entity.

Commitment to Service our Clients

In February 2019, we successfully renewed the term of six drilling contracts associated with the onshore operating rigs acquired in KSA under the Weatherford acquisition, which grew our backlog a further c.USD 228 million, illustrating our ability to deliver backlog growth and revenue generation from our new onshore assets with minimal disruption. The renewals are also a testament to the confidence our clients place in us to provide a consistent, high-quality service, and highlight our ability to extract value from our recent acquisitions and retain our high-profile clientele on both existing and newly acquired rigs.

We also recently secured two new contracts for new-build rigs in KSA for a tenure of seven years each, contributing a combined c.USD 150 million of additional backlog. The commissioning of new-build rigs reflects our increasing focus on organic growth following a period of significant acquisition activity.

To preserve our achievements on-the-ground, we continue to implement our comprehensive integration programme in collaboration with a top-tier global consultant to efficiently manage the rapid growth in our operational capacity. Our end goal is the optimal utilisation of the newly acquired rigs and delivering sustainable long-term growth through tendering activities in pre-selected markets in the MENA region.

ADES remains committed to complying with the highest occupational HSE standards, reporting a Recordable Injury Frequency Rate ("RIFR") of 0.57, well below the 2018 worldwide standard rate of 0.68 by the International Association of Drilling Contractors ("IADC") and underlining the success of our HSE management system in identifying, prioritising and controlling risks. The exemplary safety record has been a key pillar of ADES' success, and we are currently working with a HSE consultant to review and develop the Group's safety procedures. These will be rolled out across our enlarged fleet.

> "We strengthened our onshore capabilities while delivering on our goal to expand our presence across attractive pre-selected markets within the Middle East and Africa"

Outlook

2018 was a transformational year that elevated the company to a regional champion with a good spread of customers, geographies and end markets. 2019 will be focused on extracting synergies from the acquisitions, tendering activity and maintaining excellent customer service and asset utilisation. We will accelerate organic growth by capitalising on our expanded fleet and through our asset-light model such as the recently secured contract for deep-water drilling in Egypt with our joint venture partners Vantage International.

Our newly acquired assets have contributed to our strengthened position in the onshore market, while in the offshore segment we are strategically located to benefit from the significant share of global growth, expected to come from the MENA region. ADES is ideally positioned to capture this anticipated growth given its ability to offer global best practice with the insight, cost structure and cultural alignment of a local player.

We have a strong balance sheet and inherently cash generative operations, which continue to provide headroom to invest in organic development and appropriate acquisition opportunities as they arise. We continue to explore various financing options to further optimise our capital structure and fund our future business plans. To that end, in April 2019 we closed a USD 325 million offering of senior secured notes due 2024, which will be utilised in refinancing certain debt obligations and will help strengthen our balance sheet.

We have entered the current financial year with a strong and growing order backlog that stood at c.USD 1.5 billion as at February 2019, providing high levels of confidence in delivering a significant increase in revenue by the end of the year, which is further supported by a clear capital expenditure plan to continue providing a high-quality service to our clients.

Finally, I would like to thank ADES' management and employees for their continued commitment and hard work, and I look forward to another year of operational excellence and growth, strengthened profitability, and creation of long-term value for our shareholders.

Dr. Mohamed Farouk,
Chief Executive Officer

STRATEGIC REPORT

OVERVIEW OF ADES

ADES significantly expanded its onshore capabilities in 2018 from operating three onshore rigs to a fleet of 26 rigs by year-end 2018.

OUR SERVICES

Onshore Drilling and Workover

Our onshore drilling and workover services are conducted in Kuwait, Saudi Arabia and Algeria, with approximately 60% of our onshore services being provided to clients in the production phase and are primarily workover services for natural gas wells. ADES significantly expanded its onshore capabilities in 2018 from operating three onshore rigs to a fleet of 26 rigs by year-end 2018. The expansion follows a milestone acquisition from Weatherford of 31 onshore rigs, 23 of which were finalised by 31 December 2018, while the remaining eight rigs were acquired in early 2019.

Offshore Drilling and Workover

We currently conduct our offshore drilling and workover services in Egypt and Saudi Arabia through our fleet of 13 "legacy" jack-up rigs. Our offshore drilling and workover operations are currently focused mainly in the production phase of the oilfield life cycle and entirely in shallow-water and non-harsh environments. In March 2019, ADES secured is its first deepwater drilling contract in the Egyptian Mediterranean basin. The contract will be served through ADVantage, a joint venture between ADES and Vantage Drilling International that utilises ADES' experienced local workforce and pre-qualification in the Mediterranean basin with Vantage's Tungsten Explorer drillship.

MOPU Services

ADES launched its 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, including a production separator, de-salter, heater treater, water treatment unit, chemical injection package, and gas generators, and operates with a Floating Storage and Offloading ("FSO") unit. 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. Admarine I has a production capacity of up to 5,000 bpd and to date has had relatively low production costs per barrel. We currently provide MOPU services to Petrozenima, which encompass crude oil processing, storage and offloading into crude oil tankers.

Jack-up Barge & Project Services

As part of our offshore offerings, we also own an offshore jack-up barge, Admarine II, which is used for a wide range of marine tasks, including pipe laying or serve as offshore accommodation and can be equipped with heavy lifting cranes and a firefighting system. We currently use our jack-up barge to provide offshore support services to GUPCO (a joint venture between EGPC and BP), including barge services, materials, accommodation, equipment and construction support related to well intervention and other projects.

Other services

We also provide accommodation, catering and equipment rental to our offshore rig clients and their personnel onboard our units under the terms of our client contracts. We also rent equipment to clients where under the contracts it is the client's obligation to supply that equipment but where they need or prefer to rent it from us.

OUR FLEET

During 2018, ADES focused on expanding its fleet across existing and new markets. Through two major acquisitions, the Group almost tripled its fleet size to 41 rigs under its ownership by year-end 2018, compared to the 14 rigs owned at year-end 2017. As of 31 December 2018, the Group's fleet included 26 onshore rigs across Algeria, Saudi Arabia, and Kuwait, 13 offshore rigs located in Saudi Arabia and Egypt, a Jack up Barge and one MOPU unit in Egypt.

Offshore Fleet

We own 15 offshore units (of which 14 were under contract as of February 2019), comprising 13 jack-up rigs, a MOPU (including FSO) and a jack-up barge. We have eight offshore units in Egypt, including a jack-up rigs and MOPU, making us a leading offshore driller by number of jack-up rigs in the Gulf of Suez. In Saudi Arabia, we own and operate six offshore jack-up rigs. Our offshore services include drilling and workover services, as well as accommodation, catering and barge-based project services.

Onshore Fleet

As at 31 December 2018, ADES owned an onshore fleet of 26 rigs, 23 of which we acquired under the Weatherford transaction in 2018 that includes 31 onshore rigs in Kuwait, Saudi Arabia, Algeria and Southern Iraq. The acquisition of 12 rigs located in Kuwait and 11 in the Saudi Arabia were finalised in November and December 2018, respectively, while in the first quarter of 2019 we finalised the transaction with the acquisition of the six onshore rigs in Algeria, and a further two rigs delivered outside of Southern Iraq for relocation to Saudi Arabia.

	2012	2013	2014	2015	2016	2017	2018
MOPU	0	0	1	1	1	1	1
Jack-up barge	1	1	1	1	1	1	1
Offshore Jack-up Rig	1	3	3	5	9	9	13
Onshore Rig	0	0	0	1	2	3	26

Fleet Certification

ADES' success over the years is largely attributed to its ability to obtain pre-qualification with major regional oilfield operators. All of ADES' offshore fleet is certified by the American Bureau of Shipping ("ABS"), a renowned classification society that is relied on by major global oilfield service providers for certifying their operational capability and safe management; obtaining ABS certification is an important step towards earning pre-qualification. We are also a member of the International Marine Contractors Association and the International Association of Drilling Contractors and we have an ISO-certified quality management system.

Our Fleet Breakdown as at 31 December 2018

Rig	Type	Date of Acquisition
Egypt		
Admarine I	MOPU	2014
Admarine II	Jack-up barge	2004
Admarine III	Jack-up rig	2012
Admarine IV	Jack-up rig	2013
Admarine V	Jack-up rig	2013
Admarine VI	Jack-up rig	2015
Admarine 88	Jack-up rig	2016
Admarine VIII	Jack-up rig	2015
Ades 1	Onshore rig	2017
KSA		
Admarine 261	Jack-up rig	2016
Admarine 262	Jack-up rig	2016
Admarine 266	Jack-up rig	2016
Admarine 655	Jack-up rig	2018
Admarine 656	Jack-up rig	2018
Admarine 657	Jack-up rig	2018
Rig 144	Onshore rig	2018
Rig 158	Onshore rig	2018
Rig 798	Onshore rig	2018
Rig 157	Onshore rig	2018
Rig 173	Onshore rig	2018
Rig 174	Onshore rig	2018
Rig 040	Onshore rig	2018
Rig 799	Onshore rig	2018
Rig 889	Onshore rig	2018
Rig 800	Onshore rig	2018
Rig 146	Onshore rig	2018
Kuwait		
Rig 155	Onshore rig	2018
Rig 776	Onshore rig	2018
Rig 870	Onshore rig	2018
Rig 871	Onshore rig	2018
Rig 180	Onshore rig	2018
Rig 878	Onshore rig	2018
Rig 808	Onshore rig	2018
Rig 809	Onshore rig	2018
Rig 102	Onshore rig	2018
Rig 160	Onshore rig	2018
Rig 171	Onshore rig	2018
Rig 172	Onshore rig	2018
Algeria		
Ades 2	Onshore rig	2015
Ades 3	Onshore rig	2016
West Africa		
Admarine 260[1]	Jack-up rig	2018

[1] *The rig is used for tendering in both the Middle East and Africa region.*

STRATEGIC REPORT

OUR INDUSTRY

Industry Trends

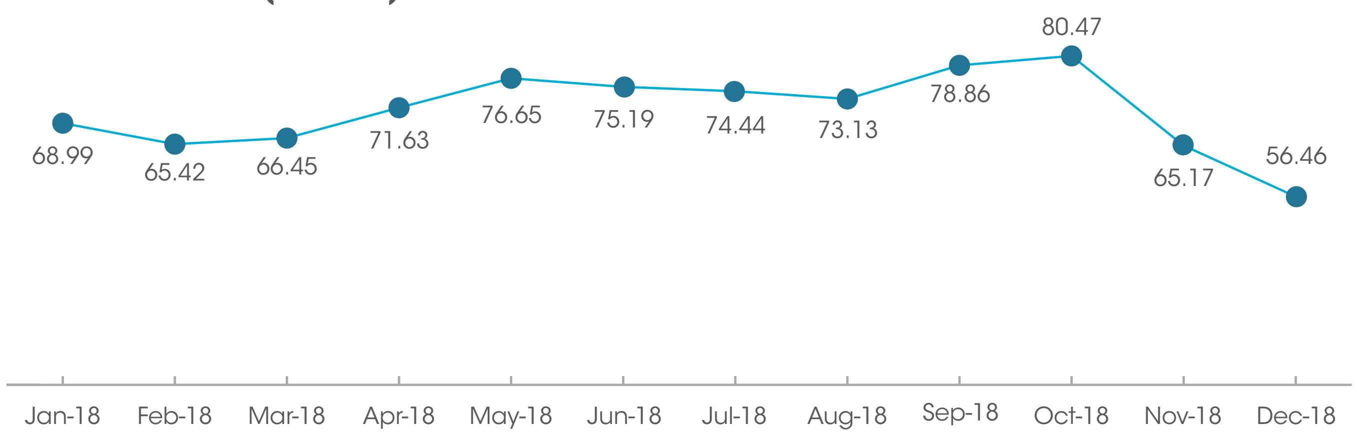
Over the past five years, the industry has seen significant change and upheaval as it had to adjust to a more volatile and lower commodity price environment. These changes were reflected in the lower CAPEX budgets of E&P companies, which are often seen as a core underlying indicator of activity, underpinning the key market drivers for the sectors in which the Group operates.

Between August 2014 and January 2015, Brent prices crashed by c.50% marking the start of a sustained period of significant volatility within the industry. Brent oil prices hit lows of USD 27/bbl in January 2016, the lowest price since 2003, as the industry experienced a prolonged period of depressed commodity prices. Since January 2016 oil prices have been on an upward, albeit volatile trajectory, and reached USD 65/bbl in March 2019. Underpinning this trend are key macro-economic fundamentals such as robust global demand levels, increased capital discipline, particularly by US shale producers, and production cuts by exporting countries within OPEC and outside (including Russia). The recent increase in oil prices has led to a recovery in E&P CAPEX investment levels, which have risen by c.36% between 2016-2018.[1]

The Dated Brent oil price reported a steady rise during the first 10 months of 2018, starting the year at USD 68.99/bbl and reaching an average price of USD 80.47/bbl for the month of October. The promising trend came to a halt in November as oil prices dropped sharply to USD 65.17/bbl, well below the starting point for 2018. This continued throughout December, with the average price coming in at USD 56.46/bbl for the month. The start of 2019 has shown more favourable numbers with oil prices stabilising and beginning to recover.

Although oil price volatility is expected to continue, general market consensus[2] suggests that the oil & gas sector should continue to improve modestly, with oil prices expected to remain in the USD 70 - c.USD 75/bbl range on an annualised basis according to Westwood Global Energy (WGE) research. As such, the underlying macro-economic fundamentals should continue to support increases in E&P investment over the next five years, although a general industry wide emphasis on cost rationalisation should limit any considerable escalations.

Brent Crude Price (USD/bbl)



Source: U.S. Energy Information Administration ("EIA")
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

[1] *Westwood Global Energy Group – Report for ADES' Markets, March 2019*
[2] *WGE's consensus oil price outlook is based on the forecast from a range of industry and financial institutions, such as ABN Amro, the World Bank and IMF*

Global Energy Demand

Energy demand is expected to increase by c.28% from 2018 by 2040[1], driven by growth in population and rising GDP per capita across developing countries. Almost all the growth in energy consumption in the coming years will come from emerging non-OECD economies, while demand within developed nations is expected to stagnate. Whilst renewables are expected to play an increasing role in the energy mix as nations look to fulfil COP21GHG emissions commitments, hydrocarbons will continue to dominate.

Supply-demand fundamentals are set to drive commodity price increases in the long-term. WGE's consensus oil price outlook (based on the oil price forecasts from 27 selected organisations) on which WGE's forecasts are based, will see the base case Brent oil price within the c.USD 70 – c.USD 75/bbl range in the short to medium term.

Onshore Drilling

The outlook for the land drilling market is generally positive as the sector continues to recover from a period of reduced activity. According to WGE, on a global basis the number of rigs under contract is forecast to grow by c.10% through the period of 2019-2023. Since the lowest observed rig count throughout the current cycle in June 2016, North American recovery has been the most pronounced, particularly in the USA. According to Baker Hughes, in the USA the average number of active rigs (defined as rigs actively engaged in drilling activity) declined by c.78% from 1,804 in 2014 to 396 in June 2016, before recovering to c.1,038 active units in March 2019.[2]

Anticipated demand for onshore drilling services implies that the global active rig count will require a total of c.4,281 units by 2023 according to WGE. The number of active rigs drilling in the Middle East and North Africa region is expected to increase by c.21% from 2019 to 2023. Latin America (+17%), North America (+15%), Eastern Europe & FSU (+6%) and Asia Pacific (+2%) are also expected to see increases in the number of active rigs over the 2019-2023 period.[3]

MENA Region Demand

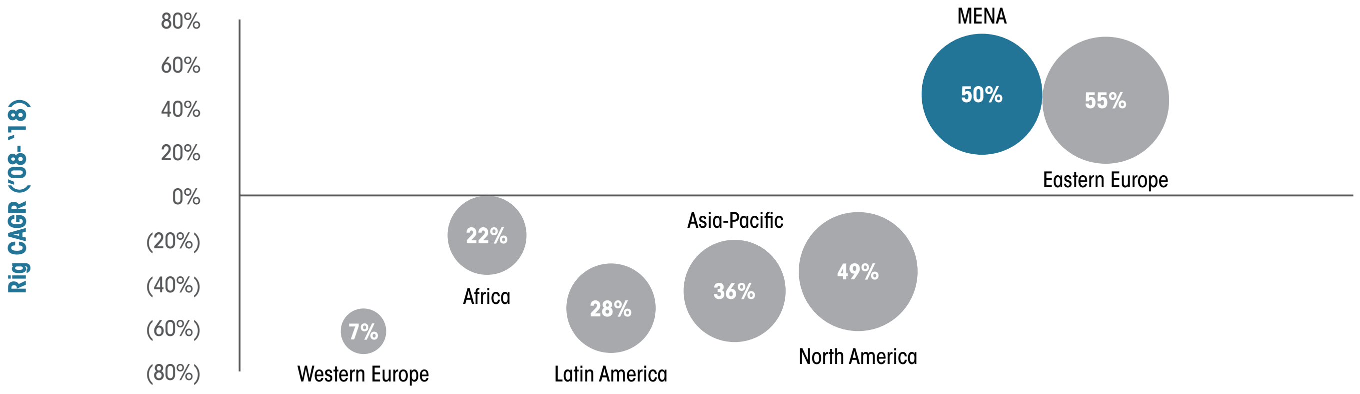
In the coming years, the MENA region is expected to see a return to strong growth in drilling activity supported by projects such as the Jurassic Gas Project in Kuwait and the Khurais field development in Saudi Arabia. The number of rigs drilling is expected to rise from 471 to 507 units in 2019. Between the period of 2018 to 2022, projects such as Phase 2 of the Khazzan field development in Oman, are expected to contribute to a 3% CAGR in the number of rigs drilling. The MENA region today boasts the second highest implied rig utilisation rates in the world with a 50% drilling rate for 2018, coming in just behind Easter Europe & FSU which reported rates of around 55%, and well above the global average of 45%.

Rig demand and utilisation are expected to increase in several of the Group's markets over the 2019-2023 period. Of the Group's countries of operation, Saudi Arabia is the largest in terms of the active rig fleet. WGE expects the number of rigs actively drilling to increase from c.119 units in 2019 to c.133 units in 2023, as it is expected to focus on maintaining and potentially expanding its spare oil capacity, as well as increasing its gas production. In Kuwait, the active rig fleet is expected to grow from c.41 rigs in 2019 to c.51 rigs in 2023, driven by several heavy oil projects, in addition to the development of the Jurassic gas fields. In Algeria, growth in activity is expected to be driven by several new projects, including Touat (Neptune Energy), Ain Tsila (PetroCeltic International), and Tinrhert (Sonatrach). The number of rigs drilling is forecasted to rise from c.87 units in 2019 to c.109 units in 2023.

[1] *Westwood Global Energy Group – Report for ADES' Markets, March 2019*
[2] *Westwood Global Energy Group, World Land Drilling Rig Market Forecast 2018-2022*
[3] *Westwood Global Energy Group – Report for ADES' Markets, March 2019*

STRATEGIC REPORT

Global Average Onshore Utilisation Rates 2018[1]



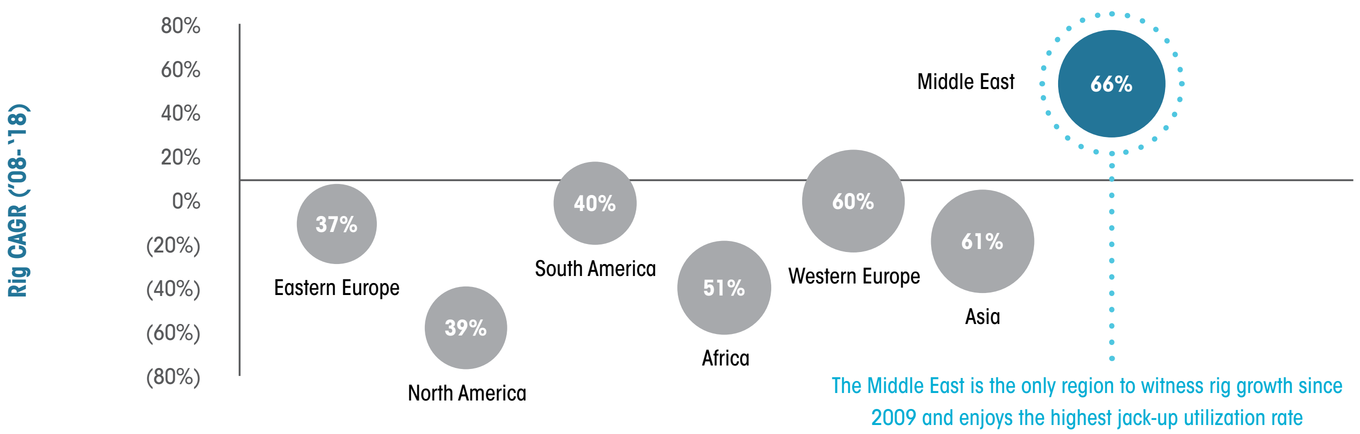
Offshore Drilling

The market for offshore jack-up contract drilling is driven by the need for E&P companies to drill and maintain offshore shallow-water wells. This is a cyclical business which in-turn is driven by commodity price cycles for hydrocarbon products such as crude oil. The MENA region is considered somewhat less-exposed to industry cycles as a result of the dominance of large National Oil Companies (NOCs) with long-term planning cycles. Average jack-up contract length in the Middle East region was 663 days for contracts awarded during 2018, 229% longer than the global average. The contracted days backlog for jack-ups in the Middle East is higher than any other region.[2]

Almost all shallow water production in the Group's areas of operation takes place in water depths of less than 150 meters and is thus accessible from a jack up rig. The Group's areas of operation (primarily Saudi Arabia and Egypt) will account for c.14% of global shallow water production by 2023, increasing from c.12% in 2014. WGE expects shallow water drilling activity for the Group's operating countries to reach 179 wells in 2023, up from 156 in 2018. The remainder of the MENA region will experience significant demand for jack-up drilling over 2019-2023, increasing by 10% per annum over the period.

Historically, offshore production in Egypt has been dominated by shallow water fields, however recent developments within the deepwater sector, such as the discovery of the deepwater Zohr field, have caused an increase in the share of deepwater production in the country. Shallow water production from Egypt now accounts for approximately 50% of the country's total offshore production, as compared to c.77% in 2014. Saudi Arabia, however, is solely focused on shallow water production. As such, shallow water production from the Group's countries of operation currently accounts for c.87% of their total offshore production and is accessible by jack-up rigs.[3]

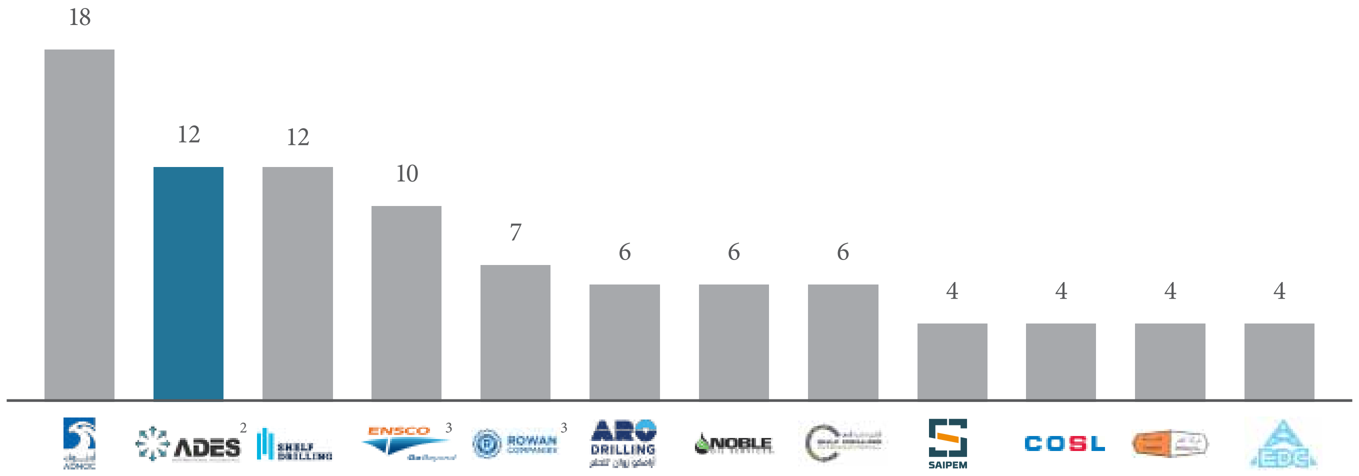
Global Average Offshore Utilisation Rates 2018[4]



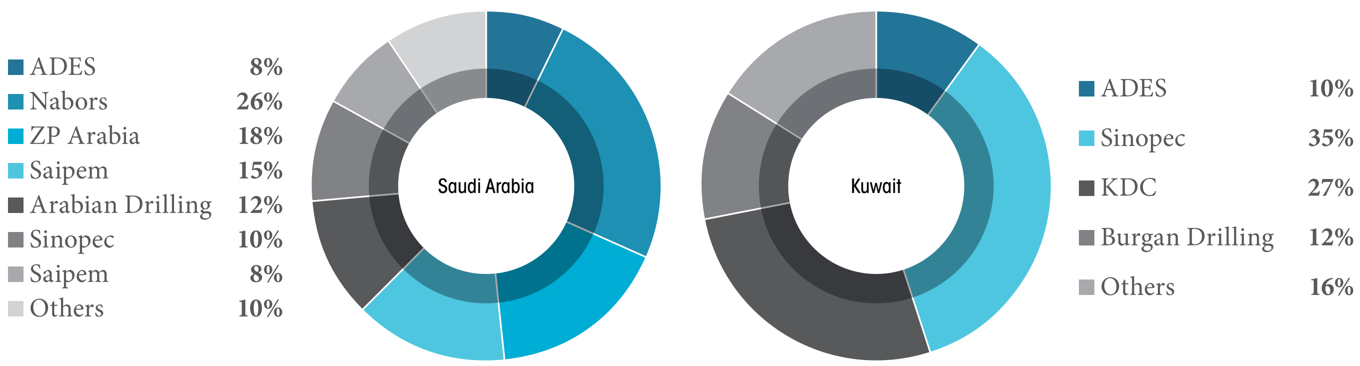
[1,2,3,4] *Westwood Global Energy Group – Report for ADES' Markets, March 2019*

Leading Position in the Region

Ranked #2 Offshore Active Jack-up Owner in MENA[1]



Significant Presence in Onshore Drilling Markets in MENA



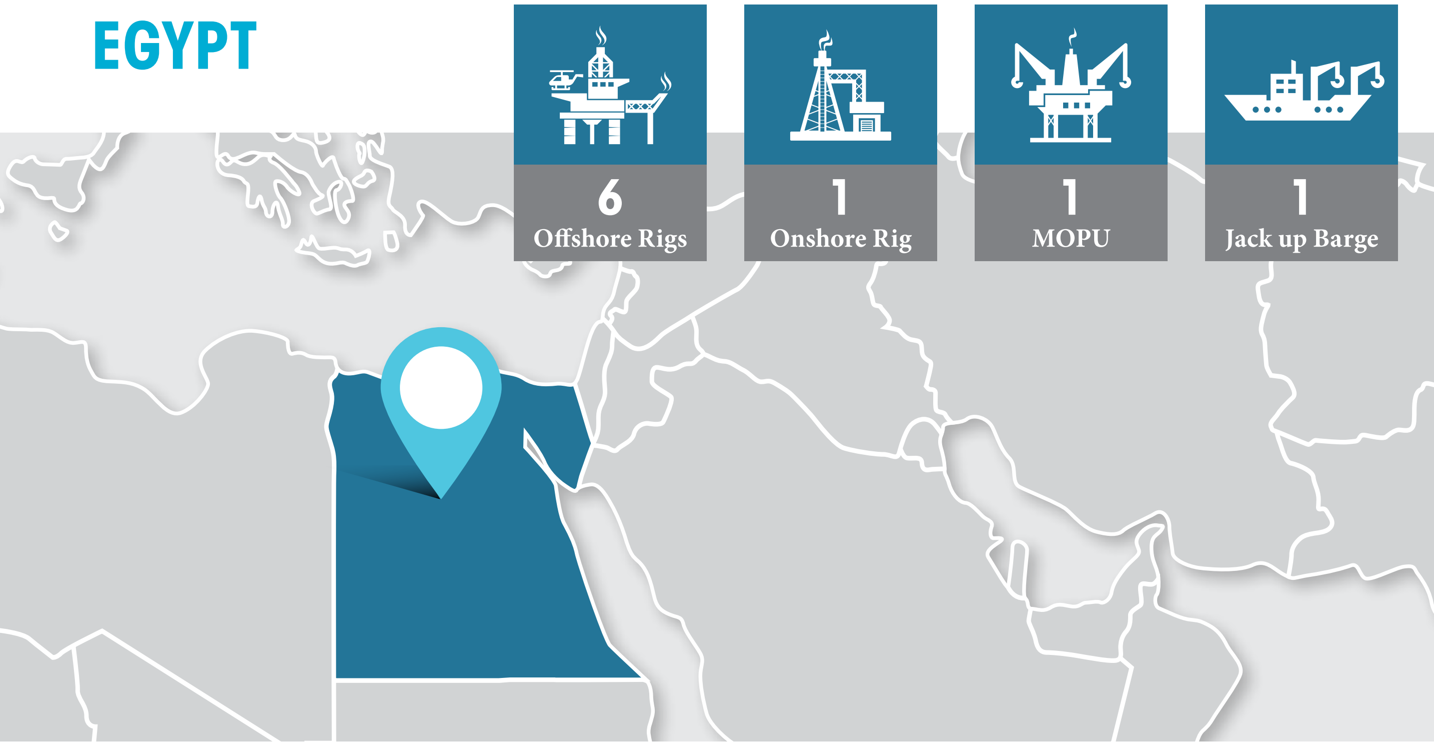
Pre-qualification Yields Top Client Base Across NOCs & IOCs

Pre-qualified in 15 markets with over 20 clients including key NOCs and IOCs	A pre-qualification status across countries with 72% of the regional proven hydrocarbon reserves[4]	Pre-qualification with Saudi Aramco was instrumental in winning the Hercules offshore rig acquisition in 2015	Further ongoing pre-qualification efforts in target markets

[1] *Source: WGE (1) Based on rig owner data including drilling and workover rigs*
[2] *ADES number excludes MOPU and the Jack-up Barge*
[3] *Figures are presented prior to the merger between Ensco and Rowan, which occurred in April 2019*
[4] *Source: Wood Mackenzie, Middle East excluding Iran*

STRATEGIC REPORT

EGYPT



With total proven oil reserves of 3.3 billion bbl (ranked sixth in Africa) and total proven natural gas reserves of 62.8 trillion cubic feet (ranked third in Africa), Egypt is an important regional player consistently producing around 700 thousand bbl/ day over the last two decades.[1] The country's strategic location 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. In 2015, ENI's Zohr discovery, the largest gas field in the Mediterranean Sea to date with an estimated 30,000 billion cubic feet (bcf) of reserves, saw Egypt transition from a net importer to a net exporter. As of early 2019, Zohr's output was up to 2.1 billion cubic feet per day ("bcf/d") and expected to reach 2.7 bcf/d by July 2019.

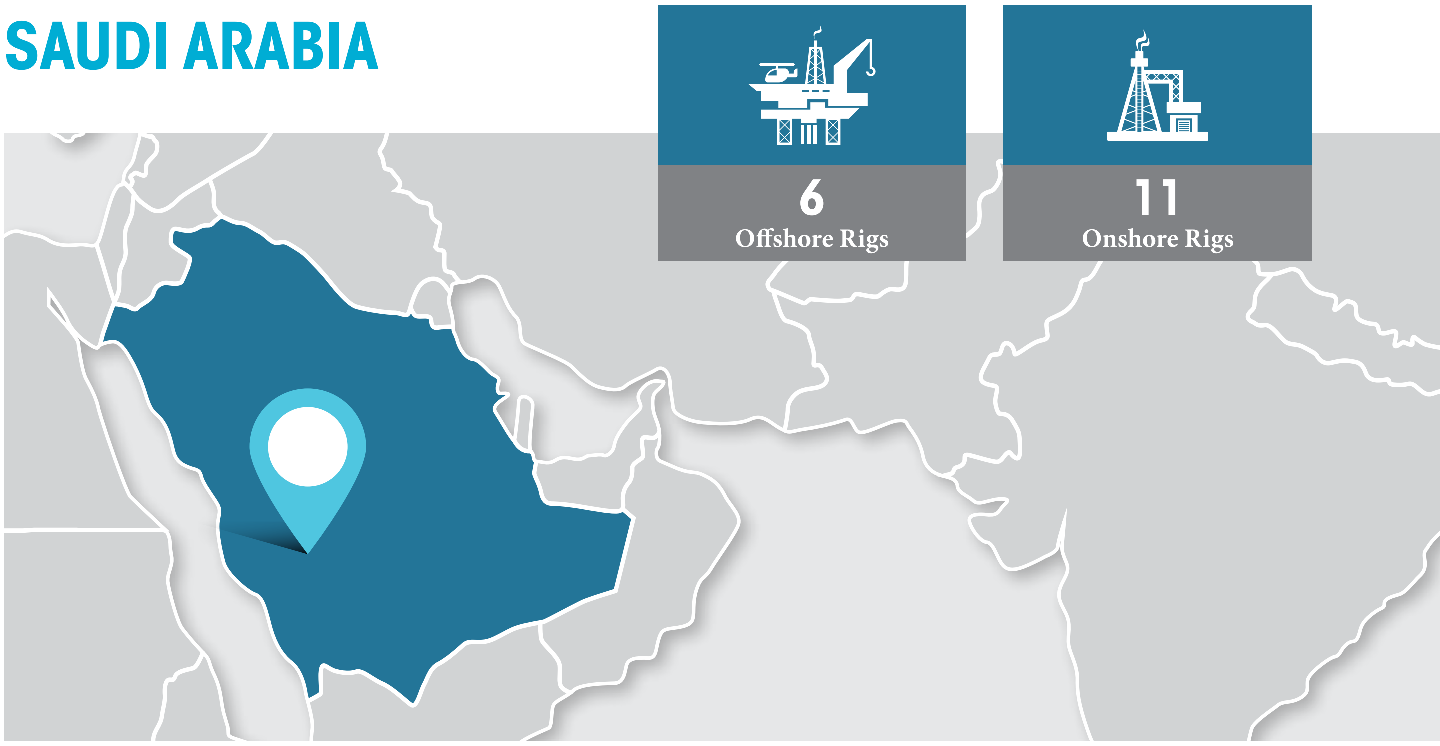
Recent discoveries (51 oil discoveries and 18 gas discoveries announced by MoP in 2018), including the latest one announced in March 2019 by Eni at its offshore Nour gas field in the East Mediterranean area, have fuelled international interest in Egypt's oil and gas industry with total investment by global exploration and production companies expected to close the state's 2018-19 fiscal year at c. USD 11 billion against USD 10 billion a year ago.[2] During 2018, the country's oil ministry also organised two exploration and production tenders for oil and gas in offshore concession blocks in both the Mediterranean (which closed in November) and in the Red Sea (which closed in December). The tenders attracted a lot of international interest with Shell, ExxonMobil, Eni, and BP among the winners of the two exploration bid rounds. The oil national ministry will be launching multiple tenders in the Red Sea during 2019, with the ministry also expected to roll out new production sharing contracts with friendlier terms for international oil companies in tandem.

ADES is a market leader in drilling and related services in the Gulf of Suez and its strong track record in the country positions it ideally to capture the expected increase in business over the coming years. As of year-end 2018, ADES was the largest offshore driller in the Gulf of Suez in terms of number of offshore jack-up rigs employed. The Group's 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. To further strengthen the Group's service offering in the country, in 2016 ADES launched its MOPU service, the first of its type in Egypt. In January 2019, the Group incorporated ADVantage Drilling Services SAE (ADVantage) in Egypt, a joint venture with Vantage Driller Co II, an affiliate of Vantage Drilling International. ADVantage was established to pursue expansion into deep water drillship services in Egypt, and in March 2019 has entered into a short-term exploration contract with Dana Gas Egypt Limited for deep water drilling services in the Mediterranean Basin. The venture stays true to the Group's asset-light business model, where ADVantage will utilise ADES' experienced local workforce and pre-qualification in the Mediterranean Basin and Vantage's drillship and deep water drilling experience.

[1] *BP Statistic Review of World Energy 2018*

[2] *Egypt Oil & Gas Newspaper, February 2019*

SAUDI ARABIA



Saudi Arabia has the second-largest proven oil reserves in the world standing at around 266 billion barrels and representing approximately 18% of the world's proven petroleum reserves as of year-end 2017. Its oil and gas sector currently accounts for about 50% of gross domestic product, and about 70% of the country's export earnings. Over the coming decade, Saudi Aramco, the national petroleum and natural gas company of Saudi Arabia, is forecast to spend approximately USD 414 billion on projects in the areas of material and services to support service facilities, infrastructure, drilling and maintenance, and unconventional resources.[1] The company's investment will be directed towards new gas and oil plants to meet growing energy demand and to increase petrochemical production. The country's National Transformation Programme (NTP), announced in late 2016, sets several goals for the oil and gas sector over the coming years including efforts to increase refining capacity from 2.9 million to 3.3 million bbl/day by 2020, plans to develop high efficiency clean fuel production, and an overall target to maintain peak oil production at 12.5 million bbl/day.

During the global offshore rig utilisation downturn experienced globally during 2015 and 2016, the Saudi Arabian rig market was one of the very few where rig fixing activity remained high despite the wider global decline. During both 2015 and 2016, numerous rig fixtures were entered into by the Saudi Aramco, for contracts with a typical average duration of roughly three years. High growth targets as set out be the NTP, 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. In the future, Saudi Arabia will likely necessitate strong growth in the country's active rig count to ensure it is able to deliver on the targeted increases in production. Over the coming five years, drilling activity is expected to be sustained at over 500 wells per year as investment in oil continues and the country sees an increased interest in gas projects.[2] In 2018, ADES significantly strengthened its position in the Saudi Arabian offshore market through the acquisition of three offshore jack-up rigs from Nabors, bringing its total offshore rig count in the country to six.

Meanwhile, ADES is a new entrant to the Saudi Arabian onshore market, following the acquisition of 11 units from Weatherford in December 2018. The acquisition enabled ADES to enter into the deep drilling gas market in KSA, characterized by relatively lower competition and fewer players due to the need for high specification and often higher capacity rigs. Saudi Arabia is ADES' largest onshore rig market and has a broad range of both drilling and workover demands, requiring a relatively diverse rig fleet. ADES' active fleet is arguably the most diverse in the country, consisting of high HP units that compete with Arabian Drilling Company and Egyptian Drilling Company, among others, but also active in the sub 1,000 HP range where these companies do not compete. Our position in the market is expected to further strengthen with the addition of two new-build units, following the award of two onshore drilling contracts in February 2019, which are expected to commence in the second half of 2019.

[1] *Middle East Business Intelligence (MEED)*

[2] *Westwood Global Energy Group – Report for ADES' Markets, March 2019*

ALGERIA

Algeria is the leading natural gas producer in Africa and an OPEC member. The country has the tenth-largest proven reserves of natural gas in the world, is the sixth-largest gas exporter globally, and has the third largest proven reserves of shale gas.[1] On top of this, Algeria ranks sixteenth in proven oil reserves standing at 12.2 billion barrels as of year-end 2017.[2] The country is a net energy exporter, with the Algeria economy relying heavily on revenues generated from its hydrocarbon sector, which account for about 30% of the country's Gross Domestic Product, more than 95% of export earnings, and 60% of budget revenues.

In Algeria, we compete predominantly with NOC Sonatrach's subsidiaries; Entreprise Nationale de Forage (ENAFOR) and Entreprise Nationale des Travaux aux Puits (ENTP). ENAFOR and ENTP have an estimated combined market share of c.67%.

In 2019, ADES completed the Algeria segment of the Weatherford transaction, acquiring six onshore rigs and bringing ADES' Algerian fleet size to 8 onshore drilling rigs and allowing the Group to solidify itself as a major drilling and workover services provider in the natural gas rich market. Our eight rigs located in Algeria are rated at 1,000 HP or above, and are competitive with the wider fleet in terms of rig specifications, including topdrive equipped units, maximum drilling depth and average hookload capacity. Nabors, Sinopec and KCA Deutag are also key competitors for us in the market, with identified fleets of ten, nine and six units respectively, all but one of which are rated at 1,500 HP and above.

[1] *International Trade Administration (ITA)*
[2] *BP Statistic Review of World Energy 2018*

** As of March 2019, the Group operated a total of eight onshore rigs in Algeria following the completion of the Weatherford transaction*

KUWAIT – OUR NEWEST MARKET

Kuwait is a major oil supplier and a member of the OPEC consortium. Today, oil comprises nearly half of Kuwait's Gross Domestic Product, around 95% of its exports, and approximately 90% of Kuwait's government revenue.[1] Kuwait is the sixth largest country in the world for total proven oil reserves, standing at 101.5 billion barrels as of year-end 2017, and has a current production capacity of about 3.15 million bbl/day.[2] On top of this, the country's advantageous investment environment, low-cost break-even point, and one of the highest utilization rates globally make it an ideal destination for leading oil and gas industry players. Over the coming five years, Kuwait's national oil company expects to spend USD 114 billion in capital expenditure, and an additional USD 394 billion beyond that to 2040.[3] Kuwait's oil production capacity is expected to reach 4.0 million bbl/day; in 2020 and is expected to increase further to 4.75 million bbl/day by 2040.[4]

Kuwait is a highly consolidated market with nine identified rig contractors actively competing for contracts. Of these, ADES is the largest international contractor with a fleet of 12 units, c.75% of which are classified as high specification in WGE's database. Aside from the international contractors, there is a large NOC presence in the market, with Sinopec commanding the largest share at c.35%. With a 27% market share, Kuwait Drilling Company ("KDC") is also competitive and has several heavy duty units (rated at 3,000 HP or above) that are able to compete with our rigs. The qualification process for the Kuwait Oil Company, alongside extended contract terms, is understood to be a limiting factor for prospective entrants into the Kuwaiti market in particular.

[1] *International Trade Administration (ITA)*
[2] *BP Statistic Review of World Energy 2018*
[3] *Kuwait Times*
[4] *Bloomberg*

STRATEGIC REPORT

STRATEGY & BUSINESS MODEL

FOUNDATIONS FOR GROWTH

2018 has market a pivotal year for ADES as the Group significantly increased its fleet, expanded its geographical presence, tripled its backlog and nearly quadrupled its workforce. The Group's acquisitions in 2018 have required a change in our strategy to ensure that the newly acquired assets are integrated effectively. At the same time, we have remained committed to the core strategy pillars and business model, focused on delivering high-quality services and creating sustainable value.

Resilient and Lean Cost Structure

A key pillar of ADES' strategy is maintaining a lean cost structure to allow it to operate profitably in an industry typically associated with high expenses and significant fixed capital requirements. Our success has always lied 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. This has allowed us to stand out from the competition in recent years and offer competitive rates for high quality services, in turn helping us deliver consistent financial and operational growth against a challenging oil and gas sector backdrop and cyclical nature of the oil price. Our commitment to a lean cost structure not only allows us to keep up with an increasingly aggressive competitive environment but ensures the necessary buffers are in place to weather fluctuating market dynamics.

Focus on Lucrative Markets

Our business model is focused on resilient sub-segments of the drilling industry and founded on a lean cost structure, which has allowed us to achieve a track record of profitable growth throughout cyclical market conditions in the oil and gas industry. To help protect our business from the oil price cycle, we operate primarily in regions with low cost of production which are dominated by NOCs. Specifically, the MENA region is characterised by low extraction costs, non-harsh environments and a predominance of drilling intensive legacy fields, all of which support relatively higher production levels and utilization rates throughout the oil price cycle than in other regions and environments where the cost of production is greater.

Client-centric Approach

From the inception of our business, we have built an extensive track record of operational excellence, fostered long-standing relationships with well-regarded clients, and developed a deep understanding of market dynamics in the MENA region, which is characterised by large NOCs who tend to have longer term investment horizons and a greater willingness to commit to investment in upstream services and contracts with a remaining weighted average maturity of 4.4 years.

Over the years, we have successfully cultivated strong relationships with a number of key regional clients. Saudi Aramco and the Kuwait Oil Company, both high quality counterparties and national oil companies operating in solid jurisdictions (as evidenced by high sovereign credit ratings A- and AA, respectively, by S&P and Aa3 and Aa2, respectively, by Moody's), are our largest clients and together comprise 89% of our backlog as of 28 February 2019. Our remaining backlog is attributable to national oil companies and joint ventures, such as PetroZenima and GPC in Egypt, and Sonatrach AGIP in Algeria.

We have been able to build and foster relationships with such a diverse and high-quality client roster by continuously seeking feedback and fine-tuning our services accordingly, enabling us to establish ourselves as a reputable and reliable oilfield services provider with an exceptional operational track record. As of 28 February 2019, approximately 50%, 39%, 10%, and 1% of our backlog is derived from Saudi Arabia, Kuwait, Egypt, and Algeria, respectively.

Our contracts are often renewed, and since the start of our operations, we have never had a client terminate a contract prior to the end of its term. These strong client relationships and long-standing contracts have enabled us to generate predictable cash flows and strong backlog that are geographically diversified across key MENA region markets.

Focus on financial and operational excellence, an impeccable HSE track record, and highly scrutinized appropriate assets allow us to build and foster long-standing client relationships and obtain status as a pre-qualified provider with the key industry operators (which are pre-qualified with clients). As of year-end 2018, we have achieved prequalification in several MENA markets including Egypt, Algeria, Kuwait, UAE, Saudi Arabia and Bahrain, and markets outside the MENA region such as India, Mexico, Ghana and Gulf of New Guinea. We believe that these factors, built over a 17-year operating history, combine to create significant barriers to entry for competitors.

Robust HSE Policies

We strive to adhere to robust HSE standards and procedures when conducting our business, and a strong HSE culture is core to the values of our business. All of the offshore rigs in our fleet are certified by the American Bureau of Shipping ("ABS") or pending recertification, and we are members of industry organizations such as IMCA and IADC, underlining our commitment to global best practices. We continue to invest in HSE management systems and strive to instil a culture of safety in all our personnel. To enhance our organisational safety culture and performance, we started to implement the Incident and Injury Free programme (the "IIF") in 2018, which consists of an assessment of our safety culture and, based on those findings, provide tailored education sessions for all our employees. Our long-standing commitment to HSE has enabled us to maintain a strong safety track record, with zero employee fatalities, and a lower total recordable incident rate compared to peers as reflected in the IADC worldwide RECORD incident rates.

Efficient Talent Management

ADES relies on its world-class in-house refurbishment and maintenance team to conduct the majority of jobs required to make each asset fit for purpose. This helps us minimise the upfront and ongoing maintenance costs, which would otherwise be incurred when hiring third party service providers. In some cases, it also allows us to perform certain maintenance requirements on-site without moving the rigs to specific locations/shipyards which allows us to minimise rig downtime.

Our operations primarily comprise onshore and offshore maintenance and workover services, which are lower risk activities that generate short cycle returns relative to exploration and development drilling activities. Our lean cost structure is characterized by a high skill, low cost, local work force and an in-house maintenance and technical team, as well as our ability to achieve operating costs savings and efficiencies on rigs we acquire. These factors combined put us at the lower end of the operating cost spectrum, giving us an advantage over our competitors.

The Group also relies on local talent across the countries where it operates to ensure continuous access to highly-skilled professionals which have been and will continue to be the driving force behind the Group's growth. Across our operations, we tap into the established pool of Egyptian and regional oil and gas industry operational and management talent rather than employ large numbers of expatriate personnel. Rig crew members are typically paid in Egyptian Pounds or other local currencies and offer a comparable level of experience and competence to their expatriate counterparts.

We are also able to achieve operational costs savings through reductions in insurance costs, equipment rental expenses, and other cost components related to the recently acquired rigs. For example, based on internal calculations we estimate we have achieved operating cost savings of approximately one third on a set of three rigs recently acquired versus the operating costs of such rigs by the prior owner and operator.

Service Offering Optimisation

In light of constantly evolving market dynamics, ADES intends to regularly assess and evaluate the suite of services it offers to optimise the balance of onshore to offshore services and meet client demands, take advantage of market opportunities, and maximise utilisation rates and revenue generated from our rigs. In years past, ADES' fleet was predominantly comprised of offshore rigs. Today, our asset mix has changed and sees 60% of revenues come from offshore drilling and 40% come from onshore drilling.

Prudent Approach to Debt and Liquidity

ADES remains prudent in its approach to debt and liquidity. Our policy has been and will continue to be maintaining a backlog to net debt ratio of at least 2.0x. We continuously monitor our debt profile and seek to maintain a sensible level to provide enough headroom to allow for unforeseen volatility. The Group intends to continue strategically using short- and long-term financing tools alongside its cash flow from operations to finance future cash needs and fuel the business' growth.

Highly Capable Management Team

Our senior management team comprises significant industry experience and a deep understanding of the industry's dynamics. Our team of diverse, high-calibre professionals has a broad range of experience gained from global and local corporations, including Transocean, Shell, Chevron, Dow Chemical, BG Group, ENI, Egyptian Drilling Company and Orascom Telecom among others. Management's diverse professional backgrounds are a key strength within our business as they facilitate the transfer of best practices from different industries and introduce innovative solutions to address complex client needs.

STRATEGIC REPORT

PERFORMANCE

In 2018, ADES significantly expanded its business through strategic acquisitions from Nabors and Weatherford and through geographic expansion, which transformed ADES and made it a recognised player in the MENA landscape of oil and gas services providers. To preserve these achievements, ADES has put in place a comprehensive integration programme to efficiently manage the rapid growth in its operational capacity. Building on this, ADES stays focused on proving the resilience of its business model, with lean cost structure, market orientation and return on investment remaining key drivers for impact and sustainability.

Key Financial & Operational Highlights

Exceptional Operational Performance

2018 saw ADES grow its revenues by 30.4% year-on-year as the Group's top-line increased to USD 205.6 million compared to the USD 157.6 million recorded in 2017. The Group's revenue growth was mainly driven by contributions from newly acquired rigs and higher utilisation rate. Throughout the year, ADES remained committed to its standard low-cost business model, resulting in EBITDA growth of 25.8% year-on-year to USD 101.1 million in 2018 from USD 80.3 million in 2017, while net profit grew by 60% year-on-year to USD 71.2 million in 2018; equivalent to USD 1.65 per share, compared to USD 44.6 million and USD 1.16 per share in 2017.

Enhance Purchasing Power

At the time of the Group's IPO in May 2017, ADES laid out its strategy to rapidly scale-up operations through its participation in strategic tenders across the MENA region. To ensure the success of the Group's growth ambitions, the company set out to secure additional debt liquidity to increase its ROE and maximise the Group's purchasing capacity. In March 2018, ADES secured a new syndicated credit facility for a value of USD 450 million, jointly arranged by the EBRD and Bank of America, Merrill Lynch. Later, in May 2018, the Group secured a second standby credit facility for a value of SAR 525 million (USD 140 million) from Alinma Bank. The two credit facilities, with a combined total value of USD 590 million, were secured at highly competitive rates, a testimony to the confidence that major international and regional banks place in ADES' growth ambitions.

Strategic Acquisitions

In 2018, ADES executed two strategic acquisitions which saw the company more than double its backlog while solidifying its presence in Algeria and the KSA and entering the highly exclusive Kuwaiti market. In June 2018, ADES completed the acquisition of three operational offshore jack-up rigs in the KSA from Nabors Industries Ltd. The transaction, which was announced in late 2017, was completed for a total purchase price of USD 83 million, and is expected to generate an additional USD 60 million of annual revenue. In July 2018, ADES announced the signing of a definitive agreement for the purchase of 31 onshore drilling rigs from Weatherford for a total purchase price of USD 287.5 million. The transaction saw ADES acquire 12 rigs in Kuwait at the start of November and later finalize the acquisition of 11 rigs in Saudi Arabia during December. In March 2019, we completed the acquisition of the six remaining rigs in Algeria and delivery of two rigs in Southern Iraq that were relocated to KSA. The acquisition solidifies ADES as a key player in the MENA oil and gas services market, with more than 80% of ADES' top-line expected to be generated outside of Egypt.

Asset Integration Programme

The Group's extensive post-acquisition programme involves two main phases and was developed in collaboration with Boston Consulting Group, a global leader in the subject.

- The first phase, focused on integration, will aim to identify areas for development within the existing operating model (including processes, people and governance), define targets and 'transition' initiatives, identify integration risks and appropriate mitigation strategies, and ultimately use internal assessments and external benchmarking to devise an integration plan for the Group as a whole. The key objectives of this integration programme include realise possible synergies and value creation opportunities, design and build the new, effective organisation, create a common culture and bind key people, and ensure business continuity in light of major changes within the Group.

- The second phase, which will focus more on strategy, will see ADES organise strategy workshops to support the Group's Senior Executive Team in understanding the rapidly changing context, determine key implications for ADES, and accordingly shape and fine-tune ADES' strategy going forward. In parallel to the integration programme and strategy workshops, ADES will continue to organize regular seminars to assess the progress made and discuss ways to improve going forward.

Strong Backlog Growth

ADES's backlog as of year-end 2018 stood at USD 1.2 billion, growing almost threefold compared to USD 427 million in 2017. Backlog growth was driven by the Group's acquisitions, including USD 140 million added through the Nabors deal and a further USD 750 million from the completed segments of the Weatherford transaction. As of March 2019, ADES' backlog had further expanded to c.USD 1.5 billion, reflecting the finalisation of a further six rigs in Algeria and two rigs relocated to KSA under the Weatherford transaction, as well as two new contracts in KSA for a tenure of seven years each, contributing a combined USD 150 million of additional backlog, and reflecting contract renewals and new awards.

Contract Renewals and Extensions

ADES successfully completed multiple contract renewals and extensions both across its Egyptian and Saudi assets throughout the year. In Egypt, the Company renewed its contracts for Admarine VI for another two years, and for Admarine II and Admarine IV for an additional nine and six months respectively. The renewals and extensions are not just a testament to the long-term partnerships that ADES has been able to build with Egypt's national oil company, but also come at a strategic time with the Egyptian government announcing plans to open up new areas for oil exploration in the Red Sea. Later in the year, ADES extended its contract for Admarine V to year-end 2018. On the international front, the Group successfully exercised the one-year extension option to October 2019 for ADES 3 in Algeria and renewed an existing contract for Admarine 657 in Saudi Arabia for an additional term of seven years.

Sustained Exemplary Safety Performance

In line with ADES' commitment to comply with the highest occupational HSE standards, the Group achieved over 5.3 million-man hours with a RIFR (per 200,000 working hours) at 0.57 as of year-end 2018. This is well below the 2018 IADC worldwide standard rate of 0.68, underlining the success of the Group's HSE management system in identifying, prioritising and controlling risks.

Strong Rig Utilisation

In the midst of continued worldwide under-utilization of rigs and weakening global oil prices in the latter half of 2018, ADES maintained its average fleet utilisation at 85% for the last five years, despite recertification and upgrade projects undertaken at several of the Group's rigs. This remained significantly higher than the average Middle East jack-up utilisation rate of 65% and global average of 57%[1] over the same period. Behind the Company's continued outperformance lies a solid reputation and strong relationships with clients built on trust, enabling ADES to secure renewals and extensions of existing contracts in addition to new agreements in all markets where the Group operates.

[1] *Source: Westwood Global Energy Group – Report for ADES' Markets, March 2019*

BUSINESS REVIEW

Revenue

Consolidated revenue increased 30.4% year-on-year to USD 205.6 million in 2018. Growth came as the Group completed recertification and upgrading projects performed on Admarine 262 and Admarine 655 in KSA and Admarine III in Egypt during 1H2018, thus allowing it to ramp up utilisation rates during the second half of the year. Full-year average utilisation rates stood at 85% in 2018 versus 78% in 2017. Revenue growth during the year was also supported by contributions from the three newly acquired Nabors rigs, which were weighed toward the second half of the year.

Following the acquisition of 23 out of 31 rigs from the Weatherford transaction – of which 13 rigs are operational, four undergoing upgrade works and six uncontracted – newly acquired business including the Nabors rigs contributed 23.6% of ADES' revenue in 2018 and was heavily weighted toward the fourth quarter of the year.

Newly acquired rigs along with a ramp up in utilisation helped drive a 57.9% growth in 2H2018 revenue compared to 1H2018.

Revenue by Country

(USD '000)	2018	2017	% change
KSA	96,095	53,738	78.8%
Egypt	87,227	82,298	6.0%
Algeria	11,594	21,554	-46.2%
Kuwait	10,647	-	-
Total	205,563	157,590	30.4%

Revenue Contribution by Country

(USD '000)	2018	2017	% change
KSA	47%	34%	13 pts
Egypt	42%	52%	-10 pts
Algeria	6%	14%	-8 pts
Kuwait	5%	-	5 pts

Revenue from Egypt was USD 87.2 million in 2018, up 6.0% versus the previous year due to higher utilisation rates along with the full-year impact of operations of Admarine 8 and Admarine 88. The country's contribution to total revenue stood at 42%, down from 52% in 2017. The Group expects Egypt's contribution to continue decreasing to below 20% in 2019 as it consolidates revenue from the Weatherford acquisitions in Kuwait and KSA and from the full-year impact of the Nabors rigs. This is in line with the Group's strategy of diversifying its revenue base across the region.

In KSA, revenue increased 78.8% year-on-year to USD 96.1 million in 2018. The country's contribution to top-line has thus increased by 13 percentage points to 47% during the year. This increase follows the acquisition of the three Nabors rigs in June 2018, two of which immediately began contributing to revenue and the third having gone upgrade works and started contributing to the top-line in 4Q2018. Additionally, ADES finalised the acquisition of 11 onshore rigs in KSA from Weatherford in December 2018, nine of which are contracted and contributed to revenue during the final month of the year.

In Algeria, where the Group had two onshore rigs as of 31 December 2018, of which one is operational, revenue recorded USD 11.6 million in 2018, down 46.2% versus the USD 21.6 million recorded in 2017. The decrease followed the expiration of the ADES II contract, which has secured a new contract as of April 2019. Algeria's total contribution to revenue stood at 6% in 2018 versus 14% in the previous year.

ADES entered into the Kuwaiti market after finalising the Kuwait segment of the Weatherford transaction in November 2018, with 12 onshore rigs added to the Group's fleet. A total of eight from the 12 rigs were contracted, four of which were operational during the last two months of 2018 and contributed USD 10.6 million in revenue. The remaining four non-operational rigs were undergoing upgrade projects in 2018 and are expected to begin contributing to revenue during 1H2019. Kuwait's contribution to total revenue was 5% and is expected to increase in 2019 during which the full impact of the new assets will be reflected.

Assets by Country & Type as at 31 December 2018

	Onshore Rig	Offshore Rig	Jack-up Barge	MOPU
KSA	11	6	-	-
Egypt	1	6	1	1
Algeria	2	-	-	-
Kuwait	12	-	-	
West Africa	-	1	-	-
Total Assets	26	13	1	1

Revenue by Segment

(USD '000)	2018	2017	% change
Offshore Drilling & Workover	140,010	101,360	37.8%
Onshore Drilling & Workover	30,998	19,247	61.1%
MOPU	25,724	25,853	-0.5%
Jack-Up Barge & Projects	6,659	9,901	-32.7%
Others	2,172	959	126.5%
Total	205,563	157,590	30.4%

Offshore Drilling & Workover (68% of revenues in 2018)

We currently conduct our offshore drilling and workover services in Egypt and KSA, focusing on shallow/ultra-shallow water and non-harsh environments.

Offshore Drilling & Workover recorded revenue of USD 140.0 million in 2018, up 37.8% year-on-year and contributing 68% to total consolidated revenue verses 64% in 2017. Growth was driven by the increase in number of operational offshore rigs post the acquisition of the three Nabors rigs in June 2018.

Onshore Drilling & Workover (15% of revenues in 2018)

At year-end 2018, ADES was operating a fleet of 26 onshore rigs, 23 of which were acquired from Weatherford – 12 in Kuwait and 11 in KSA – for USD 215.5 million in late 2018. Consequently, revenue from Onshore Drilling & Workover operations grew 61.1% year-on-year to USD 31.0 million in 2018, contributing 15% to total consolidated revenue versus 12% in 2017.

MOPU (13% of revenues in 2018)

ADES' MOPU services were first introduced by ADES in February 2016 with Admarine I, a converted and modified jack-up rig equipped with production and process facilities and a Floating Storage and Offloading (FSO) unit. Admarine I, located in Egypt, is currently under contract with Petrozenima to process, store and offload crude oil. MOPU services generated revenues of USD 25.7 million in 2018, remaining almost stable compared to the USD 25.9 million recorded in 2017. Contribution to total revenues decreased from 16% in 2017 to 13% in 2018 to reflect the higher contribution from the Group's Offshore and Onshore Drilling & Workover segment.

Jack-Up Barge & Projects (3% of revenues in 2018)

As part of its offshore offering, ADES owns an offshore jack-up barge, Admarine II, which is currently contracted to GUPCO in the Gulf of Suez area of Egypt. Projects revenue is primarily generated from contracting fees charged to clients for outsourcing various operating projects, such as maintenance, construction and repair services, to third-party personnel.

STRATEGIC REPORT

Revenue from the Company's Jack-Up Barge & Projects was USD 6.7 million in 2018, down 32.7% year-on-year versus the USD 9.9 million recorded in 2017. Revenues from Group's Jack-Up Barge and Projects contributed 3% to total revenue in 2018 versus 6% in 2017.

Others (1% of revenues in 2018)

Other revenue, which includes catering revenue and the rental of essential operating equipment that the client has not supplied, was USD 2.2 million in 2018, representing 1% of total revenue.

Operating Profit

Operating profit in 2018 was USD 71.2 million in 2018, up 21.3% year-on-year from USD 58.8 million in 2017.

The Group's EBITDA recorded a 25.8% year-on-year increase to USD 101.1 million in 2018, while EBITDA margin stood at 49.2% in 2018 versus 51.0% in the previous year. The decline in EBITDA margin was due to a growing contribution from drilling and workover operations in KSA – which come at a higher operational cost compared to Egypt and Algeria – as well as increased onshore activity. It is worth noting that while the Group anticipates margin contraction going forward with increased onshore activity, management believes that its effect will be relatively limited given the higher economies of scale at the general and administrative level and improved operating leverage from its enlarged operations in KSA and Algeria.

Net Finance Charges

ADES' finance cost reached USD 31.5 million in 2018, a 90.2% increase over the USD 16.6 million recorded in 2017. Higher finance costs were driven by increased debt utilisation from the Group's newly secured facilities. It is worth noting that finance costs include a one-off transaction charge of USD 4.4 million during 1H2018 and that is related to the unamortised and written-off portion of fees on a refinanced debt facility. Additionally, a USD 3.3 million charge was recorded in relation to the amortised arrangement fee for the new syndicated facilities.

Meanwhile, the Group recorded a finance income of USD 2.7 million in 2018, mainly related to a net-of-tax return from investing in Egyptian Treasury Bills. This partially offsets the increase in gross finance cost, bringing net charges to USD 28.7 million in 2018. The Group expects net finance costs to increase going forward as it further utilises its debt facilities and reflecting the full-year interest on outstanding balances.

Statutory and Normalised Net Profit

The Group recorded a net profit of USD 71.2 million in 2018, up 59.8% versus the USD 44.6 million posted in 2017. Net profit margin expanded 8.3 percentage points to 36.6%, supported by the bargain purchase gain from the Nabors and Weatherford acquisitions and comes despite the one-off finance charges. Additionally, net profit for the year was also impacted by a fair value loss on a derivative financial instrument amounting to USD 4.3 million. The Group's net profit for the year is equivalent to USD 1.65 per share, compared to USD 1.16 per share in 2017.

Normalised net profit, which excludes from 2018 the one-off bargain purchase gain on acquisitions, transaction expenses and debt refinancing and arrangement fees, was USD 44.6 million in 2018, down 10.2% year-on-year from a normalised net profit of USD 49.6 million in 2017. The decrease was driven by higher net finance cost related to an increase in debt utilisation, alongside the increase in depreciation and tax expenses.

Balance Sheet

Assets

Total assets stood at USD 1.1 billion as at 31 December 2018, representing a USD 496.9 million increase from the USD 587.9 million recorded at 31 December 2017. Net fixed assets closed at USD 710.7 million as at 31 December 2018, an increase of USD 388.3 million from the previous year's close of USD 322.4 million. This increase was largely driven by the consolidation of newly acquired assets under the Weatherford transaction in Kuwait and KSA amounting to USD 215.5 million, as well as the USD 83 million related to the acquisition of the three Nabors rigs.

The newly acquired business has also driven an increase of USD 31.6 million in inventory levels from the previous year to stand at USD 52.6 million at year-end 2018, in addition to the associated increase in retention and accrued revenue balances.

Net accounts receivable increased to USD 100.8 million as at 31 December 2018, up from USD 66.0 million as at 31 December 2017. The increase was driven primarily by strong revenue growth of 30.4% in 2018 and a faster 57.8% between 2H2018 and 1H2018, associated with the increase in number of operating rigs to 28 from 12 rigs in 2017. Average collection rates in Egypt remained relatively low primarily due to one client who is yet to reach production capacity on its drilling programme, the Group remains confident of settlement of the outstanding funds.

Liabilities

ADES' total liabilities stood at USD 660.3 million as at 31 December 2018, up from USD 269.9 million recorded as at 31 December 2017. The increase was mainly driven by higher interest-bearing loans and borrowings, which climbed from USD 212.5 million as at 31 December 2017 to USD 555.3 million at year-end 2018 as the Group utilised secured facilities to fund its acquisitions. Higher liabilities were also driven by the newly acquired businesses and the consolidation of their associated employee-related liabilities, with the Group's workforce growing considerably, as well as higher supplier-related liabilities owing to the Group's larger fleet.

Net Debt increased from USD 75.5 million as at 31 December 2017 to USD 424.4 million as at 31 December 2018, mainly driven by the acquisitions.

Cash Flow

Cash Flow by Activity

(USD '000)	2018	2017	% change
Cash Flow from Operating Activities	51,200	48,997	4.5%
Net Cash Flow Used in Investing Activities	(379,396)	(45,957)	725.5%
Net Cash Flows from Financing Activities	311,037	128,732	141.8%

Cash Flow from Operating Activities

In the year ended 31 December 2018, net cash flow from operating activities was USD 51.2 million, up 4.5% compared to USD 49.0 million in the year ended 31 December 2017. The increase was primarily attributable to a higher EBITDA as a result of the increase in number of operating rigs from 12 rigs in 2017 to 28 rigs in 2018. In 2019, management expects a normalisation of working capital despite the Group's growth profile.

Net Cash Flow Used in Investing Activities

Net cash flow used in investing activities recorded USD 379.4 million in the year ended 31 December 2018, an increase of USD 333.4 million compared to the USD 46.0 million recorded in the previous year. The increase was largely driven by the integration of newly acquired assets under the Weatherford transaction in Kuwait and KSA amounting to USD 215.5 million, as well as the USD 62.3 million related to the acquisition of the three Nabors rigs. Additionally, USD 93.7 million were invested in fixed assets to upgrade and maintain operational rigs. In 2019, the Group expects further capital expenditure for the two new-build onshore rigs ordered for a contract in KSA; upgrade works on the Weatherford rigs to prepare them for operation; finalisation of the remaining segment of the Weatherford acquisition in Algeria and southern Iraq; and the Group's regular maintenance cycle of existing rigs. The Group expects normalisation of CAPEX levels by 2020.

Net Cash Flow from Financing Activities

Net cash flows from financing activities was USD 311.3 million in 2018, up 141.8% compared to USD 128.7 million in the year ended 31 December 2017. The increase was primarily attributable to debt utilisation to fund the acquisitions in 2018. Additionally, the Group incurred arrangement & participation fees related to the new syndications as well as charges associated with the repayment of the old syndication. The Group is examining various potential sources of financing to optimise the Group's capital structure and cost of funding to finance its future business plan.

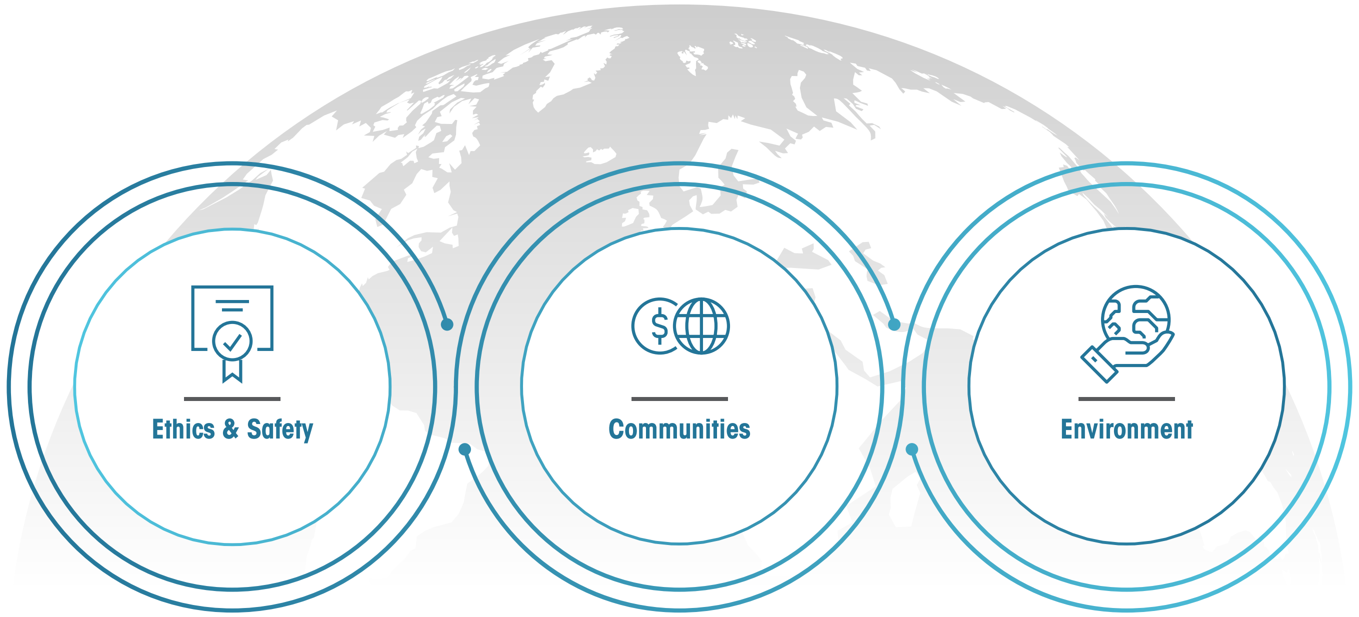
STRATEGIC REPORT

SUSTAINABILITY

Sustainability is the guiding principle in everything we do. Our approach to running responsible operations is built on continued efforts to create a sustainable platform across the Group's operations and ensure that we understand and address the sustainability objectives of all our stakeholders. We are committed to conducting business to high ethical standards and in an open and honest manner, encouraging transparency, individual and shared responsibility.

During the past year, we have cemented our position as a powerhouse in the MENA oil and gas drilling and production services industry and made further strides to entrenching our legacy as a responsible player. Our continued business growth is in line with our key strategic pillars and is supported by our commitment to fostering a culture which promotes zero harm, environmentally responsible operations, mutually beneficial stakeholder relationships, including with workforce, partners, suppliers and communities.

To help us realise our sustainability goals, we have focused our efforts on three key elements which underpin the Group's strategic business priorities and are intrinsic to our values:



Quality, Health, Safety & Environment

Ethical Business

We seek to uphold high ethical standards and sound business principles throughout our global operations. This is firmly reflected in our corporate values of Safety, Integrity, Customer Focus, Performance, Agility and Innovation, as well as in our Code of Conduct. We understand our role and the influence we can have to drive change. ADES operates responsibly in accordance with the formal legal and regulatory disclosure requirements expected of a UK listed company, and the UK Corporate Governance Code. We recognise the responsibilities that we share with our partners and suppliers, and we remain committed to establishing open and transparent relationships with them. Our corporate governance structure is designed to ensure we are well-positioned to conduct our business appropriately as we seek to deliver the best value for our shareholders, customers, suppliers, employees, and the communities where we operate have the confidence to trust us.

Compliance

We recognise that operational quality assurance is a key differentiator in our relationship with partners and drive to further improve our performance. ADES is committed to enhancing its operational quality, with our facilities being ISO 9001 (quality), 14001 (environment) and 18001 (health and safety) compliant, indicating that globally recognised standards and systems are in place, confirming our commitment to monitor and reduce the environmental impact and increase HSE standards.

Safeguarding People, Workplace and Assets

The oil and gas industry has been through challenging times in the past years, but we have emerged with a reduced cost base and the strategy to invest in new growth opportunities, which has already resulted in efficiency gains. Within this, safe operations are a key priority to maintaining our social licence to operate. We are committed to ensuring our employees are kept safe and well, and to raising awareness of potential risks related to our operations across all of our geographies of presence.

We measure our performance through process safety events, lost time injury frequency (LTIF), resolution of community grievances, appropriate spend levels of our goods and services budgets with local suppliers and fulfilling our risks mitigation obligations. We are proud to have achieved an exemplary RIFR (per 200,000 working hours) at 0.57, which is well below the International Association of Drilling Contractors (IADC) worldwide standard rate of 0.68. This is a strong evidence of the underlining success of our HSE management system in identifying, prioritising and controlling risks. From a total of 60,327 training hours delivered last year, HSE accounted for 43% share which explains our exemplary performance.

Our goal is to achieve top industry quartile safety performance in the region, and during 2018 we continued to improve our performance. We saw an overall decrease in the number of lost time injuries, total recordable injuries and high-potential incidents recorded across our operations.

- Over 5.3 million man hours
- Exemplary RIFR at 0.57
- LTIF of 0.40

Incident and Injury Free Programme

Providing a safe working environment for our employees and contractors is a core value and business priority and our performance on safety and sustainability is incentivised through our new Incident and Injury Free Programme (the "IIF"), introduced last year. The Programme is aimed at raising safety consciousness on individual level, which will help prevent risks before they materialise. From safety culture and procedures assessment, through to tailored IIF sessions with crews and office employees, it will nominate IIF coaches to further integrate safety principles on individual level. The programme has already been rolled out globally in 2018 and will continue in 2019.

The Programme encourages our employees to take on personal responsibility for the day-to-day actions. In order to foster employee self-motivation, it puts in place a system of involvement grades which helps employees to align their performance KPIs with individual and shared values, commitments, responsibilities and ADES' policies and procedures. We also protect our colleagues and assets with robust emergency plans, our Emergency Response Plans, tailored for each of our operations, in order to reflect our grown footprint.

Working Environment

At year-end ADES employed a total of 3,730 staff, with majority of employees concentrated in Saudi Arabia. We identify our people as the first and primary driver of our business strategy. In line with our commitment to ensure a safe, enjoyable and productive working environment, we recently published our first human resources ("HR") policy to help realise our HR function. The new HR framework was designed to put in place mechanisms and procedures to eradicate discriminatory behaviour on the grounds of race, disability and gender. Across all of our geographies, we strive to attract local workforce to support communities we are operating in.

The quality of working environment is under surveillance of our HSE and HR teams, who regularly visit rigs to ensure that the working conditions comply with ADES' health and safety standards and are in line with management's expectations. To ensure all existing and new employees are aware of the Company's HSE and HR policies, everyone receives HSE & Quality handbooks during the initial induction process. We also have robust systems in place to ensure we can address compliance breaches and give employees the ability to report grievances through effective reporting mechanisms.

Creating Social Value

Employee Development & Training

We recognise that an investment in human capital is an investment in future, and that continued training and development creates a competitive advantage both for the Group and its employees. Our core training and development programmes focus on providing world-class technical, safety and professional skills. Additionally, the Group extends a wide range of training programmes geared toward maintaining a track record of operational excellence.

In 2018, we increased our focus on personal and career development by increasing the number of hours dedicated to soft skills and technical skills training, however, with the increased number of employees at rigs last year, safety awareness and preparedness remained our priority. Total number of training hours in 2018 reached 60,327, divided between HSE (43%), technical (31%) and soft skills (25%).

Graduate Training Program (GTP)

ADES GTP aims to develop a pool of highly motivated fresh graduate engineers from a range of disciplines (Petroleum, Mechanical, Electrical & Marine) with hands on and class-room training.

Special Training Programmes

Rig Mover Programme (RMP)
ADES RMP aims to develop its own Rig Movers, dedicated to Rig Moving procedures for the Group's fleet.

Key Talents Programme (KTP)
ADES KTP aims to identify and develop potential successors for key positions in the organization.

Future Managers Programs

Assistant Rig Manager Programme (ARMP)
ADES ARMP aims to develop a qualified second line of rig managers who are fully prepared to provide competent and professional engineering and business guidance as Assistant Rig Managers.

Offshore Installation Manager Trainee Programme (OTP)
ADES OTP aims to develop a qualified second line of rig managers who are fully prepared to provide competent and professional engineering and business guidance as OIMs.

Social Investment

We recognise that investing in the well-being of our communities is key to our longevity. Committed to empowering the societies in our areas of operation, we place corporate citizenship as one of ADES' core values, and as such, we strive to ensure our work benefits the communities where we operate. ADES regularly provides support to charitable organisations, with our employees donating time, knowledge, and money to support various initiatives focused on food access, education and cultural heritage preservation.

Undergraduate Training Program - Summer Internship Programme (SIP)

ADES SIP provides undergraduates with valuable experience and introduces the practical knowledge and skills required to prepare them for the corporate world. The Programme is also a means for ADES to give back to the local community. We provide training slots in a variety of departments across the business and on offshore rigs across our operational zones.

E-waste donation

During 2018, ADES donated a large quantity of its scrapped computers, scanners, and laptops to a leading environmental nongovernmental organisation ("NGO") that operates in the E-waste recycling sector. The organisation offers an effective solution to E-waste recycling in Egypt and at the same time supports the younger members of Cairo's garbage collector communities.

Joining forces with the Aljoud Foundation

The Aljoud Foundation is a NGO 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 its initiatives. In 2018, in conjunction with the foundation, ADES organised a campaign to collect donations for low-income families throughout Egypt during the holy month of Ramadan.

Providing Solar Power to El-Heiz village

ADES was proud to be part of an initiative led by the Rotaract Club of Cairo Royal to provide funds and resources to bring solar power to one of Egypt's key heritage sites, the village of El-Heiz. Located on the ancient trade route to El Farafra Oasis, this sparsely-populated settlement of several small communities scattered over a 14 km radius, had fallen off the government's development map despite the area's pristine beauty and historic significance. As such, the village inhabitants had been living with no access to electricity except for a diesel generator that operated for just three hours per day.

Remote Operated Vehicle Competition

In 2018, we supported Race Team – Ain-Shams University in this year's Remotely Operated Vehicle (ROV) competition organized by MATE. The ROV competition challenges community college and university students from all over the world to design and build ROVs to tackle missions modelled after scenarios from the ocean workplace.

Cultural Heritage Protection & Impact Assessment

Due to the temporary and contractual nature of ADES operations as part of our clients' larger operations, ADES' activities are located within the operators' fields. The responsibility of undertaking the initial impact assessments and the subsequent identification and management of Cultural Heritage (CH) lies with the operators. Nonetheless, ADES remains committed to ensuring the preservation of all Cultural Heritage located in its operating areas. As such, we have developed a CH statement which outlines what can be considered as CH, and the process to follow in the event that CH is found within an ADES operating area. Within the CH statement, ADES has also outlined a Project Pre-Assessment framework to consult when a specific work area falls within a CH area and has also incorporated a chance-find procedure.

When it comes to the Group's offshore operations, we are committed to ensuring that no direct acquisition carried out by the Group results in physical or economic displacement. Onshore activities are carried out within predefined and categorized operating areas, ensuring that no direct land acquisition or displacement takes place as a result of our activities. We also carry out thorough checks with all operators at the start of all contracts, to ensure their activities will not result in any further economic displacement.

The existing SEP is updated on a regular basis and includes specific engagement activities and high-level disclosures that encompasses our range of activities both onshore and offshore with their specific impact analysis.

Environmental Stewardship

We believe that we have an important part to play as an oil and gas services provider as the world moves to a low-carbon future and takes measures to reduce greenhouse gas emissions. We are committed to protecting the environment, by developing procedures that minimise the Group's impact on the environment and communities in which we operate. For example, in planning our operations, we always consider using energy efficient materials where applicable. We strictly adhere to both UK and regional regulatory requirements with regard to GHG emissions and are seeing progress in reducing our GHG Exhaust Stack Emissions. As such, for instance, in our Egypt operations this indicator decreased by 16.84 percentage points over the last year.

We are also aware of the growing shift in oil demand resulting from substitution of hydrocarbons with renewable energy sources. Although, we are involved in the renewable energy industry, as part of our social investment initiatives, we decided to become part of an initiative led by the Rotaract Club of Cairo Royal to provide funds and resources to bring solar power to one of Egypt's key heritage sites, the village of El-Heiz, which had been living with no access to electricity except for a diesel generator that operated for just three hours per day.

In 2019, we also signed a service agreement to recycle or dispose-of all categories of waste (non-hazardous, hazardous and explosive waste) which were produced from all ADES units in Egypt in accordance with the Egyptian Environmental Law. We are committed to track our performance in waste management and report on our progress.

Looking ahead, in 2019, in order to progress our approach to environmental stewardship, we will seek to implement a range of initiatives to improve our environmental impact through energy efficiency, continue to focus on GHG emission reduction strategies across broader operations, as well as reduce consumption of materials to minimize the generation of waste and the need of waste recycling.

Sustainability Agenda

To help us realise our ambitions across our three key areas, we implement policies and internal procedures that allow us to operate in line with international standards, including some of the European Bank for Reconstruction and Development ("EBRD") performance requirements that we have adopted.

In 2019, we seek to further develop our own sustainability strategy and intend to increase our ambition on all aspects of our sustainability agenda. We intend to evaluate existing reporting practices to be able to develop a step-by-step approach which would help us set achievable goals and KPIs to measure our performance. Part of the activities in this area would be to consider internationally accepted frameworks and guidelines that would help us prioritise our initiatives with an end goal to meet the most relevant best practice standards.

STRATEGIC REPORT

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 Group. 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	Mitigations	Strategic pillars
1	The Company operates in the oil and gas industry, which may be negatively affected by volatile oil and natural gas prices.	• We operate in low-cost oil production markets, creating room to absorb margin pressure. • We are mainly focused on workover and maintenance activities, which are generally less sensitive to volatility in oil and gas prices.	• Backlog growth • 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	• Our preferred strategy for offshore assets is to acquire legacy assets under running contracts, which tend to require minimal to no refurbishment. • Our preferred strategy for onshore assets is to acquire new-build higher spec rigs associated with minimal refurbishment. These currently make up 63% of ADES' fleet as of 31 December 2018 from 21% the year previously on account of the Weatherford acquisition, which will grow further following the transaction's completion. • We perform most refurbishments in-house, which absolves third-party margins. • As part of our expansion plans, we focus on acquiring from reputable international market leaders in the region guarantees the quality of the new assets.	• Smart acquisitions
3	The contract drilling industry is highly competitive and cyclical, with periods of low demand and excess rig availability.	• We operate in the MENA region, which recorded higher than average global utilisation rates of 66% for offshore drilling and 50% for onshore drilling in 2018.[1] • We minimise our OPEX through the utilisation of local workforce, allowing us to charge competitive day rates. • During market downturns, we study potential legacy asset acquisitions for competitive prices, positioning the Group favourably for market recovery.	• Backlog growth • Active tendering

[1] *Westwood Global Energy Group – Report for ADES' Markets, March 2019*

Risk	Description	Mitigations	Strategic pillars
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, we are committed to complying with the occupational HSE care standards. We maintain insurance policies, deploy detailed HSE management systems and run continuous training and awareness programmes. • During 2018, we have achieved over 5.3 million-man hours with an RIFR (per 200,000 hours) at 0.57, below the IADC worldwide standard rate of 0.68.	• Adherence to our strict HSE Policy
5	The Group relies on a relatively small number of clients and the loss of a significant client could have a material adverse effect on the Group.	• We have 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 2018. • We successfully expanded our fleet and geographical footprint in 2018, further diversifying its sources of revenue and reducing the risk associated with any one client.	• Backlog growth • Active tendering
6	The Group has a significant level of debt, which could have significant consequences for its business and future prospects.	• We have consistently maintained our backlog at 2x net debt. As at 31 December 2018, our backlog to net debt ratio amounted to 2.9x.	• Backlog growth • 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.	• We diversify our revenue pie into new markets across MENA and with AA- and A-rated, sovereign IOCs and NOCs to reduce the risk of adverse business in any markets in which we operates. Our recent growth across the GCC, associated with much higher stability than the rest of the region, is expected to reduce risks associated with political, economic or social instability. • 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.	• Active tendering • Smart acquisitions
8	The countries in which the Group 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 has demonstrated significant progress in restoring and maintaining confidence from the international community with Standard and Poor's (S&P) confirming Egypt's outlook as 'stable' in November 2018, and Fitch Ratings keeping the country's sovereign rating outlook at 'positive' in August of 2018. • During 2018, we actively pursued tendering opportunities in new markets across MENA and significantly expanded our presence in the region, with the acquisition of rigs across Algeria, Saudi Arabia and Kuwait. This enables ADES to diversify its revenue sources, should regulations in any of its current markets affect the Group's business. Egypt's contribution to total revenue has fallen significantly between 2016 and 2018, from 81% to 42%.	• Active tendering • Smart acquisitions

CORPORATE GOVERNANCE

"The Board acknowledges the importance of good corporate governance and has adopted a corporate governance framework which voluntarily complies with many aspects of the UK Governance Code"

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

Corporate Governance Statement

ADES has a strong focus on maintaining a robust corporate governance framework. Since listing on the London Stock Exchange in 2017 and after a period of significant growth the Group regularly reviews the ways of augmenting its procedures and structures in accordance with the highest standards. The Board acknowledges the importance of good corporate governance and has adopted a corporate governance framework which voluntarily complies with many aspects of the UK Governance Code, taking into account the size of the Company and nature of its business. The UK Governance Code can be found on the Financial Reporting Council ('FRC') website at www.frc.org.uk

During 2018, ADES has been in compliance with the provisions set out in the UK Governance Code and has ensured to take all required actions to remedy the non-compliance with the provisions of the Governance Code that occurred in 2017 specifically with respect to: 1) Code provision C.3.6, which requires that the Audit Committee monitor and review the effectiveness of the internal audit activities 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.

Board of Directors – Solid Leadership

Ayman Mamdouh Abbas – Chairman
Appointed: 22 May 2016

Mr. Abbas was the managing director and a Board Member of ADES since 2003 and assumed the role of Chairman in May 2016.

He is currently the Executive Chairman of Intro Holding Group, and Owner of M² Developments, a newly established real estate company. He also assumes several key positions in various corporations such as: Advansys Group, Rameda, Compass Capital, Invensys, and ADES Group. Mr. Abbas has over 20 years of experience in founding, investing and managing trading and engineering services in the fields of Oil & Gas, Real Estate, Investment, Technology and process-related industries.

In 2015, Mr. Abbas became the Chairman of Advansys Group, a group of companies that offer solutions for oil & gas and the infrastructure and industrial sectors both onshore and offshore, EPC projects, as well as providing innovative technology solutions. In 2011, he became the Chairman of Tenth of Ramadan for Pharmaceutical Industries and Diagenetic Reagents (Rameda) S.A.E. Prior to joining Rameda, in 2010 he became the Managing Partner of Compass Capital, a financial investment firm. In 2004 he became the Vice Chairman of Invensys for Engineering and Services Egypt (IES), a joint venture with Schneider Electric that outsources technology and engineering for Invensys worldwide. Mr. Abbas holds a bachelor degree in Arts and Mass Communications from the American University in Cairo (AUC).

CORPORATE GOVERNANCE

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 has driven the Company's service offering expansion. Dr. Farouk joined the Group from Invensys Operations Management (IOM), 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. Mr. Farouk holds a PhD in Systems Engineering and Control from Case Western Reserve University, Ohio, USA and is an Associate Professor of Electrical Engineering at Cairo University, Egypt.

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, a global engineering and logistics company, where he served from April 2013 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 2004, 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. Mr. Henriksson holds a BA in Economics from the University of Lulea, Sweden, and has a Masters in Engineering from the same university.

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 to do business in Egypt. Mr. Hashem has been lead counsel on numerous M&A and capital market transactions. Mr. Hashem was admitted before the Egyptian Court of Cassation in 2007. He has an L.L.B. from Cairo University's Faculty of Law and is a member of the Egyptian Society of International Law and the Licensing Executive Society.

Nabil Kassem – Non-Executive Director
Appointed: 1 March 2017

Previous Experience
Mr. Kassem is the Managing Partner of excellenceo2 and the Executive Chairman of VogaCloset, an e-commerce company based in the UK. He is also an advisor to the CEO of Gulf Capital, a UAE based alternative asset management company. Mr. Kassem worked at Schlumberger for 20 years including the period from 2000 2005 where he served as 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 President and Managing Director at Invensys Operations Management for the MENA and Asia Pacific region. In 2010, he established his industrial consulting firm, Optimind, and in parallel to this, he founded excellenceo2, an operations improvement consultancy firm serving many industry clients. In 2011, Mr. Kassem joined Gulf Capital as a Managing Director for operations and holds a number of directorships in several of Gulf Capital Private Equity portfolio companies operating in the healthcare, oil and gas, technology and professional services. Mr. Kassem has a BS in Mechanical Engineering from Birmingham University, UK, a M.Eng in Control Systems from Sheffield University, UK and a Diploma from Sloan School of Management, UK.

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

Previous Experience
Mr. Cherif is an investment professional with more than 24 years of finance experience in emerging markets. He is the founder of BluePeak Private Capital, an alternative asset management firm focused on structured credit investments in Emerging Markets. In 2011, Mr. Cherif founded the private debt business at Gulf Capital and built a platform that invested in the Middle East and Africa markets.

Mr. Cherif has raised more than US$800 million of commitments for mezzanine and equity funds as well as structuring and executing more than 25 junior debt and structured equity transactions on the investment and divestment sides. Before joining Gulf Capital, Mr. Cherif was the head of the NBK Capital Mezzanine Fund (a subsidiary of National Bank of Kuwait). He currently sits on the board of several companies in the Middle East and Africa. Prior to joining NBK Capital in 2007, Mr. Cherif spent ten years at the International Finance Corporation The World Bank Group in Washington, D.C., Dubai and Istanbul. Mr. Cherif holds Master in Business Administration (MBA) in Finance and International Business from George Washington University in the USA, and a Bachelor of Business Administration.

Hatem Soliman – Non-Executive Director
Appointed: 3 March 2019

Previous Experience
Mr. Soliman brings a wealth of international industry experience, having spent 36 years with Schlumberger after joining the Company in 1982. His long-standing career with Schlumberger includes senior roles in the Middle East, Europe, Latin America and the Caribbean. From 2010 to 2016, Mr. Soliman held the position of President of Schlumberger Latin America, before taking on the role as President of Schlumberger Middle East and Asia. Most recently, Mr. Soliman was appointed Senior Advisor to Schlumberger's global CEO. Mr. Soliman holds a BA in Electric Engineering from Cairo University.

DIRECTORS' REPORT

Board composition, roles and independence

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
Hatem Soliman	Independent Board Member	Brazilian	3 March 2019

ADES' Board of Directors consists of seven members, including the Chairman, Ayman Abbas, the Managing Director, Dr. Mohamed Farouk and five 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 47-49.

The role of the Board is to develop and cultivate the values, 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 major 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. Further, the appointment of Hatem Soliman took place on 3 March 2019. 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, Ulf Henriksson and Hatem Soliman 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 on 10 June 2019.

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[1] 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	Mohamed Walid Cherif	Nabil Kassem Hatem Soliman
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. During 2018, the Audit Committee held eight meetings including the required meetings to approve the 2018 annual results and each quarter's interim results. The Committee's latest meeting took place on 4 April 2019 to review and approve ADES' annual results. 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 66.

For details of the Audit Committee's role, function and responsibilities, please refer to the Report of the Audit Committee beginning on page 56.

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 Mohamed Walid Cherif, Nabil Kassem and Hatem Soliman. The current structure of the Remuneration has been approved by the written resolution of the Board on 17 March 2019.

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 2018, the Remuneration Committee held one meeting including the required resolution to approve the executive directors' remuneration. For details of the Remuneration Committee's role, function and responsibilities, please refer to the Report of the Remuneration Committee on page 58.

[1] *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 2018, the Nomination Committee held two meetings to approve the re-election of the members of the Audit Committee and Remuneration Committee and to recommend the appointment of a new Board member.

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

Meetings and Attendance

Meeting Calendar for 2018

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

Meeting & Committee Attendance

Name	Position	Board Meetings	Audit Committee	Remuneration Committee	Nomination Committee
Ayman Abbas	Executive Chairman	16	N/A	N/A	2
Mohamed Farouk	Chief Executive Officer	18	3	1	2
Mohamed Walid Cherif	Independent Board Member	17	7	1	2
Nabil Kassem	Independent Board Member	18	8	1	2
Yasser Hashem	Independent Board Member	18	8	N/A	N/A
Ulf Henriksson	Independent Board Member	15	N/A	N/A	2
Total Meetings		**18**	**8**	**1**	**2**

N/A – Not Applicable

The Board meets to review the Company's strategic and financial performance and schedules other meetings necessary to fulfil its role, including the review of potential investments, JVs and agreements, and financing arrangements.

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 ADES has commenced in 2018. In this respect, the Company has engaged external advisors, Nestor Advisors, to facilitate the evaluation of the Board and its committees using their online assessment service. The evaluation covers the effectiveness and the performance of the Board as a whole including its committees as well as an independent evaluation of the Board, whether the Executive or Non-Executive Directors, through the completion of a detailed questionnaire and conducting independent discussions with the Directors on the governance responsibilities of the Board. Results of the aforementioned evaluation shall be submitted in a report to be prepared by the advisors identifying areas in which the effectiveness of the Board may be enhanced and providing high-level recommendations in this respect. Further, the advisors have worked with ADES to improve and develop the ESG Disclosure Policy of the Company providing high-level recommendations to be taken into consideration by the Company in the preparation of the annual report of 2019.

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 AGM to be held on 10 June 2019.

Shareholder Engagement

We are committed to an effective and open communication 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 is 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 2018, 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	63%

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.

For the purpose of enhancing the Anti-Corruption and Bribery Policy of the Company, ADES has appointed GoodCorporation Ltd which has been working with the Company to assess and develop its internal procedures for the implementation of its Anti-Corruption and Bribery policy. As part of this process, GoodCorporation has agreed on a programme of work with ADES management that is designed to enhance the Company's response to the bribery and corruption risks it faces. This programme will be implemented by the Company's management over an 18-month period. ADES senior management has made a commitment to zero tolerance of bribery and corruption and to implementing a strong set of procedures to mitigate bribery and corruption risks. GoodCorporation Ltd is a specialist business ethics assessment and consulting company based in London and Paris.

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. At the time of the Company Listing in May 2017, the Audit Committee has implemented 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.

During 2018, ADES has engaged RSM International ("RSM") as an outsourced external service provider to assume the responsibility of managing the internal audit activity within the Company. As part of its team, RSM has appointed a Chief Audit Executive that reports to the Company's Audit Committee on a quarterly basis. RSM is applying a risk-based approach for planning and executing audit engagements. Further, PricewaterhouseCoopers LLC was appointed in 2018 as an external consultant through an EBRD grant to evaluate the performance of the Company's internal audit activity based on a number of assessment criteria that are based on two key pillars, compliance with International Standards for the Professional Practice of Internal Auditing for which assessment results indicated substantial conformance, and benchmarking with leading practices for which PwC provided a number of recommendations to align ADES to leading practices in Internal Auditing.

The Directors, having reviewed the effectiveness of the 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.

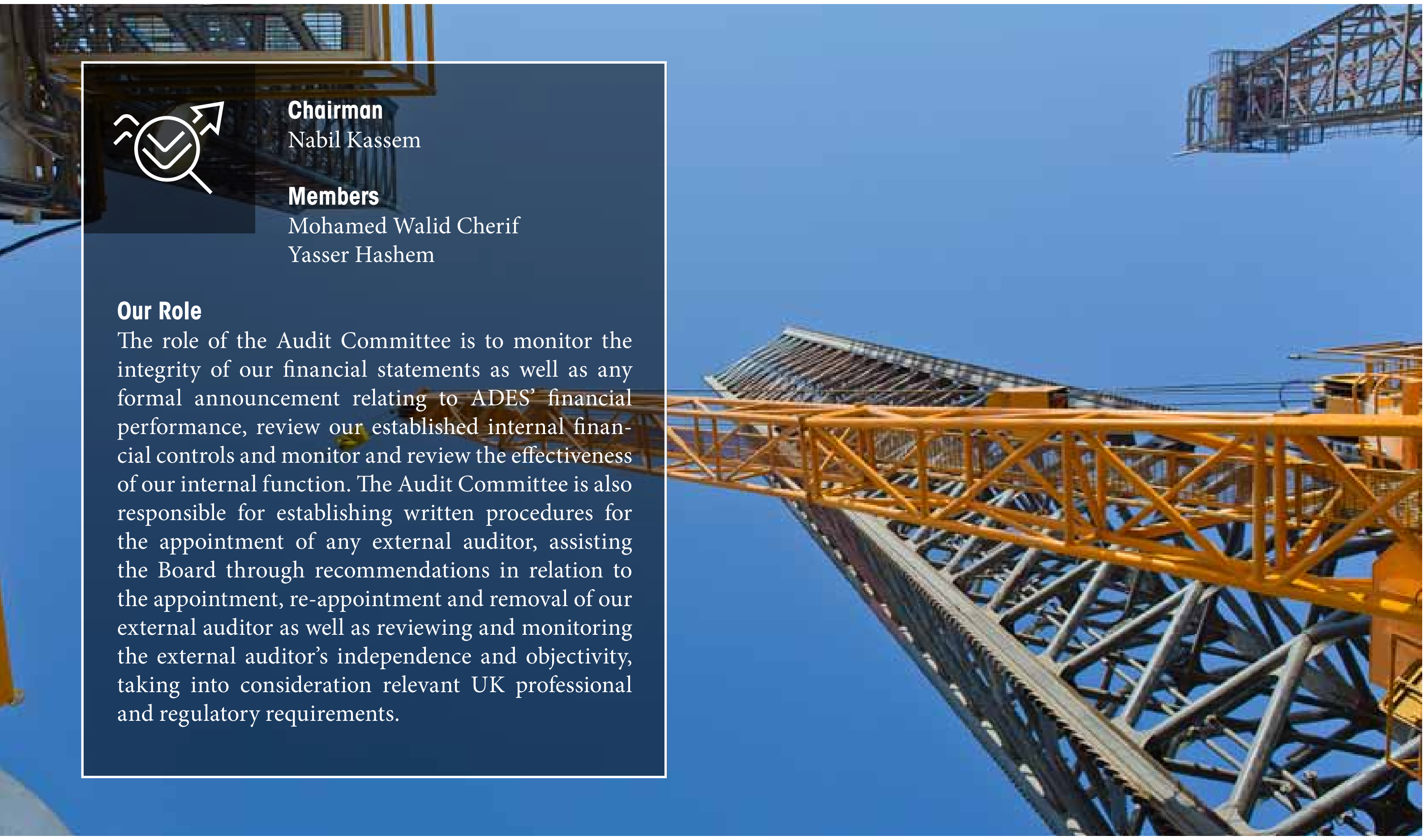
On behalf of the Board

Mr. Ayman Abbas,
Chairman of the Board

Dr. Mohamed Farouk,
Chief Executive Officer

REPORT OF THE AUDIT COMMITTEE

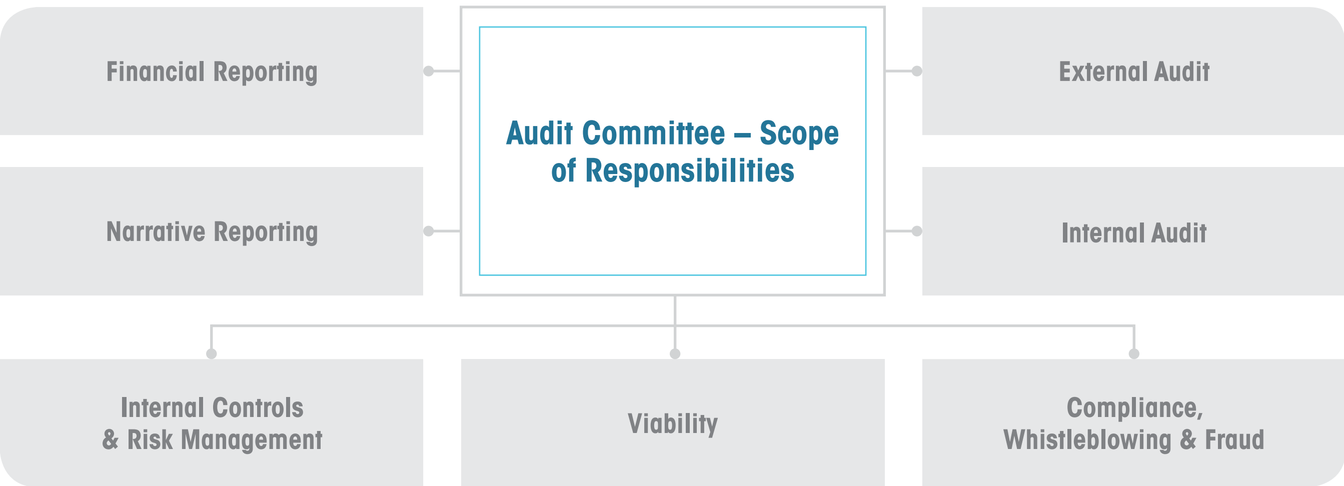
Audit Committee Members



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 re-appointed on 19 April 2018 for the 2018 audit of the Group's financial statements, which follows their previous appointments for the 2016 and 2017 audits. The external auditors conduct their work in accordance with International Accounting Standards.

The Audit Committee discusses any issues 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 the nature and scope of the audit and reporting obligations with an external auditor. For more details, please refer to the Independent Auditor's Report on page 66.

The Committee is primarily responsible for making recommendations 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

The Audit Committee has further implemented a framework where it will regularly monitor and review the effectiveness of the Company's 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.

It is worth noting that, during 2018, ADES has engaged RSM International as an outsourced external service provider to assume the responsibility of managing the internal audit activity within the Company as part of its team. RSM has appointed a Chief Audit Executive that reports to the Company's Audit Committee on a quarterly basis and is applying a risk-based approach for planning and executing audit engagements. Further, PricewaterhouseCoopers LLC was appointed in 2018 as an external consultant through an EBRD grant to evaluate the performance of the Company's internal audit activity based on a number of assessment criteria based on two key pillars: compliance with International Standards for the Professional Practice of Internal Auditing, and benchmarking with leading practices. PwC provided a number of recommendations to align ADES to leading practices in Internal Auditing .

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. During 2018, the Audit Committee held eight meetings including the required meetings to approve the 2017 annual results and each quarter's interim results. The Audit Committee's latest meeting took place on 4 April 2019 to review and approve ADES' annual results. 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 66.

On behalf of the Board

Nabil Kassem
Chairman of the Audit Committee

REPORT OF THE REMUNERATION COMMITTEE

Remuneration Committee Members

Chairman
Mohamed Walid Cherif

Members
Nabil Kassem
Hatem Soliman

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.

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

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.

Non-Executive Directors

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 FY18
Mohamed Walid Cherif	50	-	50
Nabil Kassem	50	-	50
Yasser Hashem	50	-	50
Ulf Henriksson	50	-	50

For the year ended 31 December 2018, total emoluments paid to the executive and non-executive directors was approximately USD 3.5 million, compared to USD 2.1 million for the year ended 31 December 2017.

Review of the Remuneration

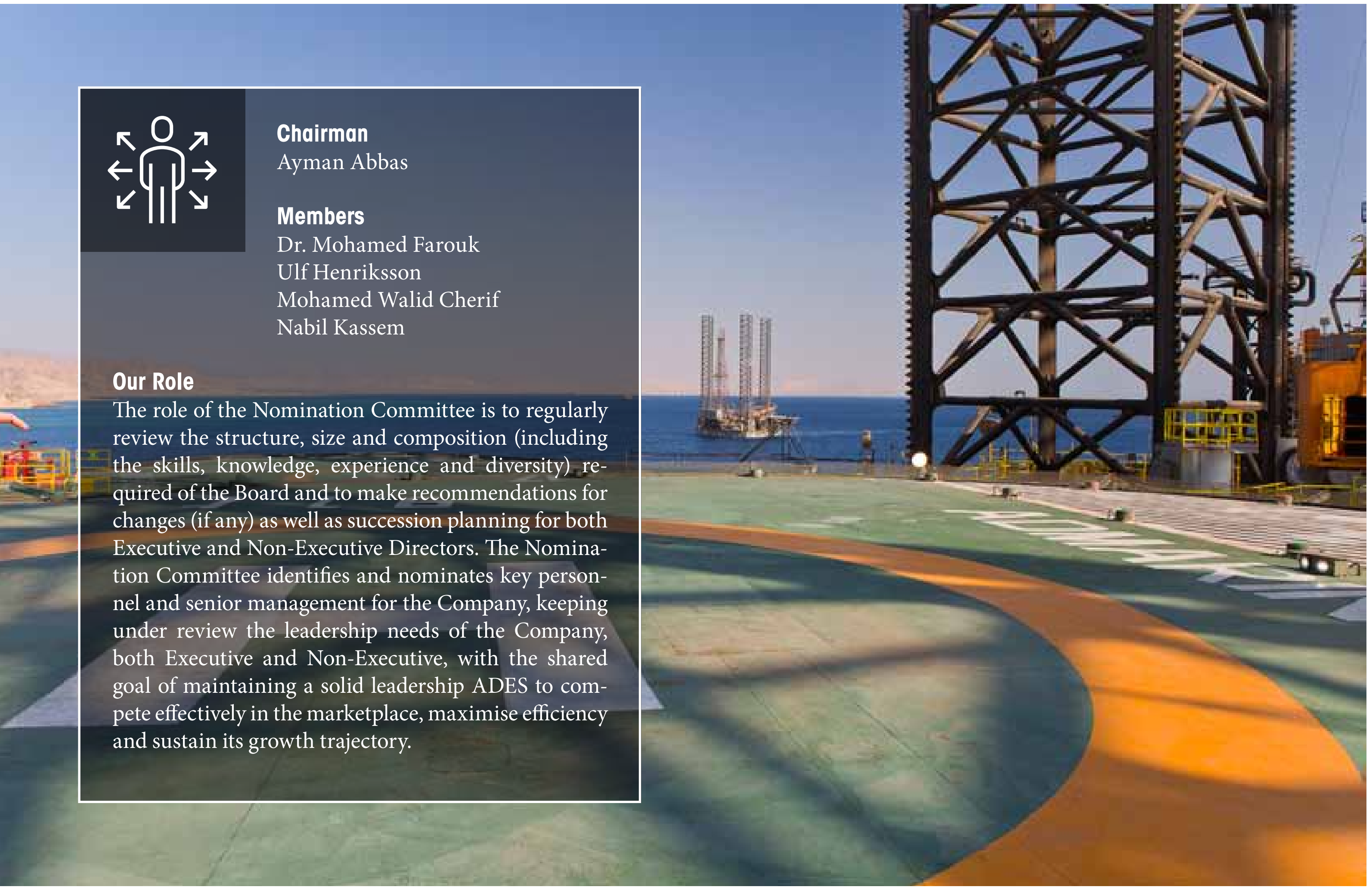
The existing Directors' Remuneration Policy was not subject to renewal during 2018 as the independent members of the Board were appointed in March 2017. The Remuneration Committee believes that the existing policy and model is well understood by the business, supports our culture and continues to appropriately 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

Mohamed Walid Cherif
Chairman of the Remuneration 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	1month	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
Hatem Soliman	**3 March 2019**	**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 of 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 success is ADES' ability to attract, retain and incentivise talented individuals to deliver on 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. During 2018, the Nomination Committee held two meetings to approve the re-election of the members of the Audit Committee and Remuneration Committee and to recommend the appointment of a new Board member.

Diversity

As a leading regional player with an expanding geographical footprint, diversity is encouraged and forms an integral part of the way we do business. 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

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 consolidated financial statements.

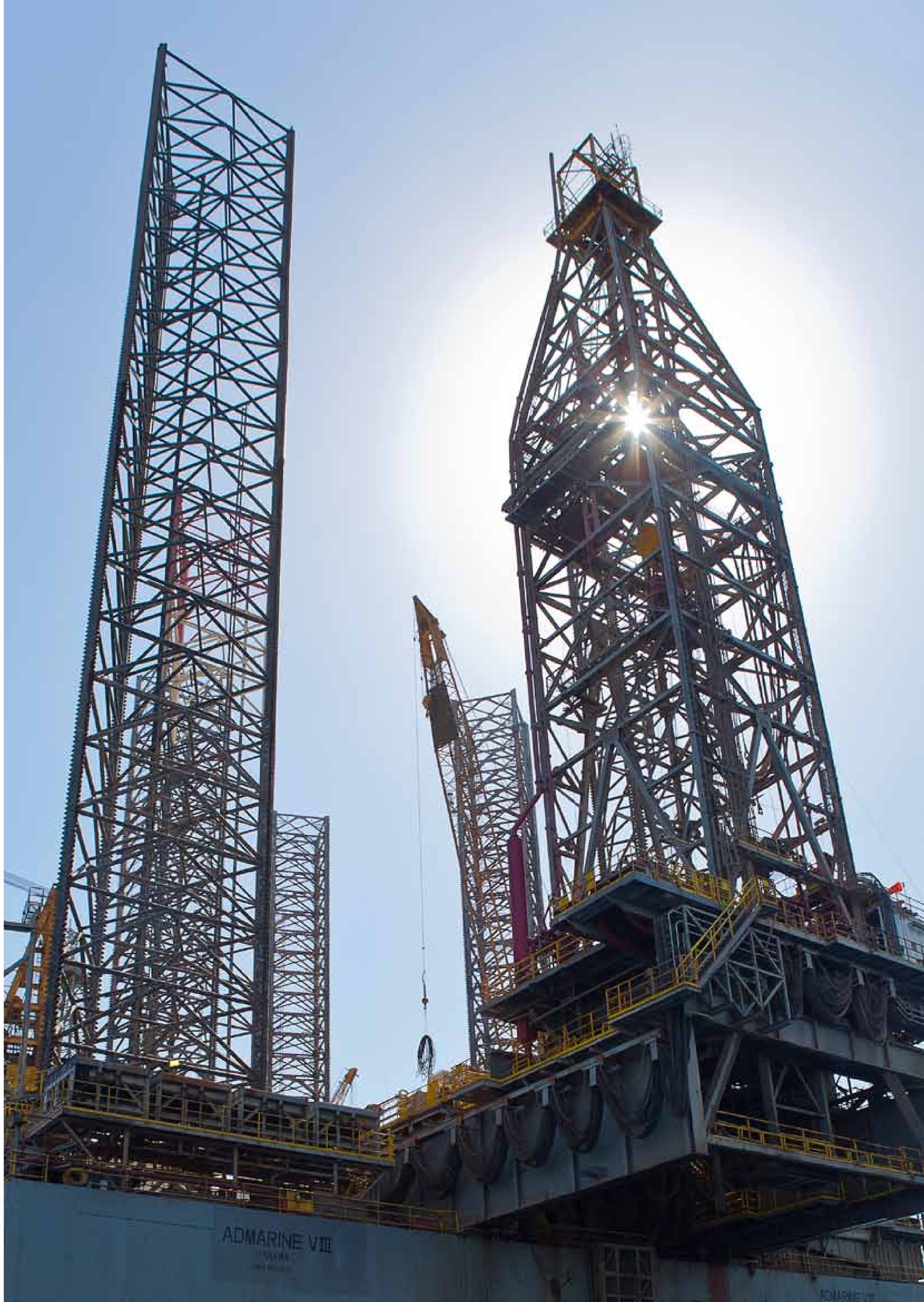
The Directors are responsible for ensuring that the Company keeps proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the consolidated financial 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 PLC (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including 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 2018 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.

Emphasis of Matter

As disclosed in Note 1 to the consolidated financial statements, the Board of Directors have decided to recall and reissue the consolidated financial statements of the Group for the year ended 31 December 2018 which were approved on 24 March 2019 (the "Previously Issued Consolidated Financial Statements"), to amend and record the fair value of an interest rate swap that was not previously recorded; along with appropriate disclosures on the derivative instrument. Certain other reclassification adjustments were also affected as detailed therein. Accordingly, this report replaces the audit report previously issued by us on 24 March 2019.

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.

Impairment of trade receivable

Trade receivable balances are significant to the Group's consolidated financial statements. The collectability of trade receivables is a key element of the Group's working capital management, which is managed on an ongoing basis by its management. Due to the nature of the business and requirements of customers, various contract terms are in place which impact the timing of revenue recognition. Given the magnitude and judgment involved in the impairment assessment of trade receivables, we have identified this as a key audit matter.

Trade receivables are generally on 30 to 90 days credit terms after which trade receivables are considered to be past due. As at 31 December 2018, USD 51,388,529 (2017: USD 25,639,149) out of total gross trade receivables of USD 105,701,885 (2017: USD 69,681,069) were overdue for more than 90 days. The Group has recorded a provision for impairment in trade receivables amounting to USD 4,944,373 (2017: USD 3,693,766). Refer to significant accounting estimates, judgements and assumptions in Note 3 and disclosure of accounts receivable in Note 14.

We performed audit procedures on existence of trade receivables, which included, on a sample basis, substantive testing of revenue transactions, obtaining trade receivable external confirmations and testing subsequent payments received. Assessing the impairment of trade receivables requires judgment and we evaluated management's assumptions in determining the provision for impairment of trade receivables using the simplified approach in accordance with the International Financial Reporting Standards 9 – Financial Instruments ("IFRS 9"), by analysing the ageing of receivables, assessing significant overdue individual trade receivables and specific local risks, combined with legal documentation, where applicable.

We tested the timing of revenue and trade receivables recognition based on the terms agreed with customers. We also reviewed, on a sample basis, the terms of contracts with customers, invoices raised, etc., as part of our audit procedures.

Accounting for the new acquisitions

During the year ended 31 December 2018, the Group entered into three separate sale and purchase agreements ("SPAs") and acquired new rigs in their entirety, including all spare parts, equipment and inventory and customer contracts, in the Kingdom of Saudi Arabia and the State of Kuwait. As part of one of the SPAs, the Group has acquired 47.5% equity interest in an operating entity in the State of Kuwait, which is consolidated as a subsidiary with minority interest of 52.5%. Management has accounted for each of these three acquisitions as a separate transaction. Further, based on the assessment of the transactions, management concluded that the Group obtained control over the assets and entities acquired as defined by IFRS 10 – Consolidated financial statements, and that the transactions meet the definition of a business combination under IFRS3 – Business combinations.

Refer to significant accounting estimates, judgements and assumptions in Note 3.

We considered the audit of accounting for these acquisitions to be a key audit matter as these are significant transactions during the year which require significant management judgement regarding the allocation of the purchase price to the assets and liabilities acquired on a provisional basis and adjustments made to align accounting policies of the newly acquired entities with those of the Group. This exercise also require management to determine the fair value of the assets and liabilities acquired and to identify any intangible assets acquired in the acquisition which is in progress as at the reporting date. Refer to Note 5 to the consolidated financial statements for details of the acquisition.

We have, amongst others, read the SPAs in relation to these acquisitions to obtain an understanding of the transactions and the key terms; assessed whether the appropriate accounting treatment has been applied to these transactions; assessed the valuation for the considerations paid and traced share issuance to the share register. We tested the provisional fair values of the acquired assets and liabilities based on our discussion with management and understanding of the business of the entities acquired. Currently, the Management recorded the acquired businesses based on their provisional fair values and as part of our audit procedures, we understood the nature of the provisional valuation adjustments and also agreed the purchase price considerations to the sale and purchase agreements and other supporting documentation. As at the reporting date, the Group is in the process of completing the purchase price allocation and determining the final fair values of assets and liabilities acquired.

Other information included in the Group's 2018 Annual Report

Other information consists of the information included in the Group's Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2018 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we 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.

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. 5 of 2018, 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 skepticism throughout the audit. We also:

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

We communicate with the Directors, 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. 5 of 2018. 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. 5 of 2018 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

Anthony O'Sullivan
Partner

4 April 2019
Dubai, United Arab Emirates

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

At 31 December 2018

USD	Notes	2018	2017
Revenue from contract with customers	6	205,563,390	157,590,031
Cost of revenue	7	(107,506,253)	(78,323,458)
Gross profit		**98,057,137**	**79,266,573**
General and administrative expenses	8	(23,971,369)	(19,032,975)
End of service provision	20	(1,309,036)	(623,817)
Provision for impairment of trade receivables	14	(1,250,607)	(579,115)
Other provisions		(280,017)	(274,647)
Operating profit		**71,246,108**	**58,756,019**
Finance costs	9	(31,472,519)	(16,550,209)
Finance income	12	2,738,844	7,015,552
Bargain purchase gain	5	44,377,441	-
Business acquisition transaction costs		(5,617,088)	-
Other income		912,550	2,461,500
Other taxes	28	(295,960)	(387,648)
Provision for impairment of dividends receivable		-	(245,000)
Ipo expenses		-	(5,063,369)
Other expenses		(2,515,532)	(1,395,025)
Fair value loss on derivative financial instrument	29	(4,340,180)	-
Profit for the year before income tax		**75,033,664**	**44,591,820**
Income tax expense	10, 28	(3,788,784)	(17,881)
Profit for the year		**71,244,880**	**44,573,939**
Other comprehensive income		-	-
Total comprehensive income		**71,244,880**	**44,573,939**
Attributable to:			
Equity holders of the parent		70,990,658	44,573,939
Non-controlling interests		254,222	-
		71,244,880	**44,573,939**
Earnings per share - basic and diluted attributable to equity holders of the parent (usd per share)	23	**1.65**	1.16

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2018

USD	Notes	2018	2017
Assets			
Non-current assets			
Property and equipment	16	710,704,139	322,441,975
Intangible assets	17	456,189	544,540
Investment in a joint venture	11	2,184,382	-
Available for sale investment	11	-	1,950,000
Other non-current assets		1,202,586	-
Total non-current assets		**714,547,296**	**324,936,515**
Current assets			
Inventories	13	52,508,041	20,919,477
Trade receivables	14	100,757,512	65,987,303
Contract assets	14	36,369,649	-
From related parties	24	377,345	305,616
Prepayments and other receivables	15	49,352,692	38,773,075
Bank balances and cash	12	130,875,239	136,964,417
Total current assets		**370,240,478**	**262,949,888**
Total assets		**1,084,787,774**	**587,886,403**
Equity and liabilities			
Equity			
Share capital	21	43,793,882	42,203,030
Share premium	21	178,746,337	158,224,346
Merger reserve	1, 22	(6,520,807)	(6,520,807)
Legal reserve	22	6,400,000	6,400,000
Retained earnings		188,693,787	117,703,129
Equity attributable to equity holders of the parent		**411,113,199**	**318,009,698**
Non–controlling interests		8,987,787	-
Total equity		**420,100,986**	**318,009,698**
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	19	510,010,564	155,155,414
Finance lease liability	27	5,391,573	-
Provisions	20	12,331,933	620,083
Derivative financial instrument	29	3,123,799	-
Total non-current liabilities		**530,857,869**	**155,775,497**
Current liabilities			
Trade and other payables	18	**85,423,424**	52,664,243
Interest-bearing loans and borrowings	19	**45,258,354**	57,333,621
Provisions	20	**1,874,654**	1,836,000
Due to related parties	24	**56,106**	2,267,344
Derivative financial instrument	29	1,216,381	-
Total current liabilities		**133,828,919**	**114,101,208**
Total liabilities		**664,686,788**	**269,876,705**
Total equity and liabilities		**1,084,787,774**	**587,886,403**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

USD	Share capital	Share premium	Share application money	Merger reserve	Legal reserve	Retained earnings	Total	Non-controlling interests	Total Equity
Balance at 1 January 2018	42,203,030	158,224,346	-	(6,520,807)	6,400,000	117,703,129	318,009,698	-	318,009,698
Profit for the year	-	-	-	-	-	70,990,658	70,990,658	254,222	71,244,880
Other comprehensive income for the year	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	70,990,658	70,990,658	254,222	71,244,880
Share capital issued (Note 5, 21)	1,590,852	-	-	-	-	-	1,590,852	-	1,590,852
Share premium (Note 5, 21)	-	20,521,991	-	-	-	-	20,521,991	-	20,521,991
Acquisition of a subsidiary (Note 5)	-	-	-	-	-	-	-	8,733,565	8,733,565
Balance at 31 December 2018	**43,793,882**	**178,746,337**	**-**	**(6,520,807)**	**6,400,000**	**188,693,787**	**411,113,199**	**8,987,787**	**420,100,986**
As at 1 January 2017	1,000,000	-	30,900,000	(6,520,807)	4,481,408	75,047,782	104,908,383	-	104,908,383
Profit for the year	-	-	-	-	-	44,573,939	44,573,939	-	44,573,939
Other comprehensive income for the year	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	44,573,939	44,573,939	-	44,573,939
Transfer to legal reserve (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	-	10,303,030
Share premium (Note 21)	-	158,224,346	-	-	-	-	158,224,346	-	158,224,346
Balance at 31 December 2017	**42,203,030**	**158,224,346**	**-**	**(6,520,807)**	**6,400,000**	**117,703,129**	**318,009,698**	**-**	**318,009,698**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

USD	Notes	2018	2017
Operating activities			
Profit for the year before income tax		75,033,664	44,591,820
Adjustments for:			
Depreciation of property and equipment	16	28,112,799	20,618,505
Amortisation of intangible assets	17	122,547	45,202
Provision for impairment of trade receivables and contract assets	14	1,250,607	579,115
End of services provision	20	1,309,036	623,817
Other provisions	20	280,017	274,647
Interest on loans and borrowings	9	31,472,519	16,550,209
Finance income	12	(2,738,844)	(7,015,552)
Other income		(678,168)	(2,461,500)
Bargain purchase gain	5	(44,377,441)	-
Share of results of investment in a joint venture	11	(234,382)	-
Fair value loss on derivative financial instrument	29	4,340,180	-
Cash from operations before working capital changes		**93,892,534**	**73,806,263**
Inventories		1,436,399	(680,906)
Trade receivables		(24,482,911)	(15,777,305)
Contract assets		(36,369,649)	-
Due from related parties		(71,729)	(28,499)
Prepayments and other receivables		13,605,597	(6,620,912)
Trade and other payables		8,781,106	2,177,099
Due to related parties		(2,211,238)	(1,814,188)
Cash flows from operations		**54,580,109**	**51,061,552**
Income tax paid	10	(3,036,313)	(586,662)
Provisions paid	20	(344,160)	(1,477,664)
Net cash flows from operating activities		**51,199,636**	**48,997,226**
Investing activities			
Purchase of intangible assets	17	(12,788)	(21,579)
Purchase of property and equipment**		(93,682,762)	(52,951,929)
Acquisitions of subsidiaries and new rigs	5	(277,639,472)	-
Interest received		2,738,844	7,015,552
Movement in escrow account	12	(10,800,000)	-
Net cash flows used in investing activities		**(379,396,178)**	**(45,957,956)**
Financing activities			
Proceeds from interest-bearing loans and borrowings*		602,871,261	36,581,041
Repayment of interest-bearing loans and borrowings		(238,038,447)	(59,825,925)
Proceeds from increase in share capital		-	10,303,030
Payments of loan transaction costs*		(33,566,505)	-
Proceeds from share premium		-	158,224,346
Interest paid		(19,958,945)	(16,550,209)
Net cash flows from financing activities		**311,307,364**	**128,732,283**
Net (decrease)/ increase in cash and cash equivalents		**(16,889,178)**	**131,771,553**
Cash and cash equivalents at the beginning of the year	12	**136,964,417**	**5,192,864**
Cash and cash equivalents at the end of the year	12	**120,075,239**	**136,964,417**

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

** Net of "proceeds from interest-bearing loans and borrowings" and "payments of loan transaction costs" represents "borrowings drawn during the year" amounting to USD 569,304,756 as disclosed in Note 19.*

*** It does not include unpaid portion of the finance lease included as Office premises in Property and equipment (note 16) amounting to USD 5,959,533.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Background

1.1 Corporate Information

ADES international holding plc (the "company" or the "parent") 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 shares are listed on the main market of the london stock exchange. The company's name has changed from ADES international holding ltd to ADES international holding plc during 2018. 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 subsidiaries (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 group is a leading oil and gas drilling and production services provider in the middle east and africa. The group services primarily include offshore and onshore contract drilling and production services. The group currently operates in egypt, algeria, kuwait and the kingdom of saudi arabia. The group's offshore services include drilling and workover services and mobile offshore production unit (mopu) production services, as well as accommodation, catering and other barge-based support services. The group's onshore services primarily encompass drilling and work over services. The group also provides projects services (outsourcing various operating projects for clients, such as maintenance and repair services).

The consolidated financial statements of the group include:

			% equity interest	
Name	Principal activities	country of incorporation	2018	2017
Advanced energy systems (ADES) (S.A.E)**	oil and gas drilling and production services	Egypt	100%	100%
Precision drilling company***	holding company	cyprus	100%	-
Kuwait advanced drilling services	leasing of rigs	cayman	100%	-
Prime innovations for trade S.A.E	trading	egypt	100%	-
ADES international for drilling	leasing of rigs	cayman	100%	-
Advanced transport services	leasing of transportation equipment	Cayman	100%	-
Advanced drilling services	trading	cayman	100%	-

*** Advanced energy systems (ADES) (S.A.E) has branches in the kingdom of saudi arabia and algeria.*

**** Precision drilling company holds 47.5% Interest in united precision drilling company w.L.L, a kuwait entity which handles the operations of the rigs in kuwait.*

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 2018 and 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.

1.2 Reissuance of the consolidated financial statements

The Management have decided to recall and reissue the consolidated financial statements of the Group for the year ended 31 December 2018 previously approved by the Board of Directors on 24 March 2019 (the "Previously Issued Consolidated Financial Statements") in order to record an interest rate swap which was not recorded in the Previously Issued Consolidated Financial Statements as explained below.

The Group has entered into an interest rate swap "IRS" derivative for a notional amount of US$ 241,500,000 effective from 21 November 2018 until 22 March 2023 that is classified as a trading derivative measured at fair value through profit or loss from the trading date of the IRS. Upon the date of the invoicing of the first scheduled net interest settlement amount in respect of the IRS, which was subsequent to the date of the approval of the previously issued Consolidated Financial Statements on 24 March 2019, this transaction was internally brought to management's attention to determine the appropriate date for recognition in the accounting records. Following due review, it was determined that the accounting recognition should have commenced in November 2018. Accordingly, the Board of Directors has decided to recall and adjust the Previously Issued Consolidated Financial Statements to account for the IRS by recording the negative fair value of the derivative amounting to US$ 4.3 million in the consolidated statement of financial position and the corresponding fair value loss in the consolidated statement of comprehensive income as at 31 December 2018. Refer note 29 for the details.

Management have also updated the subsequent events disclosure (note 30) for the events that occurred after the date of the Previously Issued Consolidated Financial Statements; added additional explanatory foot note for segment disclosure and updated capital expenditures in note 4; separately disclosed additions through business combinations in note 16; and reclassified (i) an amount of USD 24,885,216 between 'inventories' and 'purchase of property and equipment' line items and (ii) USD 567,960 between 'trade and other payables' and 'purchase of property and equipment' line items in the consolidated statement of cash flows to improve the presentation.

The Board of Directors have approved the reissuance of Consolidated Financial Statements to the relevant authorities on 4 April 2019.

2 Significant accounting policies

2.1 Basis of preparation

The Consolidated financial statements have been prepared under the historical cost basis, except for derivative financial instrument carried at fair value which includes the interest rate swap classified as held for trading.

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. 5 Of 2018.

The consolidated financial statements are presented in united states dollars ("USD"), which is the company's functional and presentation currency.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the company and its subsidiaries as at 31 December 2018. 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 combinations and acquisition of non-controlling interests

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

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

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

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

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

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

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

Business combination involving entities under common control

Transactions involving entities under common control where transaction does not have any substance, the group adopts the pooling of interest method. Under the pooling of interest method, the carrying value of assets and liabilities are used to account for these transactions. No goodwill is recognised as a result of the combination. The only goodwill recognised is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid and the carrying value of net assets acquired is reflected as "reserve" within equity.

A number of factors are considered in evaluating whether the transaction has substance including the following:

- The purpose of transaction;
- The involvement of outside parties in the transaction, such as non-controlling interests or other third parties;
- Whether or not the transactions are conducted at fair values;
- The existing activities of the entities involved in the transaction; and
- Whether or not it is bringing entities together into a "reporting entity" that did not exist before.

Periods prior to business combination involving entities under common control are not restated.

Interest in a joint venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Associates and joint ventures (continued)

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

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

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

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

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

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

Upon loss of joint control over the joint venture, the group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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 2018. The group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Although these new standards and amendments applied for the first time in 2018, 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:

IFRS 15 revenue from contracts with customers

IFRS 15 supersedes IAS 11 construction contracts, IAS 18 revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be 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.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group has adopted IFRS 15 with effect from 1 January 2018 using the modified retrospective method of adoption with effect of initially applying this standard recognised at the date of initial application. Accordingly, the information presented for 2017 has not been restated, and has been presented as previously reported under accounting policies disclosed in consolidated financial statements of the group as per IAS 18 and related interpretations. The adoption of IFRS 15 did not have any material impact on the group except for the recognition of contract assets for those revenues that are earned but not billed to the customers. Therefore, upon adoption of IFRS 15, the group reclassified USD 12,975,535 from other receivables to contract assets as at 1 January 2018.

IFRS 9 financial instruments

IFRS 9 financial instruments replaces IAS 39 financial instruments: recognition and measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The group has applied IFRS 9 with the initial application date of 1 January 2018. The group has opted exemption not to restate comparative information with respect to reclassification and measurement (including impairment) requirements. Accordingly, the information presented for 2017 is under accounting policies disclosed in annual financial statements of the company as per IAS 39 and related interpretations.

IFRS 9 resulted in changes in accounting policies with no change to the amounts recognised, and therefore no transition adjustment is presented.

(a) classification and measurement

IFRS 9 retains most of the existing requirements of IAS 39 for the classification and measurement of financial liabilities, though, it has removed held to maturity, loans and receivables and available-for-sale classification under IAS 39 for financial assets.

Adoption of IFRS 9 has not had a significant effect on the group's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets of the company is set out below.

Except for certain trade receivables and contract assets, under IFRS 9, the group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit and loss, transaction costs. On initial recognition, a financial asset is classified and measured under IFRS 9 as follows:

- Amortised costs
- FVOCI, debt instruments
- FVOCI, equity instruments
- FVTPL

The classification is based on two criteria:

- The business model for managing the assets; and
- Whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'sppi criterion').

The assessment of the business model was made as of 1 January 2018, the date of initial application. Accordingly, the trade receivables and contract assets, due from related parties and cash and bank balances have been classified as at amortised cost on adoption of IFRS 9.

As at 31 December 2017, the group classified its instrument in egyptian chinese drilling company (ECDC) as available for sale investment in its 2017 consolidated financial statements. The group has changed its classification to equity instruments at fair value through other comprehensive income. However, during the year, the group acquired joint control over ECDC (refer to note 11), which resulted in the change of classification of this asset to investment in a joint venture.

There were no changes to the carrying values of the above financial assets on transition to new classification and measurement per IFRS 9.

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the group's accounting for impairment losses for financial assets by replacing incurred loss approach under IAS 39 with a forward-looking expected credit loss (ECL) approach.

ECL are based on the difference between contractual cash flows due in accordance with the contract and all the cash flows that the company expect to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade and other receivables and contract assets, the group has applied the standard's simplified approach and has calculated the ECLs based on lifetime expected credit losses. The group has established a provision matrix that is based on the group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and economic environment.

The group considers a financial asset in default when contractual payments are past due. However, in certain cases, the group may also consider a financial asset to be in default when internal or external information indicates that the group is likely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the group. The adoption of the ECL requirements of IFRS 9 did not result in any significant changes in impairment allowances.

(c) Hedge accounting
IFRS 9 does not change the general principles of how an entity accounts for effective hedges. The company do not have hedge instruments and hence the adoption of IFRS 9 did not have any impact on the group's consolidated financial statements.

Several other amendments and interpretations became effective as of 1 January 2018 and apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the group. These amendments and interpretations are summarised below:

- Clarifications to IFRS 15 revenue from contracts with customers
- IFRIC interpretation 22 foreign currency transactions and advance consideration
- Amendments to IAS 40 transfers of investment property
- Amendments to IFRS 2 classification and measurement of share-based payment transactions
- Amendments to IFRS 4 applying IFRS 9 financial instruments with IFRS 4 insurance contracts
- Amendments to IAS 28 investments in associates and joint ventures – clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice
- Amendments to IFRS 1 first-time adoption of international financial reporting standards – deletion of short-term exemptions for first-time adopters.

(b) standards, amendments and interpretations in issue but not effective
The standards and interpretations that are issued, but not yet effective are disclosed below. These standards and interpretations will become effective for annual periods beginning on or after the dates as respectively mentioned there against. The group intends to adopt these standards, if applicable, when they become effective.

- Amendments to IFRS 10 and IAS 28: sale or contribution of assets between an investor and its associate or joint venture (effective date not decided)
- IFRS 16 leases (effective date: 1 January 2019)
- IFRS 17 insurance contracts (effective date: 1 January 2021)
- IAS 19 plan amendment, curtailment or settlement (effective date: 1 January 2019)
- Amendments to IFRS 9: prepayment features with negative compensation (effective date: 1 January 2019)
- Amendments to IAS 28: long-term interests in associates and joint ventures (effective date: 1 January 2019)
- Annual improvements 2015-2017 cycle (effective date: 1 January 2019)
    - IFRS 3 business combinations
    - IFRS 11 joint arrangements
    - IAS 12 income taxes
    - IAS 23 borrowing costs
- IFRIC interpretation 23 uncertainty over income tax treatment (effective date: 1 January 2019)

These standards, interpretations and improvements are not expected to a have a material impact on the consolidated financial statements of the group, except for IFRS16 leases for which management is in the process of carrying out impact analysis. Management anticipates that all of the above standards and interpretations will be adopted by the group to the extent applicable to them from their effective dates.

IFRS 16 leases
IFRS 16 was issued in January 2016 and it replaces IAS 17 – leases and related IFRIC 4, sic 15 and sic 27. It introduces a single, on-balance sheet lease accounting model for lessees. At the commencement date of a lease, the lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There is a recognition exemption for short-term leases, which will be recognised on a straight-line basis as expense in profit or loss and leases of low value assets. Lessees shall remeasure the lease liability and adjust the right-of-use asset on occurrence of certain events such as change in the lease term, future lease payments resulting from a change in an index or rate used to determine those payments.

The standard is effective for annual periods beginning on or after 1 January 2019 and requires to make more extensive disclosures than under IAS 17. Early adoption is permitted. The group plans to apply IFRS 16 initially on 1 January 2019, using a modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

As at 31 December 2018, the group has non-cancellable operating lease commitments of USD 218,556 as disclosed in note 27. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the group will recognise a right-of-use asset and liability in respect of all these leases unless they qualify as short-term leases or that are considered of low value upon the application of IFRS 16. The nature of expenses related to those leases will also change because IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. Further, the classification of cash flows will be affected as the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows, respectively; operating lease payments are currently presented as operating cash flows.

The group is in the process of finalizing the analysis of the impact of IFRS 16 at the date of issuance of these consolidated financial statements. In summary, the application of IFRS 16 is expected to result in the group recognizing on its statement of financial position right-of-use assets with corresponding lease liabilities using an appropriate incremental borrowing rate. The group does not expect that the application of IFRS 16 will have a significant impact on its equity on transition.

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

Step 1. Identify contract(s) with a customer: a contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2. Identify performance obligations in the contract: a performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3 determine the transaction price: the transaction price is the amount of consideration to which the group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4. Allocate the transaction price to the performance obligations in the contract: for a contract that has more than one performance obligation, the group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the group expects to be entitled in exchange for satisfying each performance obligation.
Step 5. Recognise revenue when (or as) the group satisfies a performance obligation.

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

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

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

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

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

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

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

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

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

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

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

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

Transactions and balances

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

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

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

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

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

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
Office premises	20
Computers and equipment	5
Motor vehicles	5
Leasehold improvements	55

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

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

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

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

Financial assets at amortised cost (debt instruments)

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

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

(i) trade and other payables

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

(ii) loans and borrowings

This is the category most relevant to the group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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

(iii) other financial liabilities at amortised cost

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

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

Derecognition of financial liabilities

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

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

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

The Group enters into derivative transactions with various counterparties. These include interest rate swap. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. The notional amount and fair value of such derivatives are disclosed separately in Note 29.

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 the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset (or assets), even if that asset (or those assets) is not explicitly specified in an arrangement.

Group as a lessee
A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the consolidated statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the consolidated statement of profit or loss on a straight-line basis over the lease term.

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

Provisions
Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount can be reliably estimated. When the group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in 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 one of the subsidiaries' 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 principal or the most advantageous market must be accessible to the group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. For assets traded in an active market, fair value is determined by reference to quoted market bid prices. The fair value of 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.

Property lease classification – group as lessee

The group has entered into commercial property lease on its office premises. The group has determined, based on an evaluation of the terms and conditions of the arrangements, that it obtained all the significant risks and rewards of ownership of this property and accounts for the contracts as finance lease.

Consolidation of an entity in which the group holds less than a majority of voting right

The group considers that it controls united precision drilling company w.L.L ("UPDC") even though it owns less than 50% of the voting rights. This is mainly because (a) the group has a substantive right to direct conclusion of revenue contracts, capital expenditures and operational management; (b) the group has a significantly higher exposure to variability of returns than its voting rights; (c) the group is the owner of all drilling rigs and equipment and charters the drilling rigs to UPDC on exclusive basis. Management also considered that non-controlling interest in UPDC is not material as compared to the consolidated financial position.

Estimates and assumptions

Impairment of trade receivables and contract assets

The group recognises an allowance for expected credit losses (ECLs). The group applies a simplified approach in calculating ECLs with respect to trade receivables and contract assets. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. At the consolidated statement of financial position date, gross trade receivables and contract assets were USD 142,071,534 (2017: USD 69,681,069) and the provision for impairment in trade receivables and contract assets was USD 4,944,373 (2017: USD 3,693,766). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of comprehensive income.

Taxes

The group is exposed to income taxes in certain jurisdictions. Significant judgement is required to determine the total 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 3,040,753 (2017: USD 2,288,282).

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. In 2017, 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 in 2017.

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 52,508,041 (2017: USD 20,919,477) 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 comprehensive income.

Impairment of dividends receivable

The group has dividends receivable from egyptian chinese drilling company (refer to note 11) which is classified as investment in joint venture. As at 31 December 2018, the group provided provision for impairment in dividends receivable for USD 245,000 (2017: USD 245,000). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of comprehensive income.

4 Segment information

Management has determined the operating segments based on the reports reviewed by the chief executive officer (ceo) that are used to make strategic decisions. As operationally, the group is only in the oil and gas production and drilling services, the ceo considers the business from a geographic perspective and has identified five geographical segments (2017: 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

USD	Egypt	Algeria	KSA	Kuwait	UAE	Total
For the year ended 31 December 2018						
Revenue from contracts with customers	87,226,592	11,594,020	96,094,909	10,647,869	-	205,563,390
Gross profit (i)	**70,433,886**	**4,899,927**	**17,243,693**	**5,479,631**	**-**	**98,057,137**
Finance cost	13,762,066	(11,978)	189,485	33,644	17,499,302	31,472,519
Finance income	(706,400)	-	-	-	(2,032,444)	(2,738,844)
Income tax expense	-	217,148	3,571,636	-	-	3,788,784
Profit (i)	**53,634,499**	**3,430,195**	**3,699,236**	**15,148,174**	**(4,921,446)**	**70,990,658**
Total assets as at 31 December 2018 (ii)	**715,814,123**	**13,652,773**	**80,769,965**	**187,009,318**	**87,541,595**	**1,084,787,774**
Total liabilities as at 31 December 2018	**173,980,206**	**2,186,122**	**19,613,735**	**26,533,772**	**442,372,953**	**664,686,788**
Other segment information:						
Capital expenditure (ii)	41,176,697	-	231,183,639	144,036,035	-	416,396,371
Intangible assets expenditure	34,197	-	-	-	-	34,197
Total	**41,210,894**	**-**	**231,183,639**	**144,036,035**	**-**	**416,430,568**
Depreciation and amortization	**27,588,551**	**296,488**	**22,184**	**328,123**	**-**	**28,235,346**

USD	Egypt	Algeria	KSA	UAE	Total
For the year ended 31 December 2017					
Revenue from contracts with customers	82,298,101	21,553,917	53,738,013	-	157,590,031
Gross profit (i)	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)	2,023,128	-	17,881
Profit (i)	39,507,786	1,498,558	2,339,436	1,228,159	44,573,939
Total assets as at 31 December 2017 (ii)	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
Other segment information:					
Capital expenditure (ii) (iii)	21,481,129	-	31,470,800	-	52,951,929
Intangible assets additions	21,579	-	-	-	21,579
Total	**21,502,708**	**-**	**31,470,800**	**-**	**52,973,508**
Depreciation and amortisation (iii)	20,646,608	16,688	411	-	20,663,707

(i) As per the intersegment lease agreements, Egypt charged KSA and Algeria amounting to USD 35,846,020 and USD 1,450,353, respectively, as a lease charges (2017: 16,672,896 and 11,196,470, respectively). These amounts are not eliminated in segment wise gross profit and profit information as disclosed above.
(ii) Management presents the assets in the segment which holds such assets, while the capital expenditure are presented in the segment where such assets are utilised.
(iii)The comparative figures for capital expenditure and depreciation and amortisation have been reclassified in order to conform to the presentation for the current year.

5 Business combinations

As part of the group's strategy to expand its fleet and operations, the group has acquired the assets and entities which are accounted for as business combinations. These business combinations resulted in a bargain purchase transactions because the fair value of assets acquired and liabilities assumed exceeded the total fair value of the consideration paid and the fair value of non- controlling interests.

a) Acquisition of three rigs from nabors drilling international ii limited

On 12 june 2018, the group acquired three jack-up drilling rigs, located in the kingdom of saudi arabia, in their entirety, including all spare parts, equipment and inventory, from nabors drilling international ii limited (nabors). The group acquired these rigs to expand its operations in the kingdom of saudi arabia. The acquisition has been accounted for using the acquisition method.

Identifiable net assets acquired

The provisional fair values of the identifiable net assets of these rigs as at the date of acquisition were:

USD	Provisional fair values recognized on acquisition
Property and equipment	91,527,842
Inventories	4,572,158
Total identifiable net assets at fair values (provisional)*	**96,100,000**
Gain from bargain purchase	**(11,737,157)**
Purchase consideration	**84,362,843**
Analysis of purchase consideration	
Cash paid	62,250,000
Allotment of shares**	22,112,843
	84,362,843
Analysis of cash flow on acquisition	
Net cash paid (included in cash flows from investing activities)	**62,250,000**

**Additional clarifications and analysis is required to determine the acquisition date fair value of property and equipment. Thus, the property and equipment may be subsequently adjusted, with a corresponding adjustment to gain from bargain purchase prior to 12 june 2019 (one year after the transaction).*
***In accordance with the purchase and sale agreement, the group issued 1,590,852 fully paid shares to nabors, valued at the price as quoted on the london stock exchange on 12 june 2018.*

From the date of acquisition, the assets contributed USD 27,866,791 of revenue from continuing operations of the group. It is impracticable to disclose the revenue and profit or loss of the rigs acquired from nabors for the current reporting period as if the combination had taken place at the beginning of the year, as the acquired assets and entities did not represent a reporting entity and the historical information is not available. The group acquired the business comprised of the rigs and the related items, rather than the entire entity from nabors. The amount of profit contributed by these assets from the date of acquisition is also not disclosed, as these rigs do not represent a separate reporting entity and it impracticable to prepare the profit and loss for the rigs.

b) Acquisition of the rigs and subsidiaries from weatherford drilling international

On 31 october 2018 and 30 november 2018, the group acquired the assets from weatherford drilling international in kuwait and the kingdom of saudi arabia (ksa), respectively. The acquisitions have been accounted for using the acquisition method.

The group acquired the following in kuwait:

i) Kuwait assets: 12 onshore rigs and related equipment, drilling contracts, other vendor contracts, certain employees, inventories to be used in the drilling business, the business intellectual property and records related to the drilling business and rig moving equipment; and
ii) 100% interest in pdc cyprus holding ("PDC") (pre-qualified shareholder of UPDC for kuwait oil company tender process) which has a 47.5% Interest in UPDC, a kuwait entity which handles the operations of the rigs in kuwait including the employees and the drilling contracts.

The group acquired 11 onshore rigs in ksa and related equipment, drilling contracts, other vendor contracts, certain employees, inventories to be used in the drilling business, the business intellectual property and records related to the drilling business.

Identifiable net assets acquired

The provisional fair value of the identifiable assets and liabilities as at the acquisition were:

USD	provisional fair values recognized on acquisition (KSA)	provisional fair values recognized on acquisition (Kuwait)
Property and equipment	94,861,942	130,364,292
Inventories	20,313,058	8,139,747
Accounts receivable and prepayments	-	36,925,705
Due from related parties	-	6,699,193
Bank balances and cash	-	110,528
Total assets (provisional)*	**115,175,000**	**182,239,465**
Employees' end of service benefits	-	10,505,611
Accounts payable and accruals	-	11,335,812
Due to related parties	-	6,699,193
Total liabilities (provisional)*	-	**28,540,616**
Total identifiable net assets at fair value (provisional)*	**115,175,000**	**153,698,849**
Non-controlling interest (52.5% Of net assets) **	-	(8,733,565)
Bargain purchase gain arising on acquisitions	(22,675,000)	(9,965,284)
Purchase considerations	**92,500,000**	**135,000,000**

The gross amount of trade receivables is USD 11,537,905 which approximates to its fair value. It is expected that the full contractual amounts can be collected and management estimated that no allowance for ECL is required.

USD	KSA	Kuwait
Analysis of cash flow on acquisition (included in cash flows From investing activities)		
Net cash acquired with the subsidiary	-	110,528
Cash paid (i)	(92,500,000)	(123,000,000)
Net cash out flows on acquisition	**(92,500,000)**	**(122,889,472)**

(i) Outstanding consideration payable for kuwait assets amounting to USD 12,000,000 is included in trade and other payables (note 18).

**Additional clarifications and analysis is required to determine the acquisition date fair value of the assets and liabilities acquired. Thus, the assets and liabilities may be subsequently adjusted, with a corresponding adjustment to gain from bargain purchase prior to 31 october 2019 (kuwait assets) and 30 november 2019 (ksa assets) (one year after the transaction).*
***This represents share of non-controlling interests over the net assets of UPDC as of the acquisition date.*

From the date of acquisition, the acquired assets and entities contributed USD 20,681,056 of revenue from continuing operations of the group, and UPDC reported the profit of USD 484,232. It is impracticable to disclose the revenue and profit or loss of the combined businesses for the current reporting period, as if the combination had taken place at the beginning of the year, as the acquired assets and entities did not represent a reporting entity and the historical information is not available. The group acquired the business comprised of the rigs along with the related items and UPDC rather than all the entities owning these businesses from the seller.

6 Revenue from contract with customers

USD	2018	2017
Units operations	196,286,916	147,841,157
Catering services	3,006,326	2,450,360
Projects income*	4,683,478	6,752,850
Others	1,586,670	545,664
	205,563,390	**157,590,031**

**Projects income represents services relating to outsourcing various operating projects for clients such as manpower, well platform installation, maintenance and repair services.*

The disaggregation of revenue in accordance with IFRS 15 is in line with the segments disclosed in note 4 above as the management monitors the revenue geographically and the only operational revenue stream is mainly drilling services (units operations) and the revenue is recognised over the time of service.

7 Cost of revenue

USD	2018	2017
Project direct costs	2,596,283	5,681,202
Maintenance costs	14,743,854	7,307,833
Staff costs	35,326,884	25,677,414
Rental equipment	2,288,103	2,744,852
Insurance	4,843,389	3,637,194
Depreciation (note 16)	27,849,382	20,426,233
Other costs	19,858,358	12,848,730
	107,506,253	**78,323,458**

8 General and administrative expense

USD	2018	2017
Staff costs	12,194,853	10,137,211
Depreciation and amortisation (notes 16, 17)	385,964	237,474
Professional fees	2,215,480	2,117,751
Business travel expenses	1,816,136	1,250,543
Free zone expenses	2,065,073	1,606,634
Rental expenses	1,022,968	877,701
Other expenses	4,270,895	2,805,661
	23,971,369	**19,032,975**

9 Finance costs

USD	2018	2017
Interest on bank credit facilities and loans	23,736,620	16,550,209
Prepaid transaction costs written off due to refinancing	4,399,432	-
Arrangement fees related to financing the acquired business	3,336,467	-
	31,472,519	**16,550,209**

10 Income tax

USD	2018	2017
Consolidated statement of profit or loss:		
Current income tax expense*	**3,788,784**	**17,881**
Consolidated statement of financial position:		
Current liabilities:		
Balance at 1 January	2,288,282	2,857,063
Charge for the year	3,840,581	2,400,216
Release during the year	(51,797)	(2,382,335)
Paid during the year	(3,036,313)	(586,662)
Balance at 31 December (note 18)	**3,040,753**	**2,288,282**
Profit before income tax	75,033,664	44,591,820
Tax calculated at domestic tax rates applicable to profits in the primary jurisdiction of 0% (2017: 0%)	-	-
Effect of different tax rates in countries in which the group operates	1,643,938	951,750
Non-deductible expenses	217,148	262,666
Prior year adjustments**	-	(2,382,335)
Withholding taxes	1,979,495	1,185,800
Other	(51,797)	-
Income tax expense recognised in the consolidated statement of comprehensive income	**3,788,784)**	**17,881**

**Current income tax expense includes withholding taxes on intercompany rentals in the kingdom of saudi arabia amounting to USD 1,979,495 (2017: USD 1,185,800).*
***Prior year adjustments represent tax provision recorded in Algeria during 2016 which is released during 2017 based on the tax filings and tax assessment.*

The effective tax rate is 5% (2017: 5%, excluding the credit in respect of prior year adjustments).

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.

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.

11 Investment in a joint venture

The group holds 48.75% Equity interest in egyptian chinese drilling company (ECDC) amounting to USD 2,184,382 (2017: USD 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. ECDC is a joint stock company operating in storing and renting machinery and all needed equipment to the petroleum industry.

As at 31 December 2017, the group has treated this investment as available for sale since it has no representation on the board. On 5 July 2018, the shareholders entered into a shareholders agreement whereby the group obtained a joint control over ECDC. While the legal formalities for the change in the articles of association is in progress as of 31 December 2018, as per the shareholders agreement the investment became investment in a joint venture effective 5 july 2018. The investment in joint venture is accounted for using equity method of accounting effective from the date of change.

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 2018 and 2017 (note 15).

Summarised financial information of the joint venture and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

Summarised statement of financial position as at 31 December 2018:

USD	2018
Non-current assets	8,331,562
Current assets	15,126,615
Non-current liabilities	(2,057,094)
Current liabilities	(16,920,300)
Net assets at provisional fair value	**4,480,783**
The group's share in net assets at provisional fair value equity - 48.75%*	2,184,382

Summarised statement of comprehensive income as of 31 December 2018:

USD	2018
Revenues	14,406,829
Cost of revenues	(11,451,747)
Other income	36,498
General and administrative expenses	(2,116,591)
Other provisions	(1,150,000)
Operating profit	**(275,011)**
Finance costs	(57,150)
Foreign exchange gain	13,581
Non-operating income	1,434,825
Profit for the year	**1,116,245**
Profit for the period from 5 july 2018 to 31 December 2018	**480,783**
Group's share of profit for the period - 48.75%**	**234,382**

** The summarised statement of the financial positions prepared based on the provisional fair values of the assets and liabilities of ECDC on 5 july 2018. Additional clarifications and analysis is required to determine the fair values of the assets and liabilities of ECDC at the date of the change from financial instrument to the joint venture which may result in adjustments to the net equity of ECDC, with corresponding adjustment to the investment. The group has one year starting from 5 july 2018 to determine the final fair values. Any such material adjustments will be reflected in the next period financial statements of the group.*

*** The amount represents 48.75% Group's share in the net profit of the joint venture from 5 july 2018 to 31 December 2018.*

The joint venture had no other contingent liabilities or commitments as at 31 December 2018 (2017: USD 82,761). The joint venture cannot distribute its profits without the consent from the two venture partners.

12 Bank balances and cash

USD	2018	2017
Cash on hand	31,399	8,931
Bank balances	99,808,981	9,942,280
Treasury bills	-	127,013,206
Time deposits	31,034,859	-
	130,875,239	**136,964,417**
Escrow account held to acquire new assets	(10,800,000)	-
Cash and cash equivalents for the purpose of statement of cash flows	**120,075,239**	**136,964,417**
Bank balances and cash comprise of balances in the following currencies:		
United states dollar (USD)	90,062,113	9,469,067
Saudi riyal (sar)	6,610,718	178,817
Egyptian pound (egp)	2,417,859	121,869
United arab emirates dirham (aed)	531	1,012
Great british pound (gbp)	6,111	54
Euro (eur)	247	64
Algerian dinar (dzd)	254,620	180,335
Kuwaiti dinar (kwd)	488,181	(7)
Time deposits (USD)*	31,034,859	-
T-bill's (egp)**	-	127,013,206
	130,875,239	**136,964,417**

**Time deposits represent short-term investment with a local bank in the united arab emirates. Time deposits have original maturities of less than 90 days and earns average interest of 2.05% Per annum. The finance income reported in the consolidated statement of comprehensive income for the year 2018 amounted to USD 706,400.*

*** Treasury bills represent short-term investment with original maturity of less than 90 days. As at 31 December 2018, the group had investment in treasury bills amounting to nil (2017: USD 127,013,206). The investment in treasury bills matured in January 2018. The finance income reported in the consolidated statement of comprehensive income for the year 2018 amounted to USD 2,032,444 (2017: USD 7,015,552).*

13 Inventories

USD	2018	2017
Offshore rigs	22,450,959	19,160,806
Onshore rigs	13,028,737	538,002
Warehouse and yards	17,028,345	1,220,669
	52,508,041	**20,919,477**

14 Trade receivables and contract assets

Trade receivables

USD	2018	2017
Trade receivables	105,701,885	69,681,069
Provision for impairment in trade receivables	(4,944,373)	(3,693,766)
	100,757,512	65,987,303

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.

Contract assets

As at 31 December 2018, the group has contract assets of USD 36,369,649 (2017: nil). As at 31 December 2017, this was classified as accrued revenues (note 15). Also, refer to note 2.2 (A) for the details of the accounting policy. As at 31 December 2018, there was no impairment of contract assets and hence no ECL has been recorded. The contract assets have increased as at 31 December 2018 due to the expansion of the operations arising from the acquisition of new businesses during the year as explained in note 5.

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

USD	2018	2017
As at 1 January	3,693,766	3,114,651
Charge for the year	1,250,607	579,115
As at 31 December	**4,944,373**	**3,693,766**

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
2018	36,620,688	7,110,821	3,744,240	6,837,607	46,444,156	**100,757,512**
2017	25,138,781	5,889,514	4,474,001	8,539,624	21,945,383	**65,987,303**

As at 31 December 2018, the largest portion of overdue balances over 90 days is from one customer of the group, which is a governmental entity. Management believes that the customer will reach certain milestones in 2019 and will be able to fulfil its obligations. The application of forward looking information has no material impact on the ECL provision.

15 Prepayments and other receivables

USD	2018	2017
Accrued revenue*	-	12,975,535
Invoice retention	25,933,047	6,525,863
Margin LG (note 27)	5,635,765	3,602,290
Advances to contractors and suppliers	5,437,050	6,027,286
Insurance with customers	3,890,082	3,911,475
Dividends receivable	1,225,000	1,225,000
Provision for impairment in dividends receivables	(245,000)	(245,000)
Other receivables and deposits	7,476,748	4,750,626
	49,352,692	**38,773,075**

**Accrued revenue represents services rendered but not yet billed at the reporting date. As at 31 December 2018, the accrued revenue is presented as contract assets in note 14.*

16 Property and equipment

USD	Rigs *	Furniture and fixtures	Drilling pipes	Tools	Assets under construction	Office Premises	Computer and equipment	Motor vehicles	Leasehold improvements	Total
31-Dec-18										
Cost:										
As at 1 January 2018	316,529,474	1,154,408	8,075,026	21,977,187	41,115,141	-	666,495	249,765	232,453	389,999,949
Additions	647,078	26,727	5,062,203	4,105,794	83,062,191	6,622,148	91,803	-	24,351	99,642,295
Acquisitions through busines combinations (Note 5)	210,529,220	-	-	1,000,000	105,224,856	-	-	-	-	316,754,076
Transfers	104,090,963	6,870	-	589,463	(104,706,985)	-	19,689	-	-	-
Transfer to intangible Assets	-	-	-	-	(21,408)	-	-	-	-	(21,408)
As at 31 December 2018	**631,796,735**	**1,188,005**	**13,137,229**	**27,672,444**	**124,673,795**	**6,622,148**	**777,987**	**249,765**	**256,804**	**806,374,912**
Accumulated depreciation and impairment:										
As at 1 January 2018	(58,139,451)	(367,329)	(1,653,630)	(6,071,696)	(765,291)	-	(333,381)	(145,520)	(81,676)	(67,557,974)
Depreciation charge for the year	(24,283,150)	(108,922)	(1,615,005)	(1,919,994)	-	-	(110,164)	(38,617)	(36,947)	(28,112,799)
As of 31 December 2018	**(82,422,601)**	**(476,251)**	**(3,268,635)**	**(7,991,690)**	**(765,291)**	-	**(443,545)**	**(184,137)**	**(118,623)**	**(95,670,773)**
Net book value:										
As of 31 December 2018	**549,374,134**	**711,754**	**9,868,594**	**19,680,754**	**123,908,504**	**6,622,148**	**334,442**	**65,628**	**138,181**	**710,704,139**

16 Property and equipment (cont'd)

USD	Rigs *	Furniture and fixtures	Drilling pipes	Tools	Assets under construction	Computer and equip-ment	Motor ve-hicles	Leasehold improve-ments	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 2018 amounted to USD 446,796 (2017: USD 2,608,790).

Depreciation charge is allocated as follows:

USD	2018	2017
Cost of revenue (note 7)	27,849,382	20,426,233
General and administrative expenses	263,417	192,272
Total depreciation charge	**28,112,799**	**20,618,505**

Assets under construction

Assets under construction represent the amounts that are incurred for the purpose of upgrading and refurbishing property and equipment until it is ready to be used in the operation. Assets under construction will be transferred to 'rigs' or 'tools' of the property and equipment after completion.

**Some of the rigs are pledged to the lenders (banks) against loans and borrowings (note 19).*

17 Intangible assets

USD	2018	2017
Cost:		
As at 1 January	742,457	167,980
Additions	12,788	21,579
Transfer from property & equipment	21,408	552,898
As at 31 December	**776,653**	**742,457**
Accumulated amortisation:		
As at 1 January	197,917	152,715
Amortisation charge for the year	122,547	45,202
As at 31 December	**320,464**	**197,917**
Net carrying amount		
As at 31 December	**456,189**	**544,540**

Intangible assets represent computer software and the related licenses.

18 Trade and other payables

USD	2018	2017
Local trade payables	32,833,885	26,945,291
Foreign trade payables	4,241,609	3,779,363
Notes payable	333,519	446,289
Accrued expenses	14,995,275	8,948,534
Accrued interests	7,811,987	1,751,724
Income tax payable (note 10)	3,040,753	2,288,282
Deferred consideration payable related to business acquisitions (note 5)	12,000,000	-
Finance lease liability (note 27)	567,960	-
Dividends payable* (note 24)	-	7,149,034
Other payables	9,598,436	1,355,726
	85,423,424	**52,664,243**

** Dividends payable represent dividends of a subsidiary which was declared and partially paid prior to the reorganisation. The balance was settled in the current year.*

19 Interest-bearing loans and borrowings

USD	2018	2017
Balance as at 1 January	212,489,035	235,733,919
Borrowings drawn during the year	569,304,756	36,581,041
Borrowings repaid during the year	(238,038,216)	(59,825,925)
Amortised arrangement fees	11,513,574	-
Balance as at 31 December	**555,269,149**	**212,489,035**
Maturing within 12 months	45,258,354	57,333,621
Maturing after 12 months	510,010,564	155,155,414
Balance as at 31 December	**555,268,918**	**212,489,035**

Type	Interest rate %	Latest maturity	2018 USD	2017 USD
Current interest-bearing loans and borrowings				
Loan 1 Syndication				
Tranche A	4.5% + 3 Month LIBOR	5 years	-	16,000,000
Tranche C	4.5% + 3 Month LIBOR	5 years	-	5,000,000
Tranche D	4.5% + 3 Month LIBOR	5 years	-	3,800,000
Loan 2 Syndication				
Tranche A	5.5% + 3 Month LIBOR	5 years	-	11,111,111
Credit facility 1	4.50% + 3 Month LIBOR	1 year / Renewable	-	12,306,542
Credit facility 2	1.25% + Corridor	Renewable	(186)	(206)
Credit facility 3	1.25% + Corridor	Renewable	-	2,542,374
Credit facility 4	2.50% + Corridor	Renewable	-	6,573,800
Credit facility 5	4.50% + 3 Month LIBOR or	Renewable	2,999,955	-
Loan 3 Syndication				
Tranche A	5.0% + 6 Month LIBOR	5 years	21,500,000	-
Tranche C	5.0% + 6 Month LIBOR	5 years	17,568,851	-
Murabaha facility	5.0% + 6 Month LIBOR	5 years	3,189,734	-
Total current interest-bearing loans and borrowings			**45,258,354**	**57,333,621**

Type	Interest rate %	Latest maturity	2018 USD	2017 USD
Current interest-bearing loans and borrowings				
Loan 1 Syndication				
Tranche A	4.5% + 3 Month LIBOR	5 years	-	45,533,610
Tranche B	4.5% + 3 Month LIBOR	5 years	-	40,000,000
Tranche C	4.5% + 3 Month LIBOR	5 years	-	15,000,000
Tranche D	4.5% + 3 Month LIBOR	5 years	-	17,399,507
Loan 2 Syndication				
Tranche A	5.5% + 3 Month LIBOR	5 years	-	33,333,827
Tranche B	5.5% + 3 Month LIBOR	5 years	-	3,888,470
Loan 3 Syndication				
Tranche A	5.0% + 6 Month LIBOR	5 years	155,039,448	-
Tranche B	5.0% + 6 Month LIBOR	5 years	41,500,000	-
Tranche C	5.0% + 6 Month LIBOR	5 years	145,862,324	-
Murabaha facility	5.0% + 6 Month LIBOR	5 years	29,779,091	-
Ijara loan				
Tranche A	3.25% + 6 Month SAIBOR	7 years	67,829,701	-
Tranche B	3.25% + 6 Month SAIBOR	7 years	70,000,000	-
Total non-current interest-bearing loans and borrowings			**510,010,564**	**155,155,414**
Total interest-bearing loans and borrowings			**555,268,918**	**212,489,035**

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

Bank credit facilities

Credit facility 5 is granted by the al ahli bank of kuwait (abk) with an overdraft facility limit amounting to USD 3,000,000 which is secured by promissory note.

Loan 3 - syndication

On 22 march 2018, the group has signed a syndication loan agreement arranged by merrill lynch international and ebrd with total amount of USD 450 million divided over eleven banks. The loan is divided into four tranches, the purpose and the use of each facility is described as follows:

a) Tranche A

For refinancing existing financial indebtedness in full (including the payment of the fees, costs and expenses incurred under or in connection with the transaction documents). Tranche a was utilised during the current year to settle loan 1 and loan 2.

b) Tranche B

New working capital purposes and to refinance certain existing working capital facilities. Tranche a was utilised during the current year.

c) Tranche C

Capital expenditure for the acquisition of the new rigs and mobile offshore production units. Tranche c is partially utilised as of 31 December 2018.

d) "Murabaha Facility"

Capital expenditure for the acquisition of the new rigs and mobile offshore production units. Tranche d is partially utilised as of 31 December 2018.

Tranche a, tranche c and murabaha facility are medium-term loans over 5 years which include 18 months grace period and are paid semi-annually in un-equal instalments starting from 22 september 2019 and the last instalment will be on 22 march 2023. Tranche b will be settled with bullet repayment on 22 march 2023.

The syndicated loan is secured by the following:

- Rigs admarine ii, admarine iv, admarine v, admarine vi, admarine viii, admarine 88, admarine 261, admarine 262 and admarine 266;
- ADES international for drilling share pledge owning entity of rig ADES iii and kuwait advanced drilling services (kads) share pledge (owning entity of rigs ADES 155, ADES 180, ADES 776, ADES 808, ADES 809, ADES 870, ADES 871, ADES 878, ADES 102, ADES 160, ADES 171 and ADES 172); and

Ijara loan

On 22 may 2018, the group has signed "musharakah" agreement and "ijara" agreement with alinma bank to finance the acquisition of the new rigs and related capital expenditure. The musharakah facility amount is USD 200 million, of which 70% is financed by alinma bank and 30% by the group. On 11 june 2018, the group obtained USD 70 million from alinma bank within the framework of "musharakah" facility to finance the acquisition of three rigs from nabors (note 5) and subsequent capital expenditures.

On 18 july 2018, the group obtained USD 70 million from alinma bank within the framework of "musharakah" facility to finance the acquisitions of three rigs from weatherford drilling international (note 5).

Both loans are medium-term loans over 7 years which includes 2 year grace period and is paid semi-annually in equal instalments starting from 10 june 2020 and the last instalment will be on 10 june 2024.

Ijara loan is secured by the rigs purchased from nabors drilling international ii limited (jackup rig admarine 656, jackup rig admarine 656 and jackup rig admarine 657) and rigs purchased from weatherford drilling international (ADES 40, ADES 158, ADES 174, ADES 799 and ADES 889) (note 5).

20 Provisions

USD	As at 1 January	*Accrued / acquired during the year	Paid during the year	As at 31 December
2018				
Provision for end of service benefits *	620,083	11,814,647	102,797	12,331,933
Other tax provisions **	1,836,000	280,017	241,363	1,874,654
	2,456,083	**12,094,664**	**344,160**	**14,206,587**
2017				
Provision for end of service benefits	101,368	623,817	105,102	620,083
Other tax provisions	2,933,915	274,647	1,372,562	1,836,000
	3,035,283	**898,464**	**1,477,664**	**2,456,083**

** Provisions for end of service benefits accrued during the year included USD 1,309,036 accrued during the year and USD 10,505,611 due to acquisition of a subsidiary (see note 5). The total balance is presented as non-current in the statement of financial position.*

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

21 Share capital

Share capital of the group comprise:

USD	2018	2017
Authorised shares*	1,500,000,000	1,500,000,000
Issued shares	43,793,882	42,203,030
Shares par value	1.00	1.00
Issued and paid up capital**	**43,793,882**	**42,203,030**
Share premium***	**178,746,337**	**158,224,346**

The shareholding structure as at 31 December 2018 is:

Shareholders	Shareholding %	No. of shares	Value USD
ADES investment holding Ltd	63	27,446,772	27,446,772
Individual shareholders	37	16,347,110	16,347,110
	100	**43,793,882**	**43,793,882**

The shareholding structure as at 31 December 2017 is:

Shareholders	Shareholding %	No. of shares	Value USD
ADES investment holding Ltd	65	27,446,772	27,446,772
Individual shareholders	35	14,756,258	14,756,258
	100	**42,203,030**	**42,203,030**

**As at 31 December 2018 and 2017, the authorised share capital of the company was USD 1,500,000,000 comprising of 1,500,000,000 shares.*

***In 2018, the group issued 1,590,852 shares to nabors as part of the consideration paid for the business acquisition (note 5).*

**** Share premium represents the excess of fair value received over the par value of shares issued as a result of business combinations (note 5) and ipo (note 1).*

22 Reserves

Legal reserve

As required by egyptian companies' law and one of the subsidiary's articles of association, 5% of the net profit for the year is transferred to legal reserve. Advanced energy system (ADES) (S.A.E.) Has resolved to discontinue further transfers as the reserve totals 20% of issued share capital. As of 31 December 2018, the balance of legal reserve amounted to USD 6,400,000 (2017: USD 6,400,000).

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 shares of advanced energy system (ADES) (S.A.E.). Prior to the reorganisation, the merger reserve comprise of the share capital and share application money of advanced energy system (ADES) (S.A.E.).

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 of the parent 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. As at 31 December 2018, there were no potential dilutive shares and hence the basic and diluted eps is same.

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

USD	2018	2017
Profit attributable to the ordinary equity holders of the parent for basic and diluted eps	70,990,657	44,573,939
Weighted average number of ordinary shares – basic and diluted	43,082,201	38,553,620
Earnings per share – basic and diluted (USD per share)	**1.65**	**1.16**

24 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:

During the year, the group transferred funds to and on behalf of a related party, amak for drilling & petroleum services co. (Other related party), amounting to USD 11,265,899 for settlement of dividends payable and fixed assets purchased in 2018 and prior years. Also, amak for drilling & petroleum services co. Made payments on behalf of the group amounting to USD 301,000.

Assets purchased from amak, a related party, amounted to USD 7,400,000 (2017: USD 5,000,000).

Related party balances

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

	2018		2017	
USD	Due from	Due to	Due from	Due to
Ultimate Shareholders				
Sky Investment Holding Ltd.	60,000	-	60,000	-
Intro Investment Holding Ltd.	90,502	-	74,998	-
Shareholder				
ADES Investment Holding Ltd	46,364	-	-	211,629
Joint venture				
Egyptian Chinese Drilling Co. (S.A.E.)	170,618	-	170,618	-
Other related parties				
TBS Holding	3,027	-	-	-
Advansys project	1,308	-	-	-
Advansys Holding	5,299	-	-	-
AMAK for Drilling & Petroleum Services Co.	55,078	-	2,054,687	
Advansys for ENG.SERV. & Cons	1,028	-	1,028	
Intro for Trading & Contracting Co.	227	-	-	-
	377,345	**56,106**	**305,616**	**2,267,344**

Compensation of key management personnel

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

USD	2018	2017
Short-term benefits*	**3,285,000**	**1,890,000**

** There is no long term benefits for the key management personnel.*

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 2018, the group has not recorded any impairment of receivables relating to amounts owed by related parties (2017: 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.

25 Financial risk management objectives and policies

Overview

The group's principal financial liabilities comprise trade and other payables, due to related parties, interest bearing loans and borrowings. The main purpose of these financial liabilities is to finance the group's operations and to provide support to its operations. The group's principal financial assets include cash in hand and at banks, including highly liquid investments with maturity less than 90 days, trade receivables and contract assets, due from related parties 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, contract assets and due from related parties) and from its financing activities, including letter of guarantees with banks foreign exchange transactions and other financial instruments. As at 31 December 2018, the top three debtors of the group represent 84% (2017: 84%).

Trade receivables and contract assets

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

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

Other financial assets and bank balances

Credit risk from balances with banks and financial institutions is managed by the group's treasury department in accordance with the group's policy. Counterparty credit limits are reviewed by the group's board of directors on an annual basis, and may be updated throughout the 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. Refer to note 29 for the interest rate swap classified as a trading derivative.

Interest rate risk

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

Interest rate sensitivity

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

USD	Increase/ decrease in basis points	Effect on profit before income tax
31 December 2018		
USD	**+100**	**(2,465,056)**
USD	**-100**	**2,465,056**
31 December 2017		
USD	+100	(985,126)
USD	-100	985,126

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 2018		
USD	**+10%**	**519,417**
USD	**-10%**	**(519,417)**
31 December 2017		
USD	+10%	1,250,162
USD	-10%	(1,250,162)

Liquidity risk

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

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

Financial liabilities

USD	Less than 3 Months	3 to 12 Months	1 to 5 Years	over 5 Years	Total
As at 31 December 2018					
Interest-bearing loans and borrowings	-	82,827,165	621,780,202	16,660,874	**721,268,241**
Trade and other payables	40,883,796	41,498,876	-	-	**82,382,672**
Due to related parties	-	56,106	-	-	**56,106**
Finance lease liability	300,000	850,000	4,000,000	3,767,074	**8,917,074**
Derivative financial instrument	461,759	777,671	3,382,901	-	4,622,331
Total undiscounted financial liabilities	**41,645,554**	**126,009,818**	**629,163,103**	**20,427,948**	**817,246,423**
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**

Capital management

Capital includes share capital, share premium, reserves and retained earnings.

The primary objective of the group's capital management is to ensure that it will be able to continue as a going concern while maintaining a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The group's strategy remains unchanged since inception. The group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the group may adjust the dividend payment to shareholders or return capital to shareholders. The group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. The group's policy is to keep the gearing ratio between 30% and 80%. However, in 2017 the gearing ratio was only 19% due to the funds raised from the ipo during the year, the gearing ratio for 2018 is 50%.

USD	2018	2017
Interest - bearing loans and borrowings (note 19)	555,268,918	212,489,035
Bank balances and cash (note 12)	(130,875,239)	(136,964,417)
Net debt	**424,393,679**	**75,524,618**
Total equity	**420,100,986**	**318,009,698**
Total capital	**844,494,665**	**393,534,316**
Gearing ratio	50%	19%

26 Fair value of financial instruments

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

27 Contingent liabilities and commitments

Contingent liabilities

USD	2018	2017
Letter of guarantees	**25,708,373**	**21,301,884**

Contingent liabilities represent 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 5,635,765 (31 December 2017: USD 3,602,290).

Operating lease commitments

The group has entered into operating leases on certain motor vehicles and items of machinery, with lease terms between three and five years. The group has the option, under some of its leases, to lease the assets for additional terms of three to five years.

Future minimum lease payments under non-cancellable operating leases as at 31 December are as follows:

USD	2018	2017
Within one year	191,700	364,506
After one year but not more than five years	26,856	218,556
	218,556	**583,062**

Finance lease commitments

The group has finance lease for its office premises. The group's obligations under finance leases are secured by the lessor's title to the leased assets. Future minimum lease payments under finance leases and hire purchase contracts, together with the present value of the net minimum lease payments are, as follows:

USD	2018
Within one year	1,150,000
After one year but not more than five years	4,000,000
More than five years	3,767,074
Total minimum lease payments	**8,917,074**
Less amounts representing finance charges	2,957,541
Present value of minimum lease payments	**5,959,533**
Finance lease liability – current portion (note 18)	567,960
Finance lease liability – non-current portion	5,391,573
Present value of minimum lease payments	**5,959,533**

Capital commitments

On 11 july 2018, the group entered into sale and purchase agreements with Weatherford Drilling International (wdi). The transaction pertains to the acquisition of kuwait assets, ksa assets, algeria assets and iraq assets for a total consideration. While the acquisition of the kuwait assets was completed in 2018 (note 5), the acquisition of algeria assets and iraq assets were not completed as of 31 December 2018. The purchase price consideration is USD 60,000,000 and USD 12,000,000 for algeria assets and iraq assets, respectively.

28 Comparative information

The corresponding figures for 2017 have been reclassified in order to conform to the presentation for the current year. The related disclosure notes have also been updated accordingly. Such reclassifications do not affect previously reported results or equity. The details of the reclassification are summarised below:

USD	As previously reported 2017	Reclassifications	Reclassified balances 2018
Income statement expenses:			
Other taxes	1,573,448	(1,185,800)	387,648
Income tax (credit)/ expense	(1,167,919)	1,185,800	17,881
Current liabilities:			
Trade and other payables			
Income tax payable	1,118,662	1,169,620	2,288,282
Accrued expenses	10,118,154	(1,169,620)	8,948,534

The reclassifications are made to improve the quality of the information presented. The third year consolidated statement of financial position is not presented as these reclassifications have no material impact on the third year numbers.

29 Derivative Financial Instrument

USD	2018	2017
Derivative held for trading		
Interest rate swap	**4,340,180**	
Balance as at 31 December	**4,340,180**	
Total current	1,216,381	
Total non-current	3,123,799	

Derivative financial instrument at 31 December 2018 amounting to USD 4,340,180 represents the negative mark to market of the interest rate swap entered into by the Group during the year ended 31 December 2018. The interest rate swap is effective from 21 November 2018 and terminates on 22 March 2023. The notional amount of the interest rate swap as at 31 December 2018 was USD 241,500,000 which represents the loans withdrawn as Tranche A and B Loan under Loan 3 Syndication (note 19).

Interest rate swaps relates to contracts taken out by the Group with other counterparties (mainly financial institutions) in which the Group either receives or pays a floating rate of interest, respectively, in return for paying or receiving a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other. The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

USD	Total	Level 1	Level 2	Level 3
31 December 2018				
Derivative financial instrument:				
Interest rate swap	(4,340,180)		(4,340,180)	

During the year ended 31 December 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 at fair value measurements. As at 31 December 2017, there were no derivative instruments.

30 Subsequent events

On 15 January 2019, the Group formed a joint venture with Vantage Drilling International through its affiliate Vantage Driller Co II, and incorporated Advantage Drilling Services SAE in Egypt. Through this joint venture, the Group intends to pursue expansion into deep water drillship services in Egypt.

On 27 February 2019, the Group acquired four contracted onshore rigs from Weatherford International in Algeria. On 25 March 2019, the Group has completed the acquisition transaction with Weatherford International and receipt of the final two onshore rigs in Algeria, and a further two rigs delivered outside of Southern Iraq for relocation to Saudi Arabia. The transaction is a part of the previously signed definitive agreement with Weatherford International to acquire thirty-one onshore drilling rigs.

In March 2019, the Group entered into a short-term exploration contract with Dana Gas Egypt Limited for deep water drilling services in Egypt.

Subsequent to the yearend, pursuant to the rules of the Long Term Incentive Plan ("LTIP") adopted by ADES Investments Holding Ltd., the conditional awards over a total number of 1,136,451 ordinary shares of US$1.00 each in the capital of the Company have been granted to certain employees of the Company by ADES Investments Holding Ltd (the majority shareholder). According to the LTIP rules, the shares will be vested over a period of three years and not subject to performance conditions. These shares are currently held by ADES Investments Holding Ltd and the awards will not be satisfied by the new issue of any shares in the Company. Awards will normally lapse and cease to vest on termination of employment.

GLOSSARY

Backlog - means the total amount payable to the Group during the remaining term of an existing contract plus any optional client extension provided for in such contract, assuming the contracted rig will operate (and thus receive an operating day rate) for all calendar days both in the remaining term and in the optional extension period. This calculation assumes that the client will exercise its option to extend its existing contract at the current day rate and under the contracted terms regarding currency of payment. Backlog also includes lump sum mobilization and demobilization payments as applicable under the contract.

EBITDA - is defined as profit for the year before income tax expense and other taxes, depreciation and amortization expense, finance cost, finance income, other income, other expense, loss on disposal of property, plant and equipment, IPO expenses, business acquisition transaction cost, bargain purchase gain, provision for impairment of dividend receivable, end of service provisions, other provisions, impairment of assets under construction and fair value loss on derivative financial instrument.

GCC - Gulf Cooperation Council

Gross Debt - total interest-bearing loans and borrowings.

KSA - The Kingdom of Saudi Arabia.

MENA - The Middle East and North Africa

MOPU - Mobile Operating Production Unit.

Net Debt - is defined as total current and non-current interest-bearing loans and borrowing less bank balances and cash.

Normalised Net Profit - reported net profit excluding a one-off bargain purchase gain on acquisitions, transactions expenses and prepaid transaction costs written off due to refinancing and arrangement fees related to loans utilised to finance the business acquisitions.

Recordable Injury Frequency Rate (RIFR) – The number of fatalities, lost time injuries, cases or substitute work and other injuries requiring medical treatment by a medical professional per 200,000 working hours.

Utilisation Rate - our calculation of utilisation rate refers to our measure of the extent to which our assets under contract and available in the operational area are generating revenue under client contracts. We calculate our utilisation rate for each rig by dividing Utilisation Days by Potential Utilisation Days under a contract. Utilisation rates are principally dependent on our ability to maintain the relevant equipment in working order and our ability to obtain replacement and other spare parts. Because our measure of utilisation does not include rigs that are stacked or being refurbished or mobilised, our reported utilisation rate does not reflect the overall utilisation of our fleet, only of our operational, contracted rigs. For example, Admarine VIII and 88 were idle for all of 2016, yet we report a high utilisation rate for that year because we do not include these rigs in the denominator of its utilisation rate calculation. "Potential Utilisation Days" are all calendar days (including holidays and weekends) when a rig is both under contract and available in the operational area. This does not include days when the rig is being refurbished or initially mobilised or is otherwise idle or stacked. "Utilisation Days" include all operating days, standby days, paid maintenance days, and moving days for which the Group is paid a fee.

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