ADES
INTERNATIONAL HOLDING PLC.

ANNUAL REPORT

2019

A REGIONAL
CHAMPION

TABLE OF

CONTENTS

INTRODUCTION

Foreword

The Introduction and Strategic Report on pages 2 to 57 contain information about ADES, how we create value and how we run our business. They include our strategy, business model, market outlook and financial performance as well as our approach to sustainability and risk. The Introduction and Strategic Report are only part of the Annual Report and accounts 2019. They were approved by the Board on 24 May 2020 and signed on its behalf by **Dr. Mohamed Farouk,** Chief Executive Officer.

Non-Financial Information Statement

Although ADES is not obliged to comply with sections 414CA and 414CB of the Companies Act 2006 as it incorporated outside of the British Isles, ADES has included, in its Introduction and Strategic Report, a non-financial information statements required by these regulations including details on:

A Regional Champion

ADES stands today as a leading player in the MENA drilling industry, offering clients a unique and unmatched mix of onshore and offshore drilling services

Who We Are

ADES International Holding plc ("ADES", "the Company" or "the Group") was founded in 2002 and has since grown into a leading oil & gas drilling and production services provider in the Middle East and North Africa. ADES is uniquely positioned in the region, offering offshore and onshore contract drilling, workover and production services. Since the start of operations, the Company has transformed into a regional champion with a strong presence in Egypt, Saudi Arabia, Kuwait, and Algeria. The Group's commitment to sustainable operations is evidenced by impeccable safety record, consistently outperforming global averages, and a proven ability to generate a sustainable and diversified backlog. ADES's unique mix of onshore and offshore drilling services is unparalleled in its markets. It is backed by a strong track record of successful projects and demonstrated ability to manage unique operating challenges onshore and offshore, in shallow and deep waters locations.

In 2019, ADES has been working hard on a major Integration Plan of the business, focused on delivering a more efficient and effective organisation. The Group leverages its lean cost structure, highly-skilled workforce of more than 4,000 personnel and customer-centric approach to create real value for its clients which include major national oil companies ("NOCs") such as Saudi Aramco and Kuwait Oil Company as well as joint ventures of NOCs with global majors including BP and Eni.

Our Promise

At ADES we adhere to the highest standards of operational and safety excellence. Over the years, by placing safety and cost management at the heart of our strategy, the Group has been able to consistently deliver solid financial and operational results whilst seldom compromising our impeccable safety record. To ensure ADES is in full compliance with occupational health, safety and environmental care standards, the Company's operational procedures are constantly reviewed and improved, with outside consultants helping assess the Group's progress on a periodical basis. In parallel, our highly qualified and experienced management team works tirelessly to enforce ADES' "safety culture" across all of the Group's operations. This is especially important in light of the recent expansions by the Group which have seen it add several new assets and thousands of new personnel to the team.

Investment Case

Diversified fleet with a unique service offering
51 rigs as of 31 December 2019 offering both onshore and offshore drilling services

Customer-centric approach
Long-lasting relationships with leading NOCs and IOCs across the MENA region

Exemplary safety track record
Superior HSE culture and practices with robust policies in place

Experienced management team
A strong and cohesive management team with centuries of combined professional experience

Resilient business model
Well-equipped to weather adverse market conditions supported by lean operating cost structure

Lucrative markets
Access to some of the region's most lucrative and highly protected markets with significant future growth potential

Consistent backlog build-up and high utilization rate
Cumulative backlog of c.US$ 1.3 billion at year-end 2019, with an average utilization rate of 97%

Our Services

At ADES, our principal business activities include the provision of onshore and offshore contract drilling and workover services, mobile offshore production unit ("MOPU") services, as well as accommodation, catering and barge-based project services. We primarily operate in regions with low extraction costs, non-harsh environments, and a predominance of legacy fields. Unlike most of our competitors in the region, who typically focus on either offshore or onshore drilling, ADES is able to offer both services allowing it to stand out from its competitors while accessing a significantly larger pool of potential awards. The Group currently has a fleet of thirty-six onshore drilling rigs, thirteen jack-up offshore drilling rigs, a jack-up barge, and a mobile offshore production unit, which includes a floating storage and offloading unit.

World Class Qualifications

Company Prequalification

ENI, Aramco, Schlumberger, ONGC, EGPC, KJO, PEMEX, Sonatrach, Midland Oil Company

ABS

The Group's operational drilling offshore fleet is either ABS certified or currently pending recertification

ISO Certification

ISO 9001:2008 and ISO 29001:2012 Certifications

Memberships

IMCA

IADC

US$ **478** MN

2019 Revenues

US$ **1.3** BN

Backlog as of 31 December 2019

51

Total Rigs

4,000+

Total Group Personnel

0.41

Recordable YTD Injury Frequency Rate (RIFR)

Onshore Drilling & Workover

ADES offers onshore drilling and workover services to a diverse roster of clients. The Group's onshore operations are in large part conducted in Kuwait, Saudi Arabia and Algeria.

Offshore Drilling & Workover

ADES conducts offshore drilling and workover services in Egypt and Saudi Arabia through our fleet of "legacy" jack-up rigs and a jack-up barge. Our offshore drilling and workover operations are focused the development, production and workover phases of the oilfield life cycle and entirely in shallow-water and non-harsh environments. The Group also provides deep-water drilling services through a long-term joint venture with Vantage Drilling International in Egypt's Mediterranean basin.

Jack-up Barge & Project Services

As part of our offshore offerings, we also own an offshore jack-up barge, which is used for a wide range of marine tasks including pipe laying. The jack-up barge also serves as an offshore accommodation and can be equipped with heavy lifting cranes and a firefighting system.

MOPU Services

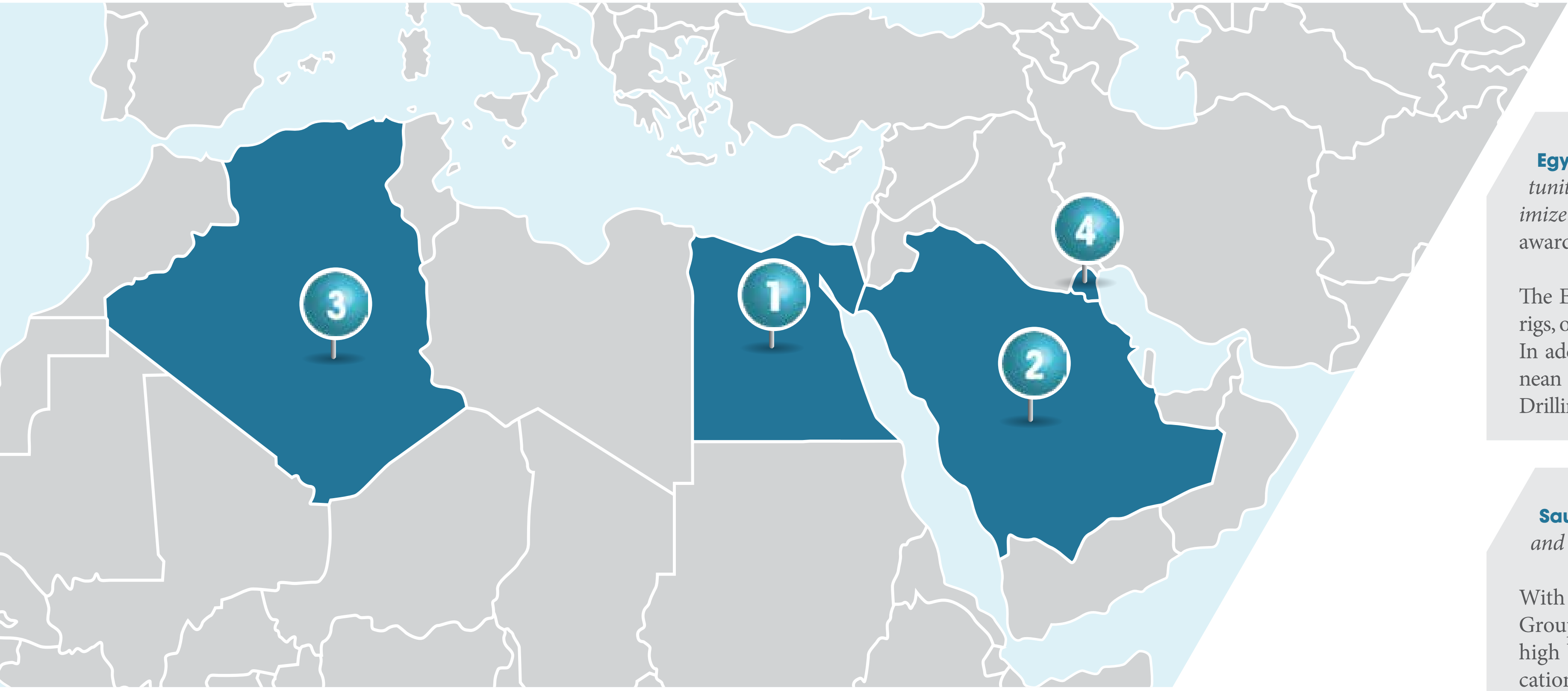
ADES launched it MOPU services in February 2016 with the deployment of Admarine I in the Gulf of Suez, Egypt. MOPUs typically offer shorter lead times and a lower upfront investment cost than alternatives, as they comprise existing units which are modified rather than built from scratch.

Other Services

ADES also provides accommodation, catering and equipment rental to its offshore rig clients and their personnel onboard ADES' units. Although the supply of equipment is the client's responsibility, ADES is able to rent equipment to clients if they were to need it or preferred to rent it from the Group.

INTRODUCTION

Strong Presence in MENA



Operating in Four Key MENA Markets

ADES currently operates in four key markets of the MENA region, with access to several fast-growing but highly protected niche subsegments within each geography.

Egypt - *As net energy importer, Egypt provides opportunity to benefit from the government's drive to maximize oil production and the recent tendering for new awards in the Gulf of Suez.*

The Egypt fleet is composed of seven offshore jack-up rigs, one onshore rig, one MOPU, and one jack-up barge. In addition, the Group is also active in the Mediterranean deep-water drilling through its JV with Vantage Drilling International.

Kuwait - *Strategic focus on the niche gas development market.*

The Kuwaiti fleet is currently composed of 12 onshore rigs, with the Company facing competition from a restricted number of players due to the high prequalification requirements to operate in the country.

Saudi Arabia - *Strategic focus on the niche shallow and ultra shallow water and onshore markets.*

With 15 onshore and six operating offshore rigs, the Group faces lower competition due to the relatively high barriers to entry associated with the prequalification process of ARAMCO.

Algeria - *Focus on onshore drilling.*

With the operating fleet comprises 8 onshore rigs, ADES is looking to take full advantage of the new government's strategy to push for a recovery in production rates.

		Group revenues		
1	Egypt	18%	1,142 employees	10 rigs
2	KSA	51%	1,735 employees	21 rigs
3	Algeria	9%	92 employees	8 rigs
4	Kuwait	22%	956 employees	12 rigs

KSA	51%
Kuwait	22%
Egypt	18%
Algeria	9%

Onshore	56%
Offshore	37%
MOPU, Jack-up Brage & Others	7%

Proactive Growth Strategies

Over the last five years, the implementation of a well-thought-out expansion strategy focused on both organic and inorganic growth has seen ADES transform into a leader in the region's oil & gas drilling industry. Today, the Group is the number three owner of active offshore jack-up rigs and has a growing presence in the regional onshore drilling space. ADES is currently prequalified with more than 20 clients, including key NOCs and IOCs, across more than 15 markets globally, and despite the rapid expansion, has been able to keep its immaculate safety record intact, with its Recordable Injury Frequency Rate consistently coming in well below global averages.

2015

ADES expands outside of Egypt for the first time entering the Algerian market with the award of its first contract for the its new-build onshore drilling rig ADES 2.

2016

- The Group penetrates the lucrative and highly protected KSA market with the purchase of three operating rigs from Hercules Offshore.
- ADES expands its Egyptian fleet with the addition its first Mobile Offshore Production Unit, Adamarine I.
- ADES expands its presence in Algeria with the acquisition of its second onshore rig and adding a new contract.

2017

- Group taps equity markets to raise capital and fund its next growth phase completing its LSE IPO in May 2017, raising US$ 170 million.
- ADES expands Algerian operating further acquiring its third onshore rig in the country.
- In line with its post-IPO growth commitments, ADES signs PSA with Nabors Industry Ltd. for the acquisition of 3 operating offshore rigs in KSA.

2018

- To fund ADES's expansion, the Group secures two credit facilities for a total of c.US$ 590 million.
- The Group strengthens its KSA position completing the Nabors acquisition for three offshore rigs in July.
- ADES signs an agreement for the acquisition of 31 onshore rigs from Weatherford, completes the Kuwait part of the deal in November with 12 rigs, while the Saudi part of the deal closed a month later with 11 rigs.
- Significant backlog grwoth from US$ 427 million to US$ 1.2 billion.

2019

2019 was a year of consolidation as ADES shifted its focus towards delivering on its value creation strategy beginning with the prompt integration of the newly acquired assets into the Group's operating framework. With the Weatherford acquisition fully completed in March, the Group worked to renew or extend existing contracts and to secure new contracts across the Group's growing footprint. In parallel, ADES secured a US$ 144 million top-up to its credit facility with Alinma Bank, US$ 80 million long term loan facility from National Commercial Bank, closed a US$ 325 million bond offering, and initiated a US$ 10 million share buyback programme. Capital structure optimisation along with continued operational excellence and asset integration have ideally positioned ADES to pursue its organic growth strategies while maintaining a strong financial position and access to liquidity to capitalize of market opportunities.

	2015	2016	2017	2018	2019
Geographies	Egypt, Algeria	Egypt, Algeria, KSA	Egypt, Algeria, KSA	Egypt, Algeria, KSA, Kuwait	Egypt, Algeria, KSA, Kuwait
Personnel	**770**	**1,285**	**1,372**	**3,400+**	**4,000+**
Rigs	1 Onshore rig, 6 offshore rigs, 1 MOPU	2 onshore rigs, 10 offshore rigs, 1 MOPU	3 onshore rigs, 10 offshore rigs, 1 MOPU	26 onshore rigs, 14 offshore rigs, 1 MOPU	36 onshore rigs, 14 offshores rigs, 1 MOPU
Utilization	**99%**	**98%**	**78%**	**85%**	**97%**
Backlog	US$ 225 million	US$ 501 million	US$ 427 million	US$ 1.2 billion	US$ 1.3 billion
Revenues	**US$ 101 million** (98% Egypt, 2% Algeria)	**US$ 134 million** (81% Egypt, 10% Algeria, 9% KSA)	**US$ 158 million** (52% Egypt, 14% Algeria, 34% KSA)	**US$ 206 million** (42% Egypt, 6% Algeria, 47% KSA, 5% Kuwait)	**US$ 478 million** (18% Egypt, 9% Algeria, 51% KSA, 22% Kuwait)
RIFR	0.60 vs. global average of 0.77	0.46 vs. global average of 0.44	0.41 vs global average of 0.56	0.57 vs global average of 0.68	0.41 vs Global IADC rate of 0.63

Chairman's Statement

> As we continue to expand geographically, it is imperative for our sustainability journey to reflect the new scale of our business.

From the very beginning, all of us at ADES have worked tirelessly to position the Company as the go-to drilling services provider in the MENA region. 2019 saw us accomplish just that as ADES completed its transformation to become a regional champion across both the onshore and offshore segments of the MENA oil & gas industry. The year just ended saw us deliver a superb performance on all fronts as we continued to produce excellent operational results and recorded exceptional top- and bottom-line growth whilst replenishing our existing backlog. The outstanding financial and operational results delivered over the course of 2019 are a direct result of our ability to swiftly integrate the 34 newly acquired assets into the Company's operational frameworks allowing them to begin generating value from the get-go. We were also successful in securing, renewing or extending contracts across all the territories where we operate, a testament to the solidity of the relationships we have built with our partners and to their trust in our ability to deliver the promised results in a timely manner.

Throughout the year, the Board has continued to promote strong governance standards closely following in the spirit of the UK Corporate Governance Code, while adhering to its role of developing and cultivating the Company's values and ethics. In recent years, a top priority for the Group has been ensuring that sustainability features front and centre in all aspects of our business. As we continue to expand geographically, it is imperative for our sustainability journey to reflect the new scale of our business so that we can continue to mitigate the impacts of our operations and positively impact the communities where we do business. During 2017 and 2018 we set the foundations for the Group's sustainability framework, with a focus on four key areas: Governance and Responsibility, Ethics and Safety, Communities, and Environment. In 2019, we built on these initiatives and formalised our sustainable practices under the guidance of a top-tier sustainability consultant. A ket initiative that I am particularly proud of is our partnership and contribution to the mega-project Al Nas Hospital, established to support and improve the health and well-being of community members in need. Once completed, the facility will serve over 20,000 in-patients and 400,000 outpatients annually. This comes at a time during which the outbreak of COVID-19 has highlighted the importance of investing in high-quality healthcare facilities, and at ADES we take great pride in our role in helping to develop what will soon be a new state-of-the-art hospital for all Egyptians.

As countries around the world work to contain the outbreak of COVID-19, at ADES we have taken prompt and strict measures to protect our field and office staff and safeguard our operations. While our business remains largely unaffected by the outbreak, the proactive measures adopted across all areas of our operations alongside the experience and guidance of our Board and Executive Management team see the Company well positioned to navigate through these challenging times and continue to drive long-term growth and shareholder value.

Lastly, I wish to express my gratitude to all of ADES employees and business partners for their continued support and hard work. 2020 has proven to be a challenging year thus far, and I look forward to working closely with all of you to ensure we come out the other side stronger than ever.

Mr. Ayman Abbas,
Chairman of the Board

STRATEGIC REPORT

Chief Executive Officer's Report

Our successful transformation strategy has seen the Group grow from a local, offshore-focused driller in Egypt, to a regional champion with a significant asset base across both the on- and offshore segments.

ADES' results in 2019 reflect the successful transformation strategy that has seen the Group grow from a local, offshore-focused driller in Egypt, to a regional champion with a significant asset base across both the on- and offshore segments. Our growth was guided by the key strategic pillars of leveraging our financial resources to pursue non-speculative and value accretive acquisitions; commitment to organic growth through increased tendering activity; focusing on operational excellence and safety to build long-lasting client relationships; and most importantly our prudent approach to debt and liquidity which leaves the Group in a resilient position in the face of rising challenges.

ADES stands today with an asset base of 51 rigs and a substantial backlog of c.US$ 1.3 billion as of year-end 2019. Our operations cover a diversified footprint across some of the region's fastest growing and most resilient markets, while our lean cost structure, cultural alignment and adherence to global best practices, provide a solid platform for long-term organic growth.

In 2019, ADES saw a significant 132% year-on-year increase in revenue to US$ 477.8 million, with growth being driven primarily by contributions from acquired assets along with a marked improvement in utilisation rates to 97% versus 85% in 2018. More importantly, our revenue base is now more diversified across our geographies, including KSA (51%), Kuwait (22%), Egypt (18%) and Algeria (9%). On a segment basis, onshore drilling today constitutes 53% of our total revenue, up from 15% in 2018, providing for a good balance between on- and off-shore activities. Meanwhile our profitability remained strong, with EBITDA almost doubling to US$ 193.4 million, and with our EBITDA margin standing at a solid 41% for the year. The strong growth largely flowed through to our bottom-line where normalised net profit[1] expanded by 63% year-on-year.

[1] *Normalised Net Profit is calculated as Net profit before non-controlling interest after excluding non-recurring charges from: a) one off finance charges related to loan fees and written off prepaid transaction costs b) accounting adjustments related to IFRS 3 (Business Combinations) and a one-off bargain purchase gain; c) non-cash, equity-settled share-based payment compensation from the parent company; d) non-cash fair-value adjustments under financial instruments; and e) non-recurring transactions.*

In conjunction with our robust financial performance, we sustained our significant backlog. During 2019, despite having delivered more than one third of our existing backlog, as at year-end 2018, we successfully replenished our pipeline to close the year with an outstanding backlog of US$ 1.3 billion. This excludes the US$ 140 million in offshore renewals in KSA that were renewed in January 2020. The continued growth is not only a testament to our ability to secure and renew contracts but is also a feature of an acquisition strategy focused on assets with clear backlog visibility. ADES has a client roster of mostly top-tier IOCs and NOCs, in markets characterized by high barriers to entry and long-term investment horizons that provide for sustainable cash flow generation and a long-dated backlog. During 2019, we secured the Group's first two deep-water drilling contracts in the Egyptian Mediterranean basin in partnership with Vantage Drilling International. These contracts are fully consistent with our asset-light model approach and see us penetrate a new segment of the oil & gas drilling industry.

Throughout ADES's transformation, we remained focused on developing an optimised capital structure that is more aligned with our operational scale and that provides ample liquidity for our growth requirements. In 2019, we completed our first international bond offering of US$ 325 million of senior secured notes due in 2024, proceeds from which were utilised to partially refinance our US$ 450 million syndicated loan secured in 2018. This restructuring of our commitments allowed us to secure access to ample liquidity and diversified our funding across new sources of international investors, top-tier regional banks and international organizations. I am pleased to report that since our debut on debt capital markets, ADES' bond has delivered an outperformance and maintained a credit rating of B+ from S&P and Fitch. This is testament to the Group's strong market position, robust fundamentals and investors' recognition of the Group's differentiated business model.

INTEGRATION OF ACQUISITIONS

On the operational front, our focus in 2019 was on driving forward the integration of our new assets while maintaining operational excellence. Our target was to promptly integrate the 31 new rigs from the Weatherford acquisition and three new rigs acquired from Nabors. We have made good progress and successfully finalised the first phase of our Integration Programme, ensuring the smooth transfer of assets and businesses with minimal operational and contractual disruptions. As part of our integration strategy, we also strengthened our internal management organisation by retaining key people within our team and adding new, highly experienced managers to oversee the various aspects of our day-to-day operations.

Throughout the integration we also worked to identify synergies within our expanded asset base as we look to drive cost savings across our operations to support profitability and allow us to continue offering competitive rates to our clients. We are already witnessing results, where EBITDA margins for the majority of newly acquired rigs have risen from the acquisition levels and are currently in line with the Group's averages. This is despite the positive effects of the integration being partly offset by the Egyptian pound's appreciation.

HEALTH & SAFETY

Across our asset base, we remained committed to complying with the highest occupational HSE standards. We concluded 2019 recording a Recordable Injury Frequency Rate ("RIFR") of 0.41, well below the 2019 worldwide standard rate of 0.63 by the International Association of Drilling Contractors ("IADC") and further improving on our rate of 0.57 in 2018. This represents a notable accomplishment considering the growth in number of operating rigs post the recent acquisitions. We are extremely pleased with the work of our HSE who identify, mitigate and control risks for the safety of our staff. In the coming year we will continue to work closely with a leading HSE consultant to review and develop the Group's safety procedures as our vertical operations grow in size and continue to expand horizontally across different geographies.

COVID-19

ADES is taking all the necessary precautions to minimize the potential impact of, and efficiently react to any future developments. For the time being our top priority is to ensure the well-being and safety of our employees, partners and the communities where we operate. We have put in place the necessary contingencies and protocols to ensure business continuity. Key efforts include the establishment of a Crisis Management Board (CMB) to manage and oversee all efforts related to COVID-19 at ADES's headquarter and operating countries. The CMB has developed a holistic plan covering situation monitoring, prevention measures and response and recovery efforts, key highlights of which include:

- Extending crew shifts from 14 to 28 days across ADES' fleet to minimize travel. Prior to shift change, incoming crews are first quarantined in hotels under ADES' supervision for screening to reduce risk of introducing infection.
- Backup crews in each country and detailed step by step disinfection protocol as part of recovery plans in the event of an infection on our rigs.
- Awareness campaigns for employees, frequent disinfecting and cleaning, travel restrictions, personnel screening and testing, increased sick-leave flexibility and deploying technology to support remote working policies, where possible.
- Monitor travel-ban updates and address the impact on business continuity.
- Contingency stocks of food on all rigs in case of quarantine for 14 days after discovery of any suspected case.
- Maintaining supplies and material inventory to cover three months of operation.
- Communication protocol established internally and with our customers and suppliers.
- Monitoring of all operations in line with updates and guidance from the World Health Organisation, International SOS and local governments and authorities in countries where the Group operates.
- Systematically monitoring triggers, assessing risk and impact and defining response actions at various levels from rig to country and HQ level.

OUTLOOK

Our focus in 2020 will be on business continuity and sustainability. And while the early months of the year have witnessed severe pressure on oil prices and risks posed by the spreading COVID-19 pandemic, ADES has started the year as expected and is well-positioned to weather the challenges the industry faces.

Our Group has a strong backlog and contract visibility with an average maturity of four years. Our position is also bolstered by a lean cost structure that allows us to offer competitive rates in a region with the lowest extraction cost and breakeven points. Most importantly, our strong balance sheet, cash flow generating ability and liquidity provide material headroom and financial flexibility to reinforce our resilient position. The Group expects lower levels of capital expenditure in 2020, after successfully completing the acquisitions and related capital expenditure over the course of 2018 and 2019.

Operationally, we have gained a stronger understanding of the synergies existing across our expanded asset base and in the months ahead we will be looking to drive further efficiencies across our operations. A key focus area will be increased digitisation of our processes which will unlock substantial efficiency enhancements.

Our Group today stands on solid foundations that we have carefully laid out since our IPO and that we continue to strengthen. Our expanded asset base, diversified backlog, lean cost structure, strong financial position and our culture of prioritising health and safety leave me confident that we have the necessary tools to ensure the well-being of our stakeholders and to generate long-term value.

Following the completion of the sustainability work outlined on pages 46 to 57, the Board believes it will be better placed to assess the prospects of the Company over the longer term. This will enable the Company to make the statement required by Provision 31 of the 2018 UK Corporate Governance Code concerning the ability to continue operation and meet liabilities as they fall due over that longer period.

Finally, I am grateful for continued commitment and hard work of ADES' employees and management who are the driving force behind our success and with whom we will continue to grow as a stronger and more resilient organization.

Dr. Mohamed Farouk,
Chief Executive Officer

Our Strategy & Business Model

A holistic five-pillar strategy that leverages the strengths of ADES' business model to maximise value for stakeholders

Over the last five years, ADES has transformed itself by shifting its business model and strategy, to go from an Egypt-focused drilling company to one of the MENA region's most successful onshore and offshore drilling services provider. This transition did not happen by chance but was rather the result of a well-thought-out expansion strategy carefully executed by the Group's top management team. ADES' transformation began in 2015 when the Group realized an opportunity to fill a regional market vacuum as global players were exiting to mitigate the financial impacts of lower oil prices. To fill this growing vacuum, a shift in ADES' approach to growth was necessary with the Company looking to speed up its expansion plans and venture beyond its home market of Egypt. Since then, the Group has widened its footprint to four regional countries, significantly expanded its fleet and grew its backlog. This rapid expansion was accompanied by a fourfold increase in top-line with strong bottom-line profitability, while its impeccable safety track record remained intact. At the heart of this success was the Group flexible business model and its dynamic approach to navigating its operating environment, building a responsive organization that quickly realizes opportunities and enjoys the resources to capture them.

Positioned today as a regional champion with leading market positions across its geographies and a healthy mix of offshore and onshore assets, ADES' dynamism sees it today adopting a five-pillar strategy geared toward organic growth and continued operational excellence.

Maintain a MENA Focus

Key to ADES' development thus far has been the Company's commitment to remain MENA-focused throughout its expansion. The region offers a multitude of advantages for drilling services providers like ADES starting from the low cost of production and high utilization rates witnessed across MENA countries. This not only guarantees backlog visibility and sustainability for the Group but also shields the Company from the impacts that fluctuating oil prices could have on its financial performance. Moreover, with around 70% of the Group's fleet composed of onshore drilling rigs, and with onshore making up more than 60% of the Company's backlog, the region's expected rise in onshore drilling demand in the coming years offers an exceptional opportunity for ADES as the Group looks to capture a significant portion of the rising onshore drilling demand, which is typically associated with better sustainability and lower prices.

Organic Growth through Tendering

Having successfully positioned itself as a leading player in some of the industry's most exclusive subsegments, ADES will now look to cement its position turning to organic growth as the main avenue for future backlog expansion. Specifically, in the near future, the Company will be looking to grow its presence in Saudi Arabia, in Kuwait's deep drilling onshore sector, in Egypt's Gulf of Suez following a renewal of tendering activity, and in Algeria where the new government is looking to recover production rates. At the same time, the Group will be looking to further develop its asset-light model to capitalize on the opportunities presented by the recent offshore discoveries in the Mediterranean. Under the asset-light model, ADES is able to offer deep-water drilling services without incurring in significant upfront costs, keeping its balance sheet free of additional burdens. ADES is currently prequalified with over 20 top NOCs and IOCs in more than 15 markets in the region, a status which not only gives access to some of the more protected niche subsegments of the industry but also guarantees higher success rates during tenders.

Opportunistic and Non-speculative M&A

Since day one, ADES' acquisition philosophy has seen the Group favour assets characterised by strong contract visibility with solid prospects for renewal over speculative or lower-priced alternatives. This forward-looking approach will continue to guide the Company's management in its pursuit of opportunistic acquisitions. While further expansion through M&A will come second to organic growth, ADES' management team will continue to assess potential opportunities for further expansion to its asset roster. Going forward, the Company's acquisition criteria is set to become increasingly stringent with a continued focus on highly accretive acquisitions considered by the Company.

In the coming year, in response to constantly changing market dynamics, ADES will also be looking to expand its service offering while optimising the balance of onshore to offshore services and meet client demands. By doing so, ADES will take advantage of market opportunities while maximising utilisation rates and the revenue generated by its fleet. On the service offering expansion front, the Company is assessing potential complementary services which could lead to further synergy extraction from the Company's existing infrastructure. These adjacent services, which are typically associated with higher margins, would significantly enhance the quality of the Group's service offering helping ADES cater to its clients' evolving needs.

Operational Excellence and Safety

Over the years, ADES has been able to successfully stand out from its competition through its ability to provide unrivalled quality at competitive prices, not only attracting the region's top clients but developing long-lasting relationships with them. This allows ADES to constantly renew existing contracts and secure new ones, providing additional stability to the Company. Going forward, delivering operational and safety excellence will remain at the forefront of the Group's strategy to ensure it continues to serve all its stakeholders while delivering on its operational and financial targets.

A significant part of ensuring that ADES delivers on its operational excellence targets revolves around integrating the new assets within its operating frameworks. Starting in 2019, to ensure the smooth integration of the newly bought assets, ADES, with the help of a leading consultant, developed a detailed integration plan aimed at realising existing synergies between the new and existing assets while ensuring the adoption of ADES' safety standards that helped it maintain an impeccable record over the years.

Prudent Approach to Debt and Liquidity

Since the start of ADES' transformation, the Group has continuously worked to optimise its capital structure while raising the necessary funds needed to pursue its geographic expansion. In 2017, the Group tapped equity markets and completed its IPO on the LSE raising a total of US$ 170 million. In parallel, ADES successfully secured multiple facilities from leading regional and international lenders for a total consideration of c.US$ 590 million to help refinance existing debt as well as fund its acquisitions. Then again in early 2019 ADES completed its first international bond offering of US$ 325 million, utilizing proceeds to refinance its syndicated loans thus building a more flexible debt profile. The Group thus extended its debt maturities to better match ADES' business plans and unlocking new debt capacity needed to fund growth and maintain strong liquidity positions. ADES stands today reinforced against market vulnerability.

Over the years, the Company has successfully committed itself to maintaining certain key financial ratios at or below specified thresholds, allowing ADES to keep a conservative financial position while successfully delivering on its growth targets. By adhering to a buy-to-contract model, the Company has been able to maintain a backlog to net debt ratio well above its 2.0x target. At the same time, between 2015 and 2019, ADES' leverage and gearing ratios stood well below its 4.0x and 2.75x targets respectively. Adhering to these ratios limits ADES' exposure and ensures its growth does not come at the expense of present or future financial stability.

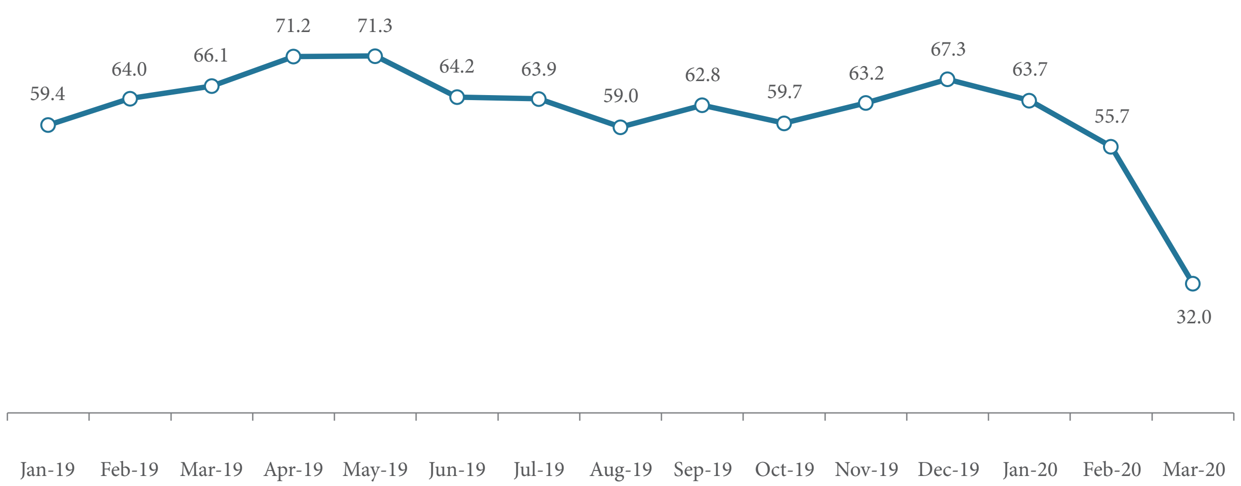
Our Industry

Industry Trends

Over the past five to six years, the oil & gas industry has witnessed significant changes and upheaval as it has adjusted to a volatile and low commodity price environment. These changes have come in the form of lower CAPEX budgets of E&P operators, which are considered to be a core indicator of activity levels within the industry and a key factor underpinning the main market drivers. Whilst the market had been showing signs of recovery, the recent Covid-19 pandemic and related lockdowns have had a cathartic impact on oil demand, cutting it by c.30mmbpd at present (around 30%), and resulting in cuts to E&P Operators' 2020 Capex budgets.

Between August 2014 and January 2015, Brent prices dropped by c.50% signalling the start of a sustained period of significant commodity price volatility. Brent oil prices hit lows of US$ 27/bbl in January 2016, which, at the time, was the lowest price since 2003, as the industry experienced a prolonged period of depressed commodity prices. Since January 2016 oil prices had been on an upward, albeit volatile trajectory, with the Brent spot price reaching an average of US$ 81.03/bbl in October 2018 (according to data published by the EIA), before declining in Q4 2018 to an average of US$ 57.36/bbl in December 2018. There was a slightly narrower range of fluctuation in 2019, with the monthly average spot price peaking at US$ 71.32/bbl in May and lows of US$ 59.04/bbl in August, before ending the year at an average of US$ 67.31/bbl in December. However, 2020 has brought further volatility as the market reacts to the Covid-19 pandemic and the most dramatic loss of oil demand witnessed by the industry. Oil prices have dipped even further than the lows seen in the previous downturn, with the Brent spot price plunging below $20/bbl during April 2020. In response to the drastic declines in demand, OPEC+ reached a historic deal to reduce oil production by 9.7mmbbl/d in May and June 2020, with G20 members also pledging to cut production. Saudi Arabia and Russia have committed to 3.5mmbbl/d and 2mmbbl/d respectively – 60% of the total cuts. Whilst these cuts may set a price floor, it will be insufficient to fully offset the fall in demand. Uncertainty remains over the duration and depth of the current downturn in the oil market.[1]

Brent Crude Price (US$/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 2020

Global Energy Demand

Whilst Covid-19 has had a huge impact on the short term energy demand, the full impact of the pandemic on medium to long term energy demand, and the long term impact on energy transition is unclear. Forecasts by BP suggest that energy demand is expected to increase by c.25% from 2020 by 2040, driven by growth in population and rising GDP per capita across developing countries. Almost all of the growth in energy consumption in the coming years will come from emerging non-OECD economies, with energy demand within developed nations expected to stagnate. 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. By 2040 renewables are expected to account for c.15% of total global energy supply, while hydrocarbons are expected to remain as the primary energy source at c.73% of supply.

Based on the current macro-economic environment, Westwood has revisited its Brent crude price scenarios. Under the revised base case scenario Westwood has assumed Brent crude prices will average $35-40/bbl in 2020, increasing to $50/bbl in 2021 and recovering to $60/bbl over the 2022-2024 period. However, Westwood considers there to be downside risk to the revised base case scenarios, particularly in the short term.[1]

Onshore Drilling

Whilst the international (excluding north America) land drilling market had continued on a path of recovery in 2019, with the proportion of international rigs under contract increasing from 45% in 2018 to 50% in 2019, the recent Covid-19 pandemic and commodity price instability has considerably impacted the market outlook for 2020. As a result, the proportion of rigs under contract in the international market is expected to fall to 39%, hitting lows that were last seen in 2016. However, over the medium to long term the outlook is more positive, with Westwood expecting to see the proportion of international rigs contracted increase to 55% by 2024.

North America, and the US in particular, have been the most significantly impacted by the recent macroeconomic climate. In 2019, the region's recovery had already begun to slow as the US onshore rig count saw a gentle but consistent decline. E&P Operators in the US have since struggled with the very low oil price environment, resulting in considerable Capex cuts across the board. As such, the US Baker Hughes land rig count has seen substantial declines - as of 1st May 2020 the Baker Hughes US active land rig count was just 392, compared to 966 at the same point in 2019, and down almost 50% from an average of 770 in January 2020.[1]

As the long term situation improves, anticipated demand for international onshore drilling services implies that a total of c.3,384 active drilling units will be required by 2024. The number of active rigs drilling in the Middle East and North Africa region (including Iran) is expected to increase by c.18% from 2020 to 2024. Other regions including Africa (+19%), Latin America (+13%), Eastern Europe & FSU (+18%), and Asia (+91%) are also expected to see increases in the number of active rigs over the 2020-2024 period. Note that whilst Asia is expected to see significant growth, this is coming from an extremely low level in 2020 as Chinese drilling activity has been significantly hit this year.[2]

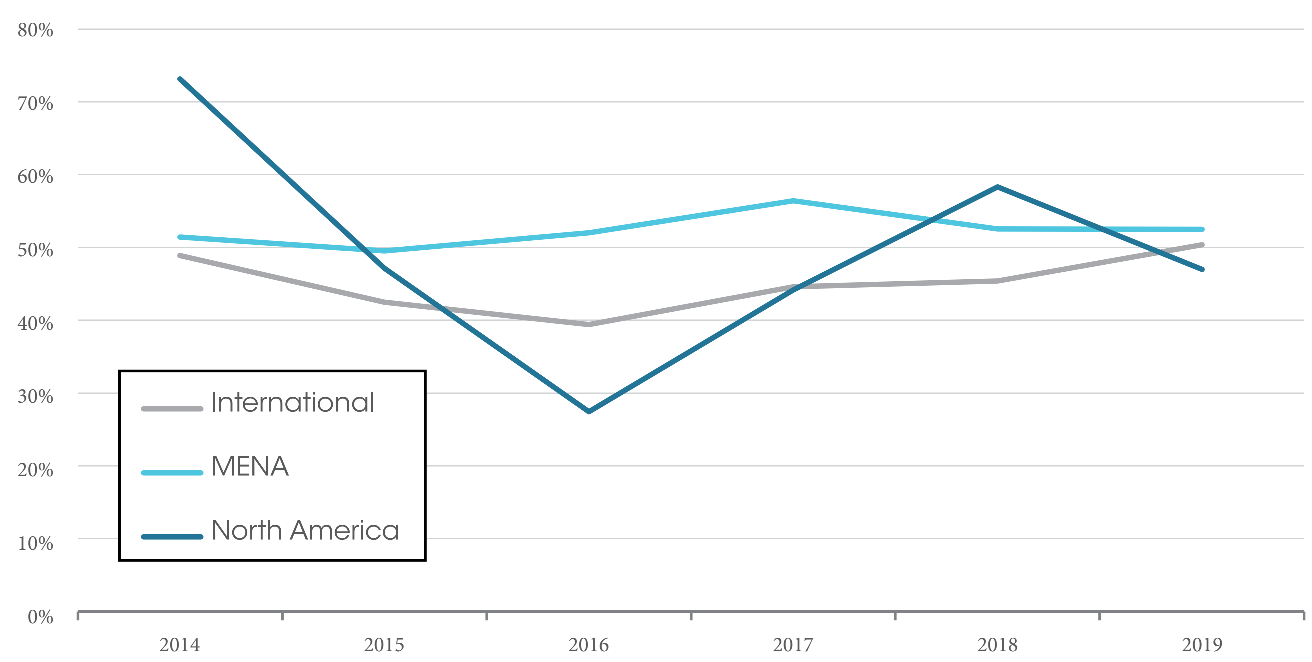
MENA Region Demand

The outlook for onshore drilling activity in the region, and subsequently rig demand, will be constrained in the near-term by OPEC+'s April 2020 decision to cut production by a record 9.7mmbbl/d in May and June, after which production will steadily be ramped up until expiration of the deal in April 2022. As such, growth in rig demand in the MENA region (not including Iran) will be relatively more subdued, with the number of contracted rigs forecast to rise at a 5% CAGR over 2020-2024, with the majority of growth to be seen over 2022-2024.[2]

Of ADES' countries of operation, Saudi Arabia is the largest in terms of the active rig fleet, but as the de facto leader of OPEC it will also see the largest short term decline in the number of rigs drilling. The active rig count in the Kingdom is expected to drop by 23% in 2020, from 140 rigs in 2019 to 108 rigs in 2020. Over the medium to long term outlook is more positive. The country will see the strongest growth through to 2024 as the number of rigs actively drilling is expected to increase to c.169 units by the end of the period. The growth is expected to be driven by a focus on maintaining and potentially expanding the country's spare oil capacity, as well as increasing its gas production. Notably, associated gas production from the Ghawar oil field is expected to increase significantly over 2020-2024.

Algeria will also see a considerable decline (22%) in the number of rigs drilling in 2020 as Sonatrach, the country's NOC, cuts capital expenditure plans for 2020 by half, in response to the low oil price environment. However, the country should see some recovery towards the end of the forecast period, as the number of rigs drilling is expected to increase by 34% over 2020-2024 increasing from 58 rigs in 2020 to 78 rigs in 2024. In Kuwait, the nation is expected to see a smaller drop in rigs drilling in 2020 from 64 rigs in 2019 to 61 rigs in 2020. The total number of rigs drilling in Kuwait is expected to see a slight increase to 69 rigs in 2024 driven by heavy oil projects in addition to the development of the Jurassic gas fields.[2]

Onshore Utilisation (% of Rigs Contracted) Rates 2014-2019



[2] *Westwood Global Energy Group – Report for ADES' Markets, March 2020*

Offshore Drilling

The market for offshore jack-up contract drilling is driven by the need for E&P operators to drill and maintain offshore shallow-water wells. This is a cyclical business which in-turn is driven by commodity price cycles. The MENA region is considered somewhat less exposed to commodity price cycles as a result of the dominance of large NOCs with long-term planning horizons. Average jack-up contract length in the Middle East[3] (Arabian Gulf & Red Sea) region was 700 days for contracts awarded during 2019, 63% longer than the global average. The Middle East jackup market proved relatively resilient through the recent oil price downturn. However, as a function of the pandemic, certain offshore jurisdictions in the region may see a more significant impact from the current oil price downturn than others. Despite this, the overall contracted days backlog for jack-ups in the Middle East remains higher than any other region.[4]

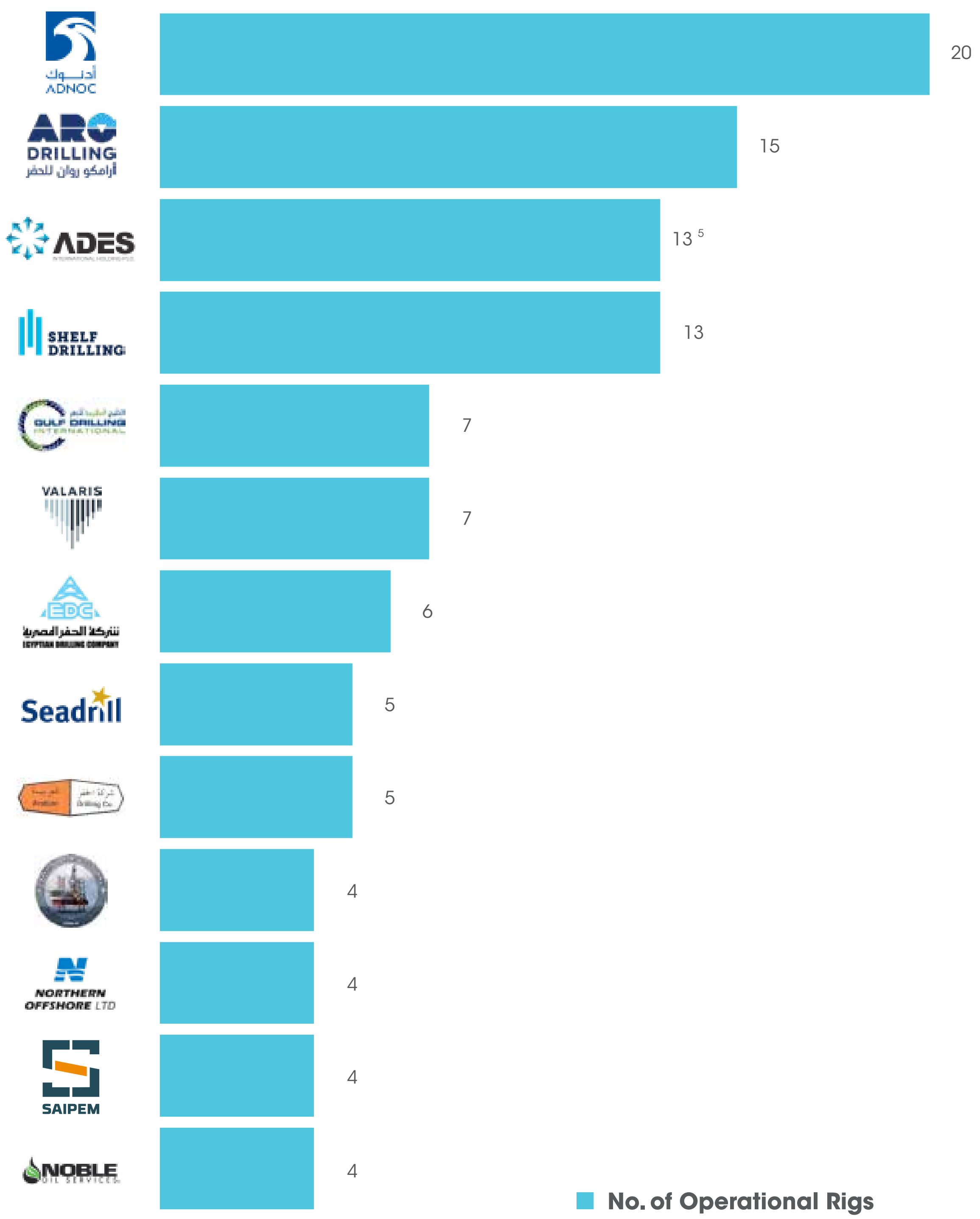
Within ADES' offshore countries of operation, 86% of forecast (2020-2024) offshore production is located in shallow waters, the majority of which is located is in depths less than 150 meters, and therefore accessible through jack-up rigs. Total shallow water oil and gas production in the Group's countries of operation is forecast to increase from c.5.7mmboed in 2020 to c.6.3mmboed in 2024; a c.2.5% CAGR. However, as a result of the current macro-economic climate, this has been revised down from previous expectations of c.3.5% CAGR over the same period. Saudi Arabia is expected to be the only driver of the growth, as production from Egypt is estimated to decline by c.4.2% CAGR over 2020-2024. Saudi Arabia's growth of 3.5% CAGR 2020-2024 will be driven by the nation's commitment to maintaining offshore oil production, as well as ramping up production at offshore gas fields.

From a drilling activity perspective, the number of shallow water wells drilled in ADES' countries of operation is expected to increase by 1.3% CAGR over 2020-2024. As with production, Saudi Arabia is expected to be the only contributor to this growth, with Westwood forecasting drilling activity to increase by a 2.7% CAGR over 2020-2024 in order to meet the offshore production growth. Unlike other markets, and despite the nation's commitments to OPEC+ cuts, Saudi Arabia is also expected to see shallow water drilling in 2020 increase by 21% from 2019 levels, as oil production cuts are almost entirely limited to the onshore market. Within Egypt shallow water drilling activity is expected to decline from 29 wells in 2020 to 22 wells in 2024. The remainder of the MENA region (excluding Saudi Arabia and Egypt) will also experience a decline in drilling activity in water depths accessible by jack-ups over 2020-2024.[4]

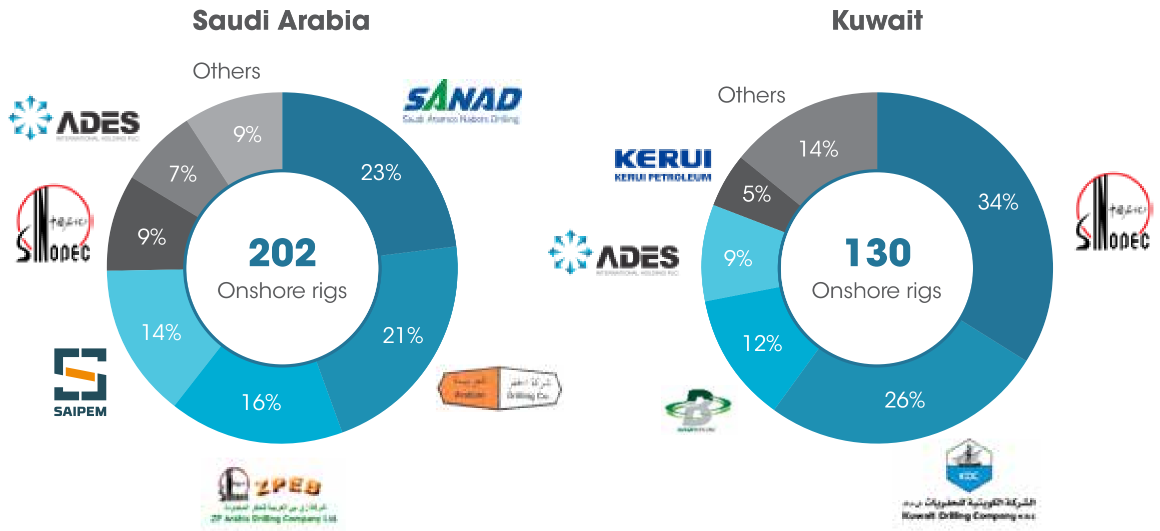
[3] *When referring to the offshore rig market, the Middle East region includes the Arabian Gulf & Red Sea.*

[4] *Westwood Global Energy Group – Report for ADES' Markets, March 2020.*

Leading Offshore Drilling and Workover Market Position in Red Sea & Arabian Gulf Region[4]



Significant Presence in Onshore Drilling Markets in MENA[6]



Prequalification Yields Top Client Base Across NOCs & IOCs

Prequalified in 15 markets with over 20 clients key NOCs and IOCs

A prequalification status across countries with 72% of the regional proven hydrocarbon reserves[7]

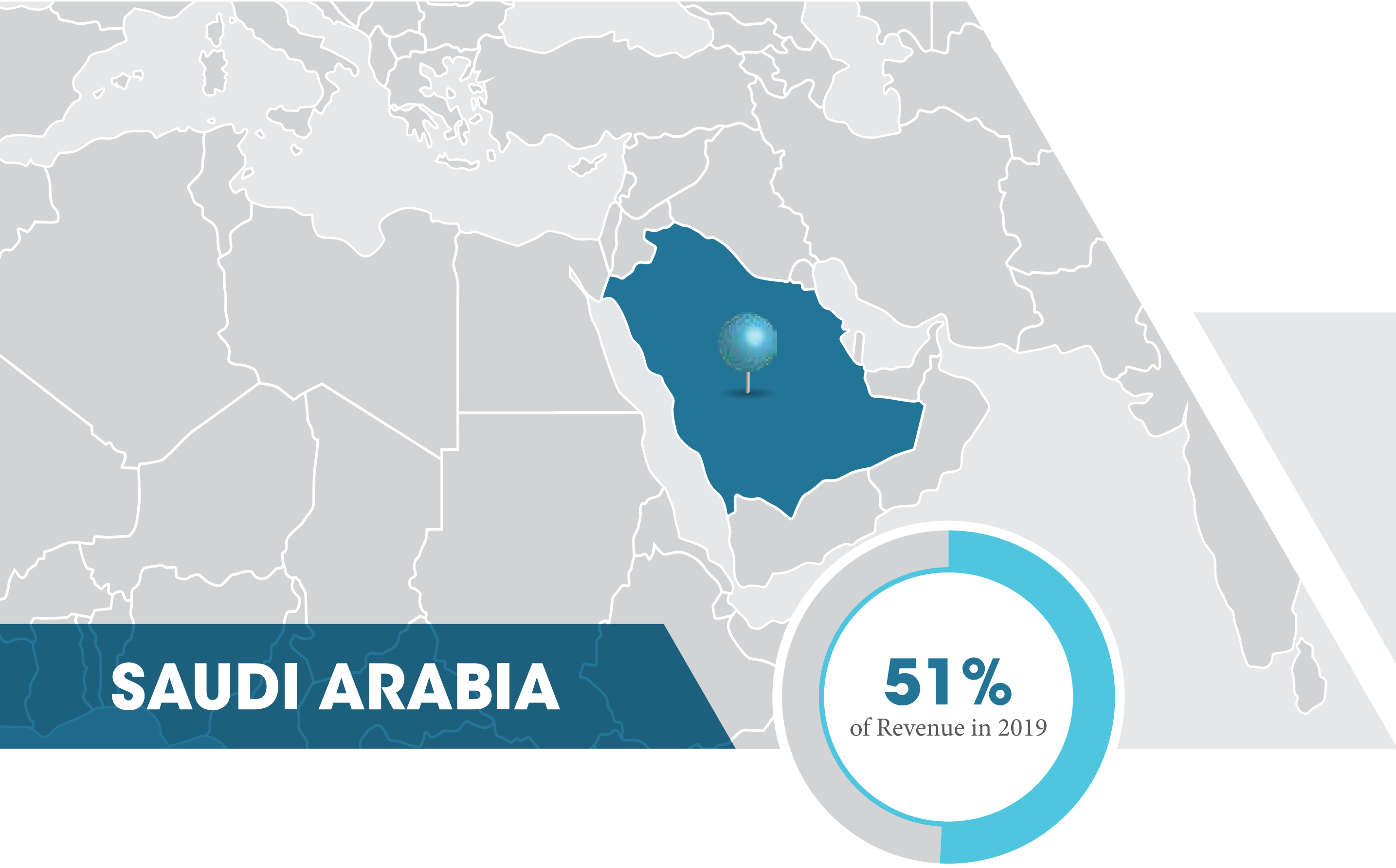
Prequalification with Saudi Aramco was instrumental in winning the Hercules offshore rig acquisition in 2015

Further ongoing prequalification efforts in target markets

[4] WGE Based on rig owner data including drilling and workover rigs.
[5] ADES number includes MOPU and the Jack-up Barge.

[6] Based on total number of active and inactive rigs.
[7] Wood Mackenzie, Middle East excluding Iran.

Business Units Review



SAUDI ARABIA

6 Offshore Rigs

15 Onshore Rigs

Market Overview

Saudi Arabia's oil & gas sector is the country's main economic driver, currently making up close to half of its gross domestic product and accounting for around 70% of its export earnings.[1] The country's proved oil reserves currently sit at 297.7 billion barrels, representing around 17% of total global oil reserves and placing the country in the number two spots globally just behind Venezuela.[2] On the natural gas side, Saudi Arabia has 208.1 trillion cubic feet worth of proved reserves, or around 3% of the world's total natural gas reserves. Saudi Aramco is the national oil and natural gas company and the world's largest integrated oil and gas company, with its crude oil production accounting for approximately one in every eight barrels of crude oil produced globally from 2016 to 2018.[3] Announced in late 2016, the country's National Transformation Programme (NTP) sets several goals for the oil & gas sector over the coming years including plans to grow the country's refining capacity from 2.9 million to 3.3 million bbl/day by 2020, efforts to advance high efficiency clean fuel production, and an overall target to maintain peak oil production at 12.5 million bbl/day.[4]

2019 was a landmark year for Saudi Aramco as it completed its initial public offering on the Saudi Exchange. The listing, which raised US$ 25.6 bn, primarily from Saudi investors, is the world's largest ever public offering. Announced at the time of its IPO, Saudi Aramco's strategy in the coming years will focus on maintaining its position as the world's leading crude oil producer by production volume and the lowest cost producer, while providing reliable, low carbon intensity crude oil supply to customers. At the same time, the Company plans to expand its gas business to meet large and growing domestic demand for low-cost clean energy by increasing production and investing in additional infrastructure. In-Kingdom demand for natural gas is expected to grow significantly. The Kingdom's demand for natural gas is expected to grow at a CAGR of 3.6% from 2017 to 2030, primarily due to an increase in demand from the power generation and the refining and industrial sectors.[5]

Operations in Saudi Arabia

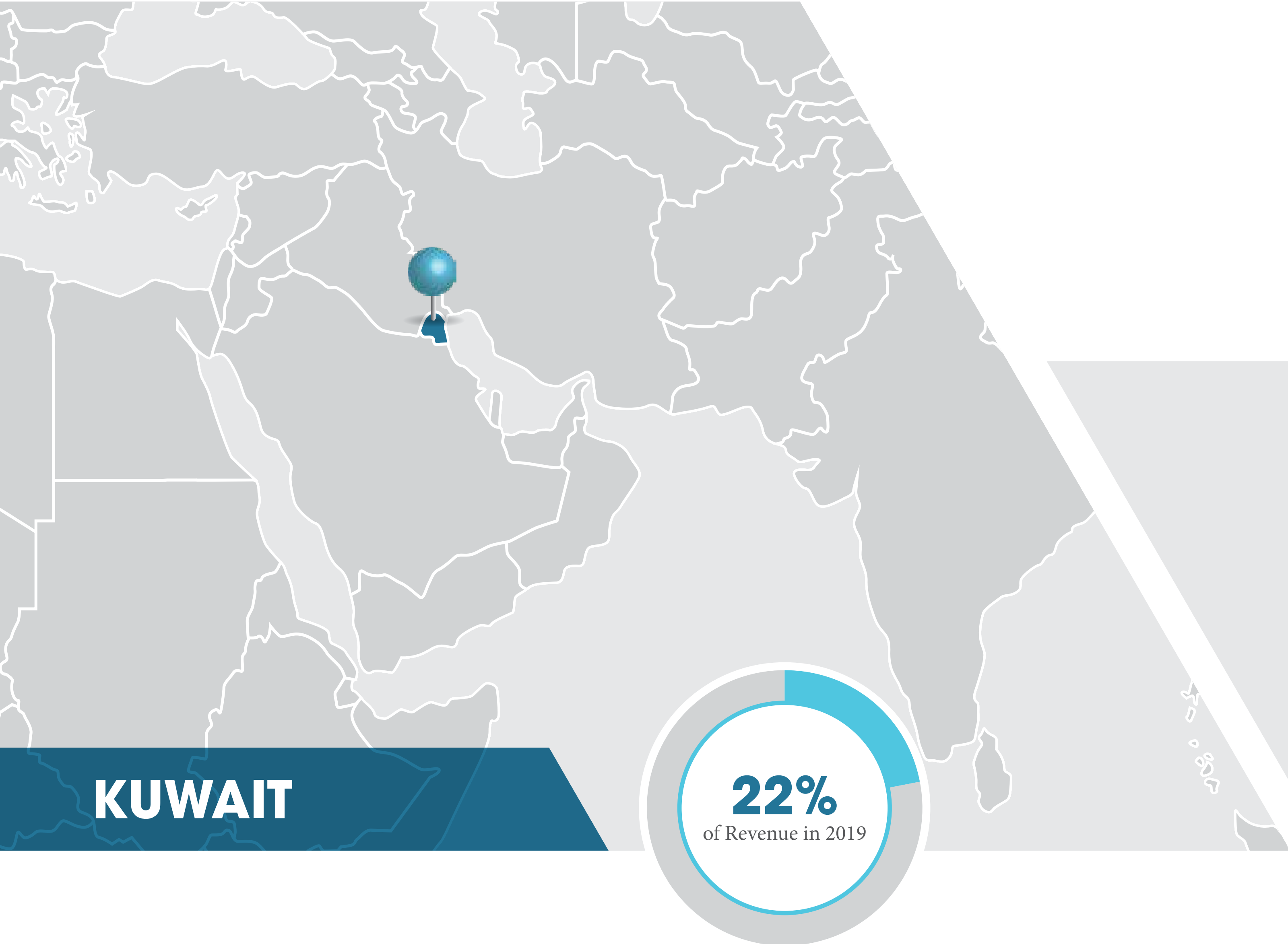
ADES entered Saudi Arabia back in 2016 through the acquisition of three offshore operating rigs from Hercules Offshore. In July 2018, ADES then expanded its offshore fleet to six rigs with the Nabors acquisition. In December 2018, the Group entered into the deep drilling gas market in Saudi Arabia, which is characterized by relatively lower competition and fewer players due to the need for high specification and often higher capacity rigs, through the acquisition of 11 units from Weatherford. ADES also transfered to Saudi Arabia two onshore rigs acquired from Weatherford in Iraq, and purchased two new-build assets, ADES 13 and ADES 14, bringing its total onshore fleet in Saudi Arabia to 15 rigs. Currently, 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 can boast what is arguably the most diverse active fleet 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. The Group's position in KSA further expanded with the addition of two new-build units, following the award of two onshore drilling contracts in February 2019.

2019 in Review

Operations in Saudi Arabia yielded revenues of US$ 244 million in 2019, up 153.8% year-on-year. As a percentage of ADES's consolidated top line, Saudi revenues rose by 4 percentage points to reach 51% in 2019. During the year, in line with ADES' commitment to expanding its presence in Saudi Arabia secured two onshore drilling contracts in Saudi Arabia for which it purchased two new-build assets, ADES 13 and ADES 14. Operations on these contracts commenced during the fourth quarter of 2019. Earlier in the year, the Group successfully renewed the term of six drilling contracts associated with six onshore operating rigs in the country, which were acquired in December of last year. The renewals added c.US$ 228 million of backlog with day rates in line with the terms of the existing contracts. In early 2020, the Group also secured a contract renewal for Admarine 262, with the renewal having a five-year tenor.

[1] *OPEC* [2] *BP Statistical Review of World Energy 2019* [3] *Saudi Aramco IPO Prospectus*
[4] *Arabian Business* [5] *Saudi Aramco IPO Prospectus*

Business Units Review (Cont'd)



12
Onshore Rigs

Market Overview

Although rather small geographically, Kuwait currently has close to 6 percent of global proven oil reserves with the oil & gas sector making up nearly half of Kuwait's Gross Domestic Product, around 92% of its exports, and approximately 90% of Kuwait's government income.[1] In 2018, Kuwait Petroleum Corp announced it aimed to reach crude oil production capacity of 4.75 million barrels per day (bpd) in 2040. KPC is expected to spend US$ 114 billion in capital expenditure in the five years to 2023 and an additional US$ 394 billion beyond before 2040.[2] In addition, KPC has announced intentions to increase natural gas production to four billion cubic feet per day by 2030.[3] On top of the significant sector development plans announced by the Kuwaiti government, 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 & gas industry players.

Operations in Kuwait

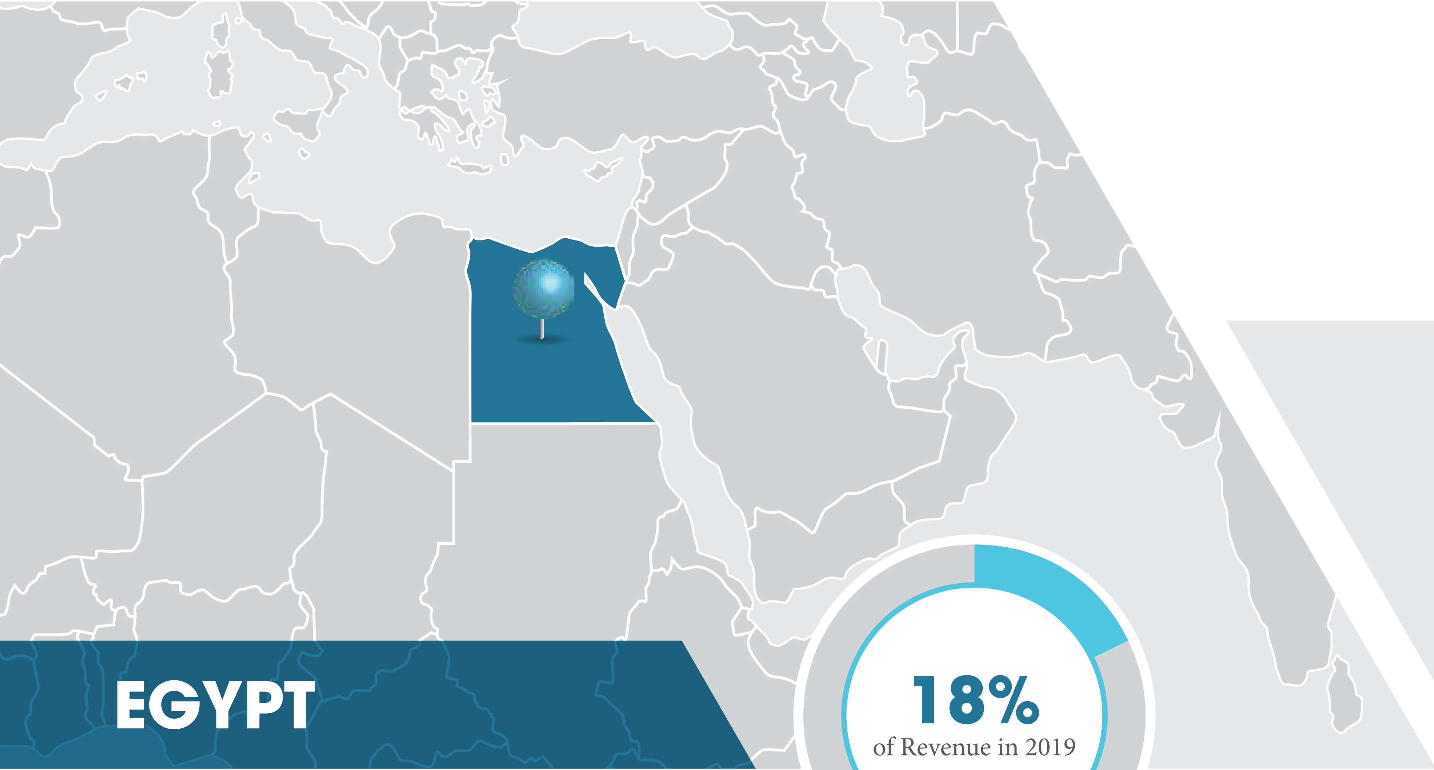
ADES entered the highly consolidated Kuwaiti market in November 2018 after finalising the Kuwait segment of the Weatherford transaction, with 12 onshore rigs added to the Group's fleet, out of which eight were contracted. Currently there are nine identified rig contractors actively competing for contracts in the country. Of these, ADES is the largest international contractor with c.75% of its fleet 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 the Group's rigs. The prequalification process for the Kuwait Oil Company, alongside extended contract terms, is seen to be a limiting factor for prospective entrants into the Kuwaiti market, further securing ADES' strategic position in the Kuwaiti deep drilling subsegment.

2019 in Review

Kuwaiti operations generated US$ 106 million in revenues during 2019, making up 22% of the Group's consolidated top line for the year. At the start of 2019, four out of the eight contracted rigs underwent upgrade projects. Of these, two reached completion during the first half of the year and delivered minor contributions to Group revenue. Upgrade works on the third rig were completed during the third quarter, while works on the fourth and final rig were finished during the final quarter of 2019. In December, the Group secured its first onshore deep drilling contracts under a Lump Sum Turnkey ("LSTK") project in Kuwait with Baker Hughes for ADES 180 and ADES 878. Both contracts were awarded by Baker Hughes, under a primary term of two years firm and an option to extend for another six months.

[1] *CIA World Factbook* [2] *Reuters* [3] *Export.gov*

Business Units Review (Cont'd)



EGYPT

18%
of Revenue in 2019

7 Offshore Rigs | **1** Onshore Rigs | **1** MOPU | **1** Offshore Barge

Market Overview

2019 was a record-breaking year for Egypt's booming natural gas sector with the country's daily production reaching an unprecedented 7.2 billion cubic feet.[1] At the same time, the government's efforts to stabilise daily oil production rates saw the Egypt's daily oil production rate come in at 650,000 barrels per day, in line with the country's average production rates. Today, more than 50 international oil companies operate in the country, with the likes of Shell, Eni, and BP having, for years, held a strong position across Egypt's on- and offshore segments.

In recent years, Egypt has dominated global industry headlines on the back of a series of record-breaking discoveries concentrated in the country's offshore Mediterranean territories. The most important of all was ENI's Zohr field discovered back in 2015. With the discovery of Zohr, the largest natural gas field in the Mediterranean Sea, Egypt not only saw its proven gas reserves nearly double, but saw its position shift from a net importer to a net exporter. As of January 2020, Zohr's output was up to 2.4 billion cubic feet per day ("bcf/d") from 11 production wells.[2]

Following a sharp increase in local gas production over the last two years (from Zohr, but also from other big projects, like West Nile Delta and Nooros), the Egyptian government has been focusing increasingly on oil production in the two main oil-prone basins, namely the Gulf of Suez and the Western Desert. The recent awards of EGPC 2018 bid round blocks in those two areas has opened up significant additional opportunities for drilling service providers like ADES who, as of year-end 2019, was already the largest offshore driller in the Gulf of Suez in terms of number of offshore jack-up rigs employed.

All in all, Egypt's oil & gas industry is growing with production, discoveries, and international interest reaching unprecedented levels, as epitomized by the recent grand entry of ExxonMobil and Chevron in the upstream arena. The increased activities, both in existing areas and in the new blocks recently awarded by the Government through bid-rounds and direct awards, offer important growth potential for players in the sector.

[1] *Ahram Online* [2] *Daily News Egypt*

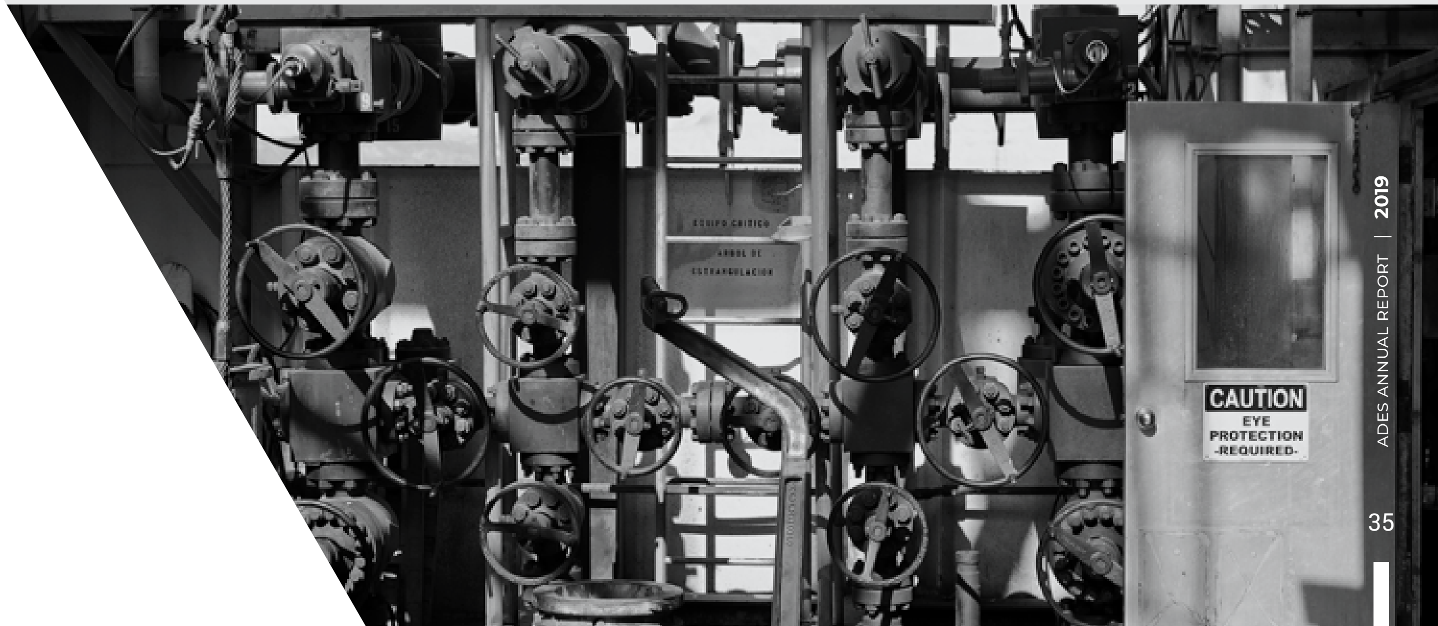
Operations in Egypt

With a fleet composed of seven offshore rigs, one onshore rig, one MOPU, and one offshore jack-up barge, ADES is a market leader in drilling and related services in Egypt. Over the years, the Company's impressive operational and safety track record has seen its client base expand to include the country's most important players such as BP and ENI, as well as the Egyptian General Petroleum Company ("EGPC"), Egypt's National Oil company. In 2016, to further broaden the Group's service offering, ADES launched its MOPU service, the first of its type in the country. 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. Through the strategic agreement, ADVantage utilises ADES' experienced local workforce and pre-qualification in the Mediterranean Basin and Vantage's drillship and deep-water drilling experience to maximise value for both parties while limiting upfront investment costs for both sides.

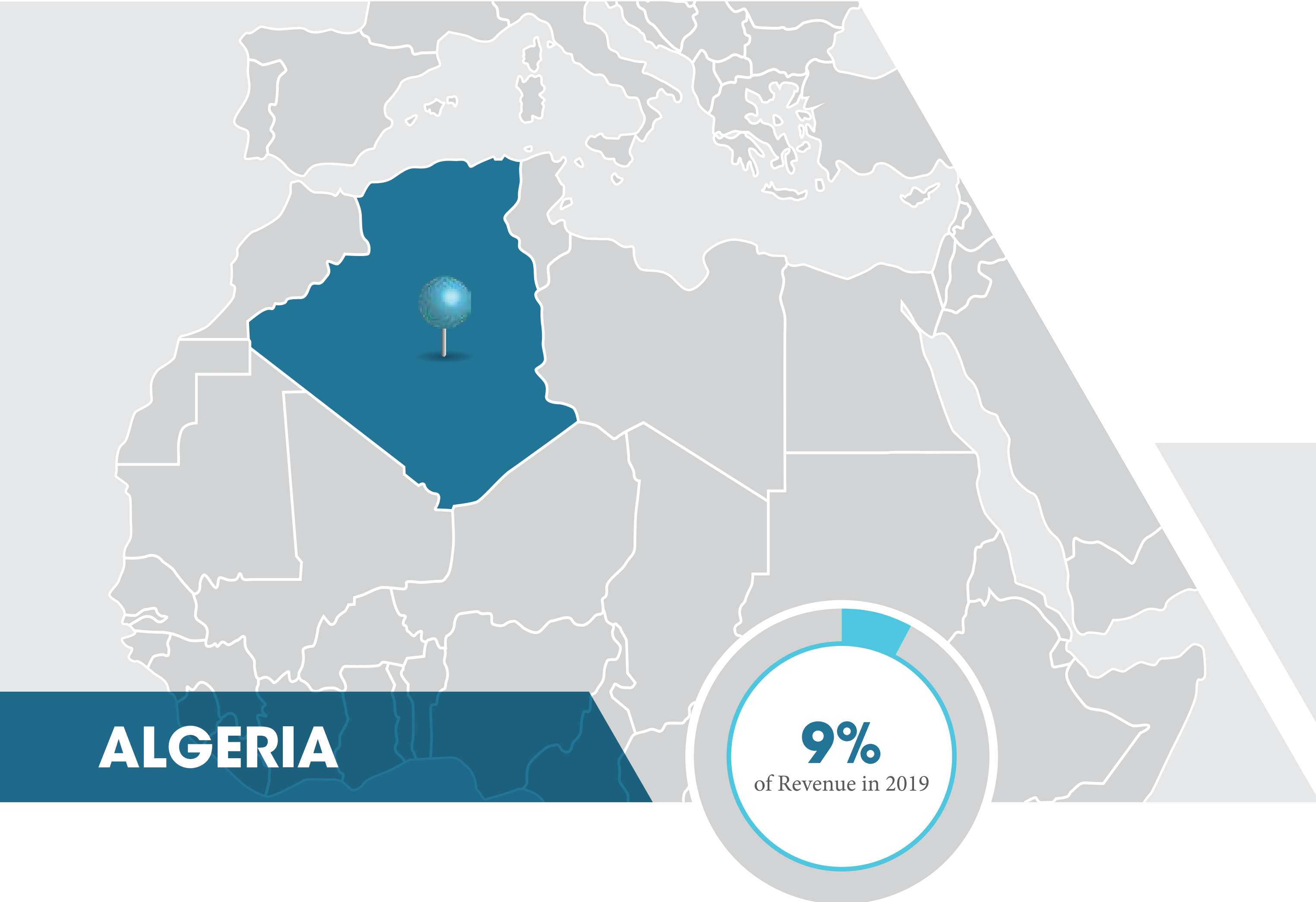
2019 in Review

During 2019, ADES worked hard to cement its position in its home market of Egypt and take full advantage of the positive momentum underpinning the country's oil & gas industry. ADES's Egyptian operations generated revenues of US$ 87 million during 2019, remaining stable compared to the previous year. As a result of growing revenues from the Nabors and Weatherford acquisitions in KSA, Kuwait and Algeria, revenues from Egypt declined as a percentage of the Group's top line in 2019, coming in at 18% against 42% one year earlier, and 56% in 2017.

During the year, ADES renewed all its contracts that were up for expiry and was awarded a new two-year contract for its Admarine IV jack-up rig by a leading energy company. In March, the Group entered into a short-term exploration contract with Dana Gas for deep-water drilling services in the Egyptian Mediterranean basin. This marks the first time the Group ventured into this sub-segment of the offshore drilling market. The service was provided using Vantage's Tungsten Explorer, comprising one firm well and an extension to a further three wells. Later in the year, ADES secured its second deep-water drilling campaign to provide deep-water drilling services in the Egyptian Mediterranean area for a top tier client. The service was provided using Vantage's Tungsten Explorer and covered one firm well, "Nigma 1".



Business Units Review (Cont'd)



8
Onshore Rigs

Market Overview

Algeria is the number one producer of natural gas in Africa with the second highest level of proven natural gas reserves in the continent at 153.1 trillion cubic feet. The country is also ranked third in Africa for proven oil reserves (12.2 billion bbl).[1] Hydrocarbons have long been the backbone of the Algerian economy, accounting for roughly 30 percent of GDP, 60 percent of budget revenues, and nearly 95 percent of export earnings.[2] In recent years, Most of Algeria's new projects in the energy space have focused on natural gas, especially shale gas, which is quickly becoming the world's go-to fuel. The state oil and gas firm Sonatrach's new long-term strategy ("SH 2030") aims to facilitate foreign involvement, develop the country's huge shale gas deposits, and revitalize downstream markets. The ultimate target is to make some US$ 70 billion in additional revenue by 2030, with 50 percent looking to be reinvested in new production. In line with its SH 2030 plans, Sonatrach is aiming to produce 2 Bcf/d of unconventional resources in 2030 and 7 Bcf/d by 2040.[3]

In Algeria, ADES competes 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 around 68 percent.

Operations in Algeria

The Group first entered the Algerian market in 2015 with the acquisition of new-built onshore drilling rig, ADES 2. In 2016 and 2017, ADES acquired two more onshore drilling rigs bringing the total fleet at the time to three. In 2019, ADES completed the Algeria segment of the Weatherford transaction, acquiring six onshore rigs and bringing ADES' Algerian fleet size to eight onshore drilling rigs and allowing the Group to solidify itself as a major drilling and workover services provider in the natural gas rich market. The Group's rigs are rated at 1,000 HP or above and are competitive with the wider fleet in terms of rig specifications, including top-drive equipped units, maximum drilling depth and average hookload capacity. Currently, the Group's main competitors in the country include Nabors, Sinopec and KCA Deutag with identified fleets of ten, nine and six units respectively, all but one of which are rated at 1,500 HP and above.

2019 in Review

Revenues from Algeria came in at US$ 40 million in 2019, a 249% year-on-year increased on the back of two new contracts secured for ADES II and ADES III, and the completion of the acquisition of the Weatherford rigs and the associated operations. Algeria's total contribution to revenue increased to from 6% in 2018 to 9% in 2019.

In 2019, the Group strengthened its position in the Algerian market, securing new contracts for its onshore rig ADES II and ADES III, which commenced operations during the last week of 1H 2019. ADES also signed a one-year contract extension for its onshore rig RIG 828 (recently acquired from Weatherford) in Algeria.

[1] BP Statistical Review of World Energy 2019
[2] Index Mundi, Algeria Economy Profile 2019
[3] Sonatrach's SH2030 Strategy

Financial Performance

Summary of Financials

(US$ '000)	2019	2018	% change
Revenues	**477,758**	**205,563**	**132%**
EBITDA	**193,367**	**101,071**	**91%**
EBITDA Margin	*41%*	*49%*	*-8.7 pts*
Normalised Net Profit[1]	72,714	44,712	63%
Normalised Net Profit Margin	*15%*	*22%*	*-7 pts*
Net Profit	**31,534**	**73,272**	**-57%**
Net Profit Margin	*7%*	*36%*	*-29 pts*
Weighted Average No. of Shares	43,778	43,082	1.7%
Normalised Earnings per Share (US$)	**1.66**	**1.04**	**60%**
Reported Earnings per Share (US$)	0.7	1.7	-58%
Net Debt	**606,188**	**424,393**	

Revenue

Revenue increased 132% year-on-year based on acquisitive and organic growth. Organic growth was 10% year-on-year with utilisation rates rising to 97% from 85% in 2018. The inorganic growth was driven by the acquisition of Weatherford's assets in Kuwait, KSA and Algeria as well as the 2018 acquisition of three rigs from Nabors.

Over the past twelve months, ADES continued renewing and extending existing contracts, while securing new awards across several of its countries of operation. Following the completion of the Weatherford acquisition, ADES successfully secured contract renewals for six of the newly acquired onshore rigs in Saudi Arabia. The Group also secured two new seven-year onshore drilling contracts in the Kingdom for which it ordered two new-build onshore rigs that meet the contract specifications (ADES 13 and 14). In Algeria, ADES secured new contracts for ADES 2 and ADES 3, which started in the second and third quarter of 2019, respectively. The Group also renewed its contract for RIG 828 in Algeria, which was extended for an additional year. Finally, in Egypt, ADES extended contracts for multiple offshore rigs.

Revenue by Country

(US$ '000)	2019	2018	% change
KSA	243,902	96,095	153.8%
Egypt	87,125	87,227	-0.1%
Algeria	40,415	11,594	248.6%
Kuwait	106,316	10,647	898.5%
Total	**477,758**	**205,563**	**132.4%**

[1] *Normalised Net Profit is calculated as Net profit before non-controlling interest after excluding non-recurring charges from: a) non-cash amortized prepaid transaction costs written off due to debt refinancing; b) accounting adjustments related to IFRS 3 (Business Combinations) and a one-off bargain purchase gain; c) non-cash, equity-settled share-based payment compensation from the parent company; d) non-cash fair-value adjustments under financial instruments; and e) non-recurring transactions.*

Revenue Contribution by Country

	2019	2018	% change
KSA	51%	47%	4 pts
Egypt	18%	42%	-24 pts
Algeria	9%	6%	3 pts
Kuwait	22%	5%	17 pts

Backlog by Country

	2019	2018	% change
KSA	45%	50%	-5 pts
Egypt	9%	10%	-1 pts
Algeria	3%	2%	1 pts
Kuwait	43%	38%	5 pts

In KSA, revenues increased 154% year-on-year to US$ 244 million for 2019. The contribution to the Group's revenue subsequently increased 4 percentage points to 51% in 2019. The revenue expansion was due to the significant growth in the Group's asset base in the Kingdom. More specifically, the three rigs acquired from Nabors in June 2018 made full-year contributions in 2019. Additionally, of the 11 onshore rigs acquired from Weatherford in December 2018, nine were contracted and therefore contributed to revenue during the entirety of 2019. ADES has also renewed contracts for six rigs in KSA during the first quarter of 2019.

Revenue generated by the Group's Egyptian operations stood at US$ 87 million in 2019, largely unchanged from the previous year given stable utilization rates in the country. As the revenue generated from the Nabors and Weatherford acquisitions in KSA, Kuwait and Algeria continue to rise, Egypt's contribution to total revenues fell to 18% in 2019, from 42% in 2018. This is in line with the Group's strategy of diversifying its revenue base across the MENA region.

Algeria revenue of US$ 40 million in 2019, was up 249% versus US$ 11.6 million recorded in 2018. Revenue growth was supported by the two new contracts secured for ADES II and ADES III, and the completion of the acquisition of the Weatherford rigs and the associated operations. Algeria's total contribution to revenues stood at 9% in 2019 versus 6% in the previous year. ADES now has a total of eight rigs in Algeria.

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. With eight from the 12 rigs operational during 2019, Kuwait contributed US$ 106 million in revenue during 2019 versus US$ 10.6 million in the previous year, an 899% increase year-on-year. Kuwait's contribution to total revenue stood at 22% for the year, up 5 percentage points from 2018.

Assets by Country & Type as at 31 December 2019

	Onshore Rig	Offshore Rig	Jack-up Barge	MOPU
KSA	15	6	-	-
Egypt	1	7	1	1
Algeria	8	-	-	-
Kuwait	12	-	-	
Other	-	-	-	-
Total Assets	**36**	**13**	**1**	**1**

Revenue by Segment

(US$ '000)	2019	2018	% change
Offshore Drilling & Workover	171,658	140,010	23%
Onshore Drilling & Workover	252,493	30,998	715%
MOPU & Jack up barge	34,244	32,383	5.7%
Others	19,363	2,172	791%
Total	**477,758**	**205,563**	**132%**

Offshore Drilling & Workover

(36% of revenues in 2019)

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 US$ 172 million in 2019, up 23% year-on-year and contributing 36% to revenue compared to 68% in 2018. Revenue growth was driven by the increase in the number of operational offshore rigs following the acquisition of the three Nabors rigs in June 2018, which contributed to full-year revenue in 2019.

Onshore Drilling & Workover

(53% of revenues in 2019)

During 2019, ADES operated a total of 25 onshore rigs, of which 21 were part of the Weatherford acquisition and two which were newly built rigs for KSA. Subsequently, revenue generated from Onshore Drilling & Workover operations stood at US$ 253 million in 2019 compared to US$ 31 million generated in 2018. This represents a 715% year-on-year increase with the contribution to revenue rising to 53% for the year versus 15% in 2018.

MOPU & Jack Up Barge

(7% of revenues in 2019)

ADES' MOPU services were first introduced 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 US$ 26.2million in 2019 flat on 2018. The contribution to revenue decreased from 13% in 2018 to 5% in 2019, reflecting the higher contribution made by the Group's Offshore and Onshore Drilling & Workover segments.

The Group's jack-up barge generated US$ 8 million in revenues for 2019 compared to US$ 6.7 million in 2018.

Others

(4% of revenues in 2019)

Other revenue, which mainly includes catering revenue, mobilization revenue, the rental of essential operating equipment that the client has not supplied, and site preparation revenue stood at US$ 19 million in 2019 versus US$ 2 million in 2018. Catering and site preparation revenues related to the Group's recent acquisitions contributed c.70% of the year-on-year growth of other revenues.

Operating Profit

Operating profit in 2019 stood at US$ 124.4 million in 2019, up 75% year-on-year from US$ 71 million in 2018.

The Group's EBITDA recorded a 91% year-on-year increase to US$ 193 million in 2019 from US$ 101.1 million in 2018, while EBITDA margin stood at 41% in 2019 versus 49% in the previous year. The EBITDA margin contraction was due to a growing contribution from the increased onshore drilling and workover activities in KSA, Algeria and Kuwait and the appreciation of the Egyptian pound experienced during 2019.

Net Finance Charges

Reported ADES' finance charges reached US$ 88.7 million in 2019, a 184% increase from the US$ 31.2 million recorded in 2018. Higher finance charges during 2019 were related to the below one-off finance charges and the new banking facilities secured by the Group and the successful issuance of the Group's five-year bond which provided additional liquidity, headroom and financial flexibility. Additionally, to support business growth post acquisition, ADES replaced the Letters of Guarantee associated with the Weatherford rigs.

The normalised finance charge was US $61.1 million. This excludes one off finance charges related to loan fees and written off prepaid transaction costs amounting to US$ 27.6 million.

Meanwhile, the Group had finance income of US$ 0.5million in 2019 leading to a net finance charge of US$ 88.2 million.

Statutory and Normalised Net Profit

Normalised net profit, before non-controlling interest, was US$ 72.7 million in 2019. This represents an increase of 63% year-on-year from a normalised net profit of US$ 44.7 million in 2018. The normalised net profit margin stood at 15.2% in 2019 which reflects the new business distribution following the acquisitions, higher finance & depreciation charges during the year.

ADES' reported net profit after minority interest was US$ 28.6 million in 2019, a decrease of 61% year-on-year from the US$ 72.9 million in 2018. The decrease was driven by significant non-recurring charges, including:

- one off finance charges related to loan fees and written off prepaid transaction costs amounting to US$ 27.6 million;
- accounting adjustments stemming from IFRS 3 (Business Combinations) and a bargain purchase gain of US$ 11.9 million;
- non-cash, equity-settled share-based payment compensation from the Parent Company of US$ 11.3 million;
- non-cash fair-value adjustment gain under financial instruments of US$ 0.8 million;
- non-recurring transaction costs of US$ 6.4 million;
- non-recurring integration program costs US$ 8.5 million.

Balance Sheet

Assets

Total assets stood at US$ 1.43 billion as of 31 December 2019, representing a US$ 32% million increase from the US$ 1.08 billion at year-end 2018. Net fixed assets closed at US$ 987 million as of 31 December 2019, an increase of US$ 266 million from the previous year's close of US$ 727 million. This increase was largely driven by the consolidation of newly acquired assets under the Weatherford transaction in Algeria and Iraq, in addition to the capital expenditure related to four rigs in Kuwait and the two newly built rigs for KSA.

Net accounts receivable current and no-current stood at US$ 130.7 million as of 31 December 2019, up from US$ 100.8 million as at 31 December 2018. The increase was mainly due to the significant growth in revenues in 2019. However, it must be noted that, as a whole, the Group witnessed a noticeable improvement in average collection rates compared to 2018, as result of a better geographical diversification of the business. Egypt's average collection days experienced modest improvements but remained relatively high primarily due to one client that is yet to reach production capacity on its drilling programme.

Liabilities

ADES' total liabilities stood at US$ 978.8 million as of 31 December 2019, up from US$ 663.2 million as at year-end 2018. The Group's total interest-bearing loans and borrowings grew by US$ 163.9 million from the US$ 555.3 million as of 31 December 2018 to the US$ 719.2 million at the end of 2019. This included the issuance of the Group's first five-year bond for a total value of US$ 325 million, which was used to refinance the US$ 450 million syndicated facility secured in March 2018 as ADES worked to optimise its capital structure.

During the year, ADES also secured a US$ 144 million top-up to its Alinma facility to fund operational growth, of which US$ 80 million were utilised during 2019. In addition, the Group secured a US$ 80 million long term loan facility from National Commercial Bank, which was drawdown and available in cash balance as of 31 December 2019.

Net debt increased to US$ 606.2 million (on a pre-IFRS16 basis) as of 31 December 2019, compared to US$ 424.4 million as of 31 December 2018, reflecting the increase in interest-bearing loans and borrowings to finance a period of investment, including the purchase of two new-build land rigs in KSA, capital expenditures related to upgrade works on several of ADES' rigs and the completion of the Weatherford acquisition in Algeria and Southern Iraq.

Total re-payment of US$ 60 million during 2020, when the grace period for Saudi-based loans expires.

Cash Flow

Cash Flow by Activity

(US$ '000)	2019	2018	% change
Cash Flow from Operating Activities	171,971	51,199	236%
Net Cash Flow Used in Investing Activities	(256,228)	(379,396)	-32%
Net Cash Flows from Financing Activities	72,983	311,307	-77%

Cash Flow from Operating Activities

In 2019 cash flow from operating activities was US$ 171.9 million, compared to US$ 51.2 million as at 31 December 2018, representing a strong 236% increase year-on-year, on the back of the significant increase in operating rigs in 2019. Additionally, the Group more efficiently managed working capital primarily due to the expanded presence in Kuwait and KSA who have faster payment terms.

Net Cash Flow Used in Investing Activities

Net cash flow used in investing activities stood at US$ 256 million in 2019, 32% lower year-on-year. The reduction follows the significant growth capital expenditure deployed in 2018 related to the successful completion of the Weatherford transaction in KSA and Kuwait amounting to US$ 215.5 million, as well as the US$ 83 million related to the acquisition of the three Nabors rigs. In 2019, capital expenditure stood at US$ 256 million attributed to the acquisition of the Algerian and South Iraqi land rigs from Weatherford; investment to purchase two new-build land rigs for KSA; and spend to upgrade ADES's rigs The Group expects lower levels of capital expenditure in 2020, after successfully completing the acquisitions and its related capital expenditure over the Group's course of business in 2018 and 2019.

Net Cash Flow from Financing Activities

Net cash flows from financing activities stood at US$ 73 million in 2019, down 77% compared to US$ 311 million in the year ended 31 December 2018. The cash from financing activities during 2019 represents utilisation of overdraft facilities of US$ 22.5 million; utilisation of US$ 325 million bond proceeds to refinance US$ 337.9 million of the Group's syndicated facility granted in March 2018; and utilisation of US$ 80 million from the Alinma facility to fund operational working capital. Additionally, ADES drew down the US$ 80 million NCB facility which is available in cash balances as at 31 December 2019. This was partial offset by the principal re-payment of the syndication facility of US$ 7.5 million.

Interest and finance lease liabilities paid during the period amounted to US$ 63.2 million. Furthermore, the group bought US$ 3.5 million worth of treasury stock as part of the announced share buyback program.

The Group has a total loan repayment of approximately US$ 60 million in 2020 and targets a net leverage ratio at 2.5x to 3x.

Principal Risks & Mitigations

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

Risk management is essential to implementing the Group's strategy and delivering long-term value to its stakeholders.

Going forward, we will continue to build on our existing risk mitigation framework and enhance our risk management and internal control systems across the business in line with changes to the UK Corporate Governance Code.

The Board has carried out a robust assessment of the Company's emerging and principal risks and details of the principal risks are set below along with the procedures in place to managed or mitigate these risk.

Risk	Description	Mitigations
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 currently focused on workover and maintenance activities, which are generally less sensitive to volatility in oil and gas prices
2	Rig upgrade and refurbishment projects, rig relocations and acquisitions of additional rigs are all subject to risks, including delays and cost overruns	• 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
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 had the highest offshore rig utilisation rate globally at 74% (global average 64%) and onshore rate of 61% (global average 53%)by the end of 2019[1] • We minimise our OPEX through the utilisation of local workforce, allowing it to charge competitive day rates • During market downturns, we study potential legacy asset acquisitions for competitive prices, positioning the Group favourably for market recovery
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 2019, we have achieved over 13.6 million-man hours with an RIFR (per 200,000 working hours) at 0.41, below the IADC worldwide standard rate of 0.63
5	The Company relies on a relatively small number of clients and the loss of a significant client could have a material adverse effect on the Company	• 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 2019 • We successfully expanded our fleet and geographical footprint in 2019, further diversifying its sources of revenue and reducing the risk associated with any one client.
6	The Company 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 2019, our backlog to net debt ratio amounted to 2.2x.
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 to reduce the risk of adverse business in any markets in which it 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.
8	The countries in which the Company operates or plans to operate may face significant economic and regulatory challenges. For example, the Egyptian economy may be subject to the risk of continued high and increasing inflation due to the devaluation of the Egyptian Pound and recovery in GDP growth rates as economic reforms continue to be implemented	• Egypt 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 this year. • 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 Company's business. Egypt's contribution to total revenue has fallen significantly between 2016 and 2019, from 81% to 18%.
9	Covid-19 pandemic, post reporting period: the global spread of COVID-19 presents business continuity risks to ADES including, but not limited to, the spread of infection on the Group's rigs and vulnerability of employees' health and safety, supply-chain disruptions and their effect on the delivery parts and supplies and travel restrictions and ability to mobalise crews.	• ADES has put in place the necessary contingencies and protocols to ensure business continuity. Key efforts include the establishment of a Crisis Management Board (CMB) to manage and oversee all efforts related to COVID-19 at ADES's headquarter and operating countries. The CMB has developed a holistic plan covering situation monitoring, prevention measures and response and recovery efforts, including: ▪ Extending crew shifts from 14 to 28 days across ADES' fleet to minimize travel. Prior to shift change, incoming crews are first quarantined in hotels under ADES' supervision for screening to reduce risk of introducing infection. ▪ Backup crews in each country and detailed step by step disinfection protocol as part of recovery plans in the event of an infection on our rigs; ▪ Awareness campaigns for employees, frequent disinfecting and cleaning, travel restrictions, personnel screening and testing, increased sick-leave flexibility and deploying technology to support remote working policies, where possible; ▪ Monitor travel-ban updates and address the impact on business continuity; ▪ Business continuity plan including a 'flying squad' crew in each country and close coordination with customers and suppliers; ▪ Contingency stocks of food on all rigs in case of quarantine for 14 days after discovery of any suspected case; ▪ Maintaining supplies and material inventory to cover three months of operation; ▪ Communication protocol established internally and with our customers and suppliers; ▪ monitoring operations in line with updates and guidance from the World Health Organization, International SOS and local governments and authorities in countries where the Group operates, and systematically monitoring triggers, assessing risk and impact and defining response actions at various levels from rig to country and HQ level.

[1] *WGE Analysis*

Sustainability

Sustainability continues to be a guiding principle in everything we do at ADES, with our approach to responsible operations built upon an ethos of continued attention, improvement, and development of sustainable practices across our footprint

Our Sustainability Journey

2019 saw our growth journey position ADES as a regional champion for drilling services in the MENA region. With an increased footprint and elevated influence, we have a responsibility to ensure that our sustainability journey reflects our new position.

We work with our clients, partners and stakeholders to better understand their own missions and objectives before taking positive action. With the significant increase in climate change awareness during 2019, stakeholder engagement, combined with continual market analysis and measurement of our own activities, will be key in understanding the materiality of our sustainability impacts and future priorities. We are focused on perfecting a strong corporate culture committed to safe and environmentally conscious operations, whilst also driving increased operating efficiencies and creating and preserving long term value. In striving for continual improvement, ADES implements actions that help us conduct our business to high ethical standards, in an open and honest manner, encouraging transparency and shared responsibility.

A Bridging Year

The 2017 and 2018 sustainability reports provided an overview of the framework we have established and used to manage the health and safety of our employees, and our potential impacts upon receptors such as communities and the environment. We also highlighted the proactive initiatives we have invested in and delivered, to create economic and social value in society.

Our hard work in 2019 sought to build upon previous activities, strengthening the scope and scale of data collection in our Egyptian operations and using that well-established culture to build up data in our other countries of operation. Another key part of our 2019 journey was to extend that framework to embrace the activities of the new teams that joined us as part of the strategic rig acquisitions from Nabors and Weatherford.

2019 is therefore a bridging year between our foundational framework for sustainability, anchored in our ISO-certified systems, and our ambitions for the next two years. We plan to extend the approach that delivered successful outcomes and progression in Egypt to our operations in Saudi Arabia, Kuwait, and Algeria. The approach we will take in 2020 and 2021 will be supported by a materiality assessment, and will continue to align with our long-term sustainability ambitions, international standards and best practices. . In particular for each matter which comes before the Board, the Board plans to consider the likely consequences of any decision in the long-term and identify stakeholders who may be affected, and carefully considers their interests and any potential impact as part of the decision making process. The Board also plans to identify the Company's most significant stakeholders in terms of impact and materiality, and include an outline of the board's process in making this assessment in next years' report. The Board also plans to consider how it receives input and information from stakeholders and report on that.

Timeline of ADES' Key Strategy in ESG

- **2017** – Collection of ESG data; Egypt focus
- **2018** – Collection of enhanced ESG data; Egypt (pilot) focus; acquisition of new businesses
- **2019** – Inclusion of newly acquired businesses; Egypt data improved; collection of initial ESG data for overseas entities
- **2020** – New leadership structure; new EHS programme; materiality assessment; initial screening against UN SDGs
- **2021** – Focus on priority actions from materiality assessment; maturing of ESG data

Our Sustainable Practices

Our sustainability performance continues to be underpinned by four key elements that are intrinsic to our values and support the Group's strategic business priorities.

- **Governance and Responsibility** – Health, Safety and Quality
- **Ethics and Safety** – Creating Social Value
- **Communities** – Environmental Stewardship
- **Environment**

Governance and Responsibility

Our corporate governance structure is designed to ensure we are well-positioned to conduct our business appropriately and always strive to deliver the best value for our shareholders, customers, suppliers, employees, and the communities in which we operate. We recognise the responsibilities that we share with our partners and suppliers, and we remain committed to establishing open and transparent relationships with them.

At ADES, our approach to sustainability is governed by a structure that recognises its importance at the very highest levels of executive leadership. Executives with Board, leadership and management responsibilities are involved in setting and approving the formal approaches to environmental management and sustainability initiatives. Our policies are put in place to anchor commitments, intentions, aims, goals and the positive culture that ADES expects all employees to embrace and demonstrate through actions.

Going forward, ADES is planning to carry out a materiality assessment on the sustainability aspects of its operations and activities and their effect on the Company's value in the short and long term. This is the process of identifying, refining, and further assessing the wide range of potential ESG issues that can affect the business and its stakeholders, and after analysis, prioritising them into an action list that will further inform company strategy and redefine targets. In particular the Company will be seeking to identify sustainable practices that provide opportunities to enhance the value of the Company. ADES will be able to plan for future sustainability risks and opportunities more effectively, with decision-making rooted in the findings of these investigations. The materiality assessment will be prepared by an independent professional company and the results summarised in the year 2020 sustainability report.

> *ADES has made important progress in reporting on its business operations and disclosing our performance in health and safety and sustainability. The social arena also is, and will remain, an important part of our journey of continual improvement. We aim to cover a wider scope of sustainability as we grow and mature, in alignment with global, standardized best practices.*
>
> ***Ahmed Abo ElSaoud,***
> *Communications and Sustainability Manager, ADES*

Striving for Regional Leadership in Ethical Business

We seek to uphold high ethical standards and sound business principles in all MENA-based operations and the surrounding society. This is firmly reflected in our corporate values of safety, integrity, customer focus, performance, agility and innovation, as well as in our Corporate Culture and Business Ethics Policy. Our policy outlines the core values and business principles of ADES, and includes a section where employees are required to acknowledge the latest version and make a personal commitment to its contents.

As an extension of our growth journey, our resulting market position and listing on the London Stock Exchange, ADES is aware of its responsibility to demonstrate comprehensive and robust sustainability performance. We seek to operate responsibly in alignment with the formal legal and regulatory disclosure requirements expected of a UK-listed company and the UK Corporate Governance Code, to the extent applicable to ADES.

Key Content of Corporate Culture and Business Ethics Policy

The ADES Corporate Culture and Business Ethics Policy provides a framework to guide us in making good and responsible choices in business. The Group does not want to simply abide by the law, it is looking to use sound judgement to become highly-principled and socially and environmentally responsible in all business practices.

All internal stakeholders are expected to conduct themselves accordingly, and seek to avoid even the appearance of improper behaviour. Employees and managers are responsible for understanding legal and policy requirements that apply to their jobs and roles. They are also required to report suspected violations of the law and this code to the Group's compliance office, heads of department or line manager.

Our Commitment to Compliance

We maintain globally-recognized ISO certifications for our management systems and adopt best practices in all environmental and social aspects of operation. Our alignment with the European Bank for Reconstruction and Development's ten performance requirements and guidance demonstrates ADES' commitment to international best practices. We also drive our performance forward by setting key performance indicators (KPIs) and carrying out regular reviews to monitor progress and confirm that actions are implemented as planned.

ISO Certifications

Standard	Description	Validity of certification
ISO 9001: 2015	Quality Assurance	14 September 2018 - 14 September 2021
ISO 14001: 2015	Environmental Management System	14 September 2018 - 14 September 2021
ISO 18001: 2007	Health & Safety	14 September 2018 - 12 March 2021

Ethics and Safety

ADES considers safe working environments to be a core value, a choice and a business priority. The Group is committed to providing a safe work environment for employees and contractors. Our current Health and Safety (H&S) Policy states that "ADES is committed to developing and maintaining a premier H&S culture for all parties associated with the Group and its operations. In case of conflict, safety will always come first".

Safety by Choice, not by Chance

We seek well-known strategies to eliminate risk from our operations across all geographies. Our carefully-designed training programs are pitched to ensure that awareness of our safety culture is included in every course delivered to employees. We also carefully monitor and ensure the rigorous application of safety procedures at company, team and individual levels. General aspects of Occupational H&S (OHS) are incorporated into induction trainings for new employees, while existing employees continue to receive specific trainings on an ongoing basis for the diverse tasks required onboard rigs and ancillary functions.

Our safe work environment is achieved through the systematic implementation of job risk assessments, to ensure that all relative hazards and associated risks have been identified and quantified across all ADES' rigs. In addition, we adopt a structured Permit-To-Work system, hold pre-job safety meetings, and share robust, tailored emergency response plans (including regular emergency drilling simulations). The use of personal protective equipment is compulsory across all rigs and is in line with offshore and onshore standards. These safety initiatives, and more, are included in ADES' certified Health, Safety and Environment (HSE) Management System.

Implementing Tailored Employee H&S Programs

To promote our performance on safety and sustainability, ADES has designed several programs aimed at raising safety awareness for individuals. As evidence of this commitment to safety, total training hours across the Group doubled in 2019, with 43% of the total attributable to H&S training activities.

Our Incident and Injury Free Program (the IIF), first introduced in 2018, now embraces the principles of process safety. The program was rolled out to all MENA facilities in 2018 and 2019, and motivates employees to take on personal responsibility for day-to-day actions. It puts in place a grading system based on involvement, which helps employees align their performance KPIs with individual and shared values, commitments, responsibilities and ADES' policies and procedures.

Case Study

ADES SHIELD: Stop Hazards, Inform, Engage, Learn and Demonstrate

"ADES' 8 Keys to Incident-Free Operations" Campaign: This is a new set of golden rules, launched in 2019, which reflects ADES' commitment and desire to be incident-free. We reviewed best practices across the industry and reviewed the Group's own results and challenges to guide future development. This campaign will be rolled out to all regions in 2020.

HSE Recognition Program: In 2019, our CEO launched a special recognition program to drive employee safety by offering monthly awards. They are the HSE Award, Best Time Out for Safety Award, SHIELD Card Award (an internal brand chosen by employees through a naming competition) and Annual Rig Free LTI Award.

HSEQ Foundation and Excellence Leadership Program: We launched the HSEQ Foundation and Excellence Program in 2019 to foster positive change in behaviours and skillsets that will lead to an improved safety culture. This program will be rolled out amongst all ADES fleets and employees in all countries of operation.

Analysing Data to Safeguard People, Workplace and Assets

ADES began implementing a robust reporting system in 2018, capturing data and information on safety performance across all countries of operation. The Group measures performance through process safety events, lost time injury frequency (LTIF), Recordable Injury Frequency Rate (RYFR) and near misses, in line with best practices.

Our goal is to achieve top industry quartile safety performance in the region. During 2018 and 2019, we continued to improve our performance in this area and saw an overall decrease in the number of lost-time injuries, total recordable injuries, and high-potential incidents recorded across operations.

Outlook

In 2020, ADES will further improve its safety performance follow-up and reporting by including enhancements in the analyses and techniques used when investigating accidents and incidents. We will continue to investigate and carry out the required follow-up to further understand the root causes of such events, and scrutinise the growing sets of quantified data we hold to identify trends and reasons for recurrence. ADES will also consider utilising developments in digital, big data and artificial intelligence software as part of the analyses of data and to further improve our methodologies.

Communities

We recognise that social performance is inherently interlinked with our employees and supply chains, and as such, continually work to improve relationships with them. Therefore, our commitment to partnership, collaboration, and open engagement with our stakeholders is at the core of our activities.

EGYPT OIL & GAS
CSR SUBCOMMITTEE
Part of EOG Technical Committee

The Egypt Oil & Gas Corporate Social Responsibility (CSR) Subcommittee

We seek well-known strategies to eliminate risk from our operations across all geographies. Our carefully-designed training programs are pitched to ensure that awareness of our safety culture is included in every course delivered to employees. We also carefully monitor and ensure the rigorous application of safety procedures at company, team and individual levels. General aspects of Occupational H&S

Investment in Creating Social Value

Social value plays a key role in ADES' business activities, and we continue to approach this using three key steps: assessing; managing; and strengthening. This is part of the comprehensive management system we use to identify Environment, Health, Safety and Security (EHSS) risks, as we look to ensure that our plans and operations bring additional social value to the communities where we operate.

We have developed and implemented a Stakeholder Engagement Plan (SEP) in 2019 as a part of ADES' efforts to improve management of human rights and quickly address any challenges. The SEP is regularly updated and includes specific engagement actions and high-level disclosures on our entire range of activities, both onshore and offshore, with individual impact analyses. We have also put grievance mechanisms on the ADES website and intranet for the submission of complaints. Employees and workers are encouraged to use the ADES intranet, and any complaints raised by an external party can be submitted through the main website. The HR Team also visits and monitors operations at the offshore and onshore rigs regularly.

Further to our internal efforts and through the years, ADES has collaborated with and financially supported several charitable organisations. This also includes providing ADES employees with the opportunity to donate their time and knowledge, as well as take part in initiatives that improve healthcare, access to food, improving education and preserving cultural heritage.

The Blood Donation Campaign

This represents the first joint CSR cooperation activity between national oil companies (NOCs), international oil companies (IOCs) and Joint Ventures (JVs) under the umbrella of the Egyptian Petroleum Ministry. ADES took part in the campaign by creating donation points in our headquarters, at sites, oilfields and refineries. The campaign achieved remarkable results, with 4,426 donors across 78 premises, and with 13 oilfields helping and aiding 13,280 patients.

Remotely Operated Vehicles (ROV) Competition

ADES has sponsored the Arab Regional ROV Competition organized by the Marine Advanced Technology Education (MATE) as a continuation of our longstanding contribution to the development of young engineers. This investment provides budding innovators with the opportunity to apply science, technology, engineering, and maths (STEM) to challenging business areas. The overall aim is to solve real-world problems in a manner that strengthens critical thinking, collaboration, entrepreneurship, and innovation. The competition challenges teams from community colleges and universities from all over the world to design and build ROVs that can complete missions that are based on scenarios in an ocean environment. It is structured to allow beginner, intermediate and advanced participants to showcase their skills and complement their education with experiential situations.

Graduate Training Program (GTP)

We contribute to building skills across communities where we operate by regularly supporting education programs. The GTP aims to create a pool of highly-motivated engineers, graduated from a range of disciplines such as petroleum, mechanical, electrical and marine. It equips them with both hands-on and classroom trainings in a FastTrack program to further empower them and expand their knowledge.

The Petroleum Arab Conference and Exhibition (PACE)

In 2019, ADES sponsored PACE, a conference held in coordination with the Student chapters of the Society of Petroleum Engineers (SPE), for the second year in a row. The conference aims to maximise the capabilities of youth in the upstream oil and gas industry, and narrow the gap between academia and the faster-paced work environment by equipping students with tools needed to launch their careers. This three-day event targets around 450 attendees from universities such as Cairo, Suez and Alexandria Universities, and offers more than 8,000 training hours. ADES supports this event by providing technical sessions in HSE, drilling techniques, and stuck pipe solutions .

Al Joud Foundation

ADES invests in varied community projects to provide local beneficiaries with social and economic development. In Egypt, there is a mismatch in the provision of good quality healthcare services when compared to the demand from a growing population .

Al Nas Hospital

ADES is a main partner and contributor to the mega-project Al Nas Hospital, established to support and improve the health and well-being of community members in need. The Group contributes to the funding of this healthcare complex, which is expected to serve over 20,000 in-patients and 400,000 outpatients annually. The complex will employ over 1,000 physicians, as well as workers across other medical, administrative, and support services, to provide best-in-class medical aid to all patients.

Increasing our Focus on Human Rights

ADES recognises its responsibility to respect human rights through and throughout all aspects of doing business. The ADES Human Resources (HR) Policy is part of an evolving HR framework, designed to put mechanisms and procedures in place that work to eradicate discriminatory behaviour on the grounds of race, disability, and gender. Furthermore, and across all geographies, we strive to attract local individuals to our workforce, to support communities in which we operate. We will continue to embed human rights in our current and future frameworks and processes, to showcase our respect for human rights across all operational practices. We are also committed to further aligning our policy with international standards and the International Labor Organization's (ILO's) fundamental conventions.

Inclusion and Diversity

Our HR policy reflects how we value and ensure inclusion and diversity at ADES, and as such, it incorporates stringent equality and non-discrimination clauses. We also recognise the significant gap between male and female employees, which is largely skewed by local country and sector demographics. Therefore, we aim to reduce the gender gap by promoting opportunities for female education and training in engineering, and remain committed to boosting female participation across our activities. We also provide flexible working time and career break policies for working mothers. ADES has also begun preparing rigs to host female employees, with several visits were conducted by female management in 2019.

Responsible Acquisition Policies

No direct land acquisition that may result in physical or economic displacement is carried out as a part of ADES' operations offshore. Onshore, ADES is contracted for a predetermined amount of time in specific locations within an operator's field; during that time, it ensures that no direct land acquisition or displacement results of its own and its operator's activities. Despite operating as a contractor, with all legal obligations pertaining to land acquisition and displacement resting with the operator, ADES is committed, where required, to verify and provide supporting evidence alongside the operator that activities will not result in any physical or economic displacement.

Environment

As an oil and gas services provider, operating within one of the most emission-intensive sectors, we have a responsibility to measure, manage and mitigate our environmental impact. In 2019, the world saw an increase in awareness and action pertaining to climate change, and many cities, countries and businesses around the world set a strategic target for 'Net Zero' greenhouse gas (GHG) emissions. This was in addition to new guidance, regulations and market drivers for the consistent and accurate communication of environmental, social and governance (ESG) key performance indicators. In response to these market changes and following direct engagement with our key stakeholders, ADES is accelerating its journey towards full ESG disclosure.

Our Strategy

ADES recognises the ongoing transition to a lower-carbon world. We expect hydrocarbons to remain a key element of the global energy mix for many years ahead, as it continues to be a primary energy source amid growing societal demand. However, we are committed to managing carbon emissions and associated risks that impact climate change, and as such, are planning to implement a Carbon Strategy in the medium-term across all our operations. Parts of that strategy will aim to increase alignment with international standards, such as ISO 14064-1, and confirm and fortify our datasets to ensure that gaps are filled and that our data collection grows over time. Our strategy will look at baseline and absolute GHG emissions, in addition to metrics on carbon intensity that factor-in the trends of growth across our operations. It will also consider all business functions and identify where reductions in GHG emissions can best be made. The recent appointment of a single point of contact in each country, responsible for the collection of ESG data, will help deliver this.

To better understand our performance and footprint in 2019, we launched a pilot to collate our first complete GHG emissions' dataset for Egypt, and aim to roll this out to Saudi Arabia, Kuwait and Algeria in 2020. We also formalised the role of Sustainability Manager for the Group, with their primary responsibility being driving the momentum of our sustainability strategy and efforts to ensure that high standards of ESG practices are being implemented, and that environmental performance is improving across ADES' geographical footprint.

Transitioning to Evidence-Based Environmental Management

The Group is committed to reducing harmful effects and increasing protection by developing procedures that minimise the Group's impact on the environment and communities where we operate.

Energy and Greenhouse Gas (GHG) Emissions

ADES' Carbon Dioxide Equivalent (tCO2e) Emissions in 2019 (Total Absolute Tonnes)

565,489

Scope 1 (direct – from consumption of fossil fuels), a 17.5% increase

245

Scope 2 (indirect – from purchased sources such as electricity), a 6% increase

ADES' Egyptian operations are a pilot study for GHG emissions data capturing, representing one of our four regions of operations. The HSE team – in cooperation with the maintenance team – has been implementing a plan to reduce emissions which has resulted in single digit reduction in overall emissions of carbon dioxide, nitrous oxide and methane. ADES is also working to align its GHG emissions reporting with regional regulatory requirements and other best practices and standards. We will focus our reduction efforts on exhaust stack emissions, the largest source, and plan to begin mapping Scope 3 emissions starting 2020.

The focus in 2020 will be on improving data quality and completeness across operations, with ADES liaising with third party professionals to bolster sound governance around ESG data collation. **The Group will complete this through various efforts that include:**

- Fully reviewing and auditing existing data
- Determining data completeness or applying suitable extrapolation
- Recording the latest emission data at each location and/or country
- Providing recommendations for short- and long-term actions to establish a recording process for the Group's GHG footprint
- Aligning the Group's GHG emissions' management with international standards such as the GHG Protocol and ISO 14064-1

Air Quality and Noise

ADES carried out its annual Air Quality and Noise Monitoring Programme across multiple rigs throughout 2019, with the measurements abiding by local and international standards and best practices. The overall objective was to ensure environmental compliance with Law 9 (2009) and its Executive Regulations issues via Decree No. 964/2015, set forth by the Egyptian Environmental Affairs Agency (EEAA). For air quality, we conducted emissions measurements and ambient air quality measurements for CO, SOx, NOx, PM10, PM2.5 and TSP, as well as exhaust stack GHG emission from generators. The noise assessment was carried out by our local partner using Type 1 (precision grade) equipment, compliant with IEC 1672 Class 1 and IEC 942 Class 1 standards, and capable of recording the full range of required noise level parameters.

Our results show that concentrations of particulate matter, measured gaseous pollutants and noise pollution were all within the required EEAA legislative tolerances and below the maximum permissible limits across all our rigs tested. In 2020, ADES will strive to exceed compliance rates and make further reductions where feasible.

Water

ADES is currently assessing needs and practices at our sites of operation to be able to modify, improve and reduce water consumption across them without affecting operational needs. Progress was made in 2019 to collect water data in Saudi Arabia and Algeria, and we are looking to extend this to Egypt and Kuwait in 2020.

Volunteering to Clean the River Nile

As part of ADES' contribution to a cleaner environment, employees volunteered in a large-scale Nile clean-up in 2019. The event was held in cooperation with VeryNile, the first initiative to tackle large-scale removal of wastes from the River, founded by startups Bassita and Greenish. ADES recorded over 180 hours of work, collecting a truckload of waste and litter (around 2.5 tonnes) from the Nile, that was forwarded for segregation and potential recycling.

The event had tremendous positive effects on employees, and provided them with knowledge on the adverse impacts of plastics in the receiving environment. This physical experience also raised awareness on the amount of unnecessary plastics purchased and used in everyday life, and the alternative products available. It also encouraged ADES' employees to volunteer for similar opportunities offered by ADES and external organisations. As a result of the high levels of engagement, ADES intends to support more activities in 2020, and contribute to raising more awareness about our environmental responsibilities.

Waste

For non-hazardous wastes from facilities, ADES reported a total of 615 tonnes, of which just over 62% was domestic, 37% food waste and 0.5% was paper.

For hazardous wastes, 26.17 tonnes was collected under service agreements, which consisted of chemicals (0.75%), polluted water (22%), spent oil (77%) and medical (0.4%).

In 2019, ADES signed formal service agreements with third-party certified waste companies to transport its waste from the the Group's varying locations to destinations that recycle or safely dispose of non-hazardous and hazardous wastes. The agreement, signed by both parties, states that both are to comply with Egyptian laws on waste disposal, with the companies also acknowledging ADES' expectations and requirements on robust waste transport and handling. To that end, the Group's Occupational Health and Safety Policy, the Environment Policy and Land Transportation Policy are appended to the agreement. ADES is committed to track its performance in waste management and report on progress in tracking, measuring and reducing wastes in future reports.

Planning our Future Sustainability Agenda

ADES has planned further developments for its sustainability strategy in 2020 that should further explain anomalies and fill gaps. They should also assist the Group in collating a comprehensive and robust dataset for all international activities, based on the successful framework launched in Egypt. This roll-out will be planned and delivered stage-by-stage, and will include requirements for reporting to ADES centrally, training programs, and regular reviews related to ESG data and information.

Reporting Mechanisms and Performance Reviews

The key aim behind improving the quality of our datasets is to allow ADES to swiftly pursue international carbon reporting mechanisms such as the CDP (Carbon Disclosure Project) and potentially Science Based Targets Initiative (SBTi). Such progressions are the next steps on the carbon journey and will lay the foundations for more detailed action, such as joining the Task Force on Climate-related Financial Disclosures (TCFD). TCFD reporting is used by companies to declare their approach to climate change mitigation, transition risks to the new net zero emissions' economy and increase adaptation and resilience to climate impacts.

Other features of sustainability management that ADES will consider include:

- A mapping exercise of its activities against the United Nations' 17 Sustainable Development Goals (SDGs) and the indicators under each goal
- Performance reviews against the principles and criteria of the Global Reporting Initiative (GRI)
- Developing a set of metrics to better review ESG data on a regular basis. This will include absolute and intensity data, normalization and conversion factors where appropriate, and relevant KPIs. These can be integrated into the existing Energy Management Systems and reports on sustainability performance.

A key gateway activity to help achieve the directions and outcomes described above is the preparation of a materiality assessment for ADES. Critical components include:

- Face-to-face meetings with key ADES management, coupled with intensive desk-based research, to produce and compare old and current data on ESG practices
- A stakeholder engagement exercise, where ADES executives, employees and a selection of representatives from suppliers, customers and investors, are interviewed. This should help us better understand the culture, priorities and expectations for ESG and sustainability performance
- An analysis of the findings, including benchmarking them against leading global standards such as the GRI. We will specifically examine factors such as the most critical areas of economic, environmental and social significance to ADES, and the influence these areas have on stakeholder perspectives and decision-making

Content drawn up through these activities will identify new and proven opportunities, best practices and innovations for ADES. By improving on the sustainability framework established in Egypt and extending it to its international locations, the Group will be able to embrace a wider range of commercially viable environmental and social solutions that will enhance its overall sustainability strategy and demonstrate improvements in performance going forward.

CORPORATE GOVERNANCE

Corporate Governance

Corporate Governance Statement

Since listing on the London Stock Exchange in 2017 ADES has undergone significant expansion during 2018 and 2019. However, ADES remains focused on maintaining a robust corporate governance framework and it regularly augments its internal procedures and structures to align with the highest international 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. This is the approach the Company has adopted since its shares were first admitted to trading on the Main Market. The UK Governance Code can be found on the Financial Reporting Council ('FRC') website at www.frc.org.uk.

Ayman Mamdouh Abbas

Chairman Appointed: 22 May 2016
Mr. Ayman Mamdouh Abbas (Chairman)

Mr. Ayman Abbas is currently the Executive Chairman of Intro Holding Group, and Owner of M2 Developments. He also currently 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 consult on oil & gas sectors. 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 addition to the previous, 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. In 2003, Mr. Abbas became the Managing Director and a Board Member of ADES. Mr. Abbas holds a bachelor degree in Arts and Mass Communications from the American University in Cairo.

Dr. Mohamed Farouk

Appointed: 22 May 2016
Dr. Mohamed Farouk Abdelkhalek (Managing Director)

Dr. Farouk has been a member of the 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. He has his PhD in Systems Engineering and Control from Case Western Reserve University in Ohio, USA and serves as an Associate Professor of Electrical Engineering at Cairo University.

Nabil Kassem

Appointed: 1 March 2017
Non-Executive Director

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, a Masters in Engineering in Control Systems from Sheffield University and a Diploma from Sloan School of Management. Electrical Engineering at Cairo University.

Mohamed Walid Cherif

Appointed: 1 March 2017
Non-Executive Director

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 $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 a Master in Business Administration in Finance and International Business from the George Washington University in the USA, and a Bachelor of Business Administration from the Institue Superieur de Gestion, University of Tunis III.

Ulf Henriksson

Appointed: 1 March 2017
Non-Executive Director

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. He has a BA in Economics and Masters in Engineering from the University of Lulea in Sweden.

Yasser Hashem

Appointed: 1 March 2017
Non-Executive Director

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 t 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.

Hatem Soliman

Appointed: 3 March 2019
Non-Executive Director

Mr. Soliman brings a wealth of international industry experience, having spent 36 years with Schlumberger after joining the Company in 1982. His longstanding 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. He has a BA in Electrical 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

There have been no changes in the interests of each director that have occurred between 31 December 2019 and 25 May 2020 except those announced on the London Stock Exchange's Regulatory New Services.

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. This year, the Board conducted a review of the non-executive directors and their related or connected persons', relevant relationships referencing the criteria set out in the Code. It also reviews the terms of service of directors. The Board has this year determined all of the non-executive directors to be independent of management and free from any business or other relationship which could materially interfere with their ability to exercise independent judgement. The board is of the view that as a significant proportion of the board is made up of independent non-executive directors the continued appointment of an executive Chairman is justified given the wealth of experience he brings to the Company. Furthermore the Audit and remuneration committees meet without the chairman or the other executive director present. The membership of the Board and biographical details for each of the Directors are incorporated into this report by reference and appear on pages 60 and 61.

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 22 June 2020.

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	Nationality
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 2019, the Audit Committee held seven meetings including the required meetings to approve the 2019 annual results and each quarter's interim results. The Committee's latest meeting took place on April 1st 2020 to review and approve ADES' annual results. During the meeting, the Audit Committee discussed the significant issues related to the Annual results, as identified by our External Auditors. For more details, please refer to the Independent Auditor's Report on page 78.

For details of the Audit Committee's role, function and responsibilities, please refer to the Report of the Audit Committee beginning on page 68.

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 24 May 2020.

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 2019, the Remuneration Committee held three meetings 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 70.

[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 three 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 2019, the Nomination Committee held three 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 72.

Meetings and Attendance

Meeting Calendar for 2019

Name	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Annual General Meeting	-	-	--	-	-	10-Jun	-	-	-	-	-	-
Board Meetings		6-Feb 28-Feb	17-Mar 21-Mar 24-Mar	4-Apr 5-Apr 10-Apr 27-Apr 30-Apr	9-May 15-May 25-May	17-Jun	2-Jul 17-Jul 17-Jul		26-Sep	12-Oct	28-Nov	6-Dec
Audit Committee			24-Mar	4-Apr 29-Apr	15-May 25-May				26-Sep		28-Nov	
Remuneration Committee	1-Jan		20-Mar					26-Aug				
Nomination Committee			15-Mar	28-Apr	21-May-19							

Name	Position	Board Meetings	Audit Committee	Remuneration Committee	Nomination Committee
Ayman Abbas	Executive Chairman		N/A	N/A	attended
Mohamed Farouk	Chief Executive Officer		N/A	N/A	attended
Mohamed Walid Cherif	Independent Board Member		attended	attended	attended
Nabil Kassem	Independent Board Member		attended	attended	attended
Yasser Hashem	Independent Board Member		attended	N/A	N/A
Ulf Henriksson	Independent Board Member	Apologized on May 25th 2019 and November 28th 2019 (Unavailable)	N/A	N/A	attended
Hatem Soliman	Independent Board Member	Apologized on November 28th 2019 (Unavailable)	N/A	attended	N/A
Total Meetings	**36**	**23**	**7**	**3**	**3**

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. This process commenced in 2018 and continued during 2019. Following the Board Evaluation that was done by external advisors in 2019,by using online assessment service, to cover the effectiveness of the 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. The board adopted various recommendations including raising the number of physical meetings, sending business updates and working on aspects of the internal audit and risk assessments. 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 2020, The Board have participated in the Annual Board Evaluation Survey, to test the board performance for the year 2019. The results for the Board Survey, shall be used to detect and analyse strengths and weakness of the board, that requires room for improvement. Theboard evaluation was conducted by an online survey accessed by the directors, results of which are shared with the board. The outcome of the evaluation is used to improve and enhance the corporate governance frame of work.

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 22 June 2020.

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.

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.

Shareholders Capital

As at 31 December 2019, the shareholding structure of the Company was:

Shareholders	Shareholding %	No. of shares	Value US$
ADES Investment Holding Ltd	62	27,179,084	27,179,084
Free Float	38	16,614,798	16,614,798
	100	**43,793,882**	**43,793,882**

There have been no disclosures of information in accordance with Disclosure Guidance and Transparency Rules (DTR) 5 between 31 December 2019 and 23 May 2020.

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 external advisors which have been working with the Company to assess and develop its internal procedures for the implementation of its Anti-Corruption and Bribery policy.

The external advisors have conducted " Train the Trainer" workshop, which aimed to train employees from Human Resources, to deliver trainings to the rest of the Company and to head the Training management for the Anti-Corruption and Bribery Policy. In addition, the Human Resources department started to implement in Company policies and trainings, aiming to achieve maximum awareness between all employees and the Company as a whole.

As part of this process, the external advisors 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.

Not mentioning that ADES is keen to participate in workshops concerning ABC, which were organized in Egypt by International Organizations.

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 internal controls in respect of financial operational and compliance matters. 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 April 1st 2020 to review and approve ADES' annual results and discuss the significant issues related to the Annual Results, as identified by our External Auditors.

After the engagement of external service providers, the Head of Internal Audit was appointed in May 2019, through the Nomination and Audit Committees for a one-year term. The appointment was renewed through an Audit Committee resolution on 15 May 2020. The appointment of the Internal Auditor was approved by both the Nomination Committee and the Board. The internal audit plan was approved by the Audit Committee and reports are sent from the Internal Audit and Risk Manager to the Audit Committee on a quarterly basis. The Head of Internal Audit reports to the Audit Committee. The Internal Audit department is now structured and functioning both in terms of Internal Audit and risk function.

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

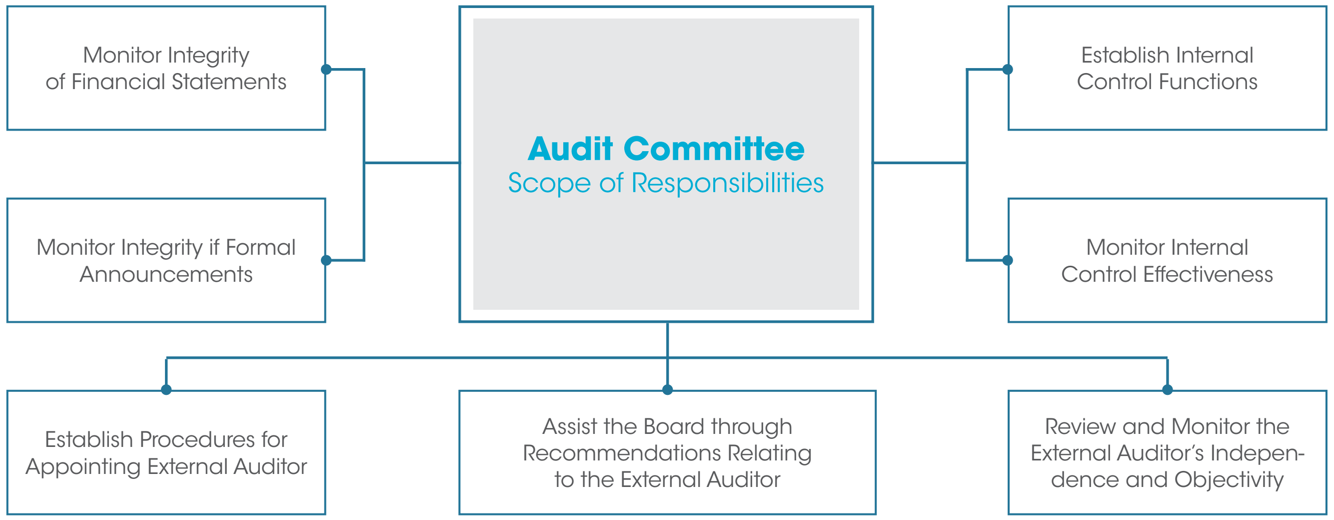
Audit Committee Members

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 10 June 2019 for the 2019 audit of the Group's financial statements, which follows their previous appointments for the 2016, 2017, and 2018 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 78.

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.

In May 2019, ADES have hired a Head of Internal Audit whom regulates and monitors the mission of the Internal Audit function, which is to provide independent, objective, assurance and consulting services designed to add value and improve ADES's operations. The Department contributes to the ADES's achievement of its objectives by implementing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, controls and governance processes and operations. The Head of Internal Audit delivers periodic reports to the Audit Committee, for matters related to Internal Audit and risk assessment. The head of Internal Audit have achieved the following points:

I. In January 2019, one of the top four accounting firms concluded the Internal Audit Function Assessment engagement with an overall rating of (Generally Conforming) which is the highest available ranking. The accounting firm's scope was to assess ADES's IA Activity's conformance with International Professional Practice Framework of Internal Auditing (IPPF) and benchmark ADES's IA activity to leading practices. The scope extended to provide training to ADES's IA staff which was also completed as part of the engagement;
II. ADES applies a risk-based audit planning methodology where audit plans for 2019, 2020, and 2021 where developed based on a comprehensive assessment of ADES's risk universe. The risk-based methodology was approved by the audit committee, and progress of risk-based audits was communicated to AC periodically through formal reports;
III. ADES implemented a robust Enterprise Risk Management (ERM) framework that considered engagement of all ADES's levels of management and extending to all areas of operations; and
IV. ADES's IA activity reported periodically to the Audit Committee on status of audit plan execution, risk assessment results and updates, and IA resources and structure, a condensed annual report was issued to AC in Feb 2020 summarizing the annual IA activities and management actions to implement IA recommendations and mitigating associated risks.

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 & 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 2019, the Audit Committee held Seven meetings including the required meetings to approve the 2019 annual results and each quarter's interim results. The Audit Committee's latest meeting took place on April 1st 2020 to review and approve ADES' annual results. During the meeting, the Audit Committee discussed the significant issues related to the Annual Results, as identified by our External Auditors. For more details, please refer to the Independent Auditor's Report on page 78.

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.

Executive Directors

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

Furthermore, pursuant to the rules of the Long Term Incentive Plan ("LTIP") adopted by ADES Investments Holding Ltd., 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). The LTIP is equity settled and effective from 1 January 2019, and vested over a period of three years and not subject to performance conditions. The awards are not satisfied by the new issue of any shares in the Company, and will normally lapse and cease to vest on termination of employment. The fair value at grant date was determined based on the market price of the shares of the Company at grant date which was US$ 13.45 per share.

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 (US$)

Non-Executive Directors	Total Remuneration for FY19
Mohamed Walid Cherif	50,000
Nabil Kassem	50,000
Yasser Hashem	50,000
Ulf Henriksson	50,000
Hatem Soliman	41,667

For the year ended 31 December 2019, total remuneration paid to the executive and non-executive directors was approximately US$ 3.8 million, compared to US$ 3.5 million for the year ended 31 December 2018.

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	Date of Appointment	Notice period for ADES	Notice period for Director
Ayman Abbas	22 May 2016	12 months	60 days
Mohamed Farouk	22 May 2016	12 months	60 days
Mohamed Walid Cherif	1 March 2017	1 month	1 month
Nabil Kassem	1 March 2017	1 month	1 month
Yasser Hashem	1 March 2017	1 month	1 month
Ulf Henriksson	1 March 2017	1 month	1 month
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 2019, the Nomination Committee held three 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 Independence of the Non-Executive Directors

A yearly evaluation of independence at the Board and providing grounds from UK CG Code and statements, as to why the independent directors are considered independent.

Over half of our Board (excluding the Chairman) comprises independent non-executive directors and the composition of all Board Committees complies with the UK Corporate Governance Code (the "Code").

It is important that the non-executive directors can be considered to be independent. Each year the Board conduct a thorough review of the non-executive directors and their related or connected persons', relevant relationships referencing the criteria set out in the Code. The Company maintains clear records of the terms of service of the Chairman and non-executive directors to ensure that they continue to meet the requirements of the Code. Neither the Chairman nor any of the non-executive directors have exceeded the maximum nine-year recommended term of service set out in the Code. As such, the Board determines all of the non-executive directors (other than the Chairman) to be independent of management and free from any business or other relationship which could materially interfere with their ability to exercise independent judgment."

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 Annual Results.

The Directors are responsible for preparing the Annual Report and the Annual Results, in accordance with applicable law and regulations.

The Directors have prepared the Annual Results for the Group in accordance with the International Financial Reporting Standards ("IFRS").

The Annual Results are required to present fairly for each financial period the Group's financial position, financial performance and cash flows. In preparing the Company's Annual Results 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 Annual Results. The Directors also confirm that they consider the Annual Report and Annual Results , 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 Annual Results.

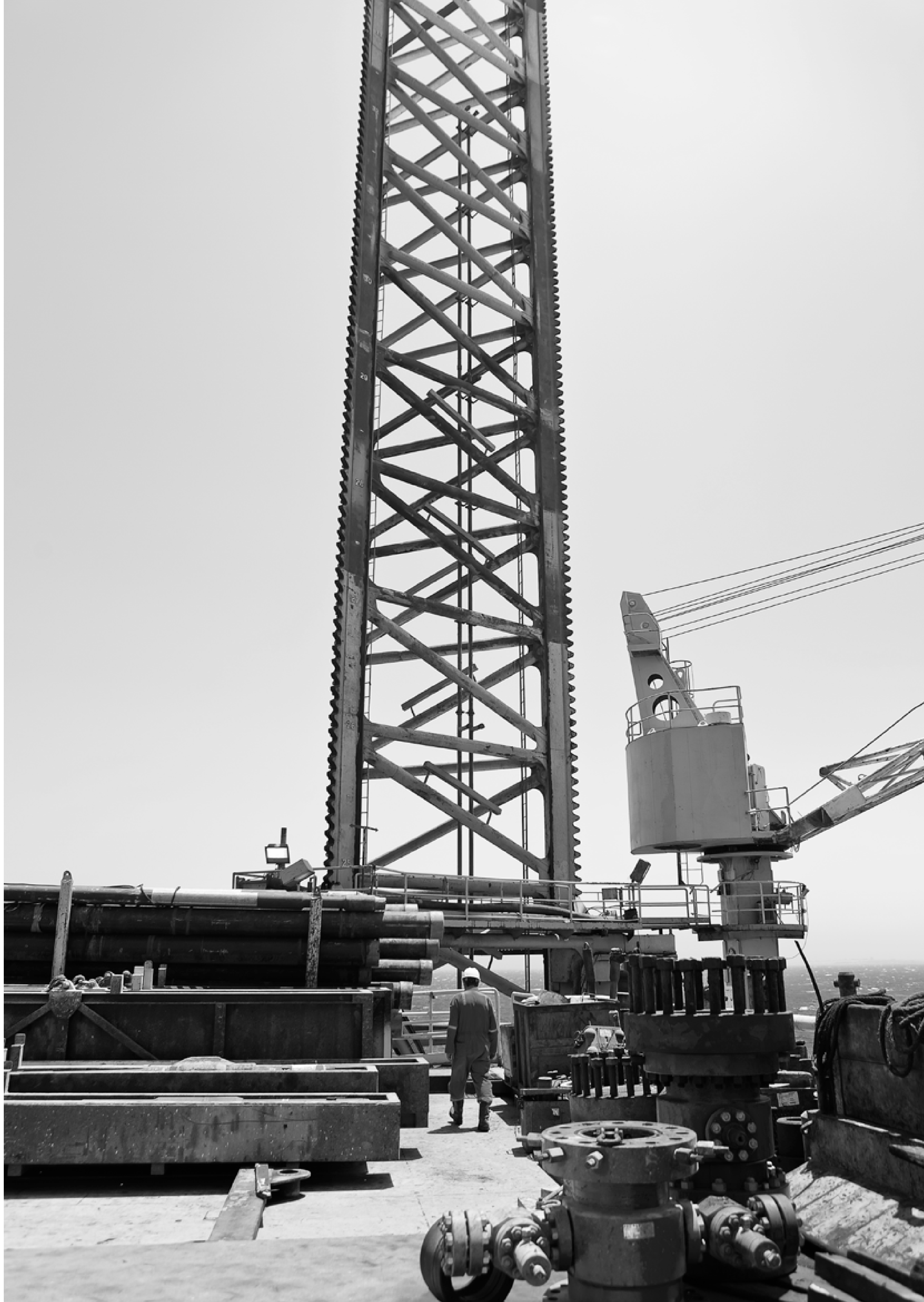
The Directors are responsible for ensuring that the Company keeps proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Annual Results comply 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 Annual Results, 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



CONSOLIDATED 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 2019, 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 2019 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 International Code of Ethics for Professional Accountants (including International Independence Standards) (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Dubai International Financial Centre ("DIFC"), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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

Impairment of trade receivables

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. 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 2019, USD 18,350,784 (2018: USD 51,388,529) out of total gross trade receivables of USD 134,091,404 (2018: USD 105,701,885) were overdue for more than 90 days. The Group has recorded a provision for impairment in trade receivables amounting to USD 2,168,121 (2018: USD 4,944,373). Refer to significant accounting estimates, judgements and assumptions in Note 3 and disclosure of accounts receivable in Note 5.

We performed audit procedures on existence of trade receivables, which included, on a sample basis, substantive testing of revenue transactions 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 new acquisitions

During the year ended 31 December 2018, the Group entered into three separate sale and purchase agreements ("SPAs") to acquire new rigs in their entirety, including all spare parts, equipment and inventory and customer contracts in the Kingdom of Saudi Arabia (the "KSA"), the State of Kuwait, Algeria and Iraq. The KSA and the State of Kuwait transactions were completed and recorded in the 2018 consolidated financial statements on a provisional basis, while the acquisition of Algeria and Iraq businesses were completed and recorded in 2019. During the year ended 31 December 2019, management completed the necessary analysis on the fair values of assets acquired and liabilities assumed in the KSA and Kuwait acqusitions and made retrospective adjustments.

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 which require significant management judgement regarding the allocation of the purchase price to the fair values of assets and liabilities acquired and adjustments made to align accounting policies of the newly acquired entities with those of the Group. Refer to Note 6 to the consolidated financial statements for details of the acquisitions and retrospective adjustments made to the provisional fair values recorded in the 2018 financial statements.

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. With the help of our internal specialist, we verified that the valuation methodology, assumptions and inputs used by management for the estimation of the fair values of the acquired assets and liabilities are appropriate. We have also verified the retrospective adjustments made to the provisional fair values reported in the 2018 financial statements for accuracy.

Other information included in the Group's 2019 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 2019 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

3 April 2020
Dubai, United Arab Emirates

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

USD	Notes	2019	2018 Restated*
Revenue from contract with customers	7	477,757,547	205,563,390
Cost of revenue	8	(285,728,112)	(107,593,582)
Gross profit		**192,029,435**	**97,969,808**
General and administrative expenses	9	(52,463,669)	(23,971,369)
End of service provision	22	(4,899,967)	(1,309,036)
Release / (provision) for impairment of trade receivables	15	2,776,252	(1,250,607)
Provision for impairment of inventory	14	(253,329)	-
Share-based payments expense	24	(11,341,219)	-
Other provisions	22	(1,443,181)	(280,017)
Operating profit		**124,404,322**	**71,158,779**
Finance costs	10	(88,702,079)	(31,233,612)
Finance income	13	512,013	2,738,844
Bargain purchase gain	6	11,877,674	46,252,908
Business acquisition transaction costs		(6,432,718)	(5,617,088)
Other income		1,786,501	912,550
Other taxes		(438,716)	(295,960)
Other expenses		(2,907,204)	(2,515,532)
Fair value gain (loss) on derivative financial instrument held for trade	31	771,134	(4,340,180)
Profit for the year before income tax		**40,870,927**	**77,060,709**
Income tax expense	11	(9,337,365)	(3,788,784)
Profit for the year		**31,533,562**	**73,271,925**
Attributable to:			
Equity holders of the Parent		28,630,013	72,892,277
Non-controlling interests		2,903,549	379,648
		31,533,562	**73,271,925**
Earnings per share - basic and diluted attributable to equity holders of the Parent (USD per share)	26	0.65	1.69
Other comprehensive income			
Other comprehensive income that may be reclassified to Profit or loss in subsequent periods (net of any tax)			
Net loss on cash flow hedge	31	(6,147,575)	-
Other comprehensive income for the year, net of tax		**(6,147,575)**	-
Total comprehensive income for the year, net of tax		**25,385,987**	**73,271,925**
Attributable to:			
Equity holders of the parent		22,482,438	72,892,277
Non-controlling interests		**2,903,549**	**379,648**
		25,385,987	**73,271,925**

**Comparative information has been adjusted to reflect the IFRS 3 Business combination measurement period adjustments, refer to note 4.*

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

USD	Notes	2019	2018 Restated*
Assets			
Non-current assets			
Property and equipment	17	987,216,314	727,339,267
Right of use assets	2.2	23,422,290	-
Intangible assets	18	347,304	456,189
Investment in an associate and a joint venture	12	4,140,576	2,184,382
Trade receivables	15	38,947,290	-
Other non-current assets		2,858,310	1,202,586
Total non-current assets		**1,056,932,084**	**731,182,424**
Current assets			
Inventories	14	44,820,164	32,672,320
Trade receivables	15	91,780,792	100,757,512
Contract assets	15	41,541,310	36,369,649
Due from related parties	27	4,740,918	377,345
Prepayments and other receivables	16	72,150,555	52,383,093
Bank balances and cash	13	119,601,159	130,875,239
Total current assets		**374,634,898**	**353,435,158**
Total assets		**1,431,566,982**	**1,084,617,582**
Equity and liabilities			
Equity			
Share capital	23	43,793,882	43,793,882
Share premium	23	178,746,337	178,746,337
Merger reserve	1, 25	(6,520,807)	(6,520,807)
Legal reserve	25	6,400,000	6,400,000
Share-based payments reserve	24	11,341,219	-
Treasury shares	23	(3,501,200)	-
Cash flow hedge reserve	25	(6,147,575)	-
Retained earnings		219,225,419	190,595,406
Equity attributable to equity holders of the Parent		**443,337,275**	**413,014,818**
Non–controlling interests		9,387,205	8,413,319
Total equity		**452,724,480**	**421,428,137**
Liabilities			
Non-current liabilities			
Loans and borrowings	20	322,354,493	510,010,564
Bonds payable	21	313,158,968	-
Lease liabilities	2.2	13,316,152	5,391,573
Provisions	22	16,375,652	12,959,590
Derivative financial instrument	31	6,584,893	3,123,799
Deferred mobilization revenue		11,751,262	-
Other non-current payables		10,988,839	-
Total non-current liabilities		**694,530,259**	**531,485,526**
Current liabilities			
Trade and other payables	19	196,329,456	83,298,424
Loans and borrowings	20	83,692,835	45,258,354
Provisions	22	1,100,000	1,874,654
Due to related parties	27	58,224	56,106
Derivative financial instrument	31	3,131,728	1,216,381
Total current liabilities		**284,312,243**	**131,703,919**
Total liabilities		**978,842,502**	**663,189,445**
Total equity and liabilities		**1,431,566,982**	**1,084,617,582**

**Comparative information has been adjusted to reflect the IFRS 3 Business combination measurement period adjustments, refer to note 4.*

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

USD	Share capital	Share premium	Merger reserve	Legal reserve	Share based payment reserve	Cash flow hedge reserve	Treasury shares	Retained earnings	Total	Non-controlling interests	Total Equity
Balance at 1 January 2019	43,793,882	178,746,337	(6,520,807)	6,400,000	-	-	-	190,595,406	413,014,818	8,413,319	421,428,137
Dividends (Note 32)	-	-	-	-	-	-	-	-	-	(1,934,284)	(1,934,284)
Profit for the year	-	-	-	-	-	-	-	28,630,013	28,630,013	2,903,549	31,533,562
Other comprehensive income for the year	-	-	-	-	-	(6,147,575)	-	-	(6,147,575)	-	(6,147,575)
Total comprehensive income for the year	-	-	-	-	-	**(6,147,575)**	-	**28,630,013**	**22,482,438**	**2,903,549**	**25,385,987**
Treasury Shares (Note 23)	-	-	-	-	-	-	(3,501,200)	-	(3,501,200)	-	(3,501,200)
Investment in a subsidiary	-	-	-	-	-	-	-	-	-	4,621	4,621
Share-based payments (Note 24)	-	-	-	-	11,341,219	-	-	-	11,341,219	-	11,341,219
Balance at 31 December 2019	**43,793,882**	**178,746,337**	**(6,520,807)**	**6,400,000**	**11,341,219**	**(6,147,575)**	**(3,501,200)**	**219,225,419**	**443,337,275**	**9,387,205**	**452,724,480**
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, restated*	-	-	-	-	-	-	-	72,892,277	72,892,277	379,648	73,271,925
Other comprehensive income for the year	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	-	**72,892,277**	**72,892,277**	**379,648**	**73,271,925**
Share capital issued (Note 6, 23)	1,590,852	-	-	-	-	-	-	-	1,590,852	-	1,590,852
Share premium (Note 6, 23)	-	20,521,991	-	-	-	-	-	-	20,521,991	-	20,521,991
Acquisition of a subsidiary, restated* (Note 6)	-	-	-	-	-	-	-	-	-	8,033,671	8,033,671
Balance at 31 December 2018, restated*	**43,793,882**	**178,746,337**	**(6,520,807)**	**6,400,000**	-	-	-	**190,595,406**	**413,014,818**	**8,413,319**	**421,428,137**

**Comparative information has been adjusted to reflect the IFRS 3 Business combination measurement period adjustments, refer to note 4.*

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

USD	Notes	2019	2018 Restated*
Operating activities			
Profit for the year before income tax		40,870,927	77,060,709
Adjustments for:			
Depreciation of property and equipment	17	45,555,024	28,200,128
Amortisation of intangible assets	18	121,861	122,547
Amortisation of right of use assets	2.2	5,348,361	-
(Release) / provision for impairment of trade receivables and contract assets	15	(2,776,252)	1,250,607
Provision for impairment of inventory	14	253,329	-
End of services provision	22	4,899,967	1,309,036
Share-based payments expense	24	11,341,219	-
Other provisions	22	1,443,181	280,017
Interest on loans and borrowings	10	88,702,079	31,233,612
Finance income	13	(512,013)	(2,738,844)
Other income		(527,344)	(678,168)
Bargain purchase gain	6	(11,877,674)	(46,252,908)
Share of results of investment in a joint venture and associate	12	(774,898)	(234,382)
Fair value loss on derivative financial instrument	31	(771,134)	4,340,180
Cash from operations before working capital changes		**181,296,633**	**93,892,534**
Inventories		(4,692,539)	1,436,399
Trade receivables		(33,371,207)	(24,482,911)
Contract assets		(5,171,661)	(36,369,649)
Due from related parties		(4,363,573)	(71,729)
Prepayments and other receivables		(24,493,097)	13,605,597
Trade and other payables		69,304,116	8,781,106
Due to related parties		2,118	(2,211,238)
Cash flows from operations		**178,510,790**	**54,580,109**
Income tax paid	11	(2,837,570)	(3,036,313)
Provisions paid	22	(3,701,740)	(344,160)
Net cash flows from operating activities		**171,971,480**	**51,199,636**
Investing activities			
Purchase of intangible assets	18	-	(12,788)
Purchase of property and equipment**		(179,326,324)	(93,682,762)
Acquisitions of subsidiaries and new rigs		(76,237,278)	(277,639,472)
Interest received		512,013	2,738,844
Movement in escrow account	13	-	(10,800,000)
Investment in joint venture		(1,181,295)	-
Proceeds from non-controlling interest share of capital at establishment date		4,621	-
Net cash flows used in investing activities		**(256,228,263)**	**(379,396,178)**
Financing activities			
Proceeds from loans and borrowings*		179,493,220	602,871,261
Repayment of loans and borrowings		(351,018,420)	(238,038,447)
Proceeds from bond issuance		325,000,000	-
Payments of loan/bonds transaction costs*		(11,841,033)	(33,566,505)
Purchase of treasury shares	23	(3,501,200)	-
Interest paid		(56,269,830)	(19,958,945)
Payment of lease liabilities	2.2	(6,945,750)	-
Dividend payments	23	(1,934,284)	-
Net cash flows from financing activities		**72,982,703**	**311,307,364**
Net (decrease)/ increase in cash and cash equivalents		**(11,274,080)**	**(16,889,178)**
Cash and cash equivalents at the beginning of the year	13	130,875,239	136,964,417
Cash and cash equivalents at the end of the year	13	**119,601,159**	**120,075,239**

** For the year ended 31 December 2018, net of "proceeds from loans and borrowings" and "payments of loan transaction costs" represent "borrowings drawn during the year" amounting to USD 569,304,756 as disclosed in Note 20.*

*** Purchase of property and equipment excludes non-cash transactions amounting to USD 59,557,548.*

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Background

1.1 Corporate information

ADES International Holding PLC (the "Company" or the "Parent Company") was incorporated and registered in the Dubai International Financial Centre (DIFC) on 22 May 2016 with registered number 2175 under the Companies Law – DIFC Law No. 2 of 2009 (and any regulations thereunder) as a private company limited by shares. The Company's 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 2019. 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,. which is the majority shareholder and ultimate controlling party.

The consolidated financial statements were authorised for issue on 1 April 2020 by the Board of Directors.

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 activities of the following main subsidiaries:

Name	Principal activities	Country of incorporation 2019	% equity interest 2018	
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%	-
ADES-GESCO Training Academy	Training	Egypt	70%	-
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 a 47.5% interest in United Precision Drilling Company W.L.L, a Kuwait entity which handles the operations of the rigs in Kuwait.*

The Company holds investment in Egyptian Chinese Drilling Company (ECDC) (joint venture) and ADVantage for Drilling Services Company (associate) which are accounted for using the equity method of accounting in these consolidated financial statements.

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 2018. No such reorganisations took place in 2019 and 2018.

(ii) transferred their shareholdings in Advanced Energy System (ADES), S.A.E., to the Company for a total consideration of USD 38,520,807 comprising of cash of USD 29,710,961 and the assumption of shareholder obligation of USD 8,809,846.

2 Significant accounting policies

2.1 basis of preparation

The consolidated financial statements have been prepared under the historical cost basis, except for derivative financial instrument carried at fair value which includes interest rate swap contracts classified as held-for-trading and those designated as hedging instrument. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and applicable requirements of the Companies Law pursuant to DIFC Law No. 5 of 2019.

The consolidated financial statements are presented in United States Dollars ("USD"), which is the functional currency of the Parent Company and the presentation currency for the Group.

Basis of consolidation

The Group's consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the consolidated financial statements of a member in the Group to bring its accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. 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 the 'administrative expenses' line-item.

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

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

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

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

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

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

Business combination involving entities under common control

Transactions involving entities under common control where the 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 joint ventures and associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

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

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

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

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

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

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

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

2.2 Changes in the accounting policies and disclosures

a) New and amended standards and interpretations became effective during the year

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 16 Leases that requires restatement of previous financial statements. As required by IAS 34, the nature and effect of these changes are disclosed below.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

As a lessee, the Group adopted IFRS 16 using the modified retrospective approach. Application of this approach resulted in no difference being recognised in retained earnings on the date of initial application of the standard as the amount at which the right of use assets is initially recognised was the same as that of the lease liability.

The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets'). The effect of adoption of IFRS 16 is as follows:

Impact on the statement of financial position (increase/(decrease)) as at 1 January 2019:

	USD
Assets	
Right-of-use assets	18,604,345
Liabilities	
Finance lease liabilities	18,809,704
Accruals	(205,359)

a.1. Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of property and equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as a lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were 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 were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised, and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases in which it is the lessee, except for short-term leases and leases of low-value assets. The Group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 was applied to these leases from 1 January 2019.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

a. 2. Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below USD 5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

An interest rate of (Egypt 16.5%, KSA 3.35%, Algeria 8%, Kuwait 5.75% and UAE 2.75%) was used in discounting the lease payments and measuring the lease liabilities recognised in the consolidated statement of financial position as of 1 January 2019, as this is the weighted average of the lessee-entity's incremental borrowing rate at that date (date of initial application of IFRS 16).

a.3. Right of use assets and lease liabilities recognised in the statement of financial position and comprehensive income

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

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	Yards and Ware-house	Office Premises	Motor Vehicles	Other Equip-ment	Building	Total
As at 1 January 2019*	3,251,013	1,105,574	1,915,524	12,332,234	6,622,148	25,226,493
Additions	1,578,114	-	-	-	1,966,044	3,544,158
Depreciation Exp.	(1,224,677)	(256,292)	(678,170)	(3,189,222)	-	(5,348,361)
As at 31 December 2019	**3,604,450**	**849,282**	**1,237,354**	**9,143,012**	**8,588,192**	**23,422,290**

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

USD	2019	2018
As at 1 January*	24,769,237	-
Additions**	2,909,853	6,622,148
Accretion of interest	1,376,722	-
Payments	(6,945,750)	(662,615)
As at 31 December	**22,110,062**	**5,959,533**
Current	8,793,910	567,960
Non-Current	13,316,152	5,391,573

**The beginning balances of right-of-use asset and lease liabilities include the office premises of the Group amounting to USD 6,622,148 and USD 5,959,533, respectively, which were accounted for as a finance lease in the prior year.*
***we have capitalized the amount of USD 634,0305 in building leased assets.*

The Group had total cash outflows for leases of USD 6,945,750 in 2019 (2018: USD 662,615). The Group also had non-cash additions to right-of-use assets and lease liabilities of 3,544,158 in 2019 (2018: USD 6,622,148).

The following are the amounts recognised in the statement of comprehensive income:

USD	2019	2018
Depreciation expense of right-of-use assets	5,348,361	-
Interest expense on lease liabilities	1,376,722	-
Expense relating to short-term leases (included in Cost of revenue)	1,667,506	495,012
Expense relating to short-term lease (included in General and administrative expenses)	1,011,096	1,022,968
Total amount recognised in the statement of comprehensive income	**9,403,685**	**1,517,980**

As of December 31, 2018, the Group had non-cancellable operating lease commitments of USD 218,556 as disclosed in note 27. Below is the reconciliation between the discounted value of these operating lease commitments using the incremental borrowing rate and the lease liabilities recognised in the consolidated statement of financial position at the date of initial application:

	USD
Operating lease non-cancellable commitments as at 31 December 2018	218,556
Weighted average incremental borrowing rate as at 1 January 2019	7.27%
Discounted operating lease commitments as at 1 January 2019	217,607
Commitments relating to short-term leases	(212,742)
Commitments relating to leases of low-value assets	(886)
Discounted commitments relating to leases previously classified as finance leases	5,959,533
Discounted commitments relating to cancellable contracts	18,805,725
Lease liabilities as at 1 January 2019	24,769,237

Several other amendments and interpretations became effective as of 1 January 2019 and apply for the first time in 2019, but do not have an impact on the consolidated financial statements of the Group. These amendments and interpretations are summarised below:

- IFRIC Interpretation 23 Uncertainty over Income Tax Treatment
- Amendments to IFRS 9: Prepayment Features with Negative Compensation
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
- Amendments to IAS 28: Long-term interests in associates and joint ventures
- Sale or contribution of Assets between an Investor and its Associates or Joint Ventures- Amendments to IFRS 10 and IAS 28
- Annual Improvements 2015-2017 Cycle
  - IFRS 3 Business Combinations - Previously held Interests in a joint operation
  - IFRS 11 Joint Arrangements - Previously held Interests in a joint operation
  - IAS 12 Income Taxes - Income tax consequences of payments on financial instruments classified as equity
  - IAS 23 Borrowing Costs - Borrowing costs eligible for capitalisation

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.

- IFRS 17 Insurance Contracts (effective for annual reporting periods beginning on or after 1 January 2023);
- Amendments to IFRS 3 Business Combinations: Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020);
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material (effective for annual reporting periods beginning on or after 1 January 2020); and
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date has not been decided yet by the IASB)

Management is in the process of carrying out impact-analysis to estimate the potential magnitude arising from the application of these Standards, Interpretations and Amendments on the Group consolidated financial statements at their mandatory initial application dates. Management does not currently anticipate any of the above Standards and Interpretations be early adopted by the Group - to the extent applicable - prior to their mandatory effective dates.

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 recognised over time. Some of the customer contracts may include mobilization and demobilisation activities for which revenue, along with the related cost are amortised over the period of contract life from the date of the completion of mobilization activities.

Dividends

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 Group's branches and subsidiaries are subject to income tax and withholding tax in accordance to Kingdom of Saudi Arabia Law, Algeria Law, and Kuwait 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	5

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

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

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

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

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

Intangible assets

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

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

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, 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 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 uses derivative financial instruments, such as interest rate swap, to hedge its interest rate risks. These interest rate swaps are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Hedge accounting
For the purpose of hedge accounting, the Group has designated one of its two derivative financial instruments (interest rate swaps) as a cash flow hedge. At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of comprehensive income. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

Derivative instrument held for trading
The Group classifies one of its two interest rate swaps as derivative held for trading and did not apply hedge accounting, which is fair valued at initial recognition and subsequently. Any change in fair value is recorded in the statement of comprehensive income as fair value gain (loss) on derivative financial instrument.

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- accounting policy for the years ended before 31 December 2018:

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.

Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in the share premium.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Group.

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

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

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

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

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

3 Significant accounting estimates, judgements and assumptions

Judgements

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

In the process of applying the Group's accounting policies, management has made certain Judgements, estimates and assumptions in relation to the accounting for the business acquired, 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 Judgements have the most significant effects on the amounts recognised in the consolidated financial statements.

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

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.

The lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of three to five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group included the renewal period as part of the lease term for leases of property and equipment due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., three to five years) and there will be a significant negative effect on operation if a replacement is not readily available.

Judgement in determining whether assets acquired, and liabilities assumed qualify as a business combination

The Group acquired 31 rigs and other assets from Weatherford Drilling International ("the Seller" or "WDI"). The acquisition of the rigs and other assets from WDI is a global deal covering 3 jurisdictions. The rigs are located in various countries as follows: 11 rigs in KSA, 12 rigs in Kuwait, 2 rigs in Iraq and 6 rigs in Algeria.

The closing of the KSA and Kuwait Assets transactions took place on 30 November 2018 and 31 October 2018, respectively, whereas closure of the Alegria and Iraq Assets transactions took place in the current year as follows:

Algeria Assets: 6 rigs and related equipment, drilling contracts and other contracts, vendor contracts, all other equipment and inventories (including work in progress) related to rigs to the extent used or intended to be used in the drilling business, business intellectual property and records related to the drilling business in Algeria, and certain employees. The closing of the Algeria Assets transaction took place on 28 February 2019 (4 rigs) and 18 March 2019 (2 rigs).

Iraq Assets: 2 rigs with related equipment and inventories (purchase of Iraq rigs was explicitly excluded from the scope of Kuwait assets upon the closing of Kuwait transaction through a separate side agreement dated 31 October 2018) and transfer of the Iraq rigs was made through separate transfer agreements. The closing of the Iraq Assets took place on 11 February 2019 (1 rig) and 25 March 2019 (1 rig).

We performed an extensive analysis of the terms of the agreements entered into to give effect to the above transactions and applied the 'inputs, processes and outputs' approach required by IFRS 3 on each individual transaction. We also consulted our legal advisor about the enforceability of the rights and obligations under each of these agreements. Our evaluation resulted in the Algeria and Iraq transactions each qualifying as a business combination.

Key sources of estimation uncertainty

Fair value measurements and valuation processes in relation to the acquired assets and liabilities as part of business combination

During the year ended 31 December 2019 the Group completed the acquisition accounting for the new businesses acquired during 2019 and 2018 (refer to note 6). For the purposes of fair valuation of the rigs and inventories acquired the Group engaged and independent valuation specialists who utilised income approach (discounted cash flow analysis), cost approach and market approach as per the requirements of IFRS 13- Fair Value Measurement.

In accordance with IFRS 13 Fair Value Measurement, in some cases a single valuation will be appropriate, while in other cases, multiple valuation techniques will be appropriate. If multiple valuation techniques are used to measure fair value, the results (i.e. respective indications of fair value) are evaluated considering the reasonableness of the range of values indicated by those results. For example, the following valuation approaches have been applied by management, as appropriate, to measure the acquisition-date fair value of assets acquired by the Group in business combinations:

(1) Market approach—based on market transactions involving identical or similar assets or liabilities, (2) Income approach—based on future amounts of cash flows or income and expenses that are discounted to a single present amount and (3) Cost approach—based on the amount required to replace the service capacity of an asset (usually referred to as current replacement cost).

IFRS 13 does not prioritise the use of one valuation technique over another or require the use of only one technique except in situations where identical financial instruments exist that trade in active markets in which case the entity's financial instruments shall be measured at the market price of the identical instruments multiplied by quantity (P x Q). In measuring the fair value of an asset or liability, management use valuation techniques that are appropriate in the circumstances and for which sufficient data is available. Therefore, multiple valuation techniques were used, and judgment is exercised by management in applying them.

The market approach uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities, such as a business. Although the market approach is described by IFRS 13 as a widely used valuation technique, its use becomes less favorable and/or relevant in situations for which observable inputs in active markets are limited, and where no exit prices exist for those assets on a stand-alone basis because market information indicates that they are being exchanged together with other elements as part of an entire business. The Group is acquiring a business and not an asset. Hence, operational/contracted assets are a cash generating unit which is the main driver for acquisition from market participants' perspective (i.e. the amount and consistency of income generated from these CGUs).

Accordingly, management believe that using multiple techniques is more appropriate and should be considered when evaluating the reasonable range of values to indicate the fair value of the assets acquired rather than a single approach such as the market approach. The Group does not rely solely on the market approach because of the low volume and level of activity for exchanges in similar rig-assets in the relevant markets and because this approach does not reflect any revenue generated from these units and only reflects price for identical or comparable (similar) assets. The Market Approach depends mainly on Level # 1 inputs which are observable inputs and minimizes the use of unobservable inputs.

Thus, the nature of the characteristics of the rigs being measured and the limited observable market prices for similar assets contributed to the suggested use of several valuation techniques under the 3 above approaches. Since the Group is acquiring businesses rather than stand-alone assets, it was appropriate to estimate the fair value of each business by giving consideration to multiple valuation approaches, such as income approach that derives value from the present value of the expected future cash flows specific to the business and a market approach that derives value from the market data (such as EBITDA or revenue multiples). IFRS 13 also permits the use of the cost approach, where appropriate.

Application of the market, income and cost valuation techniques each produced a range of possible values (e.g. lower-end and higher-end values). In accordance with the requirements of IFRS 13, management evaluated the reasonableness of the range in order to select the point within the range that is most representative of fair value. A professional expert had been assigned to review the valuation and considered the merits of each valuation technique applied, and the underlying assumptions embedded in each of the techniques. IFRS 13 requires an entity, in case such approaches produce results that are disparate, to perform further analysis. Management, with assistance from the professional expert, sought to understand why the resulting differences exist among the above techniques and what assumptions might have contributed to the variance. The objective was to find the point in the range that most reflects an exit price.

From management's view, the market technique uses assumptions that are somehow inconsistent with how market participants would look at the transaction. Management believe that the acquired rig-assets would provide maximum value to market participants through its use in combination with its complementary assets, contracts and associated liabilities that is, a whole business. Management believe that the sellers' use of the rig-assets, prior to the Group's acquisition, is the highest and best use in the context of the drilling business.

Thus, the income approach was applied using a present value technique. The cash flows used in that technique reflect the income stream expected to result from the contracted rig-assets over its economic life. In other words, the income stream comprises the contractual cash flows expected to result from the associated backlogs for the remaining term of the associated drilling contracts in addition to the residual/termination value reflecting cash flows for the asset's remaining economic life. Also, the cost approach was applied, on the relevant group of assets, by estimating the amount that currently would be required to substitute rig-assets with comparable utility with appropriate adjustments for assets condition (used) and location (installed and configured for use or stacked).

Based on the above, management concluded that the results of the market approach could not be used in isolation as a representative of fair value. Additionally, the used other two techniques (income and cost) together with the market technique produced indications of fair value that are disparate. Therefore, management considered the possible range of fair value measures and what is most representative of fair value taking into consideration that:

- The income valuation technique may be more representative of fair value for contracted rig-asset than other techniques;
- Inputs used in the cost/or market valuation technique may be more readily observable in the marketplace for standard and/or uncontracted assets, stacked rigs or require fewer adjustments.

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 174,437,513 (2018: USD 142,071,534) and the provision for impairment in trade receivables and contract assets was USD 2,168,121 (2018: USD 4,944,373). 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 tax liability. Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The tax liability is established, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which the Group-entities operate.

The amount of such liability is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies. At the reporting date, the current income tax payable was USD 9,975,938 (2018: USD 3,040,753).

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.

Write-down of inventories to net realizable value (NVR)

Inventories are carried at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. At the reporting date, gross inventories were USD 45,073,493 (2018 as restated: USD 32,672,320). At the reporting date, the cumulative provision for slow moving items stands at USD 253,329 (2018: nil). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in profit or loss in the consolidated statement of comprehensive income.

Impairment of dividends receivable and investment in associates and joint ventures

The Group has a dividend receivable from the Egyptian Chinese Drilling Company (ECDC), an investment that is classified by the Group as a joint venture. As at 31 December 2019, the outstanding allowance for impairment in the amount of this dividend receivable is USD 245,000 (2018: USD 245,000). As described in note 12, the Group currently holds 48.75% equity interest in ECDC amounting to USD 2,207,916 (2018: USD 2,184,382). This investment was previously classified as a financial asset. However, on 5 July 2018, ECDC's shareholders entered into a Shareholders Agreement whereby the Group obtained a joint control over ECDC and, consequently, the Group's interest in ECDC became an investment in joint venture effectively from that date.

The Shareholders' Agreement dated 5 July 2018 sets out a joint control framework between ADES and the other major shareholder who holds 51%. This resulted in the change of status of this investment from financial asset to investment in a joint venture during 2018 with no purchase price consideration transferred by the Group. In accordance with the IFRS guidance, the Group's investment in ECDC is measured fair value at the date on which the change in the status had occurred.

Based on a third-party valuation report and further analysis performed by the management, they decided to continue to use the book value of USD1.9 million as an estimation of the fair value as at 5 July 2018 which is reported as a final value. 2019 has not seen significant changes in ECDC circumstances indicating a decline in the fair value of investment below its carrying amount. Accordingly, no impairment loss has been recognised on this investment in the current year.

4 Comparative information

The corresponding figures for 2018 have been adjusted to reflect the IFRS 3 Business combination measurement period adjustments as discussed in Note 6. These adjustments are summarised below:

USD	As previously reported 31-Dec-18	IFRS 3 Business combination measurement period adjustments	Restated amounts 31-Dec-18
Consolidated statement of comprehensive income:			
Bargain purchase gain	44,377,441	1,875,467	46,252,908
Cost of revenue	107,506,253	87,329	107,593,582
Finance costs	31,472,519	(238,907)	31,233,612
Non-controlling interests	254,222	125,426	379,648
Consolidated statement of financial position:			
Non-current assets:			
Property and equipment	710,704,139	16,635,128	727,339,267
Current assets:			
Inventories	52,508,041	(19,835,721)	32,672,320
Prepayments and other receivables	49,352,692	3,030,401	52,383,093
Equity:			
Retained earnings	188,693,787	1,901,619	190,595,406
Non-controlling interests	8,987,787	(574,468)	8,413,319
Non-current liabilities:			
Provisions	12,331,933	627,657	12,959,590
Current liabilities:			
Trade and other payables	85,423,424	(2,125,000)	83,298,424
Consolidated statement of cash flows:			
Profit for the year before income tax	75,033,664	2,027,045	77,060,709
Depreciation of property and equipment	28,112,799	87,329	28,200,128
Bargain purchase gain	44,377,441	1,875,467	46,252,908

A third year consolidated statement of financial position is not presented as these adjustments have no impact on the financial position as at 31 December 2017.

5 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 (2018: five 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	Kingdom of Saudi Arabia	Kuwait	United Arab Emirates	Total segment	Adjustments & eliminations***	Total
For the year ended 31 December 2019								
Revenue								
External customers	87,125,252	40,414,802	243,901,977	106,315,516	-	477,757,547	-	477,757,547
Inter-segment	87,190,863	-	-	-	-	87,190,863	(87,190,863)	-
Total Revenue	**174,316,115**	**40,414,802**	**243,901,977**	**106,315,516**	-	**564,948,410**	**(87,190,863)**	**477,757,547**
Income/(expenses)								
Cost of revenue*	(36,507,892)	(23,579,787)	(120,675,177)	(55,504,546)	-	(236,267,402)	-	(236,267,402)
General and administrative expenses	(11,782,712)	(3,147,114)	(22,129,888)	(9,504,889)	(5,899,066)	(52,463,669)	-	(52,463,669)
Finance costs (net)	(11,055,159)	(5,128,158)	(30,948,262)	(13,490,175)	(27,568,312)	(88,190,066)	-	(88,190,066)
Depreciation and amortisation	(23,529,605)	(2,180,135)	(14,356,287)	(9,248,182)	(146,501)	(49,460,710)	-	(49,460,710)
Other expenses (net)**	(1,187,327)	(507,019)	(10,568,079)	(4,449,325)	(3,130,388)	(19,842,138)	-	(19,842,138)
Profit / Loss- excluding inter-segment revenue	**3,062,557**	**5,872,589**	**45,224,284**	**14,118,399**	**(36,744,267)**	**31,533,562**	-	**31,533,562**
Total Assets as at 31 December 2019 (i)	**863,562,100**	**98,630,862**	**108,650,199**	**346,575,615**	**14,148,206**	**1,431,566,982**	-	**1,431,566,982**
Total Liabilities as at 31 December 2019	**374,171,422**	**16,943,110**	**58,622,288**	**94,608,532**	**434,497,150**	**978,842,502**	-	**978,842,502**
Other Segment information								
Capital expenditure (i)	45,215,366	57,085,518	104,558,940	105,207,372	-	312,067,196	-	312,067,196
Intangible assets expenditure	12,976	-	-	-	-	12,976	-	12,976
Total	**45,228,342**	**57,085,518**	**104,558,940**	**105,207,372**	-	**312,080,172**	-	**312,080,172**

Segment (USD)	Egypt	Algeria	Kingdom of Saudi Arabia	Kuwait	United Arab Emirates	Total segment	Adjustments & eliminations***	Total****
For the year ended 31 December 2018								
Revenue								
External customers	87,226,591	11,594,020	96,094,909	10,647,870	-	205,563,390	-	205,563,390
Inter-segment	37,296,373	-	-	-	-	37,296,373	(37,296,373)	-
Net Revenue	**124,522,964**	**11,594,020**	**96,094,909**	**10,647,870**	-	**242,859,763**	**(37,296,373)**	**205,563,390**
Income/(expenses)								
Cost of revenue*	(25,707,577)	(4,948,032)	(44,161,147)	(4,840,115)	-	(79,656,871)	-	(79,656,871)
General and administrative expenses	(12,039,563)	(968,602)	(7,320,294)	(932,370)	(2,710,540)	(23,971,369)	-	(23,971,369)
Finance costs (net)	(10,325,735)	(1,372,480)	(11,375,551)	(1,260,477)	(4,160,525)	(28,494,768)	-	(28,494,768)
Depreciation and amortisation	(21,163,852)	(824,442)	(5,620,293)	(328,124)	-	(27,936,711)	-	(27,936,711)
Other expenses (net)**	4,026,629	(513,107)	(4,878,728)	10,255,542	18,877,918	27,768,254	-	27,768,254
Profit / Loss- excluding inter-segment revenue	**22,016,493**	**2,967,357**	**22,738,896**	**13,542,326**	**12,006,853**	**73,271,925**	-	**73,271,925**
Total Assets as at 31 December 2018 (i)	**729,132,307**	**13,686,120**	**64,217,842**	**186,542,751**	**91,038,562**	**1,084,617,582**	-	**1,084,617,582**
Total Liabilities as at 31 December 2018	**173,642,219**	**2,219,470**	**19,918,375**	**27,161,429**	**440,247,952**	**663,189,445**	-	**663,189,445**
Other Segment information								
Capital expenditure (i)	41,176,696	-	244,918,138	147,023,994	-	433,118,828	-	433,118,828
Intangible assets expenditure	34,196	-	-	-	-	34,196	-	34,196
Total	**41,210,892**	-	**244,918,138**	**147,023,994**	-	**433,153,024**	-	**433,153,024**

* *excluding depreciation and amortisation.*

** *Other expenses includes end of service provision, provision for impairment of inventory, provision for impairment of trade receivables, share-based payments expense, business acquisition transaction costs, other taxes, income tax expense and other expenses which are stated net off release of provision for impairment of trade receivables, bargain purchase gain, fair value gain/(loss) on derivative financial instrument and other income.*

*** *Inter-segment revenues and other adjustments are eliminated upon consolidation and reflected in the 'adjustments and eliminations' column.*

**** *The corresponding figures for 2018 have been adjusted to reflect the IFRS 3 Business combination measurement period adjustments as discussed in Note 4 and improve presentation.*

(i) 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.

6 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 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 – recorded in 2018

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

USD	Fair values recognized on acquisition Restated*
Property and equipment*	91,328,961
Inventories*	1,657,777
Total identifiable net assets at fair values	**92,986,738**
Gain from bargain purchase*	**(8,623,895)**
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**

*During the current year, the Group completed the necessary analysis on the fair values of assets acquired and made the following retrospective adjustments:

- The Group reduced the fair value of the property and equipment by USD 3.1 million, with corresponding reduction to gain from bargain purchase for the same amount.
- The Group allocated USD 4.5 million out of total fair value of the rigs acquired to inventories as part of provisional purchase price. Upon verification of the inventories and their nature, as well as the projects where these items have been used subsequent to the acquisition date, the Group identified that USD 2.9 million of total balance represents critical spare parts which should have been recorded as part of property and equipment account. Accordingly, the Group increased fair value of the rigs and reduced inventories by USD 2.9 million as part of purchase price allocation.

**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 till 31 December 2018, 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 year ended 31 December 2018 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 – recorded in 2018

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

USD	Fair values recognized on acquisition (KSA)	Fair values recognized on acquisition (Kuwait)
Property and equipment*	108,804,321	133,343,251
Inventories*	6,370,679	5,160,788
Accounts receivable and prepayments*	-	36,220,232
Due from related parties	-	6,699,193
Bank balances and cash	-	110,528
Total assets*	**115,175,000**	**181,533,992**
Employees' end of service benefits*	-	11,133,268
Accounts payable and accruals**	-	11,335,812
Due to related parties	-	6,699,193
Total liabilities*	-	**29,168,273**
Total identifiable net assets at fair value*	**115,175,000**	**152,365,719**
Non-controlling interest (52.5% of net assets) **	-	(8,033,673)
Bargain purchase gain arising on acquisitions, restated	(22,675,000)	(14,954,013)
Purchase considerations, restated*	**92,500,000**	**129,378,033**

As at the acquisition date, 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.

*During the current year, the Group completed the necessary analysis on the fair values of assets and liabilities acquired and made the following retrospective adjustments:

KSA acquisition:

- With the help of the independent specialist the Group completed the fair values of inventories and property and equipment which resulted in decrease in the fair value of inventories by USD 13.94 million with the corresponding increase to the acquired fair value of property and equipment. It has no effect on total fair value of the acquired assets and bargain purchase gain recorded during the year ended 31 December 2018.

Kuwait Adjustments:

- With the help of the independent specialist the Group completed the assessment of fair values of inventories and property and equipment acquired, which resulted in decrease in the fair value of inventories by USD 2.98 million with the corresponding increase to the acquired fair value of property and equipment. It has no effect on total fair value of the acquired assets and bargain purchase gain recorded during the year ended 31 December 2018.

- The Group also increased the acquired balance of end of service benefits for the amount of USD 628 thousand to reflect the fair value of the liability acquired; and decreased the acquired balance of accounts receivable and prepayments for the amount USD 706 thousand to write off certain assets which do not have future benefits for the Group at the acquisition date. Consequently, the non-controlling interest (52.5% of net assets) is also reduced by the amount of USD 699.9 thousand.
- The Group made retrospective adjustments to the amount of purchase consideration for Kuwait for the total amount of USD 5,621,967 as per the relevant clauses of the Sales and Purchase Agreement signed between WDI and the Group. The outstanding consideration payable for Kuwait assets amounting to USD 12,000,000 was reduced to USD 9,875,000 to reflect the IFRS 3 Business combination measurement period adjustments as discussed in Note 4. The outstanding consideration payable is included as part of trade and other payables (Note 19).

**This represents share of non-controlling interests over the net assets of UPDC as of the acquisition date.

From the date of acquisition to 31 December 2018, the acquired assets and entities contributed USD 20,681,056 of revenue from continuing operations of the Group, and PDC reported the profit of USD 484,232. It is impracticable to disclose the revenue and profit or loss of the combined businesses for the year ended 31 December 2018, 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.

C. Acquisitions of the rigs from Weatherford Drilling International – recorded in 2019

On 27 February 2019 and 25 March 2019, the Group acquired certain assets from Weatherford Drilling International in Algeria and Iraq, respectively. The acquisitions have been accounted for using the acquisition method.

The Group acquired 6 onshore rigs in Algeria and related equipment, drilling contracts, other vendor contracts, certain employees, spare parts to be used in the drilling business, the business intellectual property and records related to the drilling business. While in Iraq, the Group acquired 2 onshore rigs and related equipment, certain employees, spare parts to be used in the drilling business, the business intellectual property and records related to the drilling business.

Identifiable net assets acquired

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

USD	Fair values recognized on acquisition (Algeria)	Fair values recognized on acquisition (Iraq)
Property and equipment	55,983,324	17,200,000
Inventories	8,553,595	-
Total identifiable net assets at fair value	**64,536,919**	**17,200,000**
Bargain purchase gain arising on acquisitions	(6,677,674)	(5,200,000)
Purchase considerations	**57,859,245**	**12,000,000**
Analysis of cash flow on acquisition (included in cash flows from investing activities)		
Cash paid	(60,000,000)	(12,000,000)
Cash collected*	2,140,755	-
Net cash out flows on acquisition	**(57,859,245)**	**(12,000,000)**

**The Group claimed and collected USD 2,140,755 from the Seller which represents a backlog deduction at the closing date for Algeria as per the terms of the Sales and Purchase Agreement signed between WDI and the Group.*

From the date of acquisition to 31 December 2019, the acquired assets and entities contributed USD 27,093,236 of revenue from continuing operations of the Group. It is impracticable to disclose the revenue and profit or loss of the rigs acquired for the year ended 31 December 2019 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 WDI. 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.

7 Revenue from contract with customers

USD	2019	2018
Units operations	456,563,354	196,286,916
Catering services	8,979,507	3,006,326
Projects income *	3,983,560	4,683,478
Others	8,231,126	1,586,670
	477,757,547	**205,563,390**

*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 5 above as the management monitors the revenue geographically and the primary operational revenue stream is drilling services (units operations) and the revenue is recognised over the time of service.

8 Cost of revenue

USD	2019	2018 Restated*
Project direct costs	2,158,618	2,596,283
Maintenance costs	45,020,299	14,743,854
Staff costs	102,244,315	35,326,884
Rental equipment	8,201,081	2,288,103
Insurance	6,994,574	4,843,389
Depreciation (Note 17)	49,460,710	27,936,711
Catering costs	20,262,059	6,167,562
Move costs	18,738,061	3,082,553
Crew change costs	7,448,904	1,830,239
Other costs	25,199,491	8,778,004
	285,728,112	**107,593,582**

**The corresponding figures for 2018 have been adjusted to reflect the IFRS 3 Business combination measurement period adjustments as discussed in Note 4 and to improve presentation.*

9 General and administrative expense

USD	2019	2018
Staff costs*	31,131,732	12,194,853
Depreciation and amortisation (Note 17)	1,563,856	385,964
Professional fees	4,095,097	2,215,480
Business travel expenses	3,385,222	1,816,136
Free zone expenses	3,897,863	2,065,073
Rental expenses	1,011,096	1,022,968
Other expenses	7,378,803	4,270,895
	52,463,669	**23,971,369**

* *It includes staff cost of USD 8,487,320 in relation to the integration project carried with help of Boston Consulting Group.*

10 Finance costs

USD	2019	2018 Restated*
Loan interest and profit expense	30,956,580	25,204,082
Loan fees and written of prepaid transaction cost	27,568,312	4,160,525
Bond interest and bond fees amortisation	20,589,926	-
Guarantee related finance charges	3,146,155	-
Interest on lease liabilities	1,376,722	-
IRS related finance charges	1,062,725	-
Interest on overdraft facilities	1,094,760	1,423,310
Initial recognition loss from discounting of a long-term trade receivable	1,195,201	-
Other finance charges	1,711,698	445,695
	88,702,079	**31,233,612**

* *The corresponding figures for 2018 have been adjusted to reflect the IFRS 3 Business combination measurement period adjustments as discussed in Note 4.*

11 Income tax

USD	2019	2018
Consolidated statement of profit or loss:		
Current income tax expense*	9,772,755	3,788,784
Deferred tax expense	(435,390)	-
Charge for the year ended (note 19)	**9,337,365**	**3,788,784**
Consolidated statement of financial position:		
Current liabilities:		
Balance at 1 January	3,040,753	2,288,282
Charge for the year	9,777,802	3,840,581
Release during the year	(5,047)	(51,797)
Paid during the year	(2,837,570)	(3,036,313)
Balance at 31 December (note 19)	**9,975,938**	**3,040,753**
Profit before income tax	40,870,927	75,033,664
Tax calculated at domestic tax rates applicable to profits profit in the primary jurisdiction of 0% (2018:0%)	-	-
Effect of different tax rates in countries in which the Group operates	15,142,720	1,643,938
Non-deductible expenses	1,611,116	217,148
Non-taxable income	(13,853,048)	-
Withholding taxes	6,436,577	1,979,495
Other taxes	-	(51,797)
Income tax expense recognised in the consolidated statement of comprehensive income	**9,337,365**	**3,788,784**

**Current income tax expense includes withholding taxes on intercompany rentals in the Kingdom of Saudi Arabia amounting to USD 4,435,809 (2018: USD 1,979,495).*

The effective tax rate is 23% (2018: 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.

12 Investment in a joint venture and an associate

Investment in Egyptian Chinese Drilling Company:

The Group holds a 48.75% equity interest in Egyptian Chinese Drilling Company (ECDC) amounting to USD 2,207,916 as at 31 December 2019 (2018: USD 2,184,382). 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 2019, as per the Shareholders Agreement the investment became an investment in a joint venture effective 5 July 2019. The investment in joint venture is accounted for using the 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 2019 and 2018 (Note 16).

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 2019:

USD	2019	2018
Non-current assets	10,127,468	8,831,562
Current assets	12,898,092	15,126,615
Non-current liabilities	-	(2,057,094)
Current liabilities	(18,496,502)	(16,920,300)
Net assets	**4,529,058**	**4,980,783**
The Group's share in net assets at adjusted fair value equity - 48.75%*	**2,207,916**	**2,184,382**
Summarised statement of comprehensive income as of 31 December 2019:		
Revenues	12,997,816	14,406,829
Cost of revenues	(10,547,288)	(11,451,747)
Other income	39,317	36,498
General and administrative expenses	(2,295,955)	(2,116,591)
Provision, net	32,595	(1,150,000)
Operating profit	**226,485**	**(275,011)**
Finance costs	(178,211)	(57,150)
Foreign exchange gain	-	13,581
Non-operating income	-	1,434,825
Profit for the year	**48,274**	**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%**	**23,533**	**234,382**

In the 2018 consolidated financial statements , the summarised statement of the financial positions was prepared based on the provisional fair values of the assets and liabilities of ECDC on 5 July 2018. During the year ended 31 December 2019, the Group completed additional clarifications and analysis on the fair values which did not result in any adjustments to the fair values of the assets and liabilities of ECDC at the date of the change from financial instrument to the joint venture .

*** For the year ended 31 December 2018, 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 2019 (2018: USD nil). The joint venture cannot distribute its profits without the consent from the two venture partners.

Investment in ADVantage Drilling Services S.A.E:

The Group holds 49% equity interest in ADVantage Drilling Services S.A.E amounting to USD 1,932,660 as at 31 December 2019 (2018: USD Nil). ADVantage Drilling Services S.A.E is a Joint Stock Company operating drilling deep marine wells, oil-producing wells or natural gas at depths exceeding 350 meters and exploration activities, maintenance of petroleum and gas wells and all the related services, owning, operation, management, renting and leasing of onshore and offshore equipment.

ADVantage Drilling Services S.A.E has been established as a Free Zone company in accordance with the provisions of the Investment Law No. 72 of 2017 at 15 January 2019.

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 2019:

USD	2019
Non-current assets	54,661
Current assets	18,145,907
Non-current liabilities	-
Current liabilities	(14,256,364)
Net assets	**3,944,204**
The Group's share in net assets at adjusted fair value equity - 49%*	**1,932,660**

Summarised statement of comprehensive income as of 31 December 2019:

USD	2019
Revenues	23,285,002
Cost of revenues	(19,563,731)
General and administrative expenses	(2,214,631)
Operating profit	**1,506,640**
Finance costs	(5,486)
Net Foreign exchange gain	32,244
Profit for the year	**1,533,398**
Profit for the period from 31 December 2019	**1,533,398**
Group's share of profit for the period - 49%	**751,365**

The associate had no other contingent liabilities or commitments as at 31 December 2019 (2018: USD nil). The associate cannot distribute its profits without the consent from the two venture partners.

13 Bank balances and cash

USD	2019	2018
Cash on hand	21,245	31,399
Bank balances	56,373,290	99,808,981
Time deposits	63,206,624	31,034,859
	119,601,159	**130,875,239**
Escrow account held to acquire new assets	-	(10,800,000)
Cash and cash equivalents for the purpose of statement of cash flows	119,601,159	120,075,239
Bank balances and cash comprise of balances in the following currencies:		
United States Dollar (USD)	33,943,487	90,062,113
Saudi Riyal (SAR)	4,367,958	6,610,718
Egyptian Pound (EGP)	3,879,327	2,417,859
United Arab Emirates Dirham (AED)	38	531
Great British Pound (GBP)	160	6,111
Euro (EUR)	883	247
Algerian Dinar (DZD)	1,377,837	254,620
Kuwaiti Dinar (KWD)	12,824,846	488,181
Time deposits (USD)*	63,206,623	31,034,859
	119,601,159	**130,875,239**

**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 2.8% per annum (2018: 2.05%). The finance income reported in the consolidated statement of comprehensive income for the year 2019 amounted to USD 512,013 (2018: USD 2,738,844).*

14 Inventories

USD	2019	2018 Restated*
Offshore rigs	19,818,133	19,536,583
Onshore rigs	8,295,669	8,077,032
Warehouse and yards	16,706,362	5,058,705
	44,820,164	**32,672,320**

As at 31 December 2019, the inventories are stated net of provision for impairment of inventory of USD 253,329 (2018: Nil).

**Comparative information has been adjusted to reflect the IFRS 3 Business combination measurement period adjustments, refer to note 4.*

15 Trade receivables and contract assets

Trade receivables

USD	2019	2018
Trade receivables	132,896,203	105,701,885
Provision for impairment in trade receivables	(2,168,121)	(4,944,373)
	130,728,082	**100,757,512**
Maturing within 12 months	91,780,792	100,757,512
Maturing after 12 months	38,947,290	-
Balance as at 31 December	**130,728,082**	**100,757,512**

Trade receivables are non-interest bearing and are generally on 30 to 90 days terms, except for one customer which is recorded as non-current, 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 2019, the Group has contract assets of USD 41,541,310 (2018: 36,369,649). As at 31 December 2019, there was no impairment of contract assets and hence no ECL has been recorded.

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

USD	2019	2018
As at 1 January	4,944,373	3,693,766
Charge for the year	-	1,250,607
Release for the year	(2,776,252)	-
As at 31 December	**2,168,121**	**4,944,373**

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

USD	Neither past due nor impaired	Past due but not impaired				
		<30 days	30 - 60 days	61 - 90 days	>90 days	Total
2019	**99,540,594**	**10,527,810**	**2,668,836**	**1,808,191**	**16,182,651**	**130,728,082**
2018	**36,620,688**	**7,110,821**	**3,744,240**	**6,837,607**	**46,444,156**	**100,757,512**

As at 31 December 2018, the largest portion of over due balances over 90 days is from one customer of the Group, which is a partially government owned entity. In 2019 the Group signed a settlement agreement with the customer to settle all due balance and the management believes that the customer will be able to fulfil its obligations. The application of forward looking information has no material impact on the ECL provision.

16 Prepayments and other receivables

USD	2019	2018 Restated*
Invoice retention	44,361,741	25,933,048
Margin LG (Note 30)	2,379,048	5,635,765
Advances to contractors and suppliers	12,018,430	5,513,390
Insurance with customers	3,979,741	3,890,082
Dividends receivable	1,225,000	1,225,000
Provision for impairment in dividends receivables	(245,000)	(245,000)
Other receivables	8,431,595	10,430,808
	72,150,555	**52,383,093**

** The corresponding figures for 2018 have been adjusted to reflect the IFRS 3 Business combination measurement period adjustments as discussed in Note 4.*

17 Property and equipment

*Comparative information has been adjusted to reflect the IFRS 3 Business combination measurement period adjustments, refer to note 4.

USD	Rigs*	Furniture and fixtures	Drilling pipes	Tools	Assets under construction	IT equipment	Motor vehicles	Leasehold improvements	Total
31 December 2019									
Cost:									
As at 1 January 2019	645,604,819	1,188,005	13,137,229	30,586,817	124,673,795	777,987	249,765	256,804	816,475,221
Additions	13,231,608	219,577	461,069	6,420,413	218,467,321	47,137	-	36,747	238,883,872
Acquisitions through business combinations (Note 6)	42,378,439	-	-	-	30,804,885	-	-	-	73,183,324
Transfers	285,572,016	105,596	2,098,219	5,717,389	(294,018,596)	131,456	-	393,920	-
Transfer to intangible assets	-	-	-	-	(12,976)	-	-	-	(12,976)
As at 31 December 2019	**986,786,882**	**1,513,178**	**15,696,517**	**42,724,619**	**79,914,429**	**956,580**	**249,765**	**687,471**	**1,128,529,441**
Accumulated depreciation and impairment:									
As of 1 January 2019	(82,370,839)	(476,251)	(3,268,635)	(8,130,782)	(765,291)	(443,545)	(184,137)	(118,623)	(95,758,103)
Depreciation for the year	(40,202,545)	(118,947)	(1,761,977)	(3,227,333)	-	(129,484)	(36,768)	(77,970)	(45,555,024)
As of 31 December 2019	**(122,573,384)**	**(595,198)**	**(5,030,612)**	**(11,358,115)**	**(765,291)**	**(573,029)**	**(220,905)**	**(196,593)**	**(141,313,127)**
Net book value:									
At 31 December 2019	**864,213,498**	**917,980**	**10,665,905**	**31,366,504**	**79,149,138**	**383,551**	**28,860**	**490,878**	**987,216,314**

17 Property and equipment (cont'd)

USD	Rigs *	Furniture and fixtures	Drilling pipes	Tools	Assets under construction	Office-premises	Computers 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 business combinations, restated*	224,337,304	-	-	3,914,373	105,224,856	-	-	-	-	333,476,533
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, restated*	**645,604,819**	**1,188,005**	**13,137,229**	**30,586,817**	**124,673,795**	**6,622,148**	**777,987**	**249,765**	**256,804**	**823,097,369**
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 for the year, restated*	(24,231,388)	(108,922)	(1,615,005)	(2,059,085)	-	-	(110,164)	(38,617)	(36,947)	(28,200,128)
As of 31 Dec 2018, restated*	**(82,370,839)**	**(476,251)**	**(3,268,635)**	**(8,130,781)**	**(765,291)**	**-**	**(443,545)**	**(184,137)**	**(118,623)**	**(95,758,102)**
Net book value:										
At 31 December 2018, restated*	**563,233,980**	**711,754**	**9,868,594**	**22,456,036**	**123,908,504**	**6,622,148**	**334,442**	**65,628**	**138,181**	**727,339,267**

**Comparative information has been adjusted to reflect the IFRS 3 Business combination measurement period adjustments, refer to note 4.*
***The building reported as at 31 December 2018 pertains to the office premises of the Group under finance lease arrangement. The Group reclassified the balance on 1 January 2019 as right of use asset in accordance with the requirement of IFRS 16.*

Capitalised borrowing costs

The amount of borrowing costs capitalised during the year ended 31 December 2019 amounted to USD nil-(2018: USD 446,796).

17 Property and equipment (cont'd)

Depreciation charge is allocated as follows:

USD	2019	2018
Cost of revenue (Note 8)	49,460,710	27,936,711
General and administrative expenses (Note 9)	1,563,856	385,964
Total depreciation charge*	51,024,566	28,322,675

Total depreciation charge for the year includes amortisation of intangible assets and right of use assets of USD 121,861 (2018: USD 122,547) and USD 5,348,361(2018: nil), respectively.

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 20).

18 Intangible assets

USD	2019	2018
Cost:		
As at 1 January	776,653	742,457
Additions	-	12,788
Transfer from property & equipment	12,976	21,408
As at 31 December	**789,629**	**776,653**
Accumulated amortisation:		
As at 1 January	320,464	197,917
Amortisation charge for the year	121,861	122,547
As at 31 December	**442,325**	**320,464**
Net carrying amount		
As at 31 December	**347,304**	**456,189**

Intangible assets represent computer software and the related licenses.

19 Trade and other payables

USD	2019	2018 Restated*
Local trade payables	89,670,226	32,833,885
Foreign trade payables	24,930,548	4,241,609
Notes payable	2,371,597	333,519
Accrued expenses	41,035,747	14,995,275
Accrued interests	9,560,653	7,811,987
Income tax payable (Note 11)	9,975,938	3,040,753
Deferred consideration payable related to business acquisitions (Note 6)	-	9,875,000
Finance lease liability (Note 2.2)	8,793,910	567,960
Other payables	9,990,837	9,598,436
	196,329,456	**83,298,424**

Comparative information has been adjusted to reflect the IFRS 3 Business combination measurement period adjustments, refer to note 4

20 Loans and borrowings

USD	2019	2018
Balance as at 1 January	555,268,918	212,489,035
Borrowings drawn during the year	179,493,220	569,304,756
Borrowings repaid during the year	(351,018,420)	(238,038,216)
Amortised arrangement fees	22,303,610	11,513,343
Balance as at 31 December	**406,047,328**	**555,268,918**
Maturing within 12 months	83,692,835	45,258,354
Maturing after 12 months	322,354,493	510,010,564
Balance as at 31 December	**406,047,328**	**555,268,918**

Type	Interest rate %	Latest maturity	2019 USD	2018 USD
Current loans and borrowings				
Loan 1 Syndication				
Tranche A	5.0% + 6 Month LIBOR	3.5 years	15,050,000	
Ijara Loan				
Tranche A	3.25% + 6 Months SAIBOR	7 years	15,554,000	
Tranche B	3.25% + 6 Months SAIBOR	7 years	15,554,000	
Tranche C	3.25% + 6 Months SAIBOR	7 years	8,888,000	
NCB Loan				
NCB Loan	2.25%+SAIBOR	6 years	6,153,846	
Loan 2 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
Credit facility 1	1.25% + Corri-dor	Renewable	(177)	(186)
Credit facility 2	4.50% + 3 Month LIBOR	Renewable	3,996,693	-
Credit facility 3	6.50% + 3 Month LIBOR	Renewable	3,551,531	2,999,955
Credit facility 4	4% + 3 Month LIBOR	Renewable	111,609	-
Credit facility 5	2% + 6 Month LIBOR	Renewable	5,333,333	-
RCF	3.5% + 3 Month LIBOR	Renewable	9,500,000	-
Total current loans and borrowings			**83,692,835**	**45,258,354**

Type	Interest rate %	Latest maturity	2019 USD	2018 USD
Non-current loans and borrowings				
Loan 1 Syndication				
Tranche A	5.0% + 6 Month LIBOR	3.5 years	42,178,475	
Tranche B	5.0% + 6 Month LIBOR	3.5 years	30,000,000	
Loan 2 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
NCB Loan				
NCB Loan	2.25%+SAIBOR	6 years	73,594,207	-
Ijara loan				
Tranche A	3.25% + 6 Months SAIBOR	7 years	51,023,811	67,829,701
Tranche B	3.25% + 6 Months SAIBOR	7 years	54,446,000	70,000,000
Tranche C	3.25% + 6 Months SAIBOR	7 years	71,112,000	
Total non-current loans and borrowings			**322,354,493**	**510,010,564**
Total loans and borrowings			**406,047,328**	**555,268,918**

The Group has secured loans and borrowings as follows:

Bank credit facilities

Credit facility 2 is granted by Industrial Development Bank of Egypt (IDBE) with an overdraft facility limit amounting to USD 4 million.

Credit facility 3 is granted by the Al Ahli Bank of Kuwait (ABK) with an overdraft facility limit amounting to USD 7 million.

Credit Facility 4 is granted by Export development Bank of Egypt (EBE) with a non-secured facility limit amounting to USD 12 million available for overdraft &/or Letters of Guarantees.

Credit Facility 5 is granted by National Commercial Bank in KSA (NCB) with a total amount of SAR 30 million which is secured within a basket of other facilities.

Financial Institutions (as defined in the Revolving Credit Facility Agreement) made available a dollar revolving credit facility dated 18 April 2019 to ADES International Holding PLC, in the total principal amount of USD 50 million, which terms include extensions, renewals or increases (which may be made thereto from time to time).

Loan 1 – Syndication

On 2 May 2019, the Group has signed a syndication loan agreement arranged by HSBC with total amount of USD 100 million divided over four banks. The loan is divided into two tranches, the purpose and the use of each facility is described as follows:

a) Tranche A
For refinancing existing financial indebtedness in full (excluding 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 partially settle Loan 2 Tranch A.

b) Tranche B
Tranche B was utilised during the current year to partially settle Loan 2 Tranche B

Tranche A Facility is a medium-term loans over 3.5 years to be 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.

Loan 2 – 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 in 2018 to settle financial indebtedness. On 2 May 2019, USD 130 million was settled in cash and USD 70 million was refinanced by Loan 1 Tranch A.

b) Tranche B
New working capital purposes and to refinance certain existing working capital facilities. Tranche B was utilised in 2018. On 2 May 2019, USD 11.5 million was settled in cash and USD 30 million was refinanced as discussed by Loan 1 Tranch B.

c) Tranche C
Capital expenditure for the acquisition of the new rigs and mobile offshore production units. Tranche C was partially utilised in 2018. On 2 May 2019, Tranche C was fully settled in cash.

d) "Murabaha Facility"
Capital expenditure for the acquisition of the new rigs and mobile offshore production units. Murabaha Facility was partially utilised in 2018. On 2 May 2019, Murabaha Facility was fully settled in cash.

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 with the amount of the equivalent to USD 140 million in SAR.

On 25 April 2019 , the Group has signed "Musharakah" agreement and "Ijara" agreement with Alinma Bank to increase the facility to the equivalent to USD 284 million .

All 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, Rig 144, Rig 798, Rig 157, Rig 173) (Note 5).

NCB Loan

On 14 May 2019, the group signed a Long Term Loan Facility agreement with National Commercial Bank ("NCB") for a total limit of SAR 300 million (USD 80 million). As of 31 December 2019, the Group has fully utilized the facility.

On 10 December 2019, the group has amended the facility with National Commercial Bank ("NCB") to be Sharia compliant (Islamic Facility) without any change in the original agreed terms.

21 Bonds payable

On 16 April 2019, the Group issued USD 325,000,000 senior secured notes at 8.625% interest due on 24 April 2024. Interest is payable semi-annually on 24 April and 24 October each year commencing on 24 October 2019. The Group paid USD 11,841,032 as transaction costs for the issuance of the bonds. The Group recognised interest expense of USD 20,589,926 for the twelve months period ended 31 December 2019. The bonds payable is recognised at amortised cost using the effective interest method.

22 Provisions

USD	As at 1 January	*Accrued / acquired during the year	Paid during the year	As at 31 December
2019				
Provision for end of service benefits	12,959,590	4,899,967	(1,483,905)	16,375,652
Other tax provisions*	1,874,654	1,443,181	(2,217,835)	1,100,000
	14,834,244	**6,343,148**	**(3,701,740)**	**17,475,652**
2018				
Provision for end of service benefits	620,083	12,442,304	(102,797)	12,959,590
Other tax provisions*	1,836,000	280,017	(241,363)	1,874,654
	2,456,083	**12,722,321**	**(344,160)**	**14,834,244**

** Other 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.*

*** Comparative information has been adjusted to reflect the IFRS 3 Business combination measurement period adjustments, refer to note 4.*

23 Share capital

Share capital of the Group comprise:

USD	2019	2018
Authorised shares*	1,500,000,000	1,500,000,000
Issued shares	43,793,882	43,793,882
Shares par value	1.00	1.00
Issued and paid up capital**	**43,793,882**	**43,793,882**
Share premium***	**178,746,337**	**178,746,337**

**As at 31 December 2019 and 2018, 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 6).*

**** Share premium represents the excess of fair value received over the par value of shares issued as a result of business combinations (Note 6).*

Movement in treasury shares as at 31 December 2019 is as follows:

		Shares issued	Treasury shares*	Shares outstanding
1 January 2019	Balance at beginning of year	43,793,882	-	43,793,882
	Purchase of treasury shares for cash	-	300,000	300,000
31 December 2019	Balance at year end	43,793,882	300,000	43,493,882

** On 29 November 2019 the Group announced that pursuant to Shareholders' authority granted at the Company's EGM on 30 October 2019, it intends to commence purchases of ordinary shares in the capital of the Company. As at 31 December 2019 the total number of purchased ordinary shares that held as treasury shares is 300,000 amounted to USD 3,501,200 at the purchase price.*

The shareholding structure as at 31 December 2019 is:

Shareholders	Shareholding %	No. of shares	Value USD
ADES Investment Holding Ltd	62	27,179,084	27,179,084
Individual shareholders	38	16,614,798	16,614,798
	100	**43,793,882**	**43,793,882**

The shareholding structure as at 31 December 2018 was:

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

24 Equity settled share-based payments

Pursuant to the rules of the Long Term Incentive Plan ("LTIP") adopted by ADES Investments Holding Ltd., the awards over a total number of 1,136,451 ordinary shares of USD 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). The LTIP is equity settled and effective from 1 January 2019. 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.

The fair value at grant date was determined based on the market price of the shares of the Company at grant date which is USD 13.45 per share.

For the year ended 31 December 2019, the Group has recognised USD 11,341,219 of share-based payment expense, which represent 843,211 shares vested during the year, in the consolidated statement of profit or loss (31 December 2018: USD Nil) with a corresponding increase in equity (share-based payment reserve). As at 31 December 2019, the outstanding number of shares are 293,240. There were no forfeited nor expired shares during the year.

25 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 2019, the balance of legal reserve amounted to USD 6,400,000 (2018: 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.).

Cash flow hedge reserve

Balance at 1 January	-	-	-	-
Gain (losses) arising on changes in fair value of hedging instruments during the period	(6,748,538)	-	(6,748,538)	-
(Gain)/loss reclassified to profit or loss – when hedged item has affected profit or loss	600,963	-	600,963	-
Balance at 31 December	**6,147,575**	-	**6,147,575**	-

The cash flow hedge reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedge relationships. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the profit or loss, or is included directly in the initial cost or other carrying amount of the hedged non-financial items (as basis adjustment, where applicable).

26 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 after adjusting the number of ordinary shares by the treasury shares.

Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares. As at 31 December 2019, 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	2019	2018 Restated*
Profit attributable to the ordinary equity holders of the Parent for basic and diluted EPS	28,630,013	72,892,277
Weighted average number of ordinary shares – basic and diluted	43,778,181	43,082,201
Earnings per share – basic and diluted (USD per share)	**0.65**	**1.69**

**Comparative information has been adjusted to reflect the IFRS 3 Business combination measurement period adjustments, refer to note 4*

27 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 4,676,418 for settlement of payable and fixed assets purchased in 2019. (2018: USD 11,265,899).

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

	2019		2018	
	Due from	Due to	Due from	Due to
Ultimate Shareholders				
Sky Investment Holding Ltd.	60,000	-	60,000	-
Intro Investment Holding Ltd.	90,503	-	90,502	-
Shareholder				
ADES Investment Holding Ltd	48,864	-	46,364	-
Joint venture				
Egyptian Chinese Drilling Co. (S.A.E.)		57,192	170,618	-
Other related parties				
TBS Holding	35,387	-	3,027	-
Misr El-Mahrousa	14,624	-	-	-
Advantage Drilling Services	425,271	-	-	-
Advansys Project	1,308	-	1,308	-
Advansys Holding	5,299	-	5,299	-
AMAK for Drilling & Petroleum Services Co.	4,019,924	-	-	55,078
ADVANSYS FOR ENG.SERV. & CONS	-	1,032	-	1,028
Intro for Trading & Contracting Co.	39,738	-	227	-
	4,740,918	**58,224**	**377,345**	**56,106**

Compensation of key management personnel

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

USD	2019	2018
Short-term benefits*	3,640,000	3,285,000

** 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 2019, the Group has not recorded any provision for expected crdit losses relating to receivables and amounts owed by related parties (2018: 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.

28 Financial risk management objectives and policies

Overview

The Group's principal financial liabilities comprise trade and other payables, due to related parties, 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 2019, the top three debtors of the Group represent 72% (2018: 84%) of trade receivable.

Trade receivables and contract assets

Customer credit risk is managed by the Group's established policy, procedures and controls relating to customer credit risk management. 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 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 2019		
USD	+100	(1,369,287)
USD	-100	1,369,287
31 December 2018		
USD	+100	(2,465,056)
USD	-100	2,465,056

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 2019		
EGP	+10%	678,829
EGP	-10%	(678,829)
31 December 2018		
EGP	+10%	519,417
EGP	-10%	(519,417)

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 2019					
Loans and borrowings	20,680,991	100,671,911	770,139,912	12,465,041	903,957,855
Trade and other payables	74,541,408	111,812,110	10,988,839	-	197,342,357
Due to related parties	-	57,224	-	-	57,224
Lease liability	1,350,159	4,050,478	20,805,070	-	26,205,707
Derivative financial instrument	543,164	607,162	2,418,720	-	3,569,046
Total undiscounted financial liabilities	**97,115,722**	**217,198,885**	**804,352,541**	**12,465,041**	**1,131,132,189**
As at 31 December 2018					
Loans and borrowings	-	82,827,165	621,780,202	16,660,874	721,268,241
Trade and other payables	40,883,795	41,498,876	-	-	82,382,671
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**

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%.

USD	2019	2018
Loans and borrowings (Note 20)	406,047,328	555,268,918
Bank balances and cash (Note 13)	(119,601,159)	(130,875,239)
Net debt	**286,446,169**	**424,393,679**
Total equity	452,724,480	421,428,137
Total capital	**739,170,649**	**845,821,816**
Gearing ratio	39%	50%

29 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.

30 Contingent liabilities and commitments

Contingent liabilities

USD	31 December 2019	31 December 2018
Letter of guarantees	**33,572,453**	**25,708,373**

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 5,527,168 (31 December 2018: USD 5,635,765).

The Group also had the following facilities:

- The Group signed a multicurrency Syndicated Credit facility agreement with Mashreq Bank PSC Dubai on 6 May 2019 and its subsequent amendments for the facility amounting to USD 90,000,000 for the issuance of Letters of Credit and Letters of Guarantees. As of 31 December 2019 the Group utilized letter of guarantees a total amount of USD 78,269,350.
- The Group entered into a bilateral Unfunded Trade Finance Facility Agreement with Arab Petroleum Investments Corporation (APICORP) on 22 July 2019 for total facility amounting to USD 30,000,000 for the issuance of Letters of Credit and Letters of Guarantees. As of 31 December 2019 the Group utilized letter of guarantees for a total amount of USD 2,872,836.
- The Group entered into a bilateral agreement with Al Ahli bank of Kuwait Egypt "ABK" dated on 29 May 2019 amounting to USD 3,000,000.00, by means of a Letter of Guarantee agreement. As of 31 December 2019, the Group has not utilized any amounts under the facility.
- The Group entered into specific indemnities with Bank of America on 10 June 2019 for an amount up to USD 4,000,000 for the issuance of certain Letters of Guarantees for some of its affiliates or subsidiaries. As of 31 December 2019, the Group utilized letter of guarantees for a total amount of USD 2,866,644.
- The Group entered into a bilateral agreement with Suez Canal Bank "SCB" dated on 21 October, 2018 amounting to USD 12,000,000.00 available as a revolving overdraft &/or Issuance of Letters of Guarantees. As of 31 December 2019, the Group utilized letter of guarantees for a total amount of USD 9,314,139.
- The Group entered into bilateral agreement with Export development bank of Egypt "EBE" bank dated on 18 July, 2018 amounting to USD 12,000,000.00, available as a revolving overdraft and/or Issuance of Letters of Guarantees As of 31 December 2019 the Group utilized letter of guarantees for a total amount of USD 8,999,880.

31 Derivative financial instruments

USD	2019	2018
Derivative held for trading		
Interest rate swap	3,569,046	4,340,180
Balance as at 31 December	**3,569,046**	**4,340,180**
Total current	1,150,326	1,216,381
Total non-current	2,418,720	3,123,799

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 2019				
Derivative financial instrument:				
Interest rate swap	(3,569,046)	-	(3,569,046)	-

During the year ended 31 December 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 at fair value measurements. (31 December 2018: USD 4,340,180).

Interest rate swap derivatives relate 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.

Derivative financial instruments - classified as held for trading financial liabilities - are carried in the consolidated statement of financial position at fair value at the total of USD 3,569,046 as of 31 December 2019. The carrying amount of these derivatives represents the negative mark to market value of the remaining USD 100,000,000 notional amount of the swap contract that was originally entered into by the Group with Goldman Sachs (GS) in 2018, novated in 2019 and is still outstanding at 31 December 2019. The remaining tenor of the GS interest rate swap contract extends from 21 November 2019 until it terminates on 22 March 2023. The total notional amount of the GS interest rate swap before novation was USD 241,500,000 which represented at that time the loans withdrawn as Tranche A and B Loan under Loan 3 Syndication (note 20).

USD	2019	2018
Derivative financial liabilities that are designated and effective as hedging instruments		
Interest rate swap contracts	6,147,575	-
Balance as at 31 December	**6,147,575**	-
Total current	1,981,402	-
Total non-current	4,166,173	-

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

Derivative financial liabilities – that are designated and effective as hedging instruments (in a cash flow hedge relationship) - are carried in the consolidated statement of financial position at fair value at the total of USD 6,147,575 as of 31 December 2019. This carrying amount represents the negative mark to market value for SAR 530,625,000 notional amount (equivalent to USD 141,500,000 at date of novation) of the new swap contract that was entered into by the Group with National Commercial Bank (NCB) in 2019 (part of which was novated from the original swap contract with GS above). The tenor of the new NCB interest rate swap contract extends from 1 August 2019 until it terminates on 10 June 2025. The objective of the cash flow hedge is to protect against cash outflows variability related to floating-rate interest payments on the hedged portion of the Alinma credit facility using the 6-month SAIBOR rate (as shown in the following table). Such cash outflows variability results from changes which may occur on the 6-month SAIBOR market rate (i.e. the designated benchmark interest rate).

Borrowing (hedged item)	Type	Notional amount	Hedged interest rate	Effective date	Maturity date
Alinma Credit Facility	Bank loan	SAR 530,625,000	Floating (6m-SAIBOR)	1 Aug 2019	10 Jun 2025

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 2019				
Derivative financial instrument:				
Interest rate swap	(6,147,575)	-	(6,147,575)	-

During the year ended 31 December 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 at fair value measurements. (31 December 2018: Nil).

32 Dividend distributions

During 2018 no dividends had been paid by the Group. In the current year, dividends of USD 1,934,284 have been paid by UPDC, one of the Group's subsidiaries, to its non-controlling shareholders in respect of 2018 profits. The Board of Directors of ADES International Holding Plc does not propose a dividend to the shareholders at the Annual General Meeting.

33 Subsequent events

Shares buy back

On January 23, 2020, ADES International Holding PLC has purchased 70,000 from its own shares with an average price of USD 12.00 per share, in accordance with the shareholder authority granted at the Company's EGM on 30th October 2019 and as part of the buyback program announced on November 29, 2019. As at the close of business on 23rd January 2020, the total number of ordinary shares held as treasury shares became 370,000 and ADES had 43,793,882 ordinary shares (including treasury shares) in issue. Therefore, the total number of voting rights in the Company became 43,423,882

Current events caused by COVID-19 and lower oil prices

The outbreak of Novel Coronavirus (COVID-19) continues to progress and evolve. Therefore, it is challenging now, to predict the full extent and duration of its business and economic impact. In January 2020, oil prices fell as a result of the outbreak of COVID-19 and its impact on demand for petroleum products. More recently, oil prices suffered a steep fall following the failure of OPEC and OPEC+ to reach an agreement in respect of production cuts.

The extent and duration of such impacts remain uncertain and dependent on future developments that cannot be accurately predicted at this time, such as the transmission rate of the coronavirus and the extent and effectiveness of containment actions taken. Given the ongoing economic uncertainty, a reliable estimate of the impact cannot be made at the date of authorisation of these consolidated financial statements. These developments could impact our future financial results, cash flows and financial condition.

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 - is calculated as Net profit before non-controlling interest after excluding non-recurring charges from: a) one off finance charges related to loan fees and written off prepaid transaction costs b) accounting adjustments related to IFRS 3 (Business Combinations) and a one-off bargain purchase gain; c) non-cash, equity-settled share-based payment compensation from the parent company; d) non-cash fair-value adjustments under financial instruments; and e) non-recurring transactions.

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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