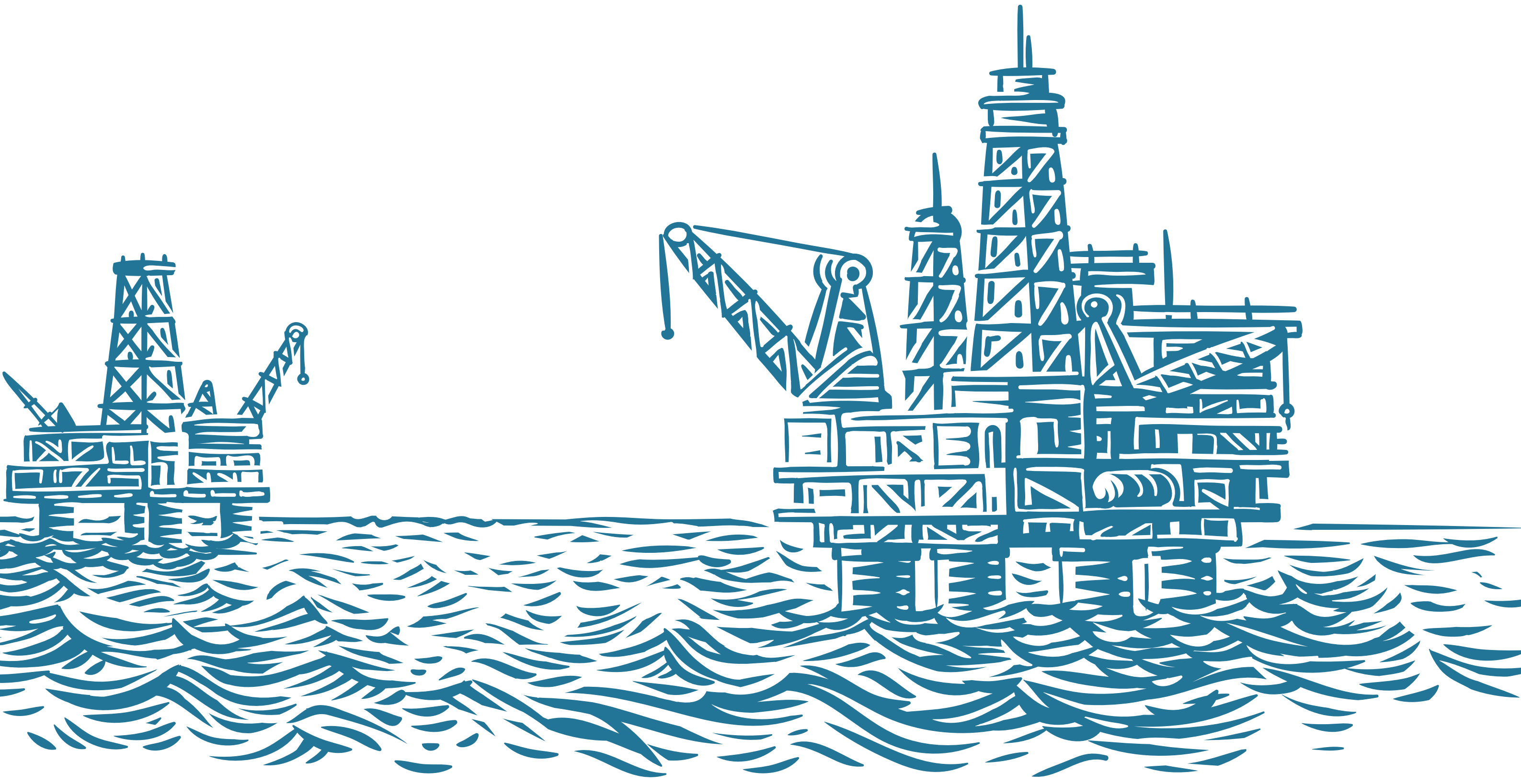
ADES INTERNATIONAL HOLDING PLC.

WEATHERING
THE STORM



ANNUAL REPORT 2020

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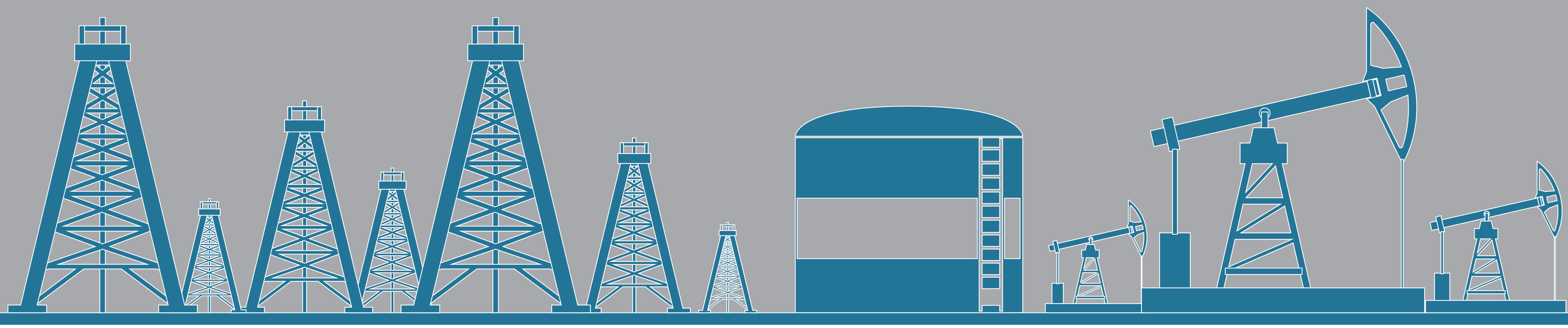


INTRODUCTION

Foreword

The Introduction and Strategic Report on pages 03 to 61 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 response to COVID-19 and our approach to sustainability and risk management. The Introduction and Strategic Report are only part of the Annual Report and accounts for 2020. They were approved by the Board on 4 June 2021 and signed on its behalf by Dr. Mohamed Farouk, ADES' 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, non-financial information statements required by these regulations including details on:

INTRODUCTION

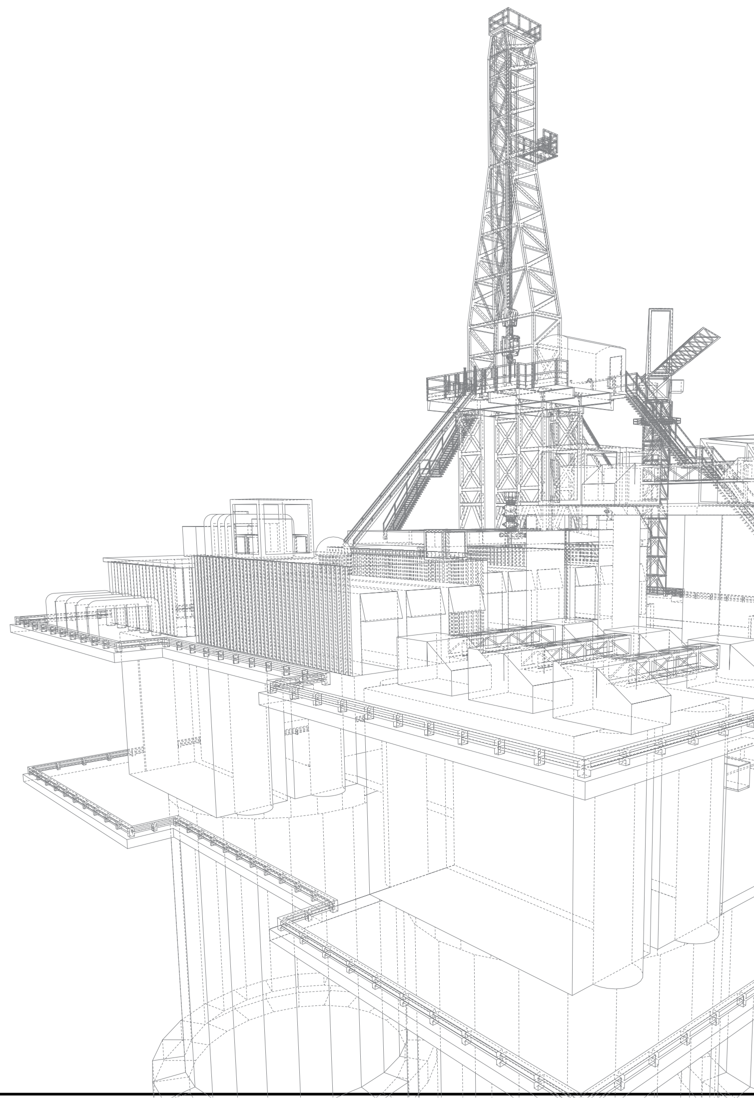
An Even Keel

ADES is a leading drilling and production services provider in the MENA region, providing clients with a comprehensive mix of high-quality 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 ("MENA"). Today, the Company offers both onshore and offshore oil & gas drilling and production services, a characteristic which sees ADES standout from its competitors in the region. Over the years, ADES has expanded its regional footprint and now boasts a strong presence in Egypt, Saudi Arabia, Kuwait, and Algeria. Its highly skilled workforce of approximately 3,500 employees serve clients including major national oil companies ("NOCs") such as Saudi Aramco and Kuwait Oil Company as well as joint ventures of NOCs with majors international oil companies ("IOCs"). The Group's current fleet encompasses thirty-six onshore drilling rigs, thirteen jack-up offshore drilling rigs, a jack-up barge, and a mobile offshore production unit ("MOPU"), which includes a floating storage and offloading unit. Across all its operations, ADES adheres strict health and safety protocols, which have seen the Company maintain a superior health, safety, and environmental record throughout the years.

2020 was a particularly difficult year for business all around the world, with the oil sector suffering from low and fluctuating oil prices and the impacts of COVID-19 on the global economy. Against this backdrop, the financial and operational performance delivered by ADES over the last twelve months is proof positive of the business' impressive resilience. This was a direct result of the Group's prompt and effective response to the outbreak of COVID-19, as well as the solid foundations built by ADES over the years through a carefully executed expansion and business development strategy. Supported by a recovering global economy with rising vaccination rates, the strength of ADES' business model, the resilience of the markets it operates in, and the relative stability of oil prices, ADES enters 2021 well-positioned to drive long-term sustainable growth across its operations.



Our Promise

At ADES, operational and safety excellence are at the core of our day-to-day strategy and decision-making. Having consistently placed safety and cost management at the centre of our strategy, the Group has been able to grow sustainably and deliver on its ambitious operational and financial targets, without compromising its impeccable safety record. ADES' operational procedures are regularly reviewed to ensure they are in full compliance with the highest occupational health, safety and environmental care standards. In parallel, across all our operations, our management teams work diligently to ensure ADES' "safety culture" is enforced at all times. The Group's attention to health and safety has proven particularly important throughout the ongoing COVID-19 pandemic as ADES successfully ensured no interruptions to its operations whilst always keeping the health and wellbeing of its rig and office staff as its number one priority.

Since inception, sustainability has been 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. As a regional champion in the drilling sector, it is imperative for our sustainability practices to reflect the scale of our business so that we can continue to effectively mitigate the impacts of our operations and positively impact the communities where we do business. As such, across all areas of our business we continue to adhere to the Group's comprehensive sustainability framework, with a focus on four key areas: Governance and Responsibility, Ethics and Safety, Communities, and Environment. In 2020, despite the unprecedented challenges in the face of COVID-19 and global restrictions associated with the pandemic, we made great progress toward completing a 'sustainability materiality assessment' (SMA) with the help of a commissioned independent ESG consultancy. This exercise will provide valuable insights and information needed for the buildout of real-world matrices and policies as we seek to enhance our sustainability strategy and action plan. Heading into 2021, we will look to continually improve, and aim to develop more transparency, make our approach to disclosing our environmental, social and governance performance more robust, and align with best practice in the sector.

Investment Case

Diversified fleet with a unique service offering
51 rigs as of 31 December 2020 offering both onshore and offshore drilling services.

Consistent backlog build-up and high utilization rate
Cumulative backlog of c.US$ 929 million at year-end 2020, with an average utilization rate of 89%.

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

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

Resilient business model
Well-equipped to weather adverse market conditions supported by lean operating cost structure and flexible service offering.

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

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

INTRODUCTION

Our Services

ADES' primary 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. The Group's uniqueness lies in the fact that it is able to offer both onshore and offshore drilling services as opposed to the majority of its competitors in the region who typically focus on just one of the two. This not only allows ADES to stand out from the competition, but also ensures access to a larger pool of potential awards. ADES' operations are concentrated in regions characterised by low extraction costs, featuring non-harsh environments with a predominance of legacy fields. 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 (MOPU), which includes a floating storage and offloading unit.

Onshore Drilling & Workover

ADES' onshore operations are mostly conducted in Kuwait, Saudi Arabia, and Algeria. Today, the Group offers onshore drilling and workover services to a diverse roster of NOCs and International Oil Companies ("IOCs").

MOPU Services

ADES launched its 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. Admarine I has a production capacity of up to 5,000 bpd and to date has had relatively low production costs per barrel.

Jack-up Barge and Project Services

To complement ADES' offshore offering, the Group also owns an offshore jack-up barge, Admarine II, 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.

Offshore Drilling & Workover

ADES conducts offshore drilling and workover services in Egypt and Saudi Arabia through a fleet of "legacy" jack-up rigs and a jack-up barge. The Group's offshore drilling and workover offering is focused on the development, production, and workover phases of the oilfield life cycle and entirely in shallow-water and non-harsh environments. Starting in 2019, the Group also provides deep-water drilling services through a long-term joint venture with Vantage Drilling International in Egypt's Mediterranean basin.

Other Services

The Group also provides accommodation, catering and equipment rental to its offshore rig clients and their personnel onboard ADES' units. Although the supply of equipment is typically the client's responsibility, ADES is able to rent equipment to clients whenever they may require it or prefer to rent it.

ADES' differentiated business model allows the Company to consistently introduce innovative solutions to best cater to customer's evolving needs. In 2020, ADES secured its first early production facility contract with a top-tier client in Egypt, highlighting the Group's agility in providing tailored services to its clients in the current challenging market conditions, by facilitating early production in a shorter timeframe than it would be possible with a fully-fledged production facility.

Elite Qualifications

ADES' prequalification status with leading NOCs and IOCs in the region alongside its world-class qualifications are invaluable in ensuring the Group's success in bidding processes across its countries of operation. Today, ADES boasts prequalification status across countries covering 72% of the MENA region's proven hydrocarbon reserves.

ADES' Prequalification

Aramco, KOC, ENI, 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

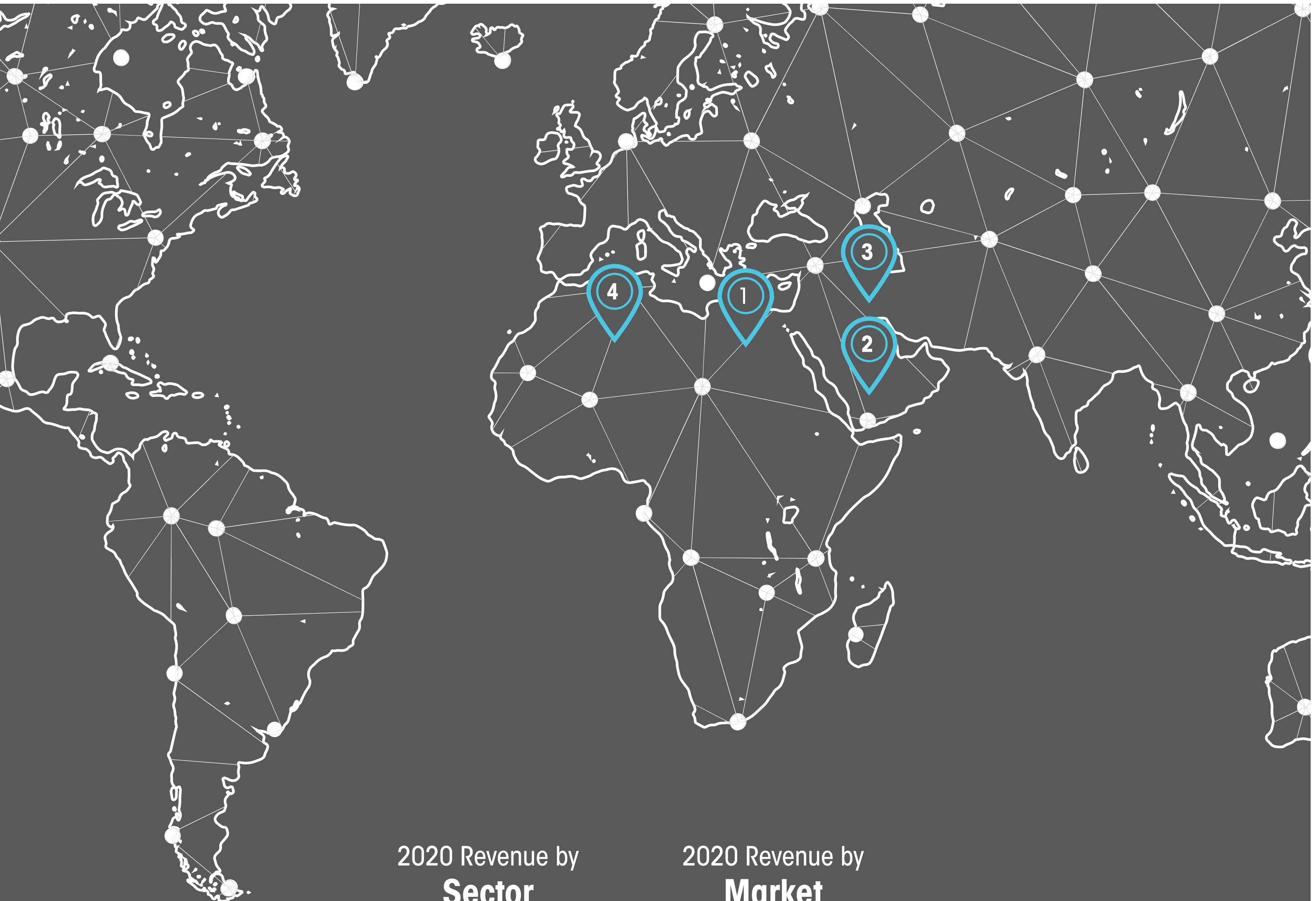
ISO 9001:2008 and ISO 29001:2012 Certifications

Memberships

IMCA IADC

INTRODUCTION

Established Presence in MENA



2020 Revenue by **Sector**

Onshore	47%
Offshore	39%
MOPU, Jack-up Brage & Others	14%

2020 Revenue by **Market**

KSA	54%
Kuwait	24%
Egypt	19%
Algeria	3%

Strong Presence in Four Key MENA Markets

The Group currently operates in four key MENA markets characterised by strong growth prospects and high barriers to entry, in turn offering ADES important opportunities for future expansion. Throughout 2020, the MENA region proved its resilience in light of the unprecedented difficulties faced all around the world, with the Group recording only minor disruptions to its operations.

1 Egypt

Egypt is the country in the MENA region who has committed the greatest investments to the petrochemical sector over the coming five years. Egypt is ADES' home market, with the Group's fleet in the country currently comprising seven offshore rigs, one onshore rig, one MOPU, and one offshore jack-up barge. The Group is also active in the Mediterranean deep-water drilling subsegment through its JV with Vantage Drilling International.

3 Kuwait

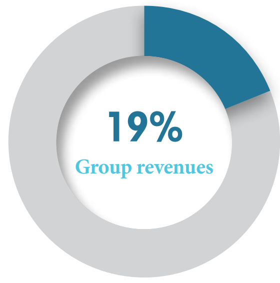
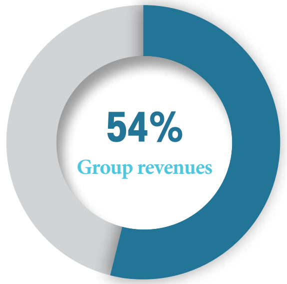
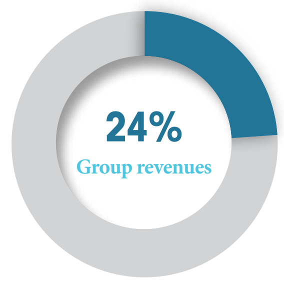
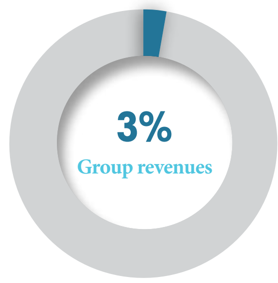
Kuwait's recovery is set to be particularly pronounced, with a c.20% increase in drilling activity expected in 2021[1]. The Group's Kuwaiti fleet currently includes 12 onshore rigs, with around 75% of the Company's fleet classified as high specification in the WGE's database.

2 Saudi Arabia

Saudi Arabia is expected to drive production growth in OPEC to 2025, with c.3.8 mmboe/d of additional supply anticipated between 2020 and 2025[1]. Today, ADES controls what is arguably the most diverse operational fleet in the country, and is active both in the ultra shallow and shallow offshore segments and the onshore segment of the market.

4 Algeria

Rig demand is expected to grow strongly in 2022 after a difficult couple of years as Algeria works to revitalise its downstream operations[1]. The Group's Algerian fleet is currently made up of eight onshore rigs, all rated at 1,000 HP or above.

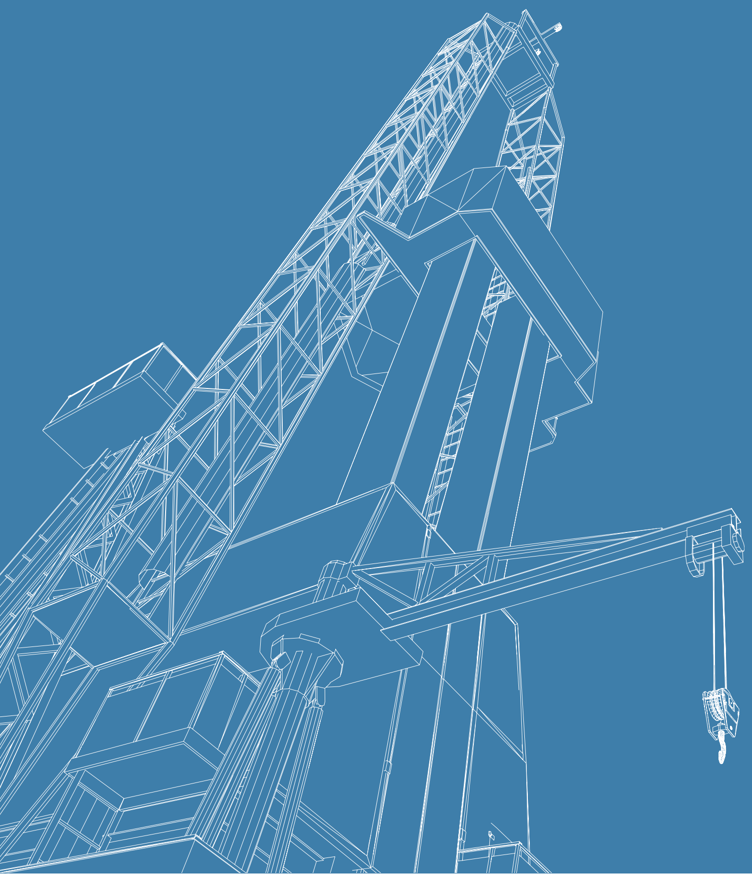
Egypt	Saudi Arabia	Kuwait	Algeria
 19% Group revenues	 54% Group revenues	 24% Group revenues	 3% Group revenues
C.1,200 employees	C.1,500 employees	C.740 employees	C.60 employees
10 Rigs	21 Rigs	12 Rigs	8 Rigs

[1] *Westwood Analysis*

INTRODUCTION

2020 Highlights

The year just ended was an extraordinarily difficult year for economies all over the world and particularly the oil & gas sector. However, thanks to the Group's continued focus on business sustainability over the years, combined with a prompt implementation of an all-encompassing response plan focused on guaranteeing its staff's health and wellbeing whilst safeguarding its operations, ADES was able to curb the impact of the pandemic on its operations, incurring in only minor disruptions. This allowed ADES to press on with its value creation strategy, dually focused on completing the integration of its newer assets while continuing to offer high-quality services and innovative solutions to its growing client roster. In June, the Group launched a second share repurchase program emphasising the Board's confidence in the Company's prospects.

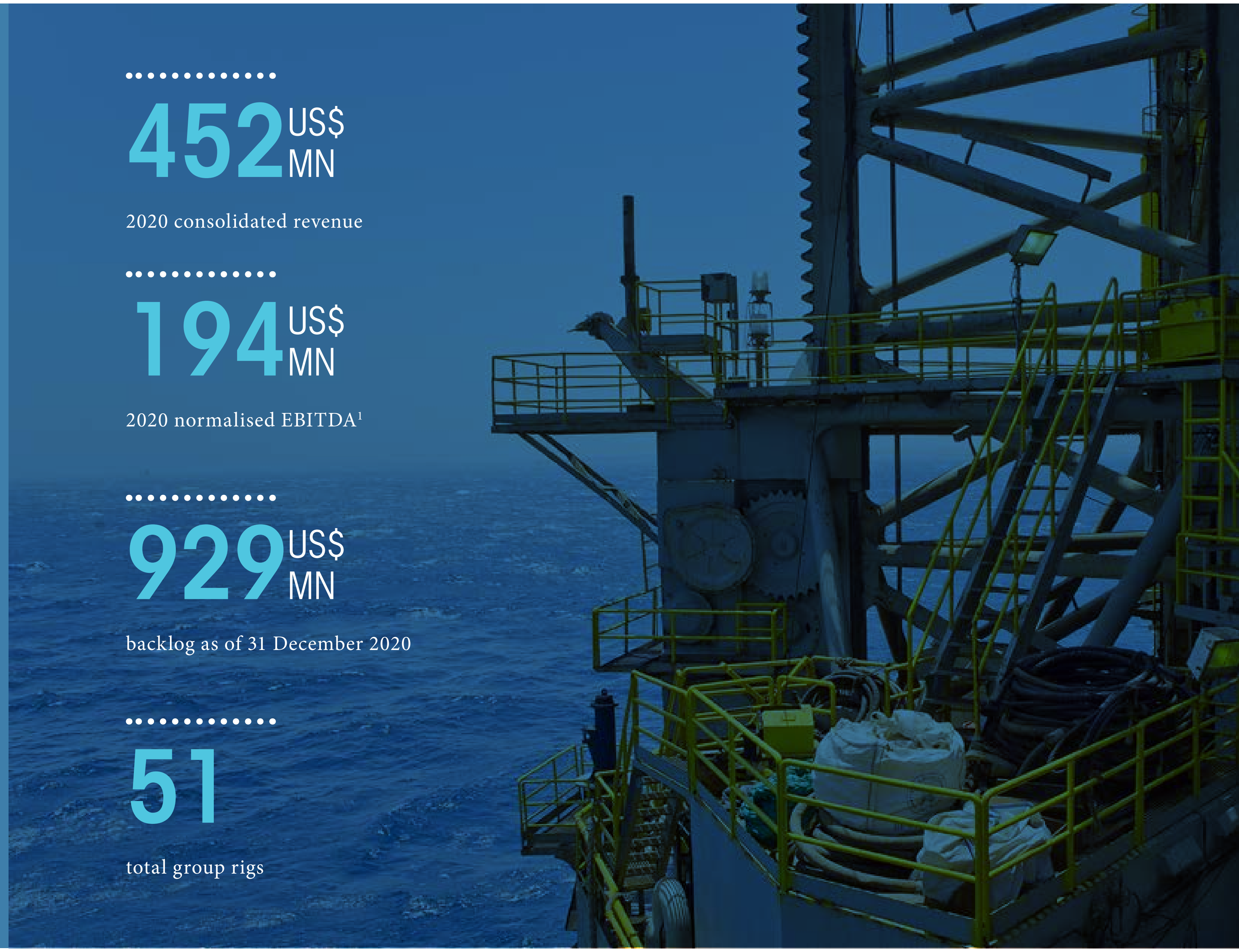


c.3,500

total group personnel

0.31

recordable YTD injury frequency rate (RIFR[2])



452 US$ MN

2020 consolidated revenue

194 US$ MN

2020 normalised EBITDA[1]

929 US$ MN

backlog as of 31 December 2020

51

total group rigs

ADES Integration Project

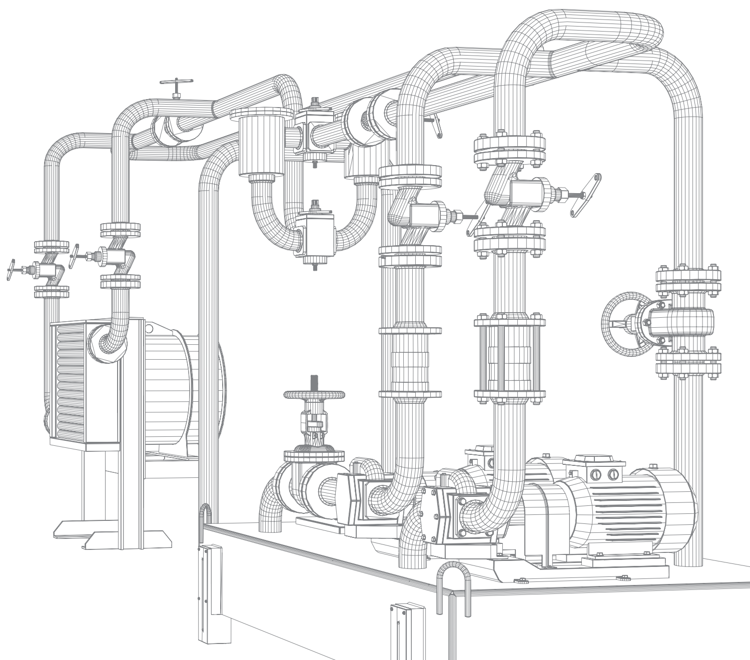
Despite the difficult operating environment, ADES pressed on with the second phase of its Integration Project. As at year-end 2020, EBITDA margins for the majority of newly acquired rigs have risen from their levels at time of acquisition and are now in line with the Group's average. This partially helped mitigate the impacts on the Group's financial performance resulting from the ongoing pandemic and adverse market dynamics witnessed throughout 2020, supporting a modest improvement in adjusted and normalised margins for the year. With the majority of the cost saving initiatives only taking effect in the final weeks of the year, the full benefits of the Integration Project are expected to be more evident on a full-year basis in 2021.

New Contracts and Innovative Solutions

During the past twelve months, ADES secured two new contracts in Egypt and KSA as well as multiple extensions and renewals, offering greater backlog visibility during current market conditions. On this front, 2020 saw the Group secure its first early production facility contract in Egypt, testament to its ability to continue offering innovative solutions which cater to costumer's changing needs. Furthermore, in early 2021 the Group secured significant contract renewals for seven of its rigs in KSA. With an estimated backlog addition of approximately US$ 950 million, the contract renewals provide more visibility over the Group's cashflow and backlog and further strengthen its position as the regional industry champion.

COVID-19 Response Protocols

Since the very start of the COVID-19 crisis, ADES has implemented strict health and safety and business continuity protocols to protect its personnel and safeguard its operations. These protocols have allowed the Group's operations to continue without interruptions and without jeopardising the wellbeing of ADES' rig and office staff. A COVID-19 Action and Response Plan and check list have been in place since March 2020 to systematically monitor triggers, assess risk and impact and define response actions at various levels from rig to country and HQ level. Oversight and implementation of all protocols related to COVID-19 is the responsibility of ADES' Crisis Management Board (CMB), a team specifically put together to help manage the crisis.

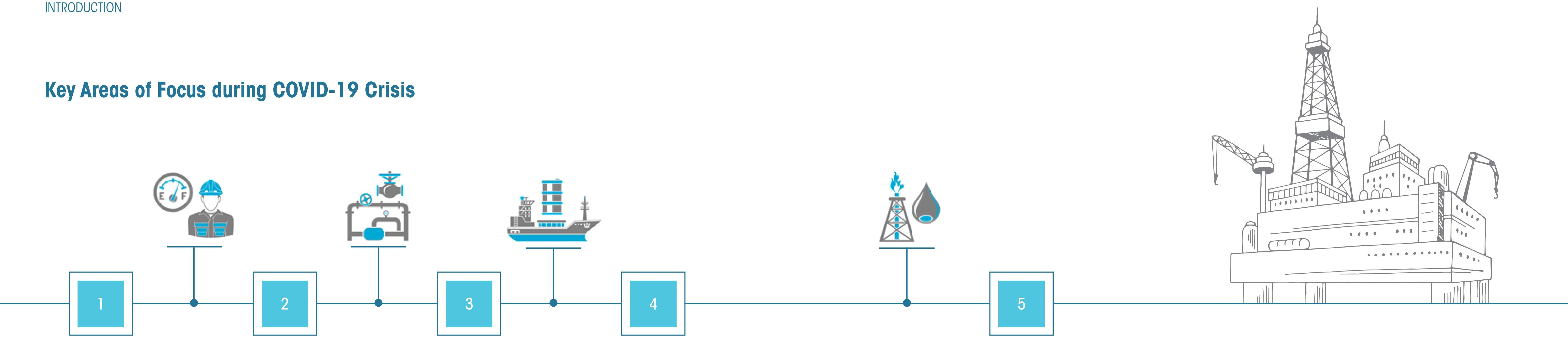


[1] Normalised EBITDA is calculated as adjusted EBITDA excluding non-recurring charges related to a) non-recurring staff cost related to crew overstay due to COVID-19; and b) non-recurring integration program costs.

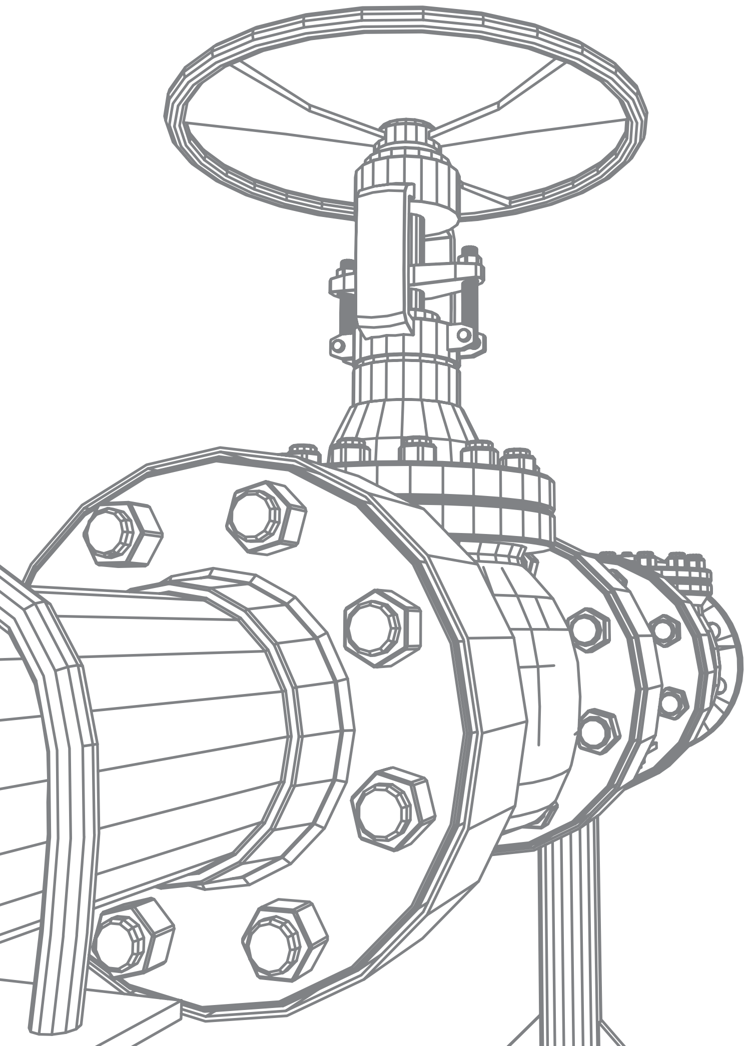
[2] Per 200,000 working hours.

INTRODUCTION

Key Areas of Focus during COVID-19 Crisis



1. People, Health & Safety
2. Procurement & Sourcing of Services & Materials
3. Logistics & Travel
4. Client Reaction & Communication
5. Global Market & External Factors



Health and Safety Protocols

Crew shifts have been extended 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.

Business Continuity Frameworks

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.

ADES is continuing to monitor the evolving situation across all its countries of operations and is constantly reviewing and adjusting its protocols to conform with the latest guidelines from the World Health Organisation (WHO) and local health authorities.

INTRODUCTION

Chairman's Message

ADES' performance in 2020 clearly demonstrates that we have successfully built a resilient Company capable of delivering strong results and value to shareholders even during the most testing times. Despite the formidable challenges presented by the COVID-19 pandemic along with oil price volatility, our Company emerged unscathed thanks primarily to the solid foundations we have built over the years, as well as our effective COVID-19 response strategy that safeguarded the health and safety of our people while ensuring business continuity. From the start of the pandemic ADES was quick to establish a Crisis Management Board (CMB) to manage and mitigate the risks posed by COVID-19, and ensure our Company continued to deliver the world-class onshore and offshore drilling services that have become synonymous with our name. I am also pleased to report that our resilient results were underpinned by renewed trust and confidence from our clients and partners, with the Company successfully renewing or extending contracts across our footprint. More importantly, ADES proved a reliable and innovative partner at the time of crisis, offering tailored services to meet our clients' needs while simultaneously extracting synergies to deliver new value.

Parallel to our resilient performance in 2020, the year also saw us maintain our commitment to strong governance standards, closely following in the spirit of the UK Corporate Governance Code, and strengthening our environmental, social and governance (ESG) guidelines and policies. We continue to work our top-tier ESG consultant to adopt real-world policies and matrixes to better track our performance and affect a positive impact in our communities on par with our growing scale and geographical footprint. This builds on the foundations we set following our IPO for the Group's sustainability framework, with a focus on four key areas: Governance and Responsibility, Ethics and Safety, Communities, and Environment. Details on our efforts across these initiatives during 2020 are available in the Sustainability section of this report beginning on page 48.

I note that at the time of writing, ADES' independent Board of Directors had recommended a cash offer from Innovative Energy Holding for the entire issued and to be issued ordinary share capital of the Company. Innovative Energy is a newly established company that is jointly owned by the Public Investment Fund of Saudi Arabia (PIF), Zamil Investments, and ADES Investments Holding with the latter to hold a majority ownership. The offer price by Innovative Energy represented a premium to shareholders of approximately 40% compared to the closing price as of 5 March 2021 (the last business day prior to the offer announcement), a strong testament to our success in building an attractive and sustainable business with solid growth potential. While the transaction initiated the cancellation of the listing of the ADES shares from the London Stock Exchange, we are excited to be partnering with PIF; a strategic partnership with one of the world's largest sovereign wealth funds that is committed to our industry.

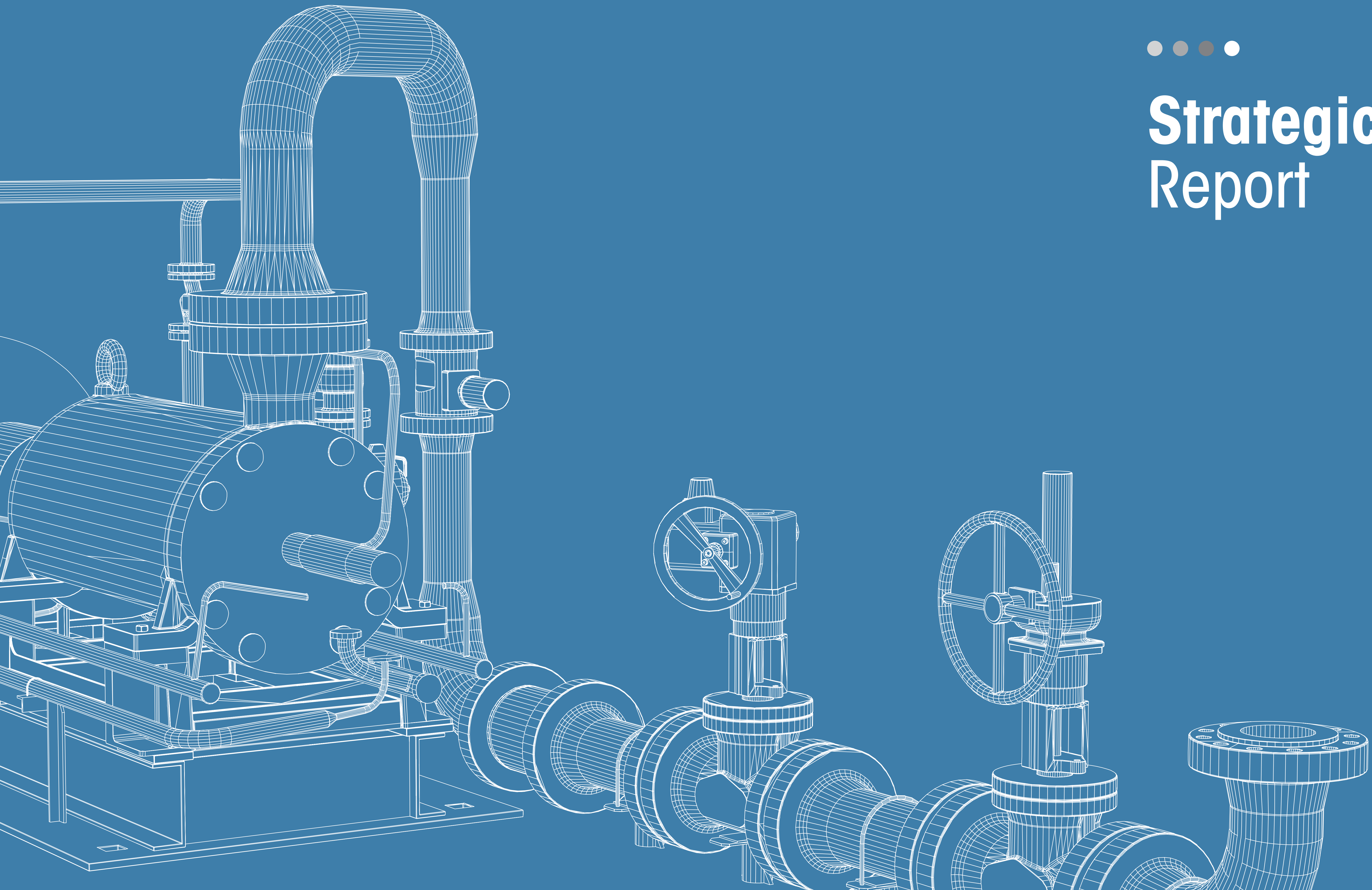
Our rationale for the delisting is to usher in a new chapter for ADES as a private company where it will benefit from a longer-term approach to strategy and decision making. Specifically, our Company will have greater flexibility to pursue strategic opportunities, including in relation to capital allocation and financing. The transactions also offered investors the opportunity to realise an attractive cash premium on their shares, and to capitalise on our success in transforming ADES from a local, offshore-focused driller in Egypt at the time of IPO, to a regional champion with a significant asset base across both the on- and offshore segments. It is important to note that as a private Company, ADES shall maintain its unwavering commitment to governance and sustainability, with the strong belief that good governance is key to achieving our long-term business goals and to delivering sustainable value to our stakeholders.

I would like to thank our Board of Directors for their invaluable guidance and support over the years, and I welcome our new partners on this new chapter for ADES. Finally, I wish to express my sincere gratitude to all of ADES' employees who are the driving force behind our Company's success and resilience. I look forward to continuing to work with all of you for years to come as we forge new paths of value creation and long-term success.

Mr. Ayman Abbas,
Chairman of the Board

Despite the formidable challenges presented by the COVID-19 pandemic along with oil price volatility, our Company emerged unscathed thanks primarily to the solid foundations we have built over the years, as well as our effective COVID-19 response strategy that safeguarded the health and safety of our people while ensuring business continuity.

Strategic Report



STRATEGIC REPORT

Chief Executive Officer's Report

2020 was a year full of operational challenges which impacted businesses all over the world, with the oil & gas industry particularly affected by the economic uncertainty created by the COVID-19 pandemic. As such, the year provided an incredibly tough stress test for businesses in the industry, and I am proud to report that ADES has successfully weathered the storm. Adding to our pride is the fact that the resilience demonstrated across all our operations over the course of 2020 comes as a direct result of our efforts to build a sustainable, diversified and growth-oriented business fully capable of adapting to short-term challenges while continuing to drive long-term value creation for all stakeholders. Our ability to overcome the transitory challenges posed by COVID-19 was also due to the effectiveness of our immediate response to the pandemic's outbreak which saw us roll out extensive health and safety and business continuity protocols aimed at protecting our people and communities while safeguarding our operations.

As a business which has made health and safety the backbone of its operation, ADES' number one focus at the start of the pandemic was protecting our employees, partners and the communities where we operate. Key efforts included the establishment of a Crisis Management Board (CMB) to manage and oversee all efforts related to COVID-19, extending crew shifts from 14 to 28 days to minimize travel, maintaining supplies and material inventory to cover three months of operations, and systematically monitor triggers, assess risk and refine response actions to reflect the evolving on-the-ground situation. I am proud to report that our holistic response to COVID-19 proved incredibly effective, enabling us to continue operating throughout the entire crisis without compromising the wellbeing of our people and communities.

Resilient by Design

ADES' low-cost, cycle-proof business model is predicated on a series of strategic pillars which provide solid foundations to stand on when business conditions are tough, and a platform to drive long term sustainable growth. These pillars include a diversified asset base and geographic footprint; a lean cost structure centred on extracting synergies and maximum value from all our assets; high-quality client relationships, robust contracts and predictable cash flows underpinned by a strong and diversified backlog; prudent financial policies and conservative capital structure, providing us with ample liquidity, headroom and financial flexibility; and most importantly, robust HSE policies with an exemplary safety track record. Combined with a dedicated and experienced management team, and the resilience of the MENA oil & gas industry, these pillars have provided and will continue to provide the engine to drive long term sustainable growth irrespective of the prevailing market conditions.

ADES closed the year reporting revenue of US$ 452.1 million, down 5% from last year and demonstrating our ability to protect our top line from the unprecedented challenges. Lower revenue for the year came as a result of a decline in utilisation rates to 89% for 2020 from 97% in 2019, following temporary suspensions for a select number of onshore rigs in KSA and Algeria. However, I am pleased to note that three of the rigs have already resumed operations between late 2020 and early 2021. Overall, we continued to maintain a diversified revenue split between KSA (54% of revenue), Kuwait (24% of revenue), and Egypt (19% of revenue) - all witnessing rising contribution to the top line for the year. Meanwhile, our cost optimisation and reduction efforts allowed us to offset the impacts posed by the pandemic and the current market dynamics to drive modest improvements in our normalised margin for the year. The slight margin enhancements were also further supported by our cost saving initiatives in light of the wider integration programme on which we continued to make good progress despite the year's obstacles. On the integration front, I am delighted to report that the majority of our newer assets are now delivering EBITDA margins in line with our more established rigs. While our efforts have already started to deliver the desired results, we expect to capture the full extent of the cost savings in 2021.

In parallel, we successfully leveraged our long-lasting relationship with our client base and our ability to adapt our service offering to best match their business needs, to renew and extend multiple existing contracts while securing a new agreement for a new, innovative service in Egypt. In January we first secured a five-year contract renewal for ADMARINE 262 in KSA, and soon followed it with a one-year contract extension for ADMARINE 261 also located in the Kingdom. Later in the year, we signed two consecutive contract extensions for ADES 40, the first one for an additional six months followed by another three-month extension. Our efforts on this front carried on into the new year, and in early 2021 we successfully secured contract renewals for seven of its rigs in KSA, adding an estimated US$ 950 million to our current backlog. The contracts renewals not only provide us with more visibility over cashflow and backlog, but further strengthen our position as the regional industry champion and are further testament to our ability to deliver operational excellence, robust safety records, as well as to our understanding of client needs during such a turbulent year.

I am also particularly pleased with ADES' ability to secure new two-year early production facility contract in Egypt in November 2020. Under the agreement, ADES will establish an early production deck floor and top side facilities in addition to a jack-up barge charter, leveraging on the Group's existing assets. The new contract highlights our agility in providing innovative solutions to our clients in the current challenging market conditions, by facilitating early production in a shorter timeframe than it would be possible with a fully-fledged production facility. Our ability to offer sustainable growth avenues to our clients even during a low oil price environment further strengthens our position as a market leader in Egypt and coupled with the extensions and renewals in KSA, offers greater backlog visibility heading into the new year. Finally, ADES' ability to maintain a credit rating of B+ from S&P and Fitch earlier during the year is testament to the underlying solidity of our business and the Group's strong market position.

Across our asset base, we remained committed to complying with the highest occupational HSE standards. We ended 2020 recording a Recordable Injury Frequency Rate ("RIFR") of 0.31, below the 2020 worldwide standard rate of 0.41 by the International Association of Drilling Contractors ("IADC") and further improving on our rate of 0.41 in 2019. This represents a notable accomplishment in light of the considerable health and safety challenges posed by the COVID-19 pandemic, and is proof positive that our efforts to transmit our culture of safety and adopt HSE policies across our newer assets is paying off. In 2021, we look forward to continuing working closely with our leading ESG consultant to review and further develop the Group's safety procedures as our operations and footprint grows.

Outlook

We enter 2021 cautiously optimistic about the Group's prospects for the upcoming year. While the health and economic challenges posed by COVID-19 are not over yet, we are witnessing early-stage signs of a recovery supported by the ramp up of the global vaccination campaign and a general ability of countries around to world to adapt to the new business environment brought about by the pandemic. Moreover, oil prices have been steadily recovering and in recent months have stabilised above the US$ 60/bbl mark. This further reinforces our confidence that ADES is positioned for recovery from the lows experienced during the third and fourth quarters of the year.

In 2021, we are looking to further build up our backlog through contract renewals and tendering activity. I am confident that ADES' track record of exceptional service delivery combined with the general normalisation of business activity across the region, will see us successfully renew and extend contracts expiring in 2021. We are also eager to leverage our existing asset base to capture new growth opportunities that might arise on the back of recovering oil prices. Additionally, we are actively assessing new services to complement our current offering and capitalise on the growth opportunities offered by subsegments of the drilling industry currently underpenetrated in the MENA region. As always, we will work to further enhance efficiency and drive improvements in profitability through a continued focus on operational efficiency, synergy extraction and digitalisation.

I wish to thank our staff and management team whose dedication and hard work allowed us to deliver yet another successful year despite the unprecedented challenges. My appreciation also goes out to our Board members whose guidance proved invaluable in helping us navigate the uncertain times following the outbreak of COVID-19. We look forward to continue delivering a strong and sustainable performance as we embark on this new and exciting chapter of ADES' growth story.

Dr. Mohamed Farouk,
Chief Executive Officer

STRATEGIC REPORT

Our Strategy & Business Model – Resilient by Design

In the face an unprecedently challenging year for businesses around the world and particularly the oil and gas sector, ADES has demonstrated resilience across all our operations over the course of 2020. This success did not come by chance but is the product of a carefully developed and implemented strategy that positioned ADES as an industry powerhouse that is resilient by design. ADES' low-cost, cycle-proof business model is predicated on a series of strategic pillars that allow the Company to continuously adapt to short-term challenges while continuing to drive long-term value creation for all stakeholders.

Diversified Asset Base and Geographic Footprint

Key to ADES' success over the years is its ability to transform from an Egypt-focused drilling company to one of the MENA region's most successful onshore and offshore drilling services provider with a healthy mix of offshore and onshore assets. The Company's diversified MENA-focus offers a multitude of advantages for ADES starting from the low cost of production and high utilization rates witnessed across MENA countries. Meanwhile, with around 70% of the Group's fleet composed of onshore drilling rigs, the region's expected rise in onshore drilling demand in the coming years offers an exceptional opportunity for ADES. The Company is ideally positioned to capture a significant portion of the rising onshore drilling demand, which is typically associated with better sustainability and lower prices. Together ADES' regional footprint along with its asset base guarantee backlog visibility and sustainability for the Group as well as shielding the Company from the impacts that fluctuating oil prices could have on its financial performance.

While continued expansion and diversification will be primarily driven by organic growth, ADES is also open to assessing potential M&A opportunities as a means to further expand its asset roster and venture into new markets. ADES' acquisition philosophy will continue to see the Company favour assets characterised by strong contract visibility with solid prospects for renewal over speculative or lower-priced alternatives. 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.

Lean Cost Structure Centred on Extracting Synergies and Maximising Value

A key pillar of ADES' strategy is maintaining a lean cost structure to allow it to operate profitably in an industry typically associated with high expenses and significant fixed capital requirements. Our success has always lied in our ability to deliver superior services while maintaining low OPEX and CAPEX, allowing us to stand out from the competition offer competitive rates for high quality services. This has proved vital in the Company's ability to deliver consistent financial and operational growth against the cyclical nature oil prices.

ADES is also continuously looking to expand its service offering while optimising the utilization of its onshore and offshore assets. Specifically, ADES always assess potential complementary services which could lead to further synergy extraction from the Company's existing infrastructure, as with the recently secured two-year early production facility contract in Egypt. Under the agreement, ADES will establish an early production deck floor and top side facilities in addition to a jack-up barge charter, leveraging on the Group's existing assets and facilitating early production in a shorter timeframe than it would be possible with a fully-fledged production facility. These types of services are not only associated with higher margins, but demonstrate the Company's agility in providing innovative solutions to cater to its clients evolving needs.

High-quality Client Relationships with a Strong and Diversified Backlog

ADES has built an extensive track record of operational excellence, allowing it to foster long-standing relationships with well-regarded clients that are typically large NOCs who tend to have longer term investment horizons. Over the years, ADES has successfully cultivated strong relationships with a number of key regional clients, including Saudi Aramco and the Kuwait Oil Company, both high quality counterparties and national oil companies operating in solid jurisdictions. The Company's remaining backlog is attributable to national oil strategies to ensure that its assets are integrated effectively. ADES has been able to build and foster these relationships by continuously seeking feedback and fine-tuning our services accordingly, enabling us to establish ourselves as a reputable and reliable oilfield services provider with an exceptional operational track record.

ADES' high-quality client relationships along with its best-in-class asset base have positioned it as a leading player in some of the industry's most exclusive subsegments, which the Company is looking to cement through increased tendering activity to increase fleet utilization and as main avenue for backlog expansion. Specifically, the Company aims 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 has developed 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 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 segments of the industry but also guarantees higher success rates during tenders.

ADES's long-standing client relationships, its ability to continuously renew and extend existing contracts, and its competitive bidding in regional tendering provide the Company with long-term revenue visibility and predictable cash flows underpinned by geographically diversified backlog across key regional markets.

STRATEGIC REPORT

Prudent Financial Policies to Provide Headroom and Flexibility

ADES has always maintained a prudent approach to debt and liquidity. Our policy has been and will continue to be maintaining a backlog to net debt ratio of at least 2.0x by adhering to a buy-to-contract model. The Group also continuously works to optimise its capital structure while raising the necessary funds needed to pursue its geographic expansion. Following its successful IPO in 2017, the Company successfully secured multiple facilities from leading regional and international lenders and repeatedly refinanced and restructure debt to extend maturities to better match ADES' business plans. Specifically, post IPO ADES successfully secured a c.US$ 450 million syndication 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, unlocking new debt capacity needed to fund growth, and strengthening the Company's liquidity position at a critical time during the COVID-19 pandemic.

ADES will continue to monitor its debt profile and aim to maintain a sensible level to provide enough headroom to allow for unforeseen volatility. More importantly, the Company successfully committed itself to maintaining certain key financial ratios at or below specified thresholds, limiting its exposure and ensuring its growth does not come at the expense of present or future financial stability. This has allowed the Company to maintain strong liquidity positions and stand reinforced against market vulnerability. The Group intends to continue strategically using short- and long-term financing tools alongside its cash flow from operations to finance future cash needs and fuel the business' growth.

Robust HSE Policies with an Exemplary Safety Record

A strong HSE culture is core to ADES' values, with the Group firmly committed to complying with the highest occupational HSE standards and maintaining its exemplary record. ADES closed 2020 with a Recordable Injury Frequency Rate ("RIFR") of 0.31, below the 2020 worldwide standard rate of 0.41 by the International Association of Drilling Contractors ("IADC") and further improving on its rate of 0.41 in 2019. This standout safety performance strengthens ADES's ability to constantly renew existing contracts and secure new ones, providing additional stability to the Company.

A significant part of ensuring that ADES delivers on its operational excellence targets revolves around integrating the new assets within its operating frameworks. With the help of a leading consultant, ADES had developed a detailed integration plan aimed at realising existing synergies between the new and existing assets while ensuring the adoption of ADES' safety standards. The strategy is already paying off as evidenced by the Group's ability to maintain an impeccable record over the years. The Company continues to work with leading safety and ESG consultants to review and further develop ADES' safety procedures as its operations and footprint grows.

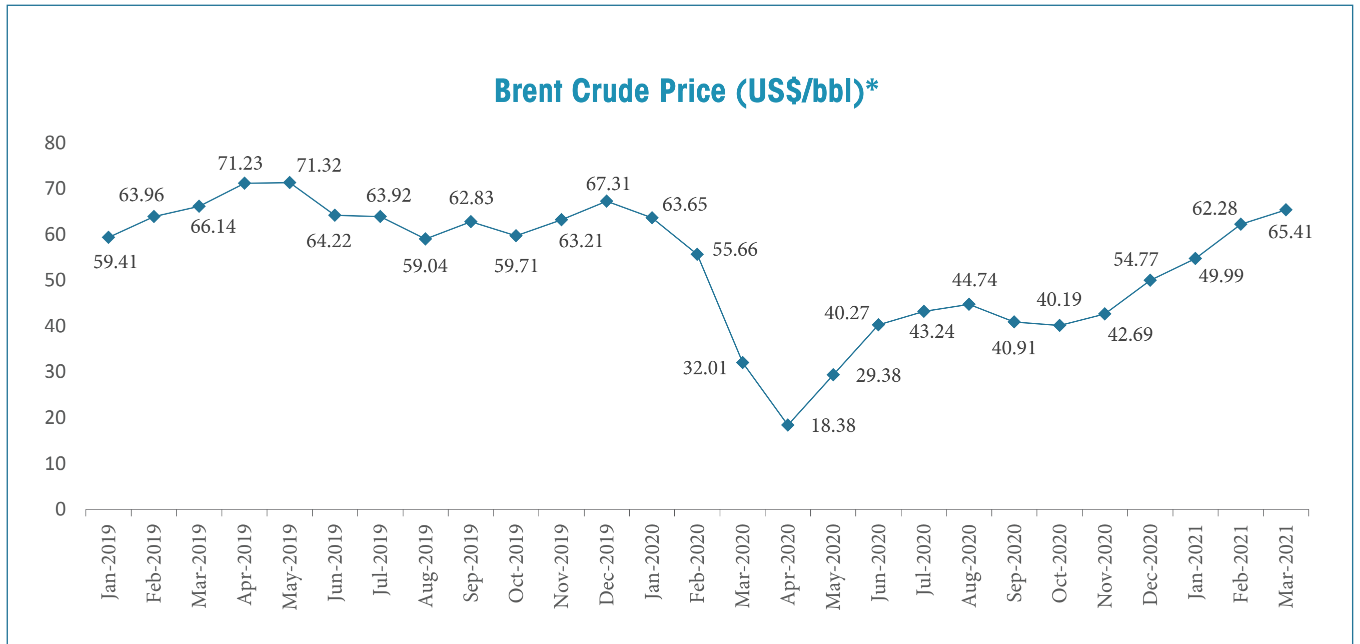
STRATEGIC REPORT

Our Industry

Global Energy Demand

2020 was an exceptionally difficult year for the oil & gas industry with the outbreak of COVID-19 and the rise of geopolitical tensions weighing on the demand for oil and thus oil prices throughout the first part of the year. The global demand shock from COVID-19 led to a c.9% reduction in the consumption of petroleum liquids, according to the Energy Information Administration (EIA), the largest decline since EIA records began in 1980. The demand crash also led to a record 9.7 mmboe/d supply cut from the OPEC+ (Organization of the Petroleum Exporting Countries) group and record compliance in an attempt to bring the oil market into equilibrium. This saw oil prices dip even further than the lows seen in the previous downturn, with the Brent spot price plunging below $20/bbl during April 2020. Since then, oil prices have recovered, hovering above the $40/bbl mark for most of the year before beginning to rise again to settle well-above the $60/bbl mark at the start of 2021. The recovery has been supported by a successful start to the vaccination campaign in several key global economies which has led to their gradual reopening and to a continuing recovery in demand for hydrocarbons.

In the short and medium term, global oil and gas production is expected to grow by c.10%, or 15 mmboe/d, over 2021-2025. The key growth areas are forecast to be Eastern Europe & FSU (+c.20%), Middle East (+c.13%), and North America (+c.12%). Looking further ahead, global energy demand is expected to increase by c.20% to 2040, driven by a growing global population and an expanding middle-class demographic in developing countries such as China and India. Meanwhile, the speed of demand recovery and potential availability of supply from OPEC+ have caused a mixed response in oil price forecasts. The consensus[1] oil price outlook sees Brent oil price within the c.$55 – c.$65/bbl range in the short to medium term. Westwood's Base Case Brent oil price scenarios, manifest as $57/bbl in 2021, followed by $60/bbl flat over 2022-2025[2].

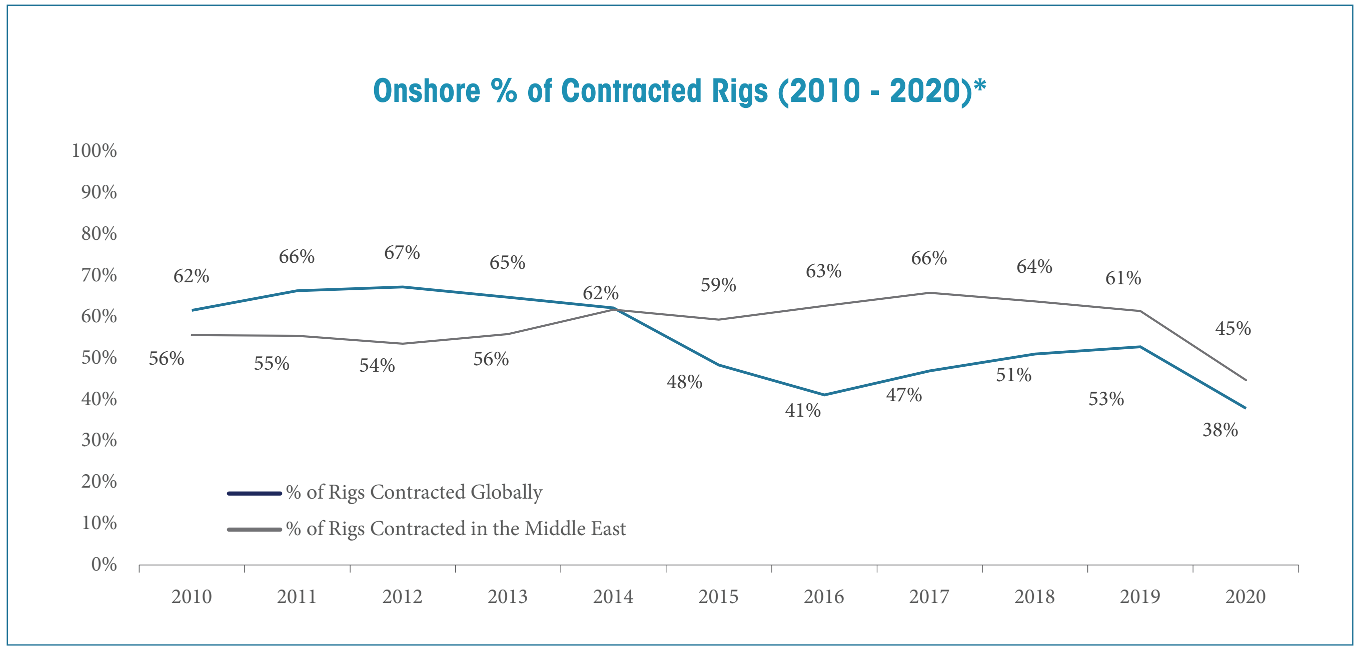


** Source: U.S. Energy Information Administration ("EIA"). Note: Calculated by EIA from daily data by taking an unweighted average of the daily closing spot prices for a given product over the specified time period*

Oil & Gas in the Middle East

The Middle East is the leading region in terms of hydrocarbon production, accounting for c.33% of global oil and c.15% of global gas production in 2020. Westwood expects the region to produce an average of 15.3bn BOE per year of oil and gas over 2021-2025. The outlook is for oil demand to recover over the course of the outlook and for OPEC+ cuts to taper down to fill the supply gap. The Middle East accounts for the largest share of oil and gas reserves, accounting for c.44% of the global total. Middle East reserves are weighted toward oil with c.48% of global reserves relative to c.39% of global gas reserves. ADES' key markets contain c.23% of the world's remaining oil & gas reserves, heavily weighted towards oil. As a result of the large reserves base, ADES' key markets are likely to maintain a leading global position in terms of oil and gas production into the future.[2]

Additionally, the market exhibits strong prevalence of national oil companies (NOCs) which typically operate on longer investment cycles than international oil companies (IOCs), with the oil and gas industry a critical underpin of domestic economies. As such, NOC budgets tend to exhibit greater price inelasticity as investment decisions are based on both the economic attractiveness of projects as well as social, political, and strategic considerations of sovereign oil-producing nations. This leaves ADES operating in key markets where drilling and workover activity levels are likely to exhibit lower levels of volatility, and lower sensitivity to commodity prices compared to the global market, notwithstanding factors such as OPEC+ production quotas.[3]



** Source: Source: Westwood Analysis*

[1] Based on the oil price forecasts from 20 selected financial institutions

[2] Westwood Analysis

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

STRATEGIC REPORT

Onshore Drilling

The global outlook for the land drilling market was generally positive entering 2020 as the sector continued its recovery from the 2015 oil price crash. However, 2020 saw a c.25% fall in the number of active rigs drilling globally, driven by falling commodity prices and subsequent decisions by E&P Operators to reduce and defer spending. The North American market saw the largest decline with the number of active rigs drilling falling by c.55%. In comparison, the MENA and other international markets saw declines of c.20% and c.10%, respectively. The Middle East rig market displayed greater resilience throughout the 2020 oil price crash, achieving average utilisation rates of 45% compared to the global land rig market which saw utilisation rates fall to 38%. The relatively lower reduction in international and MENA operational fleets reflects in part a greater dependence on production revenues by national governments, as well as a prevalence of longer-term, multi-year contracts which are less common in North America.[1]

Onshore Drilling Outlook

Looking ahead, onshore production from ADES' key markets is expected to increase from c.27.2mmboe/d in 2021 to c.32.1mmboe/d in 2025. Algeria, Iraq, Kuwait, Oman and Saudi Arabia are all expected to increase their hydrocarbon output over this time period through a combination of investment in currently producing fields and new projects. Consequently, the number of active rigs (rigs actively engaged in drilling activity) across the Middle East and North Africa region (including Iran) is expected to increase by c.15% from 2021 to 2025 with growth primarily driven by Iraq, Kuwait and Saudi Arabia. In parallel, dayrates in 2021 are expected to vary significantly within ADES' key markets based on rig specification and country. Expected ranges of between c.$10,000 (low specification rigs in Egypt) to c.$55,000 (high specification rigs in Kuwait) are likely for 2021. Westwood's analysis suggests that dayrates could grow across most of ADES' key markets over 2021-2025, driven by increased drilling activity and subsequent increased utilisation of rig units.[1]

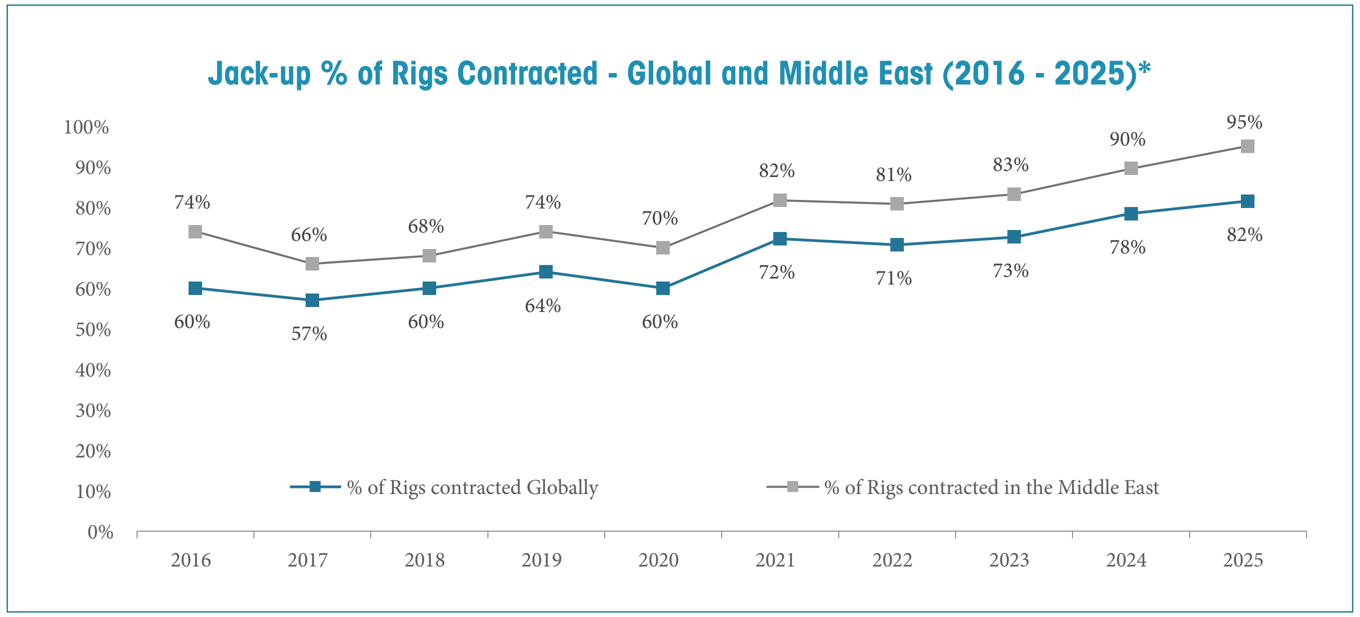
Offshore Drilling

Offshore drilling demand is cyclical, dependent on oil & gas demand and ultimately commodity prices but differs from the onshore drilling market by virtue of the ability for rigs to move between countries/regions relatively easily. In addition, offshore developments are typically longer cycle projects, and are therefore relatively less sensitive to short-term commodity price volatility, with the MENA region especially less exposed to commodity price cycles due to the dominance of large NOCs with long-term planning horizons. This is evident in the fact that contract lengths awarded in the Middle East have averaged c.660 days over 2016-2020, c.240 days longer (c.57% higher) than the global average of c.420 days. Among ADES' key markets, Saudi Arabia and Egypt drive demand for offshore rigs (nearly exclusively for jack-ups) with nominal activity in Kuwait and Oman. Both Saudi Arabia and Egypt have outperformed global utilisation averages since 2012, with Saudi Arabia demonstrating utilisation rates in excess of 95% even through two oil price downturns.[2]

Global offshore development drilling fell by c.15% in 2020 to c.1,400 wells, a less severe fall than experienced by the onshore sector. Offshore shallow water drilling in ADES' key markets fell c.10% in 2020. Meanwhile, offshore rig dayrates for jack-up units fell by c.10% in the Middle East in 2020 compared to c.15% cuts to dayrates for global floating rigs.[2]

Offshore Drilling Outlook

A recovery in global offshore development drilling of c.5-10% is forecast in 2021, predominantly driven by shallow water. Total shallow water oil and gas production in ADES' key markets is forecasted to increase from c.6.3mmboed in 2021 to c.6.9mmboed in 2025, a c.3.3% CAGR. Saudi Arabia will be the key driver of the shallow water growth, as the country accounts for c.86% of shallow water production among the key markets in 2021. Offshore shallow water drilling in ADES' key markets is expected to recover in 2021, followed by growth of c.5% CAGR over 2021-2025. Saudi Arabia is expected to be a key driver of offshore development drilling activity, accounting for nearly 90% of offshore activity in ADES' key markets over 2021-2025. In the Middle East (Red Sea & Arabian Gulf), Westwood expects jack-up dayrates to average over c.$68,000 in 2021, growing by c.45% over 2021-2025, driven by tightening supply/demand and higher utilisation levels. While Westwood expects global offshore development drilling activity to reduce slightly in the longer term (to 2025), it expects it to be predominantly driven by reduced activity in markets that are not core to ADES including Asia and North America.[2]



** Source: Westwood Analysis*

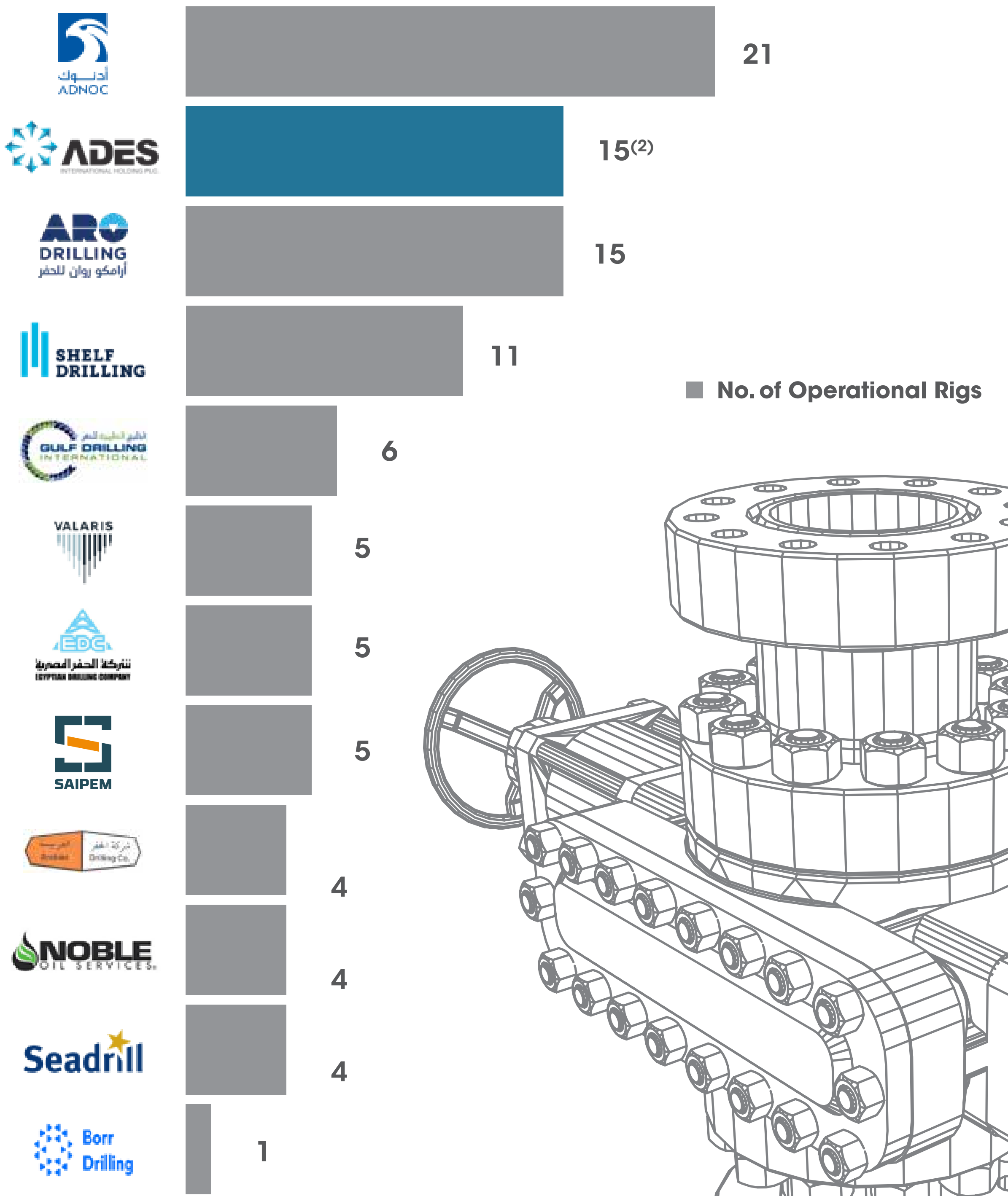
[1] *Westwood Analysis*

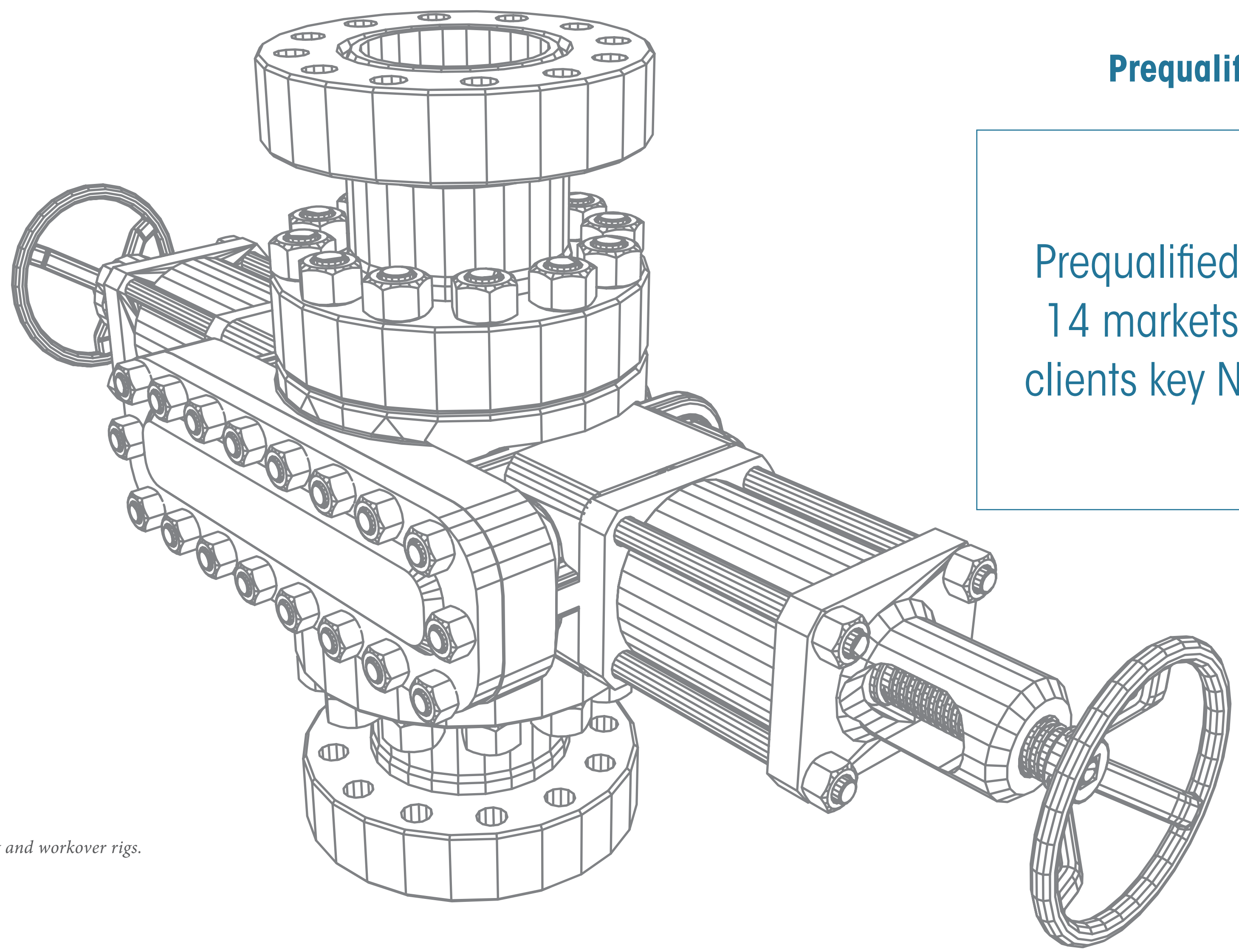
[2] *Westwood Analysis*

STRATEGIC REPORT

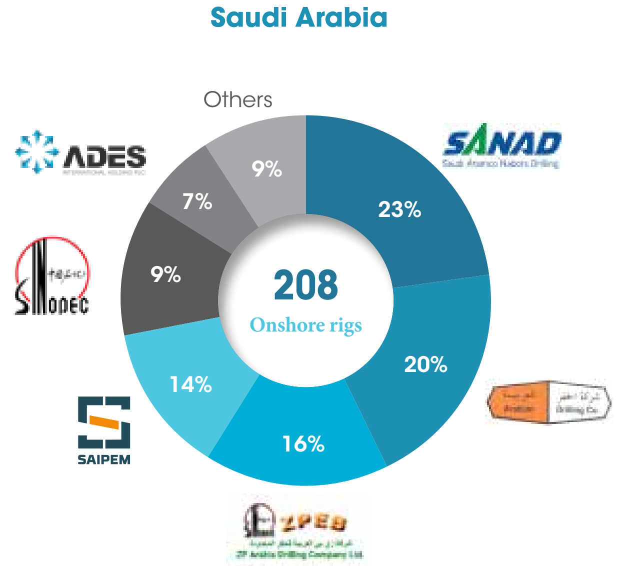
Leading Offshore Drilling and Workover Market Position in Red Sea & Arabian Gulf Region

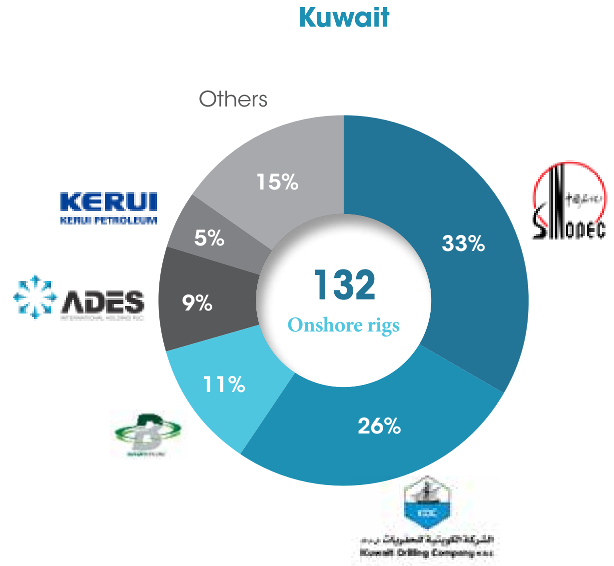
#2 Offshore Active Jack-up Operator in Red Sea & Arabian Gulf Region





Significant Presence in Onshore Drilling Markets in MENA[1]





Prequalification Yields Top Client Base Across NOCs & IOCs

Prequalified in more than 14 markets with over 20 clients key NOCs and IOCs

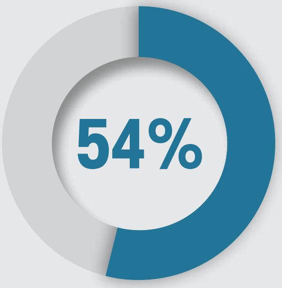
A prequalification status across countries with 72% of the regional proven hydrocarbon reserves

[1] Source: WGE Based on rig owner data including drilling and workover rigs.
[2] ADES number includes MOPU and the Jack-up Barge

STRATEGIC REPORT

Business Units Review

Saudi Arabia



of 2020 Consolidated Revenue

Market Overview

Saudi Arabia's proven oil reserves, which stand at 297.6 billion barrels, are the second largest in the world, with the Kingdom currently ranked as the world's leading oil exporter and second largest producer (accounting for 12.4% of global oil production).[1] Saudi Arabia also has the fifth-largest proven natural gas reserves, standing at 211.3 trillion cubic feet as of year-end 2019. As such, despite its recent efforts to diversify its economy away from oil, Saudi Arabia remains heavily dependent on the oil & gas sector which currently accounts for about 50% of the country's gross domestic product (GDP), and about 70% of export earnings.[2] Saudi Arabia's national oil company, Aramco, is world's largest integrated oil & gas company, and between the years of 2016 and 2018 was responsible for the production of one in every eight barrels produced globally.[3] Aramco completed its Initial Public Offering on the Saudi Exchange in 2019, raising a total of US$ 25.6 billion representing the world's largest ever listing at the time.

2020 was a difficult year for Saudi Aramco and the Kingdom's oil & gas sector as a whole, as oil prices recorded a dramatic drop early on in the year on the back of COVID-19's impact on the global economy and rising geopolitical tensions. This resulted in a significant cut to Aramco's capital expenditure plans for the year to US$ 25-30 billion, down US$ 10 billion from its original budget and below the US$ 32.8 billion spent in 2019.[4] In parallel, the Saudi Arabian government increased its debt ceiling from 30% to 50% of GDP and planned to cut its spending by five percent as its budget deficit was expected to increase from six to nine percent.[5] Despite these temporary adjustments, Aramco's upstream business demonstrated a unique flexibility by rapidly adjusting production levels as required. In April, the company recorded the highest single day crude oil production in its history at 12.1 mmbpd, while in August, it achieved another milestone, producing a single day record of 10.7 bscfd of natural gas.[6]

In the long-term, In the long-term, Saudi Arabia is expected to drive production growth in OPEC to 2025, with c.3.8 mmboe/d of additional supply anticipated over the forecast, with growth expected across both the onshore and offshore drilling segments.[7] More specifically, Saudi Arabia is forecasted to be a key driver of offshore development drilling activity in the region, accounting for nearly 90% of offshore activity in ADES' Key Markets over 2021-2025.[7] This is in line with Aramco's plans as announced at the time of the IPO which aim to maintain the company's 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 its customers. In parallel, 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.[3] Between 2020 and 2024, Saudi Arabia is expecting to see around US$ 40 billion in gas investment, with the Kingdom ranking first in the region for committed gas investments over the coming five years.[8] This is expected to open up important opportunities for future growth for active players in the Kingdom's drilling sector such as ADES, with the Group currently operating second largest active offshore rig fleet in the country.[7]

[1]*BP Statistical Review of World Energy 2020,* [2] *OPEC,* [3] *Saudi Aramco IPO Prospectus,* [4]*Aramco second quarter and half year interim report 2020,* [5]*Financial Times,* [6]*Saudi Aramco 2020 Annual report,* [7]*Westwood Analysis,* [8]*Apicorp MENA Gas & Petrochemicals Investment Outlook report 2020*

Operations in Saudi Arabia

ADES first entered into the Saudi Arabian market in 2016 through the acquisition of three offshore operating rigs from Hercules Offshore. In July 2018, ADES expanded its offshore fleet to six rigs with the Nabors acquisition. This was soon followed by the acquisition of 11 onshore rigs from Weatherford in December 2018, which saw the Group enter into the Kingdom's deep drilling gas market. The country's deep drilling gas market is characterized by relatively lower competition and fewer players due to the need for high specification and often higher capacity rigs. ADES further strengthened its onshore capabilities by relocating two additional onshore rigs acquired from Weatherford in Iraq while also purchasing in 2019 two new-build assets, ADES 13 and ADES 14. Today, ADES' Saudi Arabian fleet features 15 onshore rigs and six offshore units, with the Company currently controlling what is arguably the most diverse active fleet in the country. The Company is currently active in both the onshore drilling segment, and the ultra shallow and shallow subsegments of the offshore sector.

2020 In Review

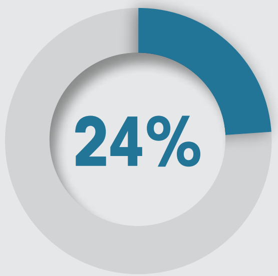
ADES' operations in Saudi Arabia yielded revenues of US$ 245.1 million in 2020, largely in line with last year's figure. As a percentage of ADES's consolidated top line, Saudi revenues rose by three percentage points to reach 54% in 2020. ADES' ability to protect its top-line despite the difficult operating conditions, was in part due to the longer-term planning horizons and lower susceptibility to short term oil price fluctuations of ADES' main partner in KSA, Saudi Aramco. Specifically, ADES' KSA revenue was supported by a successful ramp up of operations for ADES 13 and ADES 14, and better offshore utilisation rates in 2020 versus 2019. This helped offset the lower onshore utilisation rates resulting from the temporary suspension of operations for a select number of onshore rigs towards the end of the first half of 2020. It is important to note that two of the rigs have commenced operations again at the start of 2021.

Despite the unprecedented difficulties faced throughout the year, ADES continued to work to solidify its presence in the Saudi Arabian market by securing multiple contract renewals and extensions. In January, the Company announced a five-year renewal of its contract for ADMARINE 262 at a higher daily rate. This was soon followed by the announcement of a one-year extension secured for ADMARINE 261. Later in the year, ADES successfully secured two contract extensions for Rig 40, a first one of six months and a second for three additional months. ADES' position in the country was further strengthened with the renewal of seven contracts for a cumulative estimated backlog of US$ 950 million in early 2021. The contracts cover offshore rigs AD 655, AD 656, AD 266 and AD 261, and onshore rigs ADES 40, ADES 799 and ADES 889. Four of the rigs have a 10-year firm tenor, two rigs have a five-year firm tenor and one rig with a three-year firm tenor, with daily rates being broadly similar to current contracts. The multiple contract extensions and renewals offer greater backlog and cashflow visibility during the current challenging market conditions

STRATEGIC REPORT

Business Units Review (Cont'd)

Kuwait



of 2020 Consolidated Revenue

Market Overview

Kuwait's proven oil reserves of 101.5 billion barrels[1] constitute circa six percent of the global share. As such, the petroleum industry is the country's largest, accounting for nearly half of GDP and around 92% of exports.[2] Back in 2018, the Kuwait Petroleum Corporation (KPC) had announced ambitious short- and longer-term targets for the development of the country's oil & gas production and downstream capabilities. To finance the expansion plans, Kuwait's government had committed to spending UD$ 500 billion over the years to 2040, with US$ 114 billion to be spent in the five years to 2023.[3]

In 2020, as with most oil-dependent economies around the world, Kuwait's government had to come to grips with the decline in oil prices caused by rising geopolitical tensions and the spread of the coronavirus which adversely impacted global demand throughout the year. As such, in early 2020, Kuwait's Supreme Petroleum Council (SPC) announced plans to reduce both KPC's short- and longer-term oil production targets. Accordingly, the country's 2040 production target has now been cut to 4.0 mbd from the previously set 4.75 mbd. In parallel, the country is now targeting a production capacity of 3.1 mbd by 2025, down from its 4.0 mbd 2020 target. On the spending front, while significant investments to bolster the country's downstream and upstream capabilities are expected to continue, the Kuwaiti government has announced a US$ 2.3 billion cut to its 2020/21 oil & gas budget.[4] In parallel, KPC has announced plans to slash capital spending by more than 25% over the next five years.[5]

Nonetheless, Westwood expects a robust recovery in the country's production, with total production set to grow by c.450 kboe/d between 2021 and 2025. Moreover, Kuwait is expected to witness a c.20% increase in drilling expected in 2021 to c.460 wells. In Kuwait, the active rig fleet is expected to grow from c.54 rigs in 2021 to c.72 rigs in 2025, with activity driven by maintaining legacy field production and the development of Jurassic oil and gas reservoirs in the north of the country[6]. As such, Kuwait continues to represent an attractive destination for companies such as ADES. In addition to the ambitious growth targets set by the Kuwaiti government for the coming 20 years, the country also offers companies an advantageous investment environment, low-cost break-even point, and one of the highest utilization rates globally. Moreover, the rigorous qualification process with KOC and extended contract terms continue to act as limiting factors for prospective entrants, further helping to secure ADES' leading position in the country's deep drilling subsegment.

Operations in Kuwait

ADES first entered the highly consolidated Kuwaiti market in November 2018 following its purchase of 12 onshore rigs from Weatherford. Currently, 4 out of the Group's 12 rigs are contracted with around 75% of the Company's Kuwaiti fleet classified as high specification in the WGE's database. Beside the international players, the Kuwaiti market features an important NOC presence, with Sinopec controlling around 35% of the market. It is closely followed by the Kuwait Drilling Company (KDC), which controls around 27% of the market and operates several heavy-duty units (rated at 3,000 HP or above) that are able to compete with the Group's rigs.

2020 in Review

ADES' operations in Kuwait generated US$ 109.3 million in revenues for 2020, up 3% year-on-year with the country now contributing to 24% of consolidated top line versus the 22% share held last year. Growth in Kuwait is largely attributable to demobilization revenue collected following the contract expiry of four rigs in the first part of 2020.

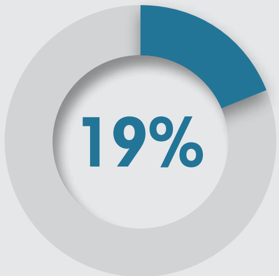
In late 2019, the Group had secured its first onshore deep drilling contracts under a Lump Sum Turnkey ("LSTK") project in Kuwait with Baker Hughes for ADES 180 and ADES 878. However, the two contracts were first delayed and later terminated on the grounds of force majeure. The Group is working to reach a positive resolution for the contracts, and it remains confident that both assets will soon be utilised in similar opportunities in Kuwait given their quality and readiness.

[1] BP Statistical Review of World Energy 2020, [2] OPEC, [3] Oil and Gas News, [4]S&P Global Platts, [5] Bloomberg, [6]Westwood Analysis

STRATEGIC REPORT

Business Units Review (Cont'd)

Egypt



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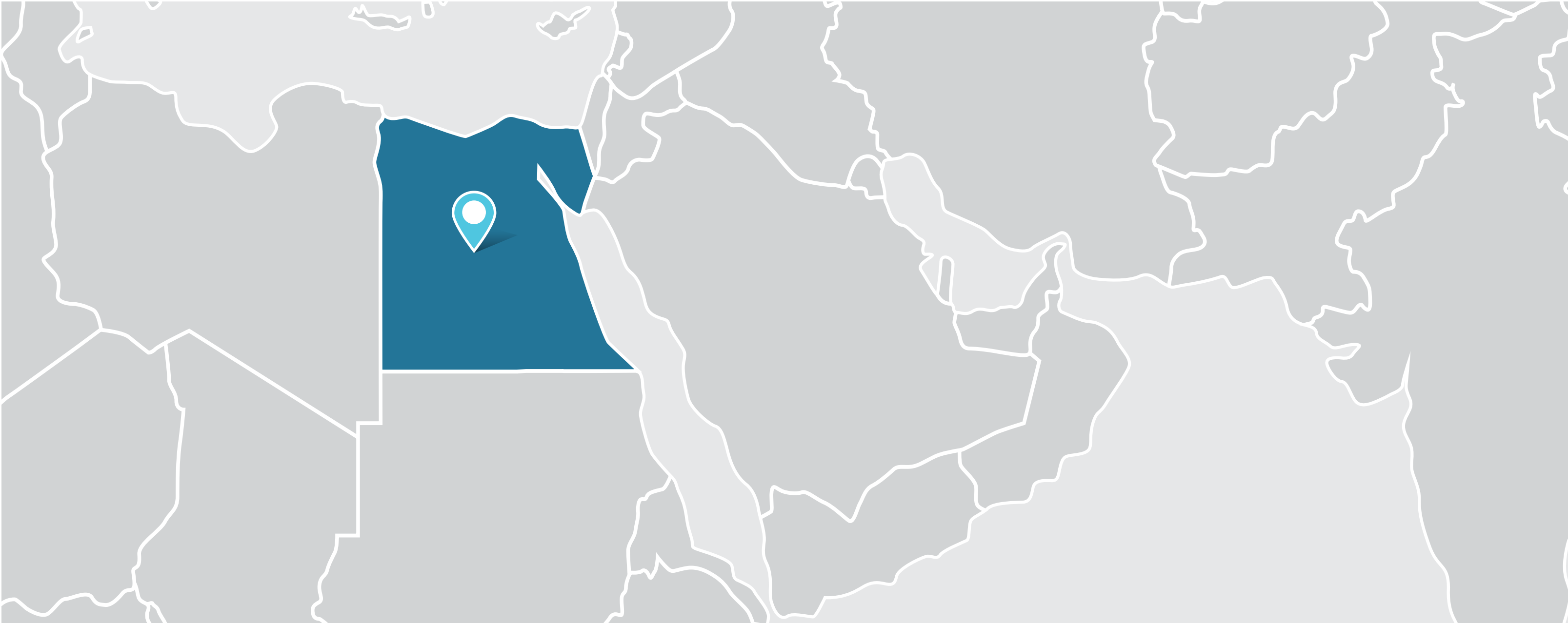


Market Overview

The slowdown of field activities brought about by COVID-19 and by the oil price plunge associated with the worldwide recession has had an impact on Egypt's domestic oil production in 2020. On the other hand, lower internal demand, low oil prices and the previously reduced subsidies have made it less expensive for the Government to procure the necessary imports of crude and petroleum products to fill the supply gap.

On the gas front, production capacity remained at its highest (ca. 7.2 bcf/d), with new wells compensating for the decline of older reservoirs.[1] Actual gas production throughout the year has, however, been subdued due to lower internal demand (especially for electricity generation) and very limited Liquefied Natural Gas (LNG) exports due to low worldwide gas prices, averaging between 6.2 and 6.5 bcf/d depending on the seasonal swing.[2] The abundance of natural gas (expected to last for a few more years even in the absence of new discoveries) has prompted the Government to renew its efforts to expand the national gas grid to reach has many clients and households as possible (especially in less developed Upper Egypt) and to launch a nation-wide initiative to convert as many as 1.8 million cars to run on dual gas-gasoline fuel within the next three years.[3]

Despite the extraordinary challenges faced in the first half of the year, 2020 closed on very positive notes. Oil prices are steadily recovering and have now settled around the US$ 60/bbl mark. On the gas front, recovering worldwide gas prices led to a significant increase in the country's LNG exports.[4] In parallel, news of widespread vaccination against COVID-19 being around the corner sees the industry ready and eager to up investments and enter 2021 with renewed optimism.

As countries slowly transition into a post-COVID-19 world, Egypt is the country in the MENA region who has committed the greatest investments to the petrochemical sector over the coming five years, with nearly US$ 38 billion in investments expected to reach the industry between 2020 and 2024.[5] Going forward, the Government's objectives are to cut reliance on imports of refined products for its +100 million population and solidify its status as an energy hub in the region.

[1] *Egypt Oil & Gas*
[2] *Industry Sources*
[3] *Egypt Today*

[4] *Egypt Oil & Gas*
[5] *Apicorp MENA Gas & Petrochemicals Investment Outlook report 2020*

Operations in Egypt

ADES's fleet in Egypt comprises seven offshore rigs, one onshore rig, one MOPU, and one offshore jack-up barge, making the Group a leader in drilling and related services in Egypt. Leveraging a long track record of operational and safety excellence, the Group has been able to widen its client pool in the country, and today boasts partnerships with leading IOCs, as well as the Egyptian General Petroleum Company ("EGPC"), Egypt's national oil company. The Group has been offering MOPU services in the country since 2016, a move aimed at further broadening and diversifying its service portfolio. In early 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. Later that year, the Group secured its first two deep-water drilling contracts marking its official entrance into the sub-segment of the offshore drilling market.

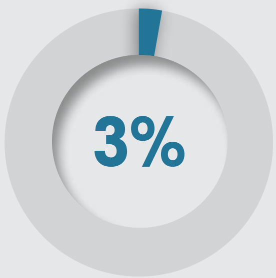
2020 in Review

ADES' Egyptian operations generated revenues of US$ 84.4 million during 2020, down 3% versus 2019 as operations in the country were impacted by oil price volatility and generally adverse market conditions. However, Egypt's share of consolidated revenues increased to 19% in 2020 from 18% in 2019, following a significant contraction in revenues generated in Algeria. In November, the Group secured a new two-year early production facility contract in Egypt. Under the agreement, ADES will establish an early production deck floor and top side facilities in addition to a jack-up barge charter, leveraging on the Group's existing assets. The new contract highlights the Group's agility in providing innovative solutions to its clients in the current challenging market conditions, by facilitating early production in a shorter timeframe than it would be possible with a fully-fledged production facility. In early 2021, the Group secured a new six-month contract with an option to extend for an additional six months for Admarine 5 in the Gulf of Suez, further strengthening ADES's position and revenue visibility in Egypt.

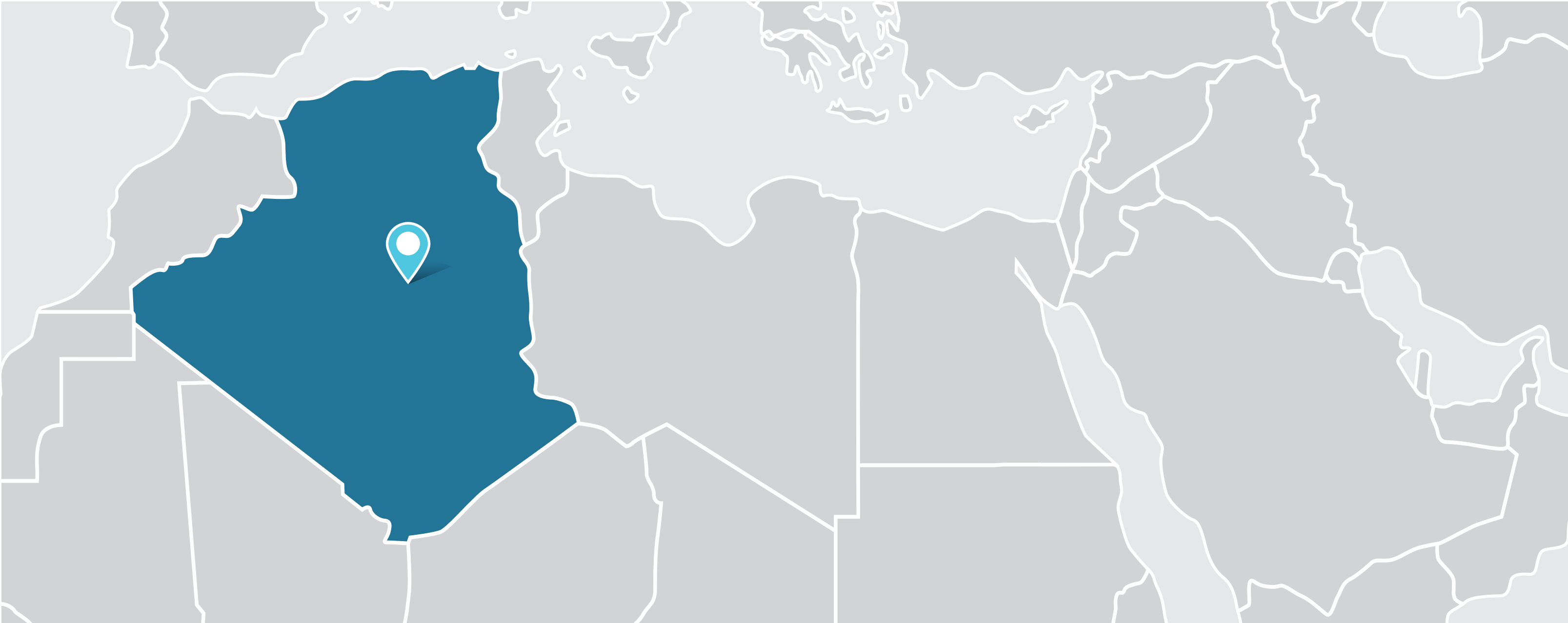
STRATEGIC REPORT

Business Units Review (Cont'd)

Algeria



of 2020 Consolidated Revenue



Market Overview

Algeria sits on the second-largest proven natural gas reserves in Africa at 153.1 trillion cubic feet, and the third-largest proven oil reserves in the continent at 12.2 billion barrels.[1] As of today, all of the country's proven oil reserves are onshore with data from Sonatrach, the national state-owned oil company of Algeria, suggesting that around two-thirds of Algerian territory remains underdeveloped or unexplored with an estimated 100 undeveloped discoveries and fewer than 20 wells per 10,000 square miles.[2] For years, the Algerian government has been looking to attract international players as it attempts to double its exploration and production (E&P) capabilities. To this end, in January 2020 the government passed an important new law designed to attract foreign investment by IOCs. The new law eases taxes, simplifies license procedures, and shortens the timeframes for E&P agreements. The law also designates the national oil company, Sonatrach, as the Algerian party to contracts, wholly eliminating the former hydrocarbons contractual regulator. Today, Sonatrach controls around 80% of the country's hydrocarbon production with only the remaining 20% controlled by IOCs.

The combination of the COVID-19 pandemic and oil price fluctuations saw Algeria's oil & gas sector and economy as a whole significantly impacted. Due to the unexpected drop in oil prices in Spring 2020, Sonatrach announced a cut in its expenditures by 50% to US$ 7 billion for 2020, noting that it remained committed to upstream exploration and production, as well as oil reservoir activities.[2] Westwood expects growth in Algeria's drilling activity driven by several gas projects, including South West Gas Field Development Project (Sonatrach), Ain Tsila (PetroCeltic International), and Tinrhert (Sonatrach). The number of rigs drilling is forecast to rise from c.38 units in 2021 to c.52 units in 2025.[3] High specification units are expected to account for c.86% of rigs drilling units over 2021 and 2025, with the fleet supporting both development wells and workovers.[3] Moreover, rig demand is expected to grow strongly in 2022 after difficult 2020 and 2021.[3] In the longer-term, Sonatrach strategy ("SH 2030") sees the company focusing on developing the country's huge shale gas deposits while revitalizing its downstream markets. Ultimately, Sonatrach is looking to generate US$ 70 billion in additional revenue by 2030, with around 50% set to be reinvested in production enhancing projects.[4]

[1] *BP Statistical Review of World Energy 2020*

[2] *International Trade Administration (ITA)*

[3] *Westwood Analysis*

[4] *Sonatrach's SH2030 Strategy*

Operations in Algeria

The Group first entered the Algerian market in 2015 with the acquisition of new-built onshore drilling rig, ADES 2. The Group's onshore fleet was then increased to three units through two more acquisitions in 2016 and 2017. ADES' presence as a major drilling and workover services provider in the natural gas rich market was further cemented with the completion of the Weatherford acquisition in 2019, which added six onshore rigs to the Group's fleet, bringing the total to eight. The Group's rigs are rated at 1,000 HP or above and are competitive with the other active players in the country in terms of rig specifications, including topdrive equipped units, maximum drilling depth and average hookload capacity. 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 (by size of fleet) of c.70%. The eight units ADES owns in Algeria makes it the largest international contractor with 6 units rated at 1,500+ HP and 2 smaller units of 1,000 HP. ADES also has the youngest average rig age in Algeria at c.5 years old in contrast to the NOC averages of c.6 years (ENAFOR) and c.14 years (ENTP) as well as international competitor KCA Deutag's fleet average of c.9 years. The relatively, young high specification fleet give ADES a strong position in the market.[3]

2020 in Review

Revenues from Algeria came in at US$ 13.2 million in 2020, a 67% year-on-year decline on the back of challenging market dynamics and some temporary suspensions of operations in the second half of the year weighing significantly on operations and utilisation levels in the country. It is important to note that one of the two suspended rigs has already recommenced operations in the final weeks of the year. In light of the small share of revenue made up by the Group's Algerian operations, the impact on ADES' total was minor. Algeria's contribution to revenue stood at 3% in 2020 versus 9% in 2019.

STRATEGIC REPORT

Financial Performance

Summary of Financials

(US$ '000)	2020	2019	% change
Revenue	**452,109**	**477,758**	**-5.4%**
Adjusted EBITDA[1]	185,137	190,591	-2.9%
Adjusted EBITDA Margin	*40.9%*	*39.9%*	*-1.1 pts*
Normalised EBITDA[2]	**193,645**	**199,078**	**-2.7%**
Normalised EBITDA Margin	*42.8%*	*41.7%*	*1.1 pts*
Net Profit	22,022	31,534	-30.2%
Net Profit Margin	*4.9%*	*6.6%*	*-1.7 pts*
Normalised Net Profit[3]	**40,038**	**72,714**	**-44.9%**
Normalised Net Profit Margin	8.9%	15.2%	-6.3 pts
Weighted Average No. of Shares	42,274	43,778	
Reported Earnings per Share (US$)	0.5	0.7	-28%
Net Debt	**651,672**	**606,188**	

Revenue

Revenue decreased by 5% year-on-year in 2020 displaying ADES' resilience in the face of unprecedented market and operational difficulties. The decline is largely attributable to lower utilisation rates for the year, which declined to 89% in 2020 from 97% in the prior year.

During 2020, ADES continued renewing and extending existing contracts, while securing new awards thanks to its ability to adapt its service offering to best match the needs of its clients during difficult times. In January, ADES successfully secured a contract renewal and a contract extension for two rigs in KSA. ADMARINE 262 saw its contract renewed for an additional five years at a higher daily rate, while for ADMARINE 261 the contract was extended for an additional year at the same daily rate. Additionally, the Group also secured two consecutive contract extensions for ADES 40 in KSA. The first extension was for an additional six months, with a second three-month extension secured later in the year. In November, the Group secured a new two-year early production facility contract in Egypt. Under the agreement, ADES will establish an early production deck floor and top side facilities in addition to a jack-up barge charter, leveraging on the Group's existing assets. The new contract highlights the Group's agility in providing innovative solutions to its clients in the current challenging market conditions, by facilitating early production in a shorter timeframe than it would be possible with a fully-fledged production facility. Finally, in early 2021, ADES secured a new contract for Admarine V in the Gulf of Suez. The contract, secured with a top-tier client, covers a firm six-month period with the option to extend for an additional six months.

[1] *Adjusted EBITDA is calculated as operating profit for the year before depreciation and amortisation, employee benefit provision, other provisions, impairment of assets and assets under construction and provision for impairment of trade receivables and contract assets.*

[2] *Normalised EBITDA is calculated as adjusted EBITDA excluding non-recurring charges related to a) non-recurring staff cost related to crew overstay due to COVID-19; and b) non-recurring integration program costs.*

[3] *Normalised Net Profit is calculated as net profit before non-controlling interest after excluding non-recurring charges from: a) non-recurring staff cost related to crew overstay due to COVID 19; b) non-recurring integration program costs; c) one off finance charges related to loan fees and written off prepaid transaction costs; d) accounting adjustments related to IFRS 3 (Business Combinations) and a one-off bargain purchase gain; e) non-cash, equity-settled share-based payment compensation from the parent company; f) non-cash fair-value adjustments under financial instruments; and g) non-recurring transactions.*

Revenue by Country

(US$ '000)	2020	2019	% change
KSA	245,103	243,902	0.5%
Kuwait	109,386	106,316	2.9%
Egypt	84,431	87,125	-3.1%
Algeria	13,189	40,415	-67.4%
Total	**452,109**	**477,758**	**-5.4%**

Revenue Contribution by Country

	2020	2019	% change
KSA	54%	51%	3 pts
Kuwait	24%	22%	2 pts
Egypt	19%	18%	-1 pts
Algeria	3%	9%	-6 pts

Backlog by Country

	2020	2019	% change
KSA	54%	45%	10 pts
Kuwait	38%	43%	-5 pts
Egypt	7%	9%	-2 pts
Algeria	1%	3%	-2 pts

In KSA, the Group recorded revenue of US$ 245.1 million, in line with last year's US$ 243.9 million. ADES' ability to protect its top-line despite the fluctuations in oil prices and the ongoing COVID-19 crisis, was in part due to the longer-term planning horizons and lower susceptibility to short term oil price fluctuations of ADES' main partner in KSA, Saudi Aramco. Specifically, ADES' KSA revenue was supported by a successful ramp up of operations for ADES 13 and ADES 14, and better offshore utilisation rates in 2020 versus 2019. During the previous period, three rigs had undergone upgrade projects for a total of 150 days versus being almost fully operational in 2020. This helped offset the lower onshore utilisation rates resulting from the temporary suspension of operations for a select number of onshore rigs towards the end of 1H 2020. It is important to note that two of the rigs have commenced operations again at the start of 2021. Saudi Arabia's contribution to revenue reached 54% in 2020, up three percentage points from last year.

In Kuwait, revenue expanded 3% year-on-year to US$ 109.4 million. Growth in Kuwait is largely attributable to demobilization revenue collected following the contract expiry of four rigs in the first part of 2020. As such, the country's contribution to revenue increased from 22% in 2019 to 24% in 2020.

Revenue generated in Egypt stood at US$ 84.4 million in 2020, down 3% year-on-year from US$ 87.1 million in 2019, as utilisation rates in the country were impacted by oil price volatility and generally adverse market conditions. The country's contribution to total revenue stood at 19% in 2020, largely in line with 2019.

Finally, in Algeria revenue of US$ 13.2 million in 2020 was down 67% year-on-year as challenging market dynamics and some temporary suspensions of operations in the second half of the year weighed significantly on operations and utilisation levels in the country. However, one suspended rig has already recommenced operations toward the end of 4Q 2020. In light of the small share of revenue made up by the Group's Algerian operations, the impact on ADES' total was minor. Algeria's contribution to revenue stood at 3% in 2020 versus 9% in 2019.

Assets by Country & Type as at 31 December 2020

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

Revenue by Segment

(US$ '000)	2020	2019	% change	MOPU
Onshore Drilling & Workover	212,776	252,493	-15.7%	-
Offshore Drilling & Workover	177,430	170,257	4.2%	-
MOPU	25,920	25,830	0.3%	1
Jack Up Barge & Projects	12,844	8,415	52.6%	-
Other	23,138	20,762	11.4%	-
Total	**452,109**	**477,758**	**-5.4%**	**1**

Onshore Drilling & Workover

(47% of revenue in 2020)

ADES' onshore fleet has been significantly expanded in recent years with the acquisition of 31 onshore rigs during 2018 and 2019. The Group's current fleet includes 36 rigs located in KSA, Kuwait, Egypt, and Algeria. Revenue generated by ADES' Onshore Drilling & Workover operations declined by 16% year-on-year to US$ 212.8 million in 2020. The decline is largely attributable to temporary suspension of operations for a select number of the Group's onshore rigs in Algeria and KSA. As previously mentioned, one suspended rig in Algeria has recommenced operations in 4Q 2020, while two rigs in KSA resumed operations in early 2021. The segment's contribution to revenue declined to 47% in 2020 compared to 53% in 2019.

Offshore Drilling & Workover

(39% of revenue in 2020)

The Group offers offshore drilling and workover services with a focus on shallow/ultra-shallow water and non-harsh environments. ADES' offshore fleet encompasses 13 jack-up rigs, of which seven are located in Egypt and six in KSA.

Offshore Drilling & Workover revenue grew 4% year-on-year to US$ 177.4 million in 2020, up from US$ 170.3 million last year. Revenue growth was driven by a marginal improvement in offshore utilisation rates in KSA, with three rigs having undergone upgrade works for an aggregate total of 150 days during 2019 compared to operating at near-full capacity in 2020. The segment's contribution to revenue increased three percentage points to 39% in 2020.

MOPU & Jack Up Barge

(9% of revenue in 2020)

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 revenue of US$ 25.9 million in 2020, in line with 2019.

The Group's jack-up barge and projects generated US$ 12.8 million in revenue compared to US$ 8.4 million in 2019. The increase reflects the contribution from the first phase of the new early production facility contract signed in Egypt during 2H 2020.

Other

(5% of revenue in 2020)

Other revenue mainly includes catering revenue, mobilization revenue, the rental of essential operating equipment that the client has not supplied, and site preparation revenue. Other revenue increased by 11% year-on-year to US$ 23.1 million from US$ 20.8 million in 2019. The increase is largely attributable to demobilization revenue realised following the expiry of four contracts in Kuwait earlier in the year.

Operating Profit

Operating profit declined 16% year-on-year to US$ 104 million from the US$ 124 million last year. The operating profit margin also declined three percentage points to 23% for the year from 26% in 2019. The decline reflects lower revenue; higher depreciation expense on the back of the Group's increased asset base; and impairment of accounts receivables and non-current assets.

Normalised EBITDA

Normalised EBITDA, which excludes non-recurring staff costs related to crew overstays due to COVID-19 (US$ 5.3 million) and non-recurring integration programme costs (US$ 3.3 million), declined by 2.7% year-on-year to US$ 193.6 million in 2020, with an associated margin of 42.8% versus 41.7% in 2019. The higher margin for the year reflects the success of the Group's cost control efforts which helped to partially mitigate the lower revenue, as well as the ongoing successful integration of ADES' acquired rigs.

Net Finance Charges

Reported finance charges stood at US$ 65.2 million in 2020, down 26% year-on-year from the US$ 88.7 million in 2019. The decline reflects mainly the one-offs in 2019 related to the successful issuance of the Group's five-year bond, loan fees and written-off prepaid transaction costs.

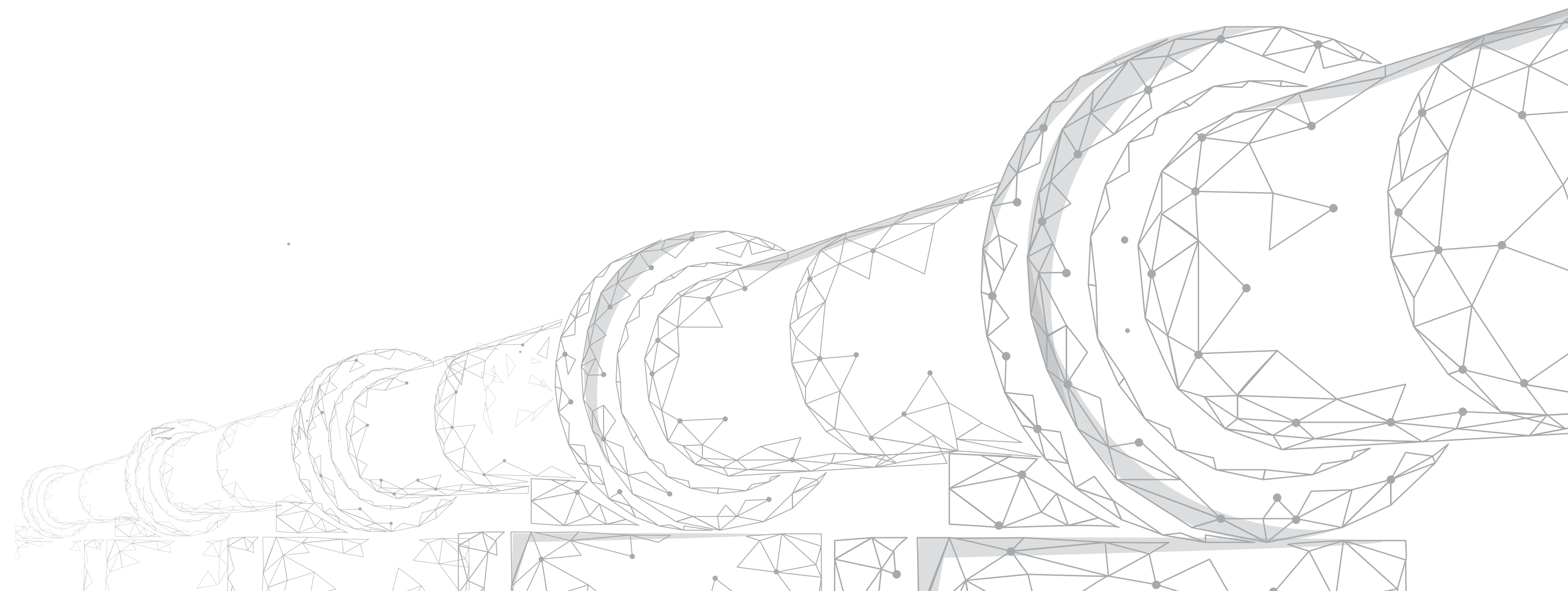
Normalised net finance charges, which exclude one-off costs increased by 6.7% year-on-year to US$ 65.2 million in 2020 versus US$ 61.1 million in 2019. Higher finance charges reflect higher gross borrowings as facilities were secured to provide an optimal capital structure with the required financial flexibility and liquidity. The Group recognised finance income of US$ 0.8 million in 2020 compared to US$ 0.5 million in 2019.

Statutory and Normalised Net Profit

ADES reported a net profit of US$ 22.0 million in 2020, down 30% compared to the US$ 31.5 million in 2019. It is worth noting that both the current and comparable periods' figures include non-recurring charges as follows:

- non-recurring integration program costs totalling US$ 3.3 in 2020 and US$ 8.5 million in 2019;
- one-off charges related crew overstays due to COVID-19 of US$ 5.2 million in 2020;
- non-recuring consultancy and advisory fees of US$ 4.5 million in 2020;
- one off finance charges related to loan fees and written off prepaid transaction costs amounting to US$ 27.6 million in 2019;
- accounting adjustments stemming from IFRS 3 (Business Combinations) and a bargain purchase gain of US$ 11.9 million in 2019;
- non-recurring transaction costs of US$ 6.4 million in 2019;
- non-cash, equity-settled share-based payment compensation from the Parent Company of US$ 3.8 million in 2020 and US$ 11.3 million in 2019;
- non-cash fair-value adjustment loss under financial instruments of US$ 1.2 million in 2020 and a gain of US$ 0.8 million in 2019.

Normalised net profit, which excludes all non-recurring charges from 2020 and 2019 as outlined above, of US$ 40.0 million in 2020 compared to US$ 72.7 million for 2019. The decline during the year reflects lower revenue; higher depreciation expense which increased to US$ 62.8 million in 2020 versus US$ 51.0 million in 2019, reflecting the growth in the Group asset base; an impairment charge in Egypt related to trade receivables and non-current assets totalling US$ 7.7 million in 2020 compared to a reversal of US$ 2.8 million in 2019. This is in addition to the previously mentioned increase in finance charges of US$ 4.1 million.



Balance Sheet

Assets

Total assets stood at US$ 1.38 billion as of 31 December 2020 down from US$ 1.43 billion in the prior year. Net fixed assets were US$ 1.012 billion at the close of the year compared to US$ 987 million as of 31 December 2019, driven mainly by normal refurbishment and maintenance spend during the period.

Net accounts receivable stood at US$ 127.3 million as of 31 December 2020, down from US$ 130.7 million in 2019 reflecting the improved working capital dynamics, specifically in KSA.

Cash and cash equivalents were US$ 62.5 million as of 31 December 2020 compared to US$ 119.6 million at year-end 2019.

Liabilities

ADES' total liabilities as at 31 December 2020 were US$ 929.9 million compared to US$ 978.8 million at the prior year end. The Group's total interest-bearing loans and borrowings were US$ 714.2 million as at 31 December 2020, down from US$ 747million as at 30 June 2020 and US$ 725.8 million at the end of 2019.

Net debt stood at US$ 651.7 million as of 31 December 2020, largely unchanged from the net debt as at 30 September 2020, as reported, but higher than the US$ 606.2 million as of 31 December 2019. The higher net debt reflects investment in the Group's operating asset base.

Cash Flow

Cash Flow by Activity

(US$ '000)	2020	2019	% change
Net Cash Flow from Operating Activities	165,452	171,971	-4%
Net Cash Flow Used in Investing Activities	(116,739)	(256,228)	-54%
Net Cash Flow Used for Financing Activities	(105,825)	72,983	n/a

Cash Flow from Operating Activities

Cash flow from operating activities declined 4% year-on-year to US$ 165.5 million in 2020 reflecting the increase in taxes paid and higher employee end-of-service payments, which increased from US$ 6.5 million in 2019 to US$15.6 million in 2020.

Net Cash Flow Used in Investing Activities

Net cash flow used in investing activities declined 54% year-on-year to US$ 116.7 million in 2020 compared to the US$ 256.2 million last year. Capital expenditure in 2020 included unpaid project payments for four rigs in Kuwait that started in 2019, ADES 13 and 14 in KSA, as well as regular maintenance activity on the existing asset base.

Net Cash Flow from Financing Activities

Net cash outflow from financing activities stood at US$ 105.8 million in 2020 compared to an inflow of US$ 72.9 million last year. The change reflects repayments of US$ 85.3 million related to the Group's medium-term loans and other revolving / working capital facilities; US$ 58.3 million in interest payments; and US$ 21.5 million for the purchase of treasury stock. Meanwhile the Group drew down on the remainder of its Alinma facility totalling US$ 64 million during 2Q 2020.

STRATEGIC REPORT

Principal Risks & Mitigations

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

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

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

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 manage or mitigate these risks.

Risk	Description	Mitigations
1	The ongoing COVID-19 pandemic presents business continuity and health & safety 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 mobilise 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: **1. At headquarter offices:** » Performing daily temperature screening for employees, catering and security staff; » All client meetings being changed to video or teleconference calls; » Meetings held with a one metre social distancing rule and in aired zones; » Establishing a work-from-home policy with clear communication and guidelines for office-based employees in all regions; and » Third party visits reduced. **2. On rigs:** » Some regions changed on-site rotation from 14 days to 28 days rotation; » Some regions have 14 days quarantine at the base to allow safe crew changeover; » Daily temperature screening by the rig doctor; » Presence of personnel minimised in mess rooms during mealtimes to allow for smaller groups; » Maintaining supplies and material inventory to cover three months of operation; » Contingency stocks of food on all rigs in case of quarantine for 14 days after discovery of any suspected case; » 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; » Provision of rapid Covid-19 test for rig personnel; » Schedule made and daily tour of sites by medics to inspect and assess adequacy of hygiene aspects; and » Safety and camp manager ensuring proper cleaning, housekeeping, and sanitation measures to maintain high standard hygiene. **3. Communication and outreach activities:** » Developed a detailed guide for employees and their families on how they can prevent infection and improve awareness on how they can protect themselves; and » Dedicated ADES doctors support our employees and their families in case of infection.
		• 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
2	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. • Our client roster includes several NOCs who generally have longer-term strategies and are therefore less susceptible to short-term oil price fluctuations.
3	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.
4	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 in 2020 had the highest offshore rig utilisation rate globally at 70% (global average 60%) and onshore rate of 45% (global average 38%). • 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.
5	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 2020, we have achieved over 11.5 million-man hours with an RIFR (per 200,000 working hours) at 0.31, below the IADC worldwide standard rate of 0.41.

STRATEGIC REPORT

6	The Group relies on a relatively small number of clients and the loss of a significant client could have a material adverse effect on the Group	• We have forged and maintained strong client relationships through the provision of superior services, evidenced by the consistent extension and renewals of several contracts during 2020 despite the challenging market conditions. • Our fleet and geographic expansions in 2018 and 2019 have further diversified our sources of revenue and reduced the risk associated with any one client.
7	The Company has a significant level of debt, which could have significant consequences for its business and future prospects	• Our last twelve months (LTM) leverage ratios were well below the covenants of 4.5x and 4.25x for gross and net leverage, respectively. This follows ADES' successful amendment of its bank covenants in late October as part of the Group's proactive efforts during the current market conditions. • Net debt to EBITDA, one of ADES' primary bank covenants, stood at 3.4x in 2020, well below ADES' current covenant level of 4.25x. • Gross debt to EBITDA stood at 3.7x, well below the Group's current covenant of 4.5x.
8	Businesses operating in the Middle East and Africa, ADES' focus regions, are exposed to continued political and economic instability and social disorder	• We diversified our revenue pie across MENA to reduce the risk of adverse business in any markets in which we operate. 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.
9	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 S&P Global Ratings having affirmed Egypt's B sovereign credit rating with a stable outlook, despite elevated external risks from COVID-19 in November of 2020. • 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 2020, from 81% to 19%.
10	Difficult operating conditions related to COVID-19 and volatile oil prices may impact the Group's ability to recover the full carrying amount of one or more of its assets	• Considering the impact of COVID-19 and the volatility of oil prices during the year, management performed an impairment test for each Cash Generating Unit (CGU) using value in use calculations based on a discounted cash flow (DCF) model and recorded an impairment charge of US$ 5,100,062 in relation to the net carrying value of Egypt assets. • Management concluded that recoverable values are higher than the net carrying values of all CGUs after considering the impairment charge recorded.

STRATEGIC REPORT

Sustainability

Introduction

A Year of Disruption and Resilience

2020 played witness to significant global disruption in the wake of the COVID-19 pandemic and posed challenges to the safety and movement of our teams. Despite risks to human health and the inevitable restrictions to human interaction that ensued, ADES has been able to demonstrate business continuity in its operational activities by adjusting to conditions. For instance, we released stringent health and safety guidelines and proactively pursued initiatives to ensure that the safety of all employees and stakeholders was, and continues to be, a business priority.

COVID brought unprecedented challenges throughout the year after March. This required quick and decisive action to maintain the health and wellbeing of our employees, clients and wider stakeholders with whom we come into contact in our supply chain. We enacted measures to significantly reduce the risk of cross-infection, including changing staff rotations from 14 days to 28 days (to allow for adequate quarantine time), the implementation of social distancing on all rigs, sites and in designated isolation rooms. To support this, we also developed awareness campaigns and regular communications for employees and their families. This included details and reminders about having access to support in case of COVID-19 infection and explanations of preventative guidelines and recommendations to curb the spread.

Despite these obstacles, we always aim and strive to be a leader in the drilling services sector in the MENA region, while continuing to put a strong emphasis on making improvements in our sustainability performance.

Our Sustainability Journey Continues

ADES acknowledges that sustainability is a journey that requires increasing focus to ensure that continual improvement occurs in all material ESG (environmental, social and governance) areas. This is paramount in supporting our policies, responsibilities and governance as a sector leader in the Region.

Our 2019 Annual Report signposted an intention to further develop our sustainability performance with the collection of ESG data for all overseas entities. Despite the various challenges we have faced, in 2020 we continued along the chosen path.

In conjunction with our regional representatives, we also developed further the scope of our data collection parameters, and metrics, to help improve coverage and visibility of ESG aspects in reporting.

During 2020, ADES also embarked upon our first formal sustainability assessment to help identify our priority ESG issues and inform our developing sustainability strategy.

We commissioned independent ESG consultancy to help us progress a 'sustainability materiality assessment' (SMA). This valuable exercise is providing the backbone of information and evidence to help us plan enhanced sustainability action. Throughout the latter half of the year, we engaged with internal stakeholders as part of the SMA. We reached out to them to engage in well-organized discussions that helped identify ADES most material (i.e. significant) ESG issues. The SMA exercise is not only helping us to determine which issues should be tackled as priority – and also reported – but is an opportunity to seek input, ideas and direction the sustainability strategy should take.

The outcomes of the materiality assessment will form an evidence base of essential ESG information and confirm the metrics we shall be using. Along with the collation of annual ESG data and supporting information, this exercise has helped inform the sustainability content of this Annual Report. That information provides a platform to help guide our next steps, which will include improved monitoring of sustainability performance, and identifying appropriate targets with accompanying KPIs.

2020 was therefore considered to be another foundation-building year. It added another layer of detail to our previous sustainability activities. By being able to focus time and energy on the most important and meaningful issues for ADES, we can allow proper planning of other – and future – issues, in the medium-term.

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

Determining our Material ESG Aspects

The SMA commenced during 2020, and continues into, 2021. The assessment aims to assess our business and supply chain activities in the context of ESG aspects. During the ongoing materiality assessment process, we have already captured the views of stakeholders, wider market trends and future megatrends from desk-based research and kept abreast of best practice within our sector via a comprehensive benchmarking study. Again, the best of the information gathered will be utilised in determining the actions for improvement that will have the most impact while also helping to inform the content of a leading sustainability strategy.

1. Desk-based research
2. Internal stakeholder engagement
3. External stakeholder engagement and research
4. Data analysis

Stakeholder Engagement

Our assessment included a range of engagement exercises to best understand the key sustainability issues that are likely to impact upon and interact with ADES activities today and into the future. A series of one-to-one interviews were carried out with leadership team members within the group and subject matter experts. This was supplemented by an online questionnaire posing a range of questions on ESG aspects which was distributed to a sample of employees. The returns were reviewed and analysed for inclusion in the SMA process. Accompanying this engagement was desk-based research to identify regulatory change, future megatrends and sector and industry best practices. Benchmarking has also been included, in the form of a screening exercise, referencing relevant global sustainability standards including the Global Reporting Initiative (GRI), the Sustainability Accounting and Standards Board (SASB) Materiality Map and industry guidance from IPIECA. This enabled a consolidated set of material topics to be considered by ADES in the materiality assessment activities.

Findings

The initial findings from the internal stakeholder engagement process are being filtered into a sustainability materiality 'matrix'. This will highlight the most important ESG aspects to ADES derived from both stakeholders interviewed and information gathered. The matrix – to be finalised during 2021 – will present the relative importance of ESG aspects to ADES in four quadrants with those ranked highest requiring the more immediate attention.

STRATEGIC REPORT

Understanding our Material Impacts for 2021 and Beyond

As we continue to develop our ESG strategy, we will look to gain a more comprehensive and well-rounded understanding of the key topics that stakeholders believe ADES should be tackling to ensure operations are resilient and futureproofed. We will look to also undertake additional stakeholder engagement during 2021 to ensure we gain the views of external stakeholders in the SMA. We intend to consider their views, priorities and information needs about ESG aspects in our SMA reporting during 2021. Furthermore, this additional engagement will provide added value and unique insights on ESG matters, but also potential risks and opportunities that lie ahead in the oil and gas sector landscape.

Governance and Responsibility

We believe that effective corporate governance is essential to maintaining the integrity of the company. A robust approach to governance beyond legal compliance allows us to conduct our business to the best of our abilities, adhering to the highest standards in all areas of business operations while delivering the best value for clients and shareholders.

We have demonstrated in a COVID year that open and clear communications with workers, partners – such as clients - and suppliers, are essential to business resilience and continuity and we remain committed to this kind of transparency in relationships

Our sustainability performance is underpinned by a governance structure that recognises the responsibilities associated with being one MENA's leading oil and gas service providers. This includes cultivating responsible business practices and enhancing performance to ensure sustainable financial returns. The high standards come from the top; ADES executives with Board, leadership and management responsibilities are involved in setting and approving the formal approaches to environmental management, safety, sustainability initiatives and good governance.

Our business is underpinned by an established corporate governance structure anchored in a clear set of principles and values. We strive to uphold the highest standards of ethical business practice, and to act with integrity in all of our MENA-based operations. Our ongoing commitment to quality is highlighted by our continued membership with the International Association of Drilling Contractors (IADC). We work diligently to maintain an honest, fair and transparent business which is trusted by its stakeholders. In 2020, ADES also developed a new Quality Policy to ensure the continuity of effective operations.

"In 2020, ADES faced unprecedented challenges in the face of COVID-19 and global restrictions associated with the pandemic. Despite these challenges, we have made great strides in developing the foundations of an industry leading ESG strategy by undertaking our first ever sustainability materiality assessment. As we look to continually improve in 2021 and beyond, we aim to develop more transparency, make our approach to disclosing our environmental, social and governance performance more robust, and align with best practice in the sector."

Ahmed Abo ElSaoud,
Communications and Sustainability Manager, ADES

The Board approves and oversees the implementation of Group strategy, determines the Company's key policies and reviews management and financial performance against its targets.

Key content in Quality Policy

ADES aims to accomplish the following, while optimizing the use of resources and maintaining the sustainability and growth of the organization:

- Compliance with and meeting the interests of our stakeholders, both inside and outside
- Effective operations, through operational excellence that can be measured and demonstrated
- Conformance to ISO 9001:2015Quality Management System Requirements
- Assure personnel competency through training, onsite coaching, performance evaluation and testing
- Abide by the rules and regulations of the country we operate in accordance to our core values
- Fulfil Corporate Social Responsibilities through the protection of the environment surrounding its facilities, and the sustainable development of local communities
- Promote compliance with International Humanitarian codes where such codes exceed local regulations and when they are not in conflict with local customs and traditions.
- Establishing Quality/Corporate objectives that shall be reviewed on regular intervals (two years) to affirm suitability, practicality, measurability, relevance, and fulfilment of standard requirements

The commitments we have made from the growth achieved in recent years, the strong market position and ongoing listing on the London Stock Exchange, remain firmly in place.

Commitment to Compliance Certification

As well as operating responsibly in alignment with the formal legal and regulatory disclosure requirements expected of a UK-listed company (and the UK Corporate Governance Code, as applicable to ADES), we maintain best practice ISO certifications for our management systems.

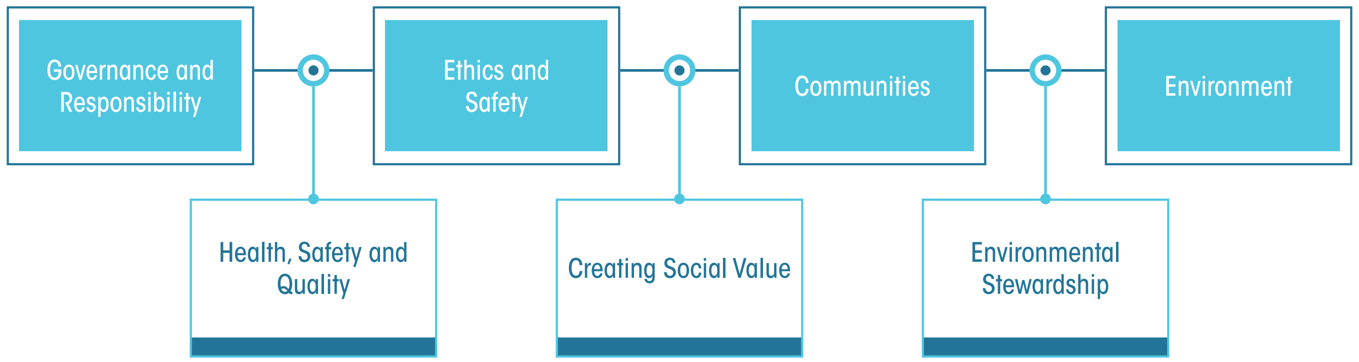
List of current ISO certificates for Provision of onshore drilling and worker services to the energy sector listing on the London Stock Exchange, remain firmly in place.

Standard	Standard Type	Entity and Date Validity
ISO 9001:2015	Quality Assurance	Egypt head office (27/7/20 to 18/05/22 Egypt operations (27/07/20 to 18/05/22) Saudi Arabia operations (14/09/18 to 14/09/21) Algeria operations (27/07/20 to 18/05/22) Kuwait operations (08/06/2020 to 07/06/2023)
ISO 14001:2015	Environmental Management System	Egypt head office (14/09/18 to 14/09/21 Egypt operations (14/09/18 to 14/09/21) Saudi Arabia (14/09/18 to 14/09/21) Kuwait operations (08/06/2020 to 07/06/2023)
ISO 18001:2007	Occupational Health & Safety Assessment Series	Egypt head office (14/09/18 to 12/03/21 Egypt operations (14/09/18 to 12/03/21) Saudi Arabia (14/09/18 to 12/03/21) Kuwait operations (08/06/2020 to 07/06/2023)

Furthermore, we have adopted best practice approaches for ESG aspects, for instance in seeking to align with the European Bank for Reconstruction and Development's ten performance requirements and guidance. We will continue to drive forward continual improvement in performance by following the plan-do-check-act mantra that are required in top class management systems. We will continue to add relevant ESG aspects into existing management systems and set appropriate targets and adopt relevant KPIs to monitor (e.g. regular reviews) their progress.

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.



Sustainability performance at ADES continues to be underpinned by the four 'key elements' that are intrinsic to our values and support the Group's strategic business priorities. In addition to the governance and responsibility described above, we have structured the next sections of this Report in line with the other three elements (i.e. ethics and safety, communities and environment).

SAFETY

At ADES, the Health & Safety and wellbeing of our employees, clients, and contractors is our number one priority. Our employees see H&S as a core function of their everyday workplace activities, and it is deeply embedded within our culture across all geographies.

During 2020, ADES was conducting its business activities in line with its existing Environmental Policy. In March 2021, ADES demonstrated its ongoing commitment to zero harm to people by publishing an updated HSE Policy. It underpins everything we do. We are committed to a process of continual performance improvement and embody this in our management systems, practices and behaviours that closely observe the following safety principles:

ADES OCCUPATIONAL HEALTH, SAFETY & ENVIRONMENTAL POLICY

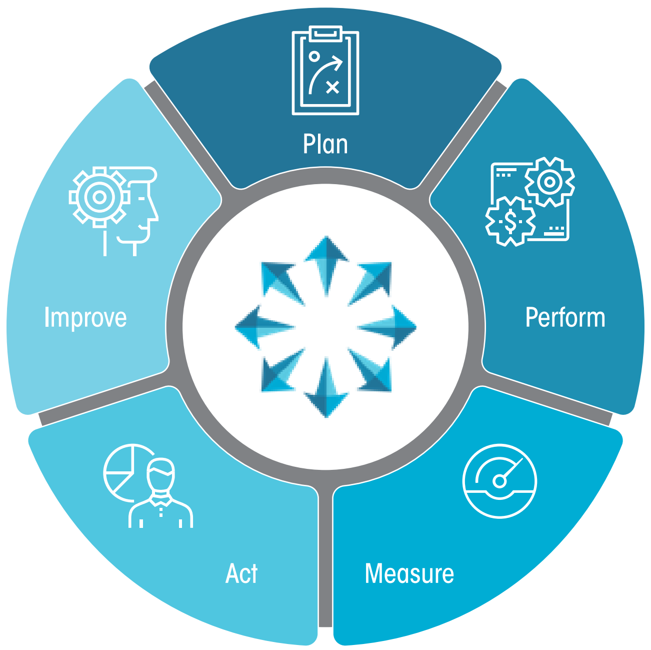
Key safety points:

- An injury/accident-free workplace is our goal
- The safety of our people and the environment will not be compromised "at any cost"
- Play a leading role in promoting best practices in our industries
- Sets targets for improvement and measures, appraises and reports performance.
- Compliance with all applicable local and international regulatory and other requirements is maintained
- Time out for safety (TOFS) & Stop Work Authority (SWA) will always be respected, tolerated, and appreciated
- Management at different organizational levels will be actively involved and commit sufficient financial and other resources necessary for superior health and safety performance

The ADES HSE Management System defines the principles by which we conduct our operations in four countries in an integrated way. It is a structured approach to providing effective management to reduce risks relating to the three HSE factors. Embracing the principles of risk management, we identify, assess, prioritize and put in place controls for risks that may arise in the workplace environment. This management system establishes a continuous improvement cycle that starts with high level aims, targets and commitments in the HSE policy, and messaging of leadership expectations and core values in most of our communications. The Occupational Health and Safety Assessment Series OHSAS18001:2007 certification has been in place for offshore operations in Egypt and Saudi Arabia since September 2016 and onshore operations in Kuwait since 2017. In 2021, ADES will be extending the coverage of its certification to include onshore and offshore operations in Algeria, Egypt, Kuwait and Saudi Arabia. We will also be embracing the transition of this Standard into the upgraded ISO 45001:2018 Occupational Health & Safety Management (as OHSAS 18001 is withdrawn in March 2021).

STRATEGIC REPORT

Key Tenets of the HSE Management System



Our Response to COVID-19

In 2020, the global pandemic introduced unprecedented disruption unlike anything we have experienced in our lifetimes. The implications of operating a business and the interactions with H&S and wellbeing aspects have taken on new meaning with safe and social distancing and sanitation being clear requirements. Since the onset of COVID-19, ADES has continued to take all the necessary precautions in a proactive manner to minimize the potential impact of the virus and thus enhance preparedness for subsequent waves of infection and longer-term resilience in our ability to respond quickly. We have established management plans within all regions and the communities in which we operate to ensure the continuity of operations by protecting and looking after the health of our employees.

Office activities: we demonstrated our agility at the inception of the COVID-19 crisis, by preparing and implementing timely policies to foster a clean and safe working environment for employees. Within this, activities included:

- Performing daily temperature screening for employees, catering and security staff
- All client meetings being changed to video or teleconference calls
- Meetings held with a one metre social distancing rule and in aired zones
- Establishing a work-from-home policy with clear communication and guidelines for office-based employees in all regions
- Third party visits reduced.

Rig activities: we developed robust contingencies to ensure the safety of our employees, including the following initiatives:

- Some regions changed on-site rotation from 14 days to 28 days rotation.
- Some regions have 14 days quarantine at the base to allow safe crew changeover.
- Daily temperature screening by the rig doctor
- Presence of personnel minimised in mess rooms during mealtimes to allow for smaller groups.
- Maintaining supplies and material inventory to cover three months of operation.
- Contingency stocks of food on all rigs in case of quarantine for 14 days after discovery of any suspected case.
- 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.
- Provision of rapid Covid-19 test for rig personnel
- Schedule made and daily tour of sites by medics to inspect and assess adequacy of hygiene aspects.
- Safety and camp manager ensuring proper cleaning, housekeeping, and sanitation measures to maintain high standard hygiene.

Communication and outreach activities: ADES also wanted to ensure the health and wellbeing of our employee's families, friends and local communities. We developed a range of communication activities to ensure they were, and continue to be, provided with adequate information on how to protect themselves against Covid-19:

- Developed a detailed guide for employees and their families on how they can prevent infection and improve awareness on how they can protect themselves.
- Dedicated ADES doctors support our employees and their families in case of infection.

H&S Data Capture and Performance

We continue to utilise a robust reporting system and collect a full H&S dataset across all regions, including lost time injury frequency rate (LTIFR), recordable injury rate and near miss reporting.

Throughout 2020 we recorded a recordable YTD injury frequency rate (RIFR) of 0.31, decreasing from 0.41 reported in the 2019 Annual Report and below the IADC worldwide stander rate of 0.41 in 2020

There is a balance to be made between the ongoing improvement likely to be seen from the ongoing and evolutionary nature of proactive management of H&S and the reduction of workplace interactions from COVID restrictions. As operations started up again after restrictions and delays, H&S remained at the forefront of our managers and workers' minds, as they implemented safer ways of working in line with clients, ADES and governments' recommendations and guidance.

Incident and Injury Free Program

To support our HSE management system, ADES has designed H&S programs to help raise awareness about hazards and dangers and educate employees how to clearly identify potential safety risks and concerns. Our portfolio of training courses, modules and exercises for employees continue to develop.

One example is our 'Incident and Injury Free' program, that has been rolled out throughout all sites and facilities in the MENA region. It helps employees to take accountability for their own H&S in the workplace, aligning their performance targets and KPIs with the shared values, policies, and procedures at ADES.

ADES Safety Leadership Awareness Campaigns

HSEQ Campaign

Continued in 2020 as it started in Nonember2019 Foster a positive change in behaviors and skillsets that will lead to an effective safety culture. Focusing on:

- Personal behavior
- Building and maintain ADES culture.
- Knowing your role
- Incident free workplace
- Improve the safety and performance of all ADES locations.

COVID-19 Campaign

Covid-19 awareness Guide outlines the actions to be taken to achieve health preparedness and response:

- Country-level coordination, planning, and monitoring
- Surveillance, rapid-response teams, and case investigation
- Risk communication and community engagement
- Points of entry
- Infection prevention and control
- Case management
- Operations support and logistics

Hands off Campaign

It is a campaign to share awareness to hands hazards and maintain a Hands Incident Free Workplace.

- Raise crews Awareness Towards Hand Injury Prevention
- Identify Jobs that requires hands contact suggested hands-free tools/accessories needed.
- Assess Workplace "Identify Danger Zones/Equipment"
- Pinch point management
- Assess risks related to jobs with hand contact.

TOFS/SWA

- Time Out for Safety campaign for the best hands finger injury prevention winner award (1000$/ month).

Heat Stress

The campaign to share awareness to Heat stress problems;

- Heat Rash
- Heat Cramps
- Heat Exhaustion
- Heat Stroke

Symptoms, first aid and preventive measurements to be taken to avoid heats stress problems.

COMMUNITIES

We recognise the opportunity to positively impact the communities we operate within, and therefore place a strong emphasis on engagement with people and places 'beyond the fence' as a key pillar of our ESG strategy. Through our long-standing commitments to education, training, charity, volunteering and human rights, ADES is determined to ensure that we ensure a legacy in local communities.

Investment in Creating Social Value

Throughout 2020, social value has continued to play a vital role in ADES' business activities as we have sought to expand our reach, influence and deliver positive impact to our stakeholders and the wider communities where we operate.

Further to our internal efforts and during 2020, we continued to support several charitable organisations. This included making financial and equipment donations while actively supporting and promoting employee volunteer days. Examples of our Initiatives include the provision of food, medical and educational services alongside vital support to national government teams helping to fight infection against the global pandemic. We are committed to ensure our plans in social and local environments bring additional value to the communities where we operate.

'One Hand' Initiative

At ADES, one of our fundamental values is to provide a positive legacy on the communities we serve, and that is why we are delighted to support the Egyptian Ministry of Health with their fight against COVID-19.

Among many other peers in the Egyptian O&G sector, we are supporting the 'Eed Wahda' ('One Hand') initiative which is being coordinated with the Ministry of Health and Population, the Ministry of Petroleum Resources and managed by the Oil and Gas CSR subcommittee with the Misr El Kheir Foundation. The donations ADES made will see the purchase of vital equipment including Personal Protective Equipment (PPE) for medical staff including surgical gowns, goggles for eye protection, surgical masks, and other essential medical supplies. ADES has donated and extensive range of medical machinery and supplies to the Ministry of Health to fulfil the needs of hospitals in Egypt.

Alnass Hospital

ADES continues to be main sponsor for the Al-Nas Children's Charitable Hospital, which is considered the largest medical centre of excellence in the Arab region and Africa with a capacity of 600 beds. The Group contributes to the funding of this healthcare complex, which is expected to serve over 20,000 in-patients and 400,000 outpatients on an annual basis. The hospital's five buildings have been completely renovated, which has equipped the hospital with the following:

- 557 hospital beds
- 10 operating rooms
- 140 intensive care units
- 4 cardiac catheter units
- 48 outpatient clinics.

ADES is very proud to continue its support with the hospital, helping to serve patients free of charge (since September 2019). One of the aims is to attract the best doctors, specialists, nursing teams and technicians combined with the latest advances in modern medical equipment.

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Aljoud Charity Organization

ADES has supported and financed various projects organised by the Aljoud foundation, a charitable organisation specialising in providing healthcare and education services for the growing population of Egypt. ADES has supported the Aljoud foundation by financial donation and volunteer hours, assisting on a range of activities, including:

- Social services: giving fixed stipends to the non-capable; organizing special events to honour mothers on Mother's Day; organizing marriage ceremonies; sponsoring orphaned children and organizing exhibitions;
- Medical services: offering medical care to those in need; performing surgery; offering medical equipment; and prosthetic devices;
- Food services: distribution of meals and Ramadan food boxes, including Ramadan meals for fasters; distribution of clothing and blankets in cold areas in winter; facilitating Hajj and Umrah; and refurbishing and equipping charity banquet halls;
- Education services: literacy classes; subsidies for school expenses; and school supplies' exhibitions.

VeryNile: Fishing Boats

ADES have also supported VeryNile with the launch of the first project to empower Cairo fishermen. Our contributions have provided them with additional income and access to health and education services. We have supported with the development of 'Social Plastic' – a model that incentivises the recycling of plastic. In this case, plastics are exchanged for financial incentives and other services. VeryNile opened a collecting centre on the Island of Qursayah to facilitate the exchange of recyclables. All parties hope to drive a further step-change reduction in plastic pollution through this scheme.

Summer Internship Program

COVID-19 did not stop this year's summer internship program from training future pioneers of the industry. ADES demonstrated its flexible and agile working culture by welcoming a range of students into the company for our first ever virtual summer internship program. This unique opportunity offered training in a range of fields, from mechanical and electrical engineering through to business finance. Even though this program was held virtually, given the health circumstances we were all subject to, it did not compromise the quality of the program in providing students with industry-leading knowledge and a memorable experience.

ADES Champions

For the fourth year in a row, several ADES employees won gold medals at the National Corporate Championship for Weightlifters with physical disabilities. ADES is proud to champion employees from all backgrounds and will continue to support them in future competitions and celebrate achievements that help to showcase their diversity and spirit.

Human Rights

In recent years, ADES has recognised that the international community is putting a stronger emphasis on organization's responsibility to respect human rights in all aspects of doing business. The ADES Human Resources (HR) Policy is a pillar of an evolving HR framework, that recognises inclusion, diversity and the need for equality and thus includes anti-discrimination clauses. It is designed to continually put in place mechanisms, such as reporting procedures, aiming to eradicate discriminatory behaviour on the grounds of race, disability, and gender. We acknowledge that there is a need to encourage the employment, training and recruitment of women in a traditionally male-dominated industry.

At every location where we operate, we strive to attract workforce from the local community. Our approach to human rights involves continuing to embed measures in existing management systems to demonstrate how important this topic is for us. We are committed to updating our policy further to incorporate any future changes to international standards and ILO's fundamental conventions.

In 2019, we started promoting opportunities for improved education and training in engineering for females. In a sector dominated by a male workforce, ADES remains committed to tackling the disproportionate number of male employees when compared to their female counterparts, which will be achieved through policies on flexible working times, the career break policy and providing opportunities for our facilities and sites, including rigs, to accommodate women on board.

ADES is not involved or connected to any direct land acquisition. As a specialist contractor, ADES complies with all legal obligations relating to land. I line with best practice, we are committed and, where required, can verify (e.g. provision of supporting evidence) alongside the operators with whom we work, that business activities will not result in any illegal displacement of people or economic activity.

ENVIRONMENT

Global lockdown measures associated with the COVID-19 outbreak have happened to drive down a significant reduction in global emissions. The International Energy Agency has estimated an 8% reduction in annual global GHG emissions, compared to 2019.[1] However, this reduction only just meets the United Nations Environment Program's (UNEP) target of a 7.6% reduction in GHG emissions, required every year, between 2020 and 2030 to keep on the right trajectory to meet warming within 1.5°C climate goal of the Paris Agreement 2016.[2]

As we operate within an emissions-intensive sector, ADES recognises the role we have to play in accelerating the transition towards a low-carbon economy and safeguarding the environment. The global recovery from the pandemic presents a unique opportunity to build the foundations for a greener global economy. It has also demonstrated that corporate sustainability and business resilience are closely interlinked, therefore we continue to reduce the environmental impact of our activities where possible and continue to pursue a sustainability strategy that recognises the needs of all stakeholders.

As mentioned above under Safety, in 2020 ADES was working on enhancing its previous Policy into a new Occupational Health, Safety & Environmental Policy (March 2021) that also includes the continual improvement approach to environmental management and sustainability.

We state that ADES will preserve the environment where we operate while minimizing waste and carbon footprint. We will also play a leading role in promoting best practices in our industry.

The Company has developed and implemented an Environmental Management System which provides the foundation for all practices that interact with the environment. We are certified to ISO14001 on Environmental Management Systems and maintain best practice procedures to safeguard both the natural environment and in the communities in which we are located and operate. We remain committed to protecting the environment and will continue to develop procedures that minimise the Group's impact on the environment and communities.

Energy and GHG emissions

The Scope 1 carbon footprint is derived from the consumption of diesel fuel from owned or controlled sources. Diesel fuel used at most of our locations for powering rigs and accommodation facilities. Operations in Egypt are monitored for diesel usage, per rig, and have the best granularity of data. Based on the reporting of consumption data from the four regions to Group, the following Scope 1 CO2 emissions are presented. The emission factor used to determine CO2 emissions was taken from the GHG Protocol[3].

Scope 1 Fossil Fuel Consumption and GHG Emissions for 2020

	Algeria	Egypt	Kuwait	KSA
Litres	2,356,689	26,106,741	6,656,000	3,062,094
Tonnes CO2	6,308	69,874	17,815	8,196
Group Total (estimated)	102,193 tonnes of CO2 from diesel fuel consumption			

[1] IEA (2020), Global Energy Review 2020, IEA, Paris https://www.iea.org/reports/global-energy-review-2020
[2] United Nations Environment Programme (2019). Emissions Gap Report 2019. UNEP, Nairobi https://www.unep.org/interactive/emissions-gap-report/2019/
[3] International Energy Agency Emission factor for use of diesel from 'stationary sources'.

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Scope 2 GHG emissions are indirect GHG emissions from the generation of electricity. Egyptian operations collated data on electricity consumption totalling some 290,000-kWh equating to approximately 160 tonnes of CO2. The IGES[1] list of grid emission factors was used to convert consumption into CO2.

ADES will continue to work to align its data capture efforts with regional regulatory requirements and other best practice standards.

ADES has also made a start on collecting some categories of Scope 3 GHG emissions. This category is also referred to as 'indirect' emissions and includes all those occurring in the company's value chain. Egyptian operations record waste leaving their sites for municipal landfill and capture the distance recorded in business-related trips made by employees. ADES intends to prepare a plan to extend the capture of Scope 3 GHG emission across the business.

Air Quality & Noise

ADES continued to carry out measurements on emissions to atmosphere for other known pollutants. Our annual Air Quality & Noise Monitoring Programme was still in place across multiple rigs during 2020. This activity is for the purpose of ensuring environmental compliance with the Egyptian Environmental Affairs Agency (EEAA) such as Law 9 (2009) and its Executive Regulations issues via Decree No. 964/2015. The measurement of night-time noise was included.

For air quality, this included emissions measurement and ambient air quality measurements for carbon monoxide (CO), sulphur oxide (SOx), nitrogen oxides (NOx), particulates (PM10 and PM2.5 and total suspected particulates (TSP). The air quality emission data also provided data on exhaust stack GHG emission from generators.

The noise assessment was carried out by our local partner using Type 1 (precision grade) equipment, complaint with IEC 1672 Class 1 and IEC 942 Class 1 standards, capable of recording the full range of required noise level parameters.

Water

ADES recognises the importance of water and is currently assessing our operational practices at the sites to obtain a better understanding of which of our systems, and procedures, could be modified and improved to reduce the levels of water consumption. Progress was made in 2019 to collect water data for Saudi Arabia and Algeria but many initiatives were not able to be progressed in 2020 with attention diverted onto save practice and contingency management for COVID. We will return to water efficiency, preservation and conservation and recycling efforts when it is possible to return to more normal business management activities post-COVID.

Waste

During 2020, ADES continued to utilise its signed formal service agreements with third-party certified waste companies to transport ADES-generated waste to destinations that either recycle or dispose of all types of wastes. Preliminary data returns on waste management suggest significant reductions in normal solid waste (i.e. non-hazardous) and solid hazardous waste, partly because of reduced business activity in a COVID year. The Egyptian operations capture waste leaving sites for municipal landfill and will work to track this year-by-year.

ADES is committed to track performance in waste management and report in future years' reports to demonstrate best practices in waste management, which links into our ISO-certified environmental management systems in Egypt and Saudi Arabia.

[1] *Institute of Global Environmental Strategies. Version 10.10. Dec. 2020.*

Corporate Governance

Corporate Governance Statement

Since listing on the London Stock Exchange in 2017 ADES has undergone significant expansion. 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.

Board of Directors

Ayman Mamdouh Abbas

Chairman
Appointed: 22 May 2016

Mr. Ayman Abbas is currently the Executive Chairman of Intro Holding Group, and Owner of M2 Developments. Mr Abbas is also a director of innovative Energy which has recently made an offer for the Company's shares. 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

Managing Director
Appointed: 22 May 2016

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 is also a director of innovative Energy which has recently made an offer for the Company's shares. 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

Non-Executive Director
Appointed: 1 March 2017

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

Non-Executive Director
Appointed: 1 March 2017

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

Non-Executive Director
Appointed: 1 March 2017

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

Non-Executive Director
Appointed: 1 March 2017

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

Non-Executive Director
Appointed: 3 March 2019

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.

CORPORATE GOVERNANCE

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 8 June 2021 except the award of the 437,938 shares to Dr Farouk under the Company's long term incentive scheme that vested in January 2021 and the award of the 218,970 shares to Dr Farouk under the Company's long term incentive scheme that vested in January 2020.

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, a review was conducted of the non-executive directors and their related or connected persons', relevant relationships referencing the criteria set out in the Code along with the review of 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 took account of 36,363 shares in the Company held by Ulf Henriksson but it concluded that this shareholding was not significant enough to compromise his independence. 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 conduct their work independently from the Chairman and the managing director. The membership of the Board and biographical details for each of the Directors are incorporated into this report by reference and appear on pages 64 and 65.

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 and cultural goals 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 30 June 2021.

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. The board believes that all members of the committee have recent and relevant financial experience, in particular Mohamed Walid Cherif as an MBA holder.

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 2020, the Audit Committee held six meetings including the required meetings to approve the 2020 annual results and each quarter's interim results. The Committee's latest meeting took place on 3 June 2021 to review and approve ADES' annual results. During the meeting, the Audit Committee discussed the significant issues related to the Annual results,

[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/.*

CORPORATE GOVERNANCE

as identified by our External Auditors. For more details, please refer to the Independent Auditor's Report on page 82.

For details of the Audit Committee's role, function and responsibilities, please refer to the Report of the Audit Committee beginning on page 72.

Remuneration Committee

The members of the Remuneration Committee are appointed by, and act at the discretion of, the Board and consists of a minimum of two members of the Board. The current members of the Remuneration Committee are Mohamed Walid Cherif, Nabil Kassem and Hatem Soliman. The current structure of the Remuneration has been approved by the written resolution of the Board on 17 March 2019.

Under its terms of reference, the Remuneration Committee is required to meet at least once a year and is responsible for reviewing and approving, on behalf of the Board, the amount and types of compensation to be paid to each member of the Board and executive management. During 2020, the Remuneration Committee held one meeting including the required resolution to approve the executive directors' remuneration.

For details of the Remuneration Committee's role, function and responsibilities, please refer to the Report of the Remuneration Committee on page 74.

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 2020, the Nomination Committee held two meetings to approve the re-election of the members of the Audit Committee and Remuneration Committee and the Company's annual report for the year ended 31 December 2020.

For details of the Nomination Committee's role, function and responsibilities, please refer to the Report of the Nomination Committee beginning on page 76.

Meetings and Attendance

Meeting Calendar for 2020 (includes in-person meetings, via conference calls and by written resolution)

Name	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Annual General Meeting						22						
Board Meetings			4	1	6 24	6 22		4	17		14	3
Audit Committee		27		1	15 20	6			1 17			3
Remuneration Committee					20							
Nomination Committee					20			24				

Name	Position	Board Meetings	Audit Committee	Remuneration Committee	Nomination Committee
Ayman Abbas	Executive Chairman	7			1
Mohamed Farouk	Chief Executive Officer	10			2
Mohamed Walid Cherif	Independent Board Member	9	6	1	2
Nabil Kassem	Independent Board Member	10	8	1	2
Yasser Hashem	Independent Board Member	10	8		
Ulf Henriksson	Independent Board Member	8			1
Hatem Soliman	Independent Board Member	10		1	
Total Meetings		**10**	**8**	**1**	**2**

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 and 2020. 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. Following the Board Evaluation that was done by external advisors in 2019, by using online assessment service, 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. The board evaluation was conducted by an online survey accessed by the directors, results of which are shared with the board. The outcome of the evaluation, which is shared with the Board, is used to improve and enhance the corporate governance frame of work and in this case the Board does not feel that the disclosure of the outcome and actions of this exercise is of relevance to stakeholders given the completion of the takeover of the Company.

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 30 June 2021.

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 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.

Prior to its acquisition by Innovative Energy Holding in May 2021, ADES Investments Holding Ltd (ADES Investments) was the majority shareholder in ADES International. 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 2020, the shareholding structure of the Company was:

Shareholders	Shareholding %	No. of shares	Value US$
ADES Investment Holding Ltd	61	26,896,250	26,896,250
Free Float	39	16,897,632	16,897,632
	100	**43,793,882**	**43,793,882**

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. The Company has provided training to staff on these policies with the aim of embedding them in the company's practices. The Company has also included criteria in the employee appraisal process that link reward to compliance with the Company's policies and procedures.

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 is implemented by the Company's management. 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 board monitors and manages these risks with a view to achieving long-term sustainable success for the Company.

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. This committee also assists the Board in identifying emerging risks and mitigating them. 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 28 March 2021 to review and approve ADES' annual results and discuss the significant issues related to the Annual Results, as identified by our External Auditors.

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

CORPORATE GOVERNANCE

Report of the Audit Committee

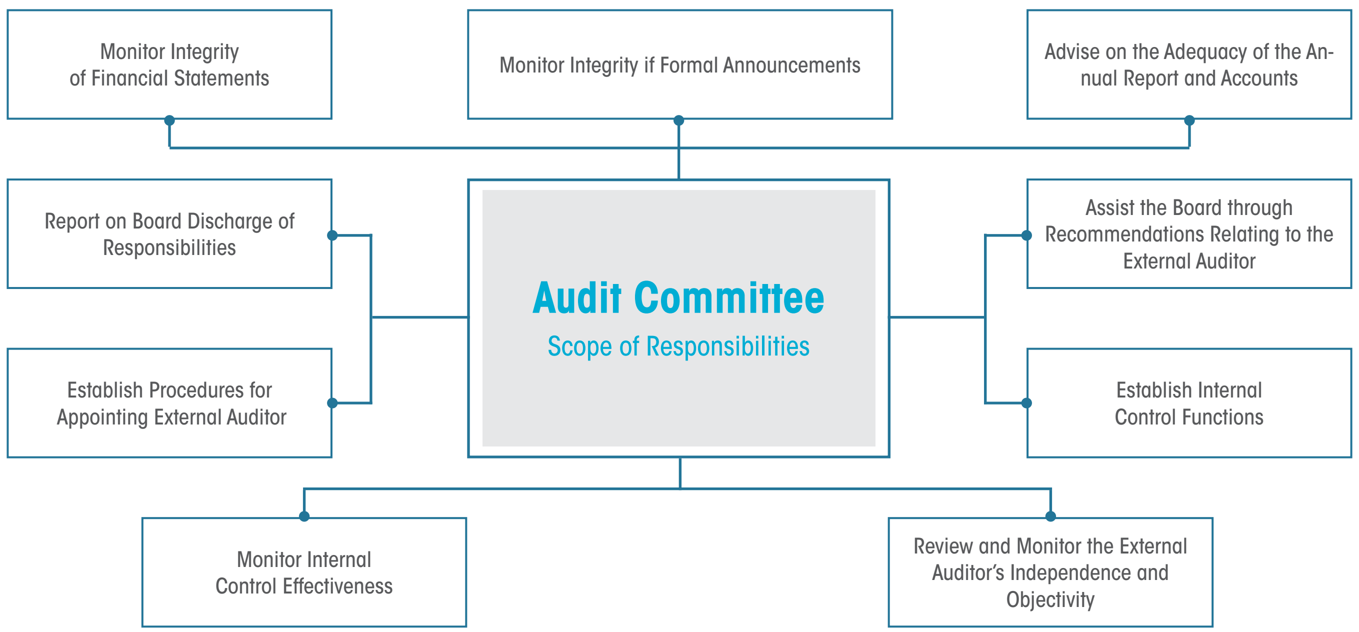
Audit Committee Members

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 approved for re-appointment by the Audit Committee on 3 June 2021 for the 2021 audit of the Group's financial statements, which follows their previous appointments for the 2016, 2017, 2018, 2019 and 2020 audits.

The re-appointment is subject to AGM approval on 30 June 2021. 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 82.

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. The current external auditor has been in place since 2016 and the external audit services were last tendered on 2020.

Internal Audit

In 2020, the Audit Committee captured the risks associated with COVID-19 situational developments at their early stages, the Audit Committee applied a dynamic approach for directing the Internal Audit Activity to utilize available resources with an objective to implement effective Business Continuity Management (BCM) framework and mitigate COVID-19 associated risks that may have financial, operational, people, and technology impacts.

In this context, multiple measures were applied by the Audit Committee, which included implementation of dynamic Enterprise Risk Management (ERM), Crisis Management, Disaster Recovery, Emergency Management, and Business Continuity frameworks. Frameworks were developed and applied starting February 2020. The applied frameworks effectively assisted the management in capturing and treating significant events that could have impacted the business performance.

In addition to the Business Continuity Management role, the Audit Committee has set new directions for the performance of regular assurance tasks carried out by the Internal Audit Activity in order to provide more focus on Risk Management and Business Continuity assurance.

While maintaining the highest level of activity independence, and with an objective to assist ADES management to maintain sustainable business performance, the dynamic approach to performance of Internal Audit activities extended to providing major consulting engagements to ADES management, which included the design for the new organizational performance management framework that was used as a ground base for planning and managing 2021 performance.

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, business model and strategy.

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 2020, the Audit Committee held eight meetings including the required meetings to approve the 2020 annual results and each quarter's interim results. The Audit Committee's latest meeting took place on 3 June 2021 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 82.

On behalf of the Board

Nabil Kassem
Chairman of the Audit Committee

CORPORATE GOVERNANCE

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.

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 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. 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. During the year, total number of awards has been adjusted to 1,130,578 ordinary shares due to resignation of certain employees. 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

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 2020
Mohamed Walid Cherif	50,000
Nabil Kassem	50,000
Yasser Hashem	50,000
Ulf Henriksson	50,000
Hatem Soliman	50,000

Directors' Benefits (US$)

	2020	2019
Annual salary & other allowances	2,070,000	3,881,667
Share based payments vested during the year	2,695,140	8,593,766
Total benefits	**4,765,140**	**12,475,433**

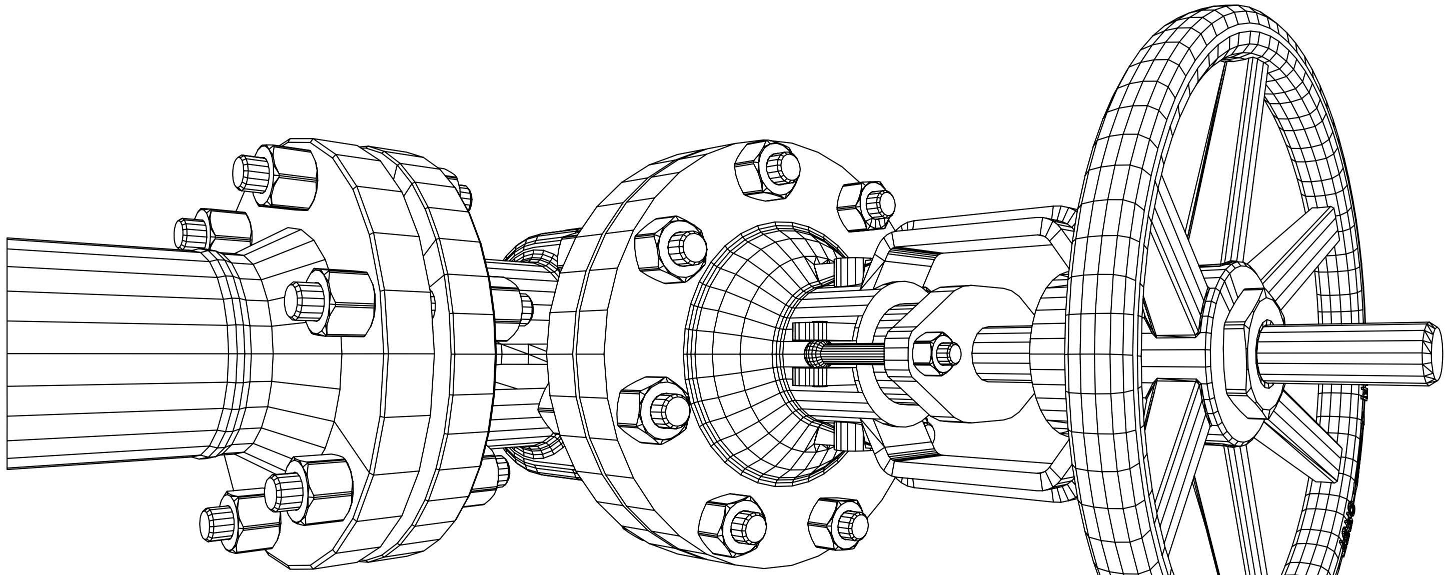
For the year ended 31 December 2020, total benefits to the executive and non-executive directors was approximately US$ 4.8 million, compared to US$ 12.5 million for the year ended 31 December 2019.

Review of the Remuneration

The existing Directors' Remuneration Policy for the financial year ending 31 December 2019 was extended to apply with respect to the financial year ending 31 December 2020 and remained unchanged. 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 2021 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



CORPORATE GOVERNANCE

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 engages with 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 and diversity 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 2020, the Nomination Committee held one meeting to approve the re-election of the members of the Audit Committee and Remuneration Committee and to the Company's annual report for the year ended 31 December 2019.

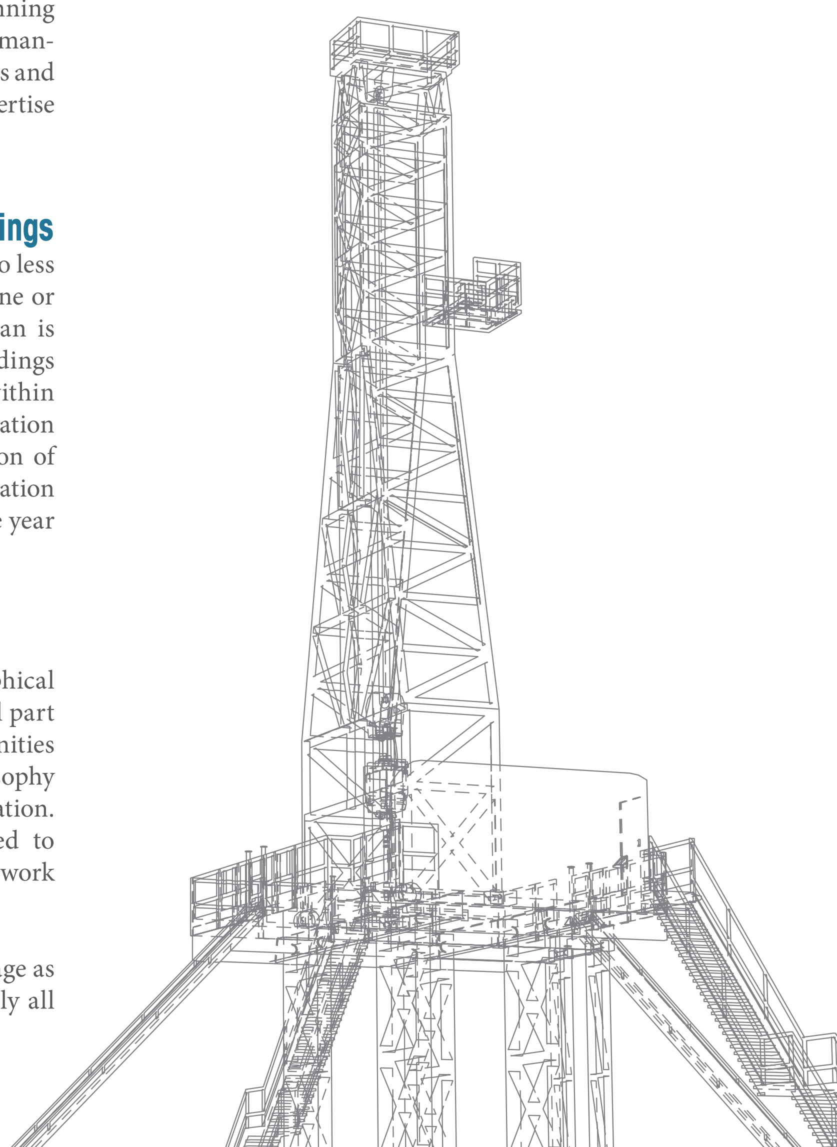
Diversity

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. However, this is dependent on the board locating candidates with the appropriate skills and experience that enhance the diversity of the board.

On behalf of the Board

Ayman Abbas
Chairman of the Nomination Committee



CORPORATE GOVERNANCE

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.

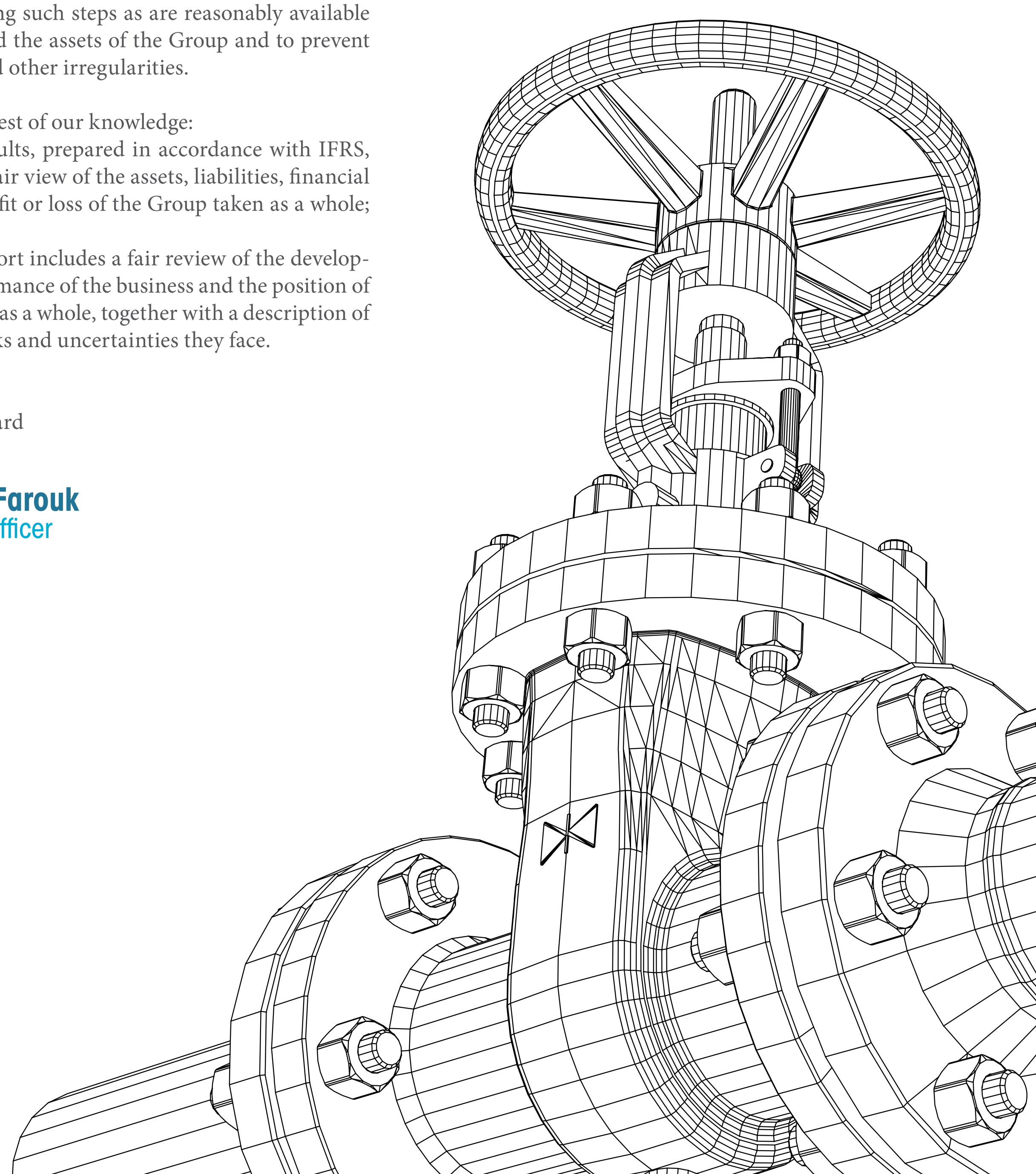
The Directors are responsible for ensuring that the Company keeps proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Annual Results comply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

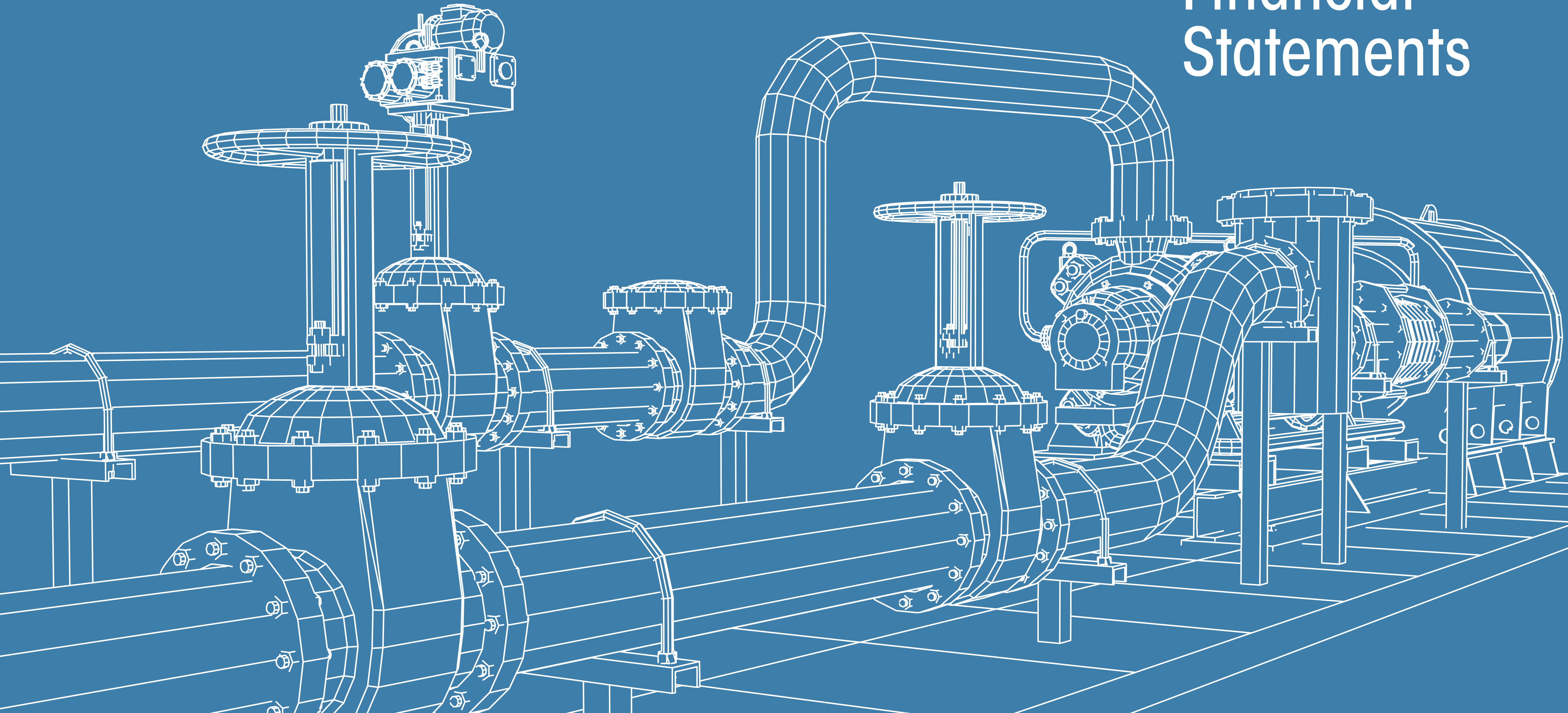
- The Annual Results, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group taken as a whole; and
- The Annual Report includes a fair review of the development and performance of the business and the position of the 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



CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ADES INTERNATIONAL HOLDING PLC

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 2020, 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 consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the shareholders of the Group (as a body), for our audit work, for this report, or for the opinions we have formed. We are independent of the Group in accordance with the International - 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. As at 31 December 2020, USD 12,328,466 (2019: USD 16,182,651) out of total net trade receivables of USD 127,307,717 (2019: USD 130,728,082) were overdue for more than 90 days. The Group has recorded a provision for impairment in trade receivables amounting to USD 4,726,770 (2018: USD 2,168,121). Refer to significant accounting estimates, judgements and assumptions in Note 3, and disclosure of trade receivables and contract assets in Note 14.

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 review of legal documentation, where applicable.

The collectability of trade receivables is a key element of the Group's working capital management. Given the magnitude and judgment involved in the impairment assessment of trade receivables, we have identified this as a key audit matter.

As at 31 December 2020, the largest portion of the trade receivable balance is due from one customer of the Group, which is partially a government owned entity. We traced the balance due from this customer to the new settlement agreement signed between the Group and the customer in 2020. We evaluated that the trade receivable balance is classified between current and non-current assets as per the terms of the settlement agreement, and non-current portion of the trade receivable balance is recorded at present value.
We also obtained a direct confirmation letter from the same customer confirming the trade receivable balance recorded as at 31 December 2020.

Impairment of non-current assets

A history of business combinations and asset acquisitions, and the capital intensive nature of the business model increases the magnitude of noncurrent assets. Given the ongoing economic uncertainty as a result of outbreak of COVID19 which had an impact on the operations of certain assets of the Group, there is a risk that the future performance may lead to the value of non-current assets not being recoverable in full.

We understood the basis of management's identification of CGUs and assessed the related judgments applied by management with reference to the customer base in each country and the fact that management monitors and makes decisions about assets and operations at the country level.
We assessed that the Group's definition of the CGUs is compliant with the applicable accounting standards.

The determination of cash generating units (CGUs) and estimating their recoverable amount, being the higher of value-in-use and fair value less costs to dispose, requires a significant judgement. Adisclosed in notes 3 and 16, the Group uses a discounted cash flow ("DCF") model to determine value in use for each CGU, on the basis of the following key inputs:

- Day rates, gross margins and utilisation days of rigs
- Discount rates
- Remaining useful lives of rigs and estimated future capital expenditures

We obtained and evaluated management's DCF models used for impairment assessment.
We compared the forecasted day rates, gross margins, utilisaiton days and capital expenditures to the historical performance and performed sensitivity analysis. We compared the forecasted day rates for the rigs not yet contracted to the recent tender documents submitted by the Group.
We involved valuation specialists to assess the modelsused and the discount factors applied. We compared the remaining useful lives to the third party technical reports with the help of our valuation specialists.

We identified impairment assessment of non-current assets as a key audit matter due to significant judgment applied by management to identify CGUs and sensitivity of key estimates used in the value in use calculations.
We performed sensitivity analysis and assessed the appropriateness of the disclosures in the notes to the consolidated financial statements.

Other information included in the Group's 2020 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 2020 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 and will 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

We communicate with the Directors, 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 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, actions taken to eliminate threats or safeguards applied.

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

Signed by:
Anthony O'Sullivan
Partner

29 March 2021
Dubai, United Arab Emirates

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement Of Comprehensive Income

For the year ended 31 December 2020

USD	Notes	2020	2019
Revenue from contract with customers	6	452,108,570	477,757,547
Cost of revenue	7	(282,344,173)	(285,728,112)
Gross profit		**169,764,397**	**192,029,435**
General and administrative expenses	8	(47,395,777)	(52,463,669)
End of service employment benefits	22	(5,348,358)	(4,899,967)
Provision for impairment of non-current assets	16	(5,100,062)	-
(Provision) / release for impairment of trade receivables	14	(2,558,649)	2,776,252
Provision for impairment of inventory	13	(686,478)	(253,329)
Share-based payments expense	24	(3,845,870)	(11,341,219)
Other provisions	22	(410,669)	(1,443,181)
Operating profit		**104,418,534**	**124,404,322**
Finance costs	9	(65,218,703)	(88,702,079)
Finance income	12	801,944	512,013
Bargain purchase gain	5	-	11,877,674
Provision for impairment of investment	11	(535,000)	-
Business acquisition transaction costs		-	(6,432,718)
Other income		-	1,786,501
Other taxes		(512,159)	(438,716)
Other expenses		(6,808,333)	(2,907,204)
Fair value (loss)/ gain on derivative financial instrument held for trade	31	(1,178,052)	771,134
Profit for the year before income tax		**30,968,231**	**40,870,927**
Income tax expense	10	(8,946,717)	(9,337,365)
Profit for the year		**22,021,514**	**31,533,562**
Attributable to:			
Equity holders of the parent		19,621,487	28,630,013
Non-controlling interests		2,400,027	2,903,549
		22,021,514	**31,533,562**
Earnings per share - basic and diluted attributable to Equity holders of the parent (Usd per share)	26	0	1
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	25	(838,435)	(6,147,575)
Other comprehensive income for the year, next of tax		**(838,435)**	**(6,147,575)**
Total comprehensive income for the year, net of tax		**21,183,079**	**25,385,987**
Attributable to:			
Equity holders of the parent		18,783,052	22,482,438
Non-controlling interests		**2,400,027**	**2,903,549**
		21,183,079	**25,385,987**

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

Consolidated Statement Of Financial Position

At 31 December 2020

USD	Notes	2020	2019
Assets			
Non-current assets			
Property and equipment	16	1,011,900,526	987,216,314
Right of use assets	17	19,558,620	23,422,290
Intangible assets	18	334,671	347,304
Investment in an associate and a joint venture	11	3,159,392	4,140,576
Trade receivables	14	57,404,688	38,947,290
Other non-current assets		1,515,406	2,858,310
Total non-current assets		**1,093,873,303**	**1,056,932,084**
Current assets			
Inventories	13	47,609,141	44,820,164
Trade receivables	14	69,903,029	91,780,792
Contract assets	14	32,992,130	41,541,310
Due from related parties	27	3,602,587	4,740,918
Prepayments and other receivables	15	73,415,085	72,150,555
Bank balances and cash	12	62,488,548	119,601,159
Total current assets		**290,010,520**	**374,634,898**
Total assets		**1,383,883,823**	**1,431,566,982**
Equity and liabilities			
Equity			
Share capital	23	43,793,882	43,793,882
Share premium	23	178,746,337	178,746,337
Merger reserve	25	(6,520,807)	(6,520,807)
Legal reserve	25	6,400,000	6,400,000
Share-based payments reserve	24	15,187,089	11,341,219
Treasury shares	23	(24,989,266)	(3,501,200)
Cash flow hedge reserve	25	(6,986,010)	(6,147,575)
Retained earnings		238,846,906	219,225,419
Equity attributable to equity holders of the parent		**444,478,131**	**443,337,275**
Non–controlling interests		9,419,257	9,387,205
Total equity		**453,897,388**	**452,724,480**
Liabilities			
Non-current liabilities			
Loans and borrowings	20	305,304,696	322,354,493
Bonds payable	21	315,479,756	313,158,968
Lease liabilities	17	13,960,306	13,316,152
Provisions	22	16,590,477	16,375,652
Derivative financial instrument	31	6,215,471	6,584,893
Deferred mobilisation revenue		17,411,177	11,751,262
Other non-current payables		-	10,988,839
Total non-current liabilities		**674,961,883**	**694,530,259**
Current liabilities			
Trade and other payables	19	163,164,786	196,329,456
Loans and borrowings	20	85,696,878	83,692,835
Provisions	22	588,059	1,100,000
Due to related parties	27	57,192	58,224
Derivative financial instrument	31	5,517,637	3,131,728
Total current liabilities		**255,024,552**	**284,312,243**
Total liabilities		**929,986,435**	**978,842,502**
Total equity and liabilities		**1,383,883,823**	**1,431,566,982**

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 2020

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 2020	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
Dividends (Note 32)	-	-	-	-	-	-	-	-	-	(2,367,975)	(2,367,975)
Profit for the year	-	-	-	-	-	-	-	19,621,487	19,621,487	2,400,027	22,021,514
Other comprehensive income for the year	-	-	-	-	-	(838,435)	-	-	(838,435)	-	(838,435)
Total comprehensive income for the year	-	-	-	-	-	**(838,435)**	-	**19,621,487**	**18,783,052**	**2,400,027**	**21,183,079**
Treasury shares (Note 23)	-	-	-	-	-	-	(21,488,066)	-	(21,488,066)	-	(21,488,066)
Investment in a subsidiary	-	-	-	-	-	-	-	-	-	-	-
Share-based payments (Note 24)	-	-	-	-	3,845,870	-	-	-	3,845,870	-	3,845,870
Balance at 31 December 2020	**43,793,882**	**178,746,337**	**(6,520,807)**	**6,400,000**	**15,187,089**	**(6,986,010)**	**(24,989,266)**	**238,846,906**	**444,478,131**	**9,419,257**	**453,897,388**
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**

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 2020

USD	Notes	2020	2019
Operating activities			
Profit for the year before income tax		30,968,231	40,870,927
Adjustments for:			
Depreciation of property and equipment	16	57,577,667	45,555,024
Amortisation of intangible assets	18	141,582	121,861
Amortisation of right of use assets	17	5,048,698	5,348,361
Impairment of non-current assets	16	5,100,062	-
Loss on sale of asset		361,898	-
Provision / (release) for impairment of trade receivables and Contract assets	14	2,558,649	(2,776,252)
Provision for impairment of inventory	13	686,478	253,329
Provision for impairment of investment	11	535,000	-
End of service employment benefits	22	5,348,358	4,899,967
Share-based payments expense	24	3,845,870	11,341,219
Other provisions	22	410,669	1,443,181
Interest on loans and borrowings	9	65,218,703	88,702,079
Finance income	12	(801,944)	(512,013)
Other income		-	(527,344)
Bargain purchase gain	5	-	(11,877,674)
Share of results of investment in a joint venture and associate	11	446,184	(774,898)
Fair value loss on derivative financial instrument	31	1,178,052	(771,134)
Cash from operations before working capital changes		**178,624,157**	**181,296,633**
Inventories		(4,241,600)	(4,692,539)
Trade receivables		(1,134,623)	(33,371,207)
Contract assets		8,549,180	(5,171,661)
Due from related parties		1,138,331	(4,363,573)
Prepayments and other receivables		310,688	(24,493,097)
Trade and other payables		(2,076,001)	69,304,116
Due to related parties		(1,032)	2,118
Cash flows from operations		**181,169,100**	**178,510,790**
Income tax paid	10	(9,660,529)	(2,837,570)
Provisions paid	22	(6,056,143)	(3,701,740)
Net cash flows from operating activities		**165,452,428**	**171,971,480**
Investing activities			
Purchase of intangible assets	18	(23,250)	-
Purchase of property and equipment		(117,629,564)	(179,326,324)
Proceeds from sale of property and equipment		111,378	-
Acquisitions of subsidiaries and new rigs		-	(76,237,278)
Interest received	12	801,944	512,013
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		**(116,739,492)**	**(256,228,263)**
Financing activities			
Proceeds from loans and borrowings	20	67,377,226	179,493,220
Repayment of loans and borrowings	20	(85,336,755)	(351,018,420)
Proceeds from bond issuance		-	325,000,000
Payments of loan/bonds transaction costs		-	(11,841,033)
Purchase of treasury shares	23	(21,488,066)	(3,501,200)
Interest paid		(58,329,222)	(56,269,830)
Payment of lease liabilities	17	(5,680,755)	(6,945,750)
Dividend payments	32	(2,367,975)	(1,934,284)
Net cash flows (used in) from financing activities		**(105,825,547)**	**72,982,703**
Net decrease in cash and cash equivalents		(57,112,611)	(11,274,080)
Cash and cash equivalents at the beginning of the year	12	119,601,159	130,875,239
Cash and cash equivalents at the end of the year	12	**62,488,548**	**119,601,159**

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 28 March 2021 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:

			% equity interest	
Name	Principal activities	Country of incorporation	2020	2019
Advanced Energy Systems (ADES) (S.A.E)*	Oil and gas drilling and production services	Egypt	100%	100%
ADES Saudi Limited Company*	Oil and gas drilling and production services	KSA	100%	N/A
Precision Drilling Company**	Holding company	Cyprus	100%	100%
Kuwait Advanced Drilling Services	Leasing of rigs	Cayman	100%	100%
Prime innovations for Trade S.A.E	Trading	Egypt	100%	100%
ADES International for Drilling	Leasing of rigs	Cayman	100%	100%
ADES-GESCO Training Academy	Training	Egypt	70%	70%
Advanced Transport Services	Leasing of transportation equipment	Cayman	100%	100%
Advanced Drilling Services	Trading	Cayman	100%	100%
ADES Holding for Drilling Services Ltd***	Investment in Oil & Gas Projects	UAE	100%	N/A

** Advanced Energy Systems (ADES) (S.A.E) has branches in Algeria, UAE and Iraq. In 2020 ADES S.A.E converted its branch in KSA to a limited liability company - ADES Saudi Limited Company.*

*** 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.*

**** ADES Holding for Drilling Services Ltd has set up a branch in Tunisia in 2020.*

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.

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 2018.

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 2020. 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 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The application of these new standards, interpretation and amendment did not have a material impact on the annual consolidated financial statements of the Group. These new standards, interpretations and amendments are listed below:

- Amendments to IFRS 3: Definition of a Business
- Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform
- Amendments to IAS 1 and IAS 8 Definition of Material
- Conceptual Framework for Financial Reporting
- Amendments to IFRS 16 Covid-19 Related Rent Concession

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

The relevant standards, interpretations and amendments that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The management intends to adopt these standards, if applicable, when they become effective.

Standards, interpretation and amendments	Effective for annual periods beginning on or after
Insurance Contracts - IFRS 17	1 January 2023
Amendments to IFRS 3 Business Combinations	1 January 2022
Amendments to IAS 1 - Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 16 Property, Plant and Equipment	1 January 2022
Amendments to IAS 37 - Costs of Fulfilling a Contract	1 January 2022
Annual improvements to IFRS 1, IFRS 9 and IAS 41	1 January 2022

Management anticipates that the adoption of standards issued but not yet effective will have no material impact on the consolidated financial statements of the Group.

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

Further disclosures relating to impairment of non-financial assets are also provided in note 3 (significant accounting estimates, judgements and assumptions) and note 16 (property and equipment).

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

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

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

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. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	Years
Yards and warehouse	4
Office premises	5
Motor vehicles	3
Other equipment	5
Furniture and fixture	10
Building	20

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also 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.

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

During 2019 and 2018, 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 2019:

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).

During the year ended 31 December 2019, 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 5). 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.

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 minimises 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 165,026,617 (2019: USD 174,437,513) and the provision for impairment in trade receivables and contract assets was USD 4,726,770 (2019: USD 2,168,121). 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 9,494,440 (2019: USD 9,975,938).

Identification of Cash generating units and impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets for each CGU at each reporting date. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

Management identified four CGUs namely Egypt, Algeria, Kingdom of Saudi Arabia and Kuwait based on the following:

- All the rigs and related assets are contracted to a single customer in Kingdom of Saudi Arabia and Kuwait
- All the rigs and related assets are contracted to the customers that are regulated by one single party in Egypt and Algeria that approve all the contracts and regulates the market and relationship between the Group and customers
- Cash inflows are not largely independent within each country
- Management monitors and makes decisions about its assets and operations at the country level

Identification of Cash generating units and impairment of non-financial assets (continued)

Management uses the value in use calculation for impairment testing at each CGU level which is based on a discounted cash flow (DCF) model. The cash flows are derived from the budget for the next five years and do not include restructuring activities. The recoverable amount is sensitive to the discount rate used for the DCF, the expected future cash-inflows, estimated remaining useful life and discount rates. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in note 16.

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 realisable 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 48,548,948 (2019: USD 45,073,493). At the reporting date, the cumulative provision for slow moving items stands at USD 939,807 (2019: USD 253,329). 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 2020, the outstanding allowance for impairment in the amount of this dividend receivable is USD 245,000 (2019: USD 245,000). As described in note 11, the Group currently holds 48.75% equity interest in ECDC amounting to USD 1,282,299 (2019: USD 2,207,916). 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 51.25%. 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, management recorded USD 535,000 (2019: Nil) and believes that the remaining carrying value of investment and dividend receivable balances are recoverable. The recoverable amount is sensitive to the expected future cash-inflows and the growth rate used for projection of the future results of ECDC.

4 Segment Information

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer (CEO) that are used to make strategic decisions. As operationally, the Group is only in the oil and gas production and drilling services, the CEO considers the business from a geographic perspective and has identified four geographical segments (2019: four geographical segments****). Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment.

Segment USD	Egypt	Algeria	of Saudi Arabia	Kuwait	Segment****	United Arab Emirates (Corporate)	Adjustments & eliminations***	Total
For the year ended 31 December 2020								
Revenue								
External customers	84,430,543	13,188,511	245,103,198	109,386,318	452,108,570	-	-	452,108,570
Inter-segment	77,104,860	-	-	-	77,104,860	-	(77,104,860)	-
Total Revenue	**161,535,403**	**13,188,511**	**245,103,198**	**109,386,318**	**529,213,430**	-	**(77,104,860)**	**452,108,570**
Income/(expenses)								
Cost of revenue*	(39,452,928)	(8,175,236)	(122,655,783)	(50,770,571)	(221,054,518)	-	-	(221,054,518)
General and administrative expenses	(6,858,510)	(1,776,460)	(23,119,636)	(9,522,325)	(41,276,931)	(6,118,846)	-	(47,395,777)
Finance costs (net)	(9,197,479)	(1,158,740)	(30,023,665)	(16,549,158)	(56,929,042)	(7,487,717)	-	(64,416,759)
Depreciation and amortisation	(22,305,544)	(2,452,949)	(23,678,677)	(12,852,485)	(61,289,655)	-	-	(61,289,655)
Other expenses (net) **	(5,309,771)	(751,763)	(10,066,566)	(5,100,687)	(21,228,787)	(9,601,498)	-	(30,830,285)
Provision for impairment of non-current assets	(5,100,062)	-	-	-	(5,100,062)	-	-	(5,100,062)
Profit / (Los)s- excluding inter-segment revenue	**(3,793,751)**	**(1,126,637)**	**35,558,871**	**14,591,092**	**45,229,575**	**(23,208,061)**	-	**22,021,514**
Total Assets as at 31 December 2020 (i)	**839,404,655**	**86,437,686**	**99,778,593**	**340,691,574**	**1,366,312,508**	**17,571,315**	-	**1,383,883,823**
Total Liabilities as atTotal Liabilities as at 31 December 2020	**379,841,776**	**7,897,195**	**58,162,910**	**67,035,038**	**512,936,919**	**417,049,516**	-	**929,986,435**
Other Segment information								
Capital expenditure (i)	32,001,640	515,291	24,762,700	30,661,285	87,940,916	-	-	87,940,916
Intangible assets expenditure	23,250	-	-	-	23,250	-	-	23,250
Total	**32,024,890**	**515,291**	**24,762,700**	**30,661,285**	**87,964,166**	-	-	**87,964,166**

4 Segment Information (cont'd)

Segment USD	Egypt	Algeria	of Saudi Arabia	Kuwait	Segment****	United Arab Emirates (Corporate)	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)	(46,564,603)	(5,899,066)	-	(52,463,669)
Finance costs (net)	(11,055,159)	(5,128,158)	(30,948,262)	(13,490,175)	(60,621,754)	(27,568,312)	-	(88,190,066)
Depreciation and amortisation	(23,529,605)	(2,180,135)	(14,356,287)	(9,248,182)	(49,314,209)	(146,501)	-	(49,460,710)
Other expenses (net)**	(1,187,327)	(507,019)	(10,568,079)	(4,449,325)	(16,711,750)	(3,130,388)	-	(19,842,138)
Profit / Loss- excluding inter-segment revenue	**3,062,557**	**5,872,589**	**45,224,284**	**14,118,399**	**68,277,829**	**(36,744,267)**	**-**	**31,533,562**
Total Assets as at 31 December 2019 (i)	**863,562,100**	**98,630,862**	**108,650,199**	**346,575,615**	**1,417,418,776**	**14,148,206**	**-**	**1,431,566,982**
Total Liabilities as at 31 December 2019	**374,171,422**	**16,943,110**	**58,622,288**	**94,608,532**	**544,345,352**	**434,497,150**	**-**	**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**

** excluding depreciation and amortisation.*

*** Other expenses includes end of service employment benefits, provision for impairment of inventory and non current assets, provision for impairment of trade receivables, share-based payments expense, business acquisition transaction costs, provision for impairment of investment, other taxes, income tax expense and other expenses which are stated net off any 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.*

***** Comparative information has been restated to conform with the current year 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.

5 Business combinations

as part of the Group's strategy to expand its fleet and operations, the Group has acquired the assets and entities which are accounted for as business combinations during 2019. There were no such acquisition during the year ended 31 December 2020. 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.

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:

	Fair values recognised on acquisition (Algeria) USD	Fair values recognised on acquisition (Iraq) USD
Property, plant and equipment	55,983,324	17,200,000
Inventory	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.

6 Revenue from contract with customers

USD	2020	2019
Units operations	426,126,534	456,563,354
Catering services	7,036,430	8,979,507
Projects income*	11,779,200	3,983,560
Others	7,166,406	8,231,126
	452,108,570	**477,757,547**

**Projects income represents services relating to outsourcing various operating projects for clients such as manpower, early production facilities, maintenance and repair services.*

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

7 Cost of revenue

USD	2020	2019
Project direct costs	8,706,421	2,158,618
Maintenance costs	34,878,392	45,020,299
Staff costs*	100,763,112	102,244,315
Rental equipment	7,841,317	8,201,081
Insurance	5,506,484	6,994,574
Depreciation (Note 16)	61,289,655	49,460,710
Catering costs	16,409,054	20,262,059
Move costs	13,745,536	18,738,061
Crew change costs	5,011,551	7,448,904
Other costs	28,192,651	25,199,491
	282,344,173	**285,728,112**

** It includes staff cost of USD 5,238,200 in relation to the overstay of the crew due to COVID 19 (31 Dec 2019: NIL).*

8 General and administrative expense

USD	2020	2019
Staff costs*	31,232,912	31,131,732
Depreciation and amortisation (Note 16)	1,478,292	1,563,856
Professional fees	3,143,867	4,095,097
Business travel expenses	2,491,611	3,385,222
Free zone expenses	2,003,769	3,897,863
Rental expenses	692,458	1,011,096
Other expenses	6,352,868	7,378,803
	47,395,777	**52,463,669**

** It includes staff cost of USD 3,254,682 in relation to the integration project (31 Dec 2019: 8,487,320) which isestimated based on the number of hours spent on the project.*

9 Finance costs

USD	2020	2019
Loan interest and profit expense	21,068,279	30,956,580
Loan fees and written off prepaid transaction cost	4,850,918	27,568,312
Bond interest and bond fees amortisation	30,507,763	20,589,926
Guarantee related finance charges	3,350,341	3,146,155
Interest on lease liabilities	854,055	1,376,722
IRS related finance charges	4,379,858	1,062,725
Interest on overdraft facilities	1,098,176	1,094,760
Initial recognition (gain)/loss from discounting of a long-term trade receivable	(796,306)	1,195,201
Other finance (income)/charges, net	(94,381)	1,711,698
	65,218,703	**88,702,079**

10 Income tax

USD	2020	2019
Consolidated statement of profit or loss:		
Current income tax expense*	9,179,031	9,772,755
Deferred tax credit	(232,314)	(435,390)
Charge for the year ended	**8,946,717**	**9,337,365**
Consolidated statement of financial position:		
Current liabilities:		
Balance at 1 January	9,975,938	3,040,753
Charge for the year	9,179,031	9,777,802
Release during the year	-	(5,047)
Paid during the year	(9,660,529)	(2,837,570)
Balance at 31 December (note 19)	**9,494,440**	**9,975,938**

USD	2020	2019
Profit before income tax	30,968,231	40,870,927
Tax calculated at domestic tax rates applicable to profits profit in the primary jurisdiction of 0% (2019:0%)	-	-
Effect of different tax rates in countries in which the Group operates	9,496,204	15,142,720
Non-deductible expenses	2,060,760	1,611,116
Prior year adjustments	133,680	-
Non-taxable income	(6,338,361)	(13,853,048)
Withholding taxes	3,594,434	6,436,577
Other taxes	-	-
Income tax expense recognised in the consolidated statement of comprehensive income	**8,946,717**	**9,337,365**

**Current income tax expense includes withholding taxes on intercompany rentals in the Kingdom of Saudi Arabia amounting to USD 1,341,899 (2019: USD 4,435,809).*

The effective tax rate is 29 % (2019: 23%, 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, Kingdom of Saudi Arabia and Kuwait where applicable tax rate is 26%, 20% and 15% respectively.

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

11 Investment in a joint venture 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 1,282,299 as at 31 December 2020 (2019: USD 2,207,916). During the year, the Group recorded impairment charge of 535,000 (2019: Nil) based on the third-party valuation report and further analysis performed by management. 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. As per the Shareholders Agreement the investment became an investment in a joint venture effective 5 July 2018. 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 2020 and 2019. The Group has recorded impairment provision of USD 245,000 as at 31 December 2020 (2019: USD 245,000) (Note 15).

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

Summarised statement of financial position as at 31 December:

USD	2020	2019
Non-current assets	10,629,507	9,811,448
Current assets	11,847,030	12,955,545
Current liabilities	(18,748,744)	(18,237,935)
Net assets	**3,727,793**	**4,529,058**
The Group's share in net assets at adjusted fair value equity - 48.75%*	1,817,299	2,207,916
Impairment of ECDC investment	(535,000)	-
Net Assets	**1,282,299**	**2,207,916**

Summarised statement of comprehensive income for the year ended 31 December:

USD	2020	2019
Revenues	8,705,525	12,997,816
Cost of revenues	(7,824,902)	(10,547,288)
Other income	37,376	39,317
General and administrative expenses	(1,674,443)	(2,295,955)
Provision, net	(91,186)	32,595
Operating profit	**(847,630)**	**226,485**
Finance costs	(114,138)	(178,211)
Other operating income	160,502	-
(Loss) profit for the year	(801,266)	48,274
Group's share of (loss) / profit for the year - 48.75%	**(390,617)**	**23,533**

The joint venture had no other contingent liabilities or commitments as at 31 December 2020 (2019: 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 a 49% equity interest in ADVantage Drilling Services S.A.E amounting to USD 1,877,093 as at 31 December 2020 (2019: USD 1,932,660). 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:

USD	2020	2019
Non-current assets	84,163	54,661
Current assets	6,871,903	18,145,907
Current liabilities	(3,125,264)	(14,256,364)
Net assets	**3,830,802**	**3,944,204**
The Group's share in net assets - 49%	**1,877,093**	**1,932,660**

Summarised statement of comprehensive income for the year ended 31 December:

USD	2020	2020
Revenues	7,747,578	23,285,002
Cost of revenues	(6,962,678)	(19,563,731)
General and administrative expenses	(829,101)	(2,214,631)
Operating profit	**(44,201)**	**1,506,640**
Finance costs	(35,411)	(5,486)
Net foreign exchange gain	100,345	32,244
Profit for the year	**20,733**	**1,533,398**
Other adjustments to prior year results	**(134,135)**	-
Profit for the period 31 December 2020	**(113,402)**	**1,533,398**
Group's share of profit for the period - 49%	**(55,567)**	**751,365**

Adjust prior year

The associate had no other contingent liabilities or commitments as at 31 December 2020 (2019: USD nil). The associate cannot distribute its profits without the consent from the two venture partners.

12 Bank balances and cash

USD	2020	2019
Cash on hand	20,054	21,245
Bank balances	39,079,608	56,373,290
Time deposits*	23,388,886	63,206,624
Cash and cash equivalents for the purpose of statement of cash flows	**62,488,548**	**119,601,159**

Bank balances and cash comprise of balances in the following currencies:

USD	2020	2019
United States Dollar (USD)	26,145,847	33,943,487
Saudi Riyal (SAR)	179,233	4,367,958
Egyptian Pound (EGP)	6,428,079	3,879,327
United Arab Emirates Dirham (AED)	-	38
Great British Pound (GBP)	120	160
Euro (EUR)	756	883
Algerian Dinar (DZD)	256,607	1,377,837
Kuwaiti Dinar (KWD)	6,089,020	12,824,846
Time deposits (USD)*	17,015,400	63,206,623
Time deposits (EGP)*	6,373,486	-
	62,488,548	**119,601,159**

**Time deposits represent short-term investment with a local bank in the United Arab Emirates and Egypt. Time deposits have original maturities of less than 90 days and earns average interest of 2.6% per annum (2019: 2.8%). The finance income reported in the consolidated statement of comprehensive income for the year 2020 amounted to USD 801,944 (2019: USD 512,013).*

13 Inventories

USD	2020	2019
Offshore rigs	20,611,679	19,818,133
Onshore rigs	10,411,524	8,295,669
Warehouse and yards	16,585,938	16,706,362
	47,609,141	**44,820,164**

As at 31 December 2020, the inventories are stated net of provision for impairment of inventory of USD 939,807 (2019: USD 253,329)

USD	2020	2019
As at 1 January	253,329	-
Charge for the year	686,478	253,329
As at 31 December	**939,807**	**253,329**

14 Trade receivables and contract assets

Trade receivables

USD	2020	2019
Trade receivables	132,034,487	132,896,203
Provision for impairment in trade receivables	(4,726,770)	(2,168,121)
	127,307,717	**130,728,082**
Maturing within 12 months	69,903,029	91,780,792
Maturing after 12 months	57,404,688	38,947,290
Balance as at 31 December	**127,307,717**	**130,728,082**

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 2020, the Group has contract assets of USD 32,992,130 (2019: 41,541,310). As at 31 December 2020, 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	2020	2019
As at 1 January	2,168,121	4,944,373
Charge for the year	2,558,649	-
Release for the year	-	(2,776,252)
As at 31 December	**4,726,770**	**2,168,121**

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

		Past due but not impaired				
USD	Neither past due nor impaired	<30 days	30 - 60 days	61 - 90 days	>90 days	Total
2020	**107,010,194**	**4,400,782**	**1,497,498**	**2,070,777**	**12,328,466**	**127,307,717**
2019	**99,540,594**	**10,527,810**	**2,668,836**	**1,808,191**	**16,182,651**	**130,728,082**

As at 31 December 2020, the largest portion of trade receivable balance is from one customer of the Group, which is a partially government owned entity. In 2020 the Group signed a revised settlement agreement with the customer to settle all due balances and the management believes that the customer will be able to fulfil its obligations. The trade receivable balance from this customer is classified between current and non-current as per the terms of the settlement agreement. The non-current portion of trade receivables is recorded at present value. The application of forward looking information has no material impact on the ECL provision.

15 Prepayments and other receivables

USD	2020	2019
Invoice retention*	51,031,109	44,361,741
Margin LG	4,165,655	2,379,048
Advances to contractors and suppliers	4,619,217	12,018,430
Insurance with customers	5,833,657	3,979,741
Dividends receivable	1,225,000	1,225,000
Provision for impairment in dividends receivables	(245,000)	(245,000)
Other receivables	6,785,447	8,431,595
	73,415,085	**72,150,555**

**This represents the amounts retained by the customers on the sales invoices as per the terms of the customer contracts.*

16 Property and equipment

USD	Rigs	Furniture and fixtures	Drilling pipes	Tools	Assets under construction	IT- Equipment	Motor vehicles	Leasehold im-provements	Total
31-Dec-20									
Cost:									
As at 1 January 2020	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
Additions	18,633,130	277,172	2,557,105	8,263,999	57,564,762	438,020	206,728	-	87,940,916
Retirement & Disposal	-	(517,053)	(154,530)	-	-	-	-	(162,414)	(833,997)
Reclassification	(9,230,748)	-	-	9,230,748	-	-	-	-	-
Transfers	52,425,570	187,741	-	1,840,602	(54,604,447)	44,835		-	(105,699)
As at 31 December 2020	**1,048,614,834**	**1,461,038**	**18,099,092**	**62,059,968**	**82,874,744**	**1,439,435**	**456,493**	**525,057**	**1,215,530,661**
Accumulated depreciation and impairment:									
As of 1 January 2020	(122,573,384)	(595,198)	(5,030,612)	(11,358,115)	(765,291)	(573,029)	(220,905)	(196,593)	(141,313,127)
Retirement & Disposal	-	252,423	15,453	-	-	-	-	92,845	360,721
Impairment	(5,100,062)	-	-	-	-	-	-	-	(5,100,062)
Depreciation for the year	(48,441,888)	(138,643)	(3,344,618)	(5,320,119)	-	(178,378)	(46,779)	(107,242)	(57,577,667)
As of 31 December 2020	**(176,115,334)**	**(481,418)**	**(8,359,777)**	**(16,678,234)**	**(765,291)**	**(751,407)**	**(267,684)**	**(210,990)**	**(203,630,135)**
Net book value:									
At 31 December 2020	**872,499,500**	**979,620**	**9,739,315**	**45,381,734**	**82,109,453**	**688,028**	**188,809**	**314,067**	**1,011,900,526**

16 Property and equipment(cont'd)

USD	Rigs	Furniture and fixtures	Drilling pipes	Tools	Assets under construction	IT- Equipment	Motor vehicles	Leasehold im-provements	Total
31-Dec-19									
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 5)	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**

Impairment assessment and key assumptions used in value in use calculations and sensitivity to changes in assumptions

Refer to note 3 for the basis of identification of CGUs. Considering the impact of COVID19 and the volatility of oil prices during the year, management performed an impairment test for each CGU using value in use calculations based on a DCF model and recorded an impairment charge of USD 5,100,062 in relation to the net carrying value of Egypt assets. Management concluded that recoverable values are higher than the net carrying values of all CGUs after considering the impairment charge recorded. The calculation of value in use is most sensitive to the following assumptions:

- Day rates, EBITDA margins and utilisation days of rigs
- Discount rates
- Remaining useful lives of rigs and estimated future capital expenditures

Day rates, gross margins and utilisation days – Day rates, gross margins and utilisation days of rigs are estimated based on historical results. These are increased over the budget period due to efficiency improvements.

A decrease in the day rates up to 5% would result in further impairment charge of USD4.5 million for Egypt and USD5.7 million for Algeria. A decrease in the EBITDA margin up to 3% would result in further impairment charge of USD 9.5 million for Egypt. A decrease in utilisation days of rigs to up 5% would result in further impairment charge of USD3.8 million for Egypt and USD5.7 million for Algeria.

Discount rates – Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a post-tax discount rate.

For Egypt assets, management applied discount factor of 13.5%. An increase of discount rate to 15% would result in further impairment charge of USD 8 million for Egypt assets. For Kuwait assets, management applied discount factor of 9.5%. An increase of discount rate to 12.5% would result in impairment charge of USD11.9 million for Kuwait assets.

Remaining useful lives of rigs ¬¬ and estimated future capital expenditures– management estimated remaining useful life to be 15 years for the rigs and related assets for all CGUs for the purposes of estimating cash flows and estimated the capital expenditures which are required to maintain and operate the assets for the same period.

A reduction in remaining useful life up to 10% would not result in impairment charge.

Allocation of depreciation charge:

Depreciation charge is allocated as follows:

USD	2020	2019
Cost of revenue (Note 7)	61,289,655	49,460,710
General and administrative expenses (Note 8)	1,478,292	1,563,856
Total depreciation and amortization charge*	**62,767,947**	**51,024,566**

**Total depreciation and amortisation charge for the year includes depreciation of property and equipment of USD 57,577,667 (2019: 45,555,024), amortization of intangible assets and right of use assets of USD 141,582 (2019: USD 121,861) and USD 5,048,698 (2019: USD 5,348,361), respectively.*

Assets under construction and transfers:

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 mainly be transferred to 'Rigs' or 'Tools' of the property and equipment after completion. During the year ended 31 December 2020, the Group completed the capital projects for the amount of USD54.6 million (2019: USD 294 million) and transferred to the relevant asset categories.

Reclassification:

During 2020, cost of tools amounting to USD 9,230,748 was transferred from Rigs to Tools category. Related accumulated depreciation balance and depreciation charges are presented under Tools category for both year 2020 and 2019.

**Some of the rigs are pledged to the lenders (banks) against loans and borrowings (Note 20).*

17 Leases

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

USD	Yards and Warehouse	Office Premises	Motor Vehicles	Other Equipment	Furniture and Fixture	Building	Total
Cost:							
As at 1 January 2020	4,829,127	1,105,574	1,915,524	12,332,234	1,357,312	7,230,880	28,770,651
Additions	58,497	152,203	2,096,784	763,812	1,179,707	320,649	4,571,652
Terminated contracts	(1,156,831)	-	(1,415,148)	(4,035,173)	-	-	(6,607,152)
As at 31 December 2020	**3,730,793**	**1,257,777**	**2,597,160**	**9,060,873**	**2,537,019**	**7,551,529**	**26,735,151**
Accumulated depreciation:							
As at 1 January 2020	(1,224,674)	(256,292)	(678,173)	(3,189,222)	-	-	(5,348,361)
Depreciation	(1,000,589)	(270,460)	(896,483)	(2,597,033)	(63,425)	(220,708)	(5,048,698)
Termination	460,029	-	906,890	1,993,360	-	-	3,360,279
Other adjustments	(120,162)	(20,518)	929	-	-	-	(139,751)
As at 31 December 2020	**(1,885,396)**	**(547,270)**	**(666,837)**	**(3,792,895)**	**(63,425)**	**(220,708)**	**(7,176,531)**
Net book value:							
As at 31 December 2020	**1,845,397**	**710,507**	**1,930,323**	**5,267,978**	**2,473,594**	**7,330,821**	**19,558,620**

USD	Yards and Warehouse	Office Premises	Motor Vehicles	Other Equipment	Furniture and Fixture	Building	Total
Cost:							
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	-	-	-	1,357,312	608,732	3,544,158
As at 31 December 2019	**4,829,127**	**1,105,574**	**1,915,524**	**12,332,234**	**1,357,312**	**7,230,880**	**28,770,651**
Accumulated depreciation:							
Depreciation Exp.	(1,224,677)	(256,292)	(678,170)	(3,189,222)	-	-	(5,348,361)
As at 31 December 2019	**(1,224,677)**	**(256,292)**	**(678,170)**	**(3,189,222)**	**-**	**-**	**(5,348,361)**
Net book value:							
As at 31 December 2019	**3,604,450**	**849,282**	**1,237,354**	**9,143,012**	**1,357,312**	**7,230,880**	**23,422,290**

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

USD	2020	2019
As at 1 January 2020	22,110,062	24,769,237
Additions	5,302,527	2,909,853
Lease modification	(4,380,856)	-
Accretion of interest	854,055	1,376,722
Payments	(5,680,755)	(6,945,750)
As at 31 December 2020	**18,205,033**	**22,110,062**
Current	4,244,727	8,793,910
Non-Current	**13,960,306**	**13,316,152**

The Group had total cash outflows for leases of USD 5,680,755 in 2020 (2019: USD 6,945,750). The Group also had non-cash additions to right-of-use assets and lease liabilities of USD 4,571,652 in 2020 (2019: USD 3,544,158).

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

USD	2020	2019
Depreciation expense of right-of-use assets	5,048,698	5,348,361
Interest expense on lease liabilities	854,055	1,376,722
Expense relating to short-term leases (included in Cost of revenue) *	7,841,317	8,201,081
Expense relating to short-term lease (included in General and administrative expenses)	692,458	1,011,096
Total amount recognised in the statement of comprehensive income	**14,436,528**	**15,937,260**

** Comparative information has been restated to conform with the current year presentation.*

18 Intangible assets

USD	2020	2019
Cost:		
As at 1 January	789,629	776,653
Additions	23,250	-
Transfer from property & equipment (Note 16)	105,699	12,976
As at 31 December	**918,578**	**789,629**
Accumulated amortisation:		
As at 1 January	442,325	320,464
Amortisation charge for the year	141,582	121,861
As at 31 December	**583,907**	**442,325**
Net carrying amount:		
As at 31 December	**334,671**	**347,304**

Intangible assets represent computer software and the related licenses.

19 Trade and other payables

USD	2020	2019
Local trade payables	68,260,303	89,670,226
Foreign trade payables	16,706,153	24,930,548
Notes payable	4,741,730	2,371,597
Accrued expenses	40,125,825	41,035,747
Accrued interests	9,505,668	9,560,653
Income tax payable (Note 10)	9,494,440	9,975,938
Finance lease liability (Note 17)	4,244,727	8,793,910
Other payables	10,085,940	9,990,837
	163,164,786	**196,329,456**

20 Loans and borrowings

USD	2020	2019
Balance as at 1 January	406,047,327	555,268,918
Borrowings drawn during the year	67,377,226	179,493,220
Borrowings repaid during the year	(85,336,755)	(351,018,420)
Amortised arrangement fees	2,913,776	22,303,610
Balance as at 31 December	**391,001,574**	**406,047,328**
Maturing within 12 months	85,696,878	83,692,835
Maturing after 12 months	305,304,696	322,354,493
Balance as at 31 December	**391,001,574**	**406,047,328**

USD	Latest maturity	2020	2019
Type			
Current loans and borrowings			
Loan 1 Syndication			
Tranche A	2023	13,357,778	15,050,000
Ijara Loan			
Tranche A	2025	12,289,737	15,554,000
Tranche B	2025	12,289,738	15,554,000
Tranche C	2025	14,545,455	8,888,000
Tranch D	2025	12,800,000	-
NCB Loan			
NCB Loan	2026	12,250,570	6,153,846
Credit facility 1	Renewable	(150)	(177)
Credit facility 2	Renewable	4,788,056	3,996,693
Credit facility 3	Renewable	-	3,551,531
Credit facility 4	Renewable	102	111,609
Credit facility 5	Renewable	789,757	5,333,333
Credit facility 6	Renewable	2,519,418	-
Credit facility 7	Renewable	66,417	-
RCF	2022	-	9,500,000
Total current loans and borrowings		**85,696,878**	**83,692,835**

USD	Latest maturity	2020	2019
Type			
Non-current loans and borrowings			
Loan 1 Syndication			
Tranche A	2023	30,614,949	42,178,475
Tranche B	2023	30,000,000	30,000,000
NCB Loan			
NCB Loan	2026	61,411,004	73,594,207
Ijara loan			
Tranche A	2025	43,784,826	51,023,811
Tranche B	2025	43,784,826	54,446,000
Tranche C	2025	50,909,091	71,112,000
Tranche D	2025	44,800,000	-
Total non-current loans and borrowings		**305,304,696**	**322,354,493**
Total loans and borrowings		**391,001,574**	**406,047,328**

The Group has secured loans and borrowings as follows:

Bank credit facilities

The group is granted by Egyptian Gulf Bank (EGB) with an overdraft facility limit amounting to EGP 45 million (2019: EGP 45 million) which is secured by promissory note & is renewable.

Credit facility 2 is granted by Industrial Development Bank of Egypt (IDBE) with an overdraft facility limit amounting to USD 5 million (2019: USD 4 million).

Credit facility 3 is granted by Al Ahli Bank of Kuwait (ABK) with an overdraft facility limit amounting to USD 7 million (2019: 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 (2019: 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 (2019: SAR 30 million) granted as a part from the NCB loan agreement to cover working capital requirements and for overdraft &/or Letters of Guarantees.

Credit Facility 6 is granted by Emirates National Bank of Dubai S.A.E with a total amount of USD 25 million (2019: Nil).

Credit Facility 7 is granted by Abu Dhabi Commercial Bank – Egypt with a total amount of EGP 80 million (2019: Nil).

RCF is USD 50 million Revolving Credit Facility Agreement dated April 2019 granted to ADES International Holding PLC by syndicate of banks which include Goldman Sachs Bank USA, The Mauritius Commercial Bank Ltd, AL AHLI BANK OF KUWAIT and BMCE BANK INTERNATIONAL PLC. in the total principal amount of USD 50 million, which includes extensions, renewals or increases.

Loan 1 – Syndication
In April 2019 , the Group has signed a syndication loan agreement with total amount of USD 100 million divided over four banks which include European Bank for Reconstruction and Development , Arab Petroleum Investments Corporation (APICORP) , Mashreqbank PSC and The Mauritius Commercial Bank Ltd. 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 2019 to partially settle existing loan at the time of utilization.

b) Tranche B

- Tranche B was utilised during 2019 to partially settle existing loans at the time of utilization.
- Tranche A Facility is a medium-term loans over 3.5 years to be paid semi-annually in un-equal instalments starting from September 2019 and the last instalment will be on 22 March 2023. Tranche B will be settled with bullet repayment on 22 March 2023.

Ijara Loan
On 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 equivalent to SAR.

On 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 2025.

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).

NCB Loan
On 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 2020, the Group has fully utilized the facility.

On 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. The Group paid gross USD 11,841,032 as transaction costs for the issuance of the bonds. The Group recognised interest expense of USD 30,507,763 for the twelve months period ended 31 December 2020 (2019: USD 20,589,926). The bonds payable is recognised at amortised cost using the effective interest method.

22 Provisions

USD	As at 1-Jan	*Accrued / acquired during the year	Paid during the year	As at 31-Dec
2020				
Provision for end of service employment benefits	16,375,652	5,348,358	(5,133,533)	16,590,477
Other provisions *	1,100,000	410,669	(922,610)	588,059
	17,475,652	**5,759,027**	**(6,056,143)**	**17,178,536**
2019				
Provision for end of service employment benefits	12,959,590	4,899,967	(1,483,905)	16,375,652
Other 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**

** 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.*

23 Share capital
Share capital of the Group comprise:

USD	2020	2019
Authorised shares*	1,500,000,000	1,500,000,000
Issued shares	43,793,882	43,793,882
Shares par value	1	1
Issued and paid up capital	**43,793,882**	**43,793,882**
Share premium**	**178,746,337**	**178,746,337**

**As at 31 December 2020 and 2019, the authorised share capital of the Company was USD 1,500,000,000 comprising of 1,500,000,000 shares.*
*** Share premium represents the excess of fair value received over the par value of shares issued.*

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

		Shares issued	Treasury shares*	Shares outstanding
1 January 2020	Balance at beginning of year	43,793,882	300,000	43,493,882
	Purchase of treasury shares for cash	-	2,241,482	2,241,482
31 December 2020	Balance at year end	43,793,882	2,541,482	41,252,400

		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 and on 23 June 2020 the Group announced that pursuant to Shareholders' authority granted at the Company's AGM on 22 June 2020, it intends to commence purchases of ordinary shares in the capital of the Company. As at 31 December 2020 the total number of purchased ordinary shares that held as treasury shares is 2,541,482 (2019: 300,000) amounted to USD 24,989,266 (2019: USD 3,501,200) at the purchase price.*

The shareholding structure as at 31 December 2020 is:

Shareholders	Shareholding %	No. of shares	Value USD
ADES Investment Holding Ltd	61	26,896,250	26,896,250
Individual shareholders	39	16,897,632	16,897,632
	100	**43,793,882**	**43,793,882**

The shareholding structure as at 31 December 2019 was:

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**

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 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. 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. During the year, total number of awards has been adjusted to 1,130,578 ordinary shares due to resignation of certain employees.

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 2020, the Group has recognised USD 3,845,870 (2019: USD 11,341,219) of share-based payment expense, which represent 285,938 shares (2019: 843,211 shares) vested during the year, in the consolidated statement of profit or loss with a corresponding increase in equity (share-based payment reserve). As at 31 December 2020, the outstanding number of shares are 1,429 (2019: 293,240 shares). 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 2020, the balance of legal reserve amounted to USD 6,400,000 (2019: 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

	Interest rate risk		Total	
USD	2020	2019	2020	2019
Balance at 1 January	6,147,575	-	6,147,575	-
Gain (losses) arising on changes in fair				
value of hedging instruments during the period	-	(6,748,538)	-	(6,748,538)
loss reclassified to profit or loss –				
when hedged item has affected profit or loss	838,435	600,963	838,435	600,963
Balance at 31 December	**6,986,010**	**6,147,575**	**6,986,010**	**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 2020, 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	2020	2019
Profit attributable to the ordinary equity holders of the Parent for basic and diluted EPS	19,621,487	28,630,013
Weighted average number of ordinary shares – basic and diluted	**42,274,169**	**43,778,181**
Earnings per share – basic and diluted (USD per share)	**0.46**	**0.65**

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 received funds from related party, AMAK for Drilling & Petroleum Services Co. (other related party), amounting to USD 1,258,284 for settlement of due from balance of 31 December 2019.

Related party balances

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

	2020		2019	
USD	Due from	Due to	Due from	Due to
Ultimate Shareholders				
Sky Investment Holding Ltd.	60,000	-	60,000	-
Intro Investment Holding Ltd.	90,503	-	90,503	-
Shareholder				
ADES Investment Holding Ltd	291,064	-	48,864	-
Joint venture				
Egyptian Chinese Drilling Co. (S.A.E.)	-	57,192	-	57,192
Other related parties				
TBS Holding	18,836	-	35,387	-
Misr El-Mahrousa	12,716	-	14,624	-
Advantage Drilling Services	16,933	-	425,271	-
Advansys Project	-	-	1,308	-
Advansys Holding	5,299	-	5,299	-
AMAK for Drilling & Petroleum Services Co.	2,761,640	-	4,019,924	-
ADVANSYS FOR ENG.SERV. & CONS	-	-	-	1,032
Intro for Trading & Contracting Co.	289,674	-	39,738	-
Dough and more Food Industries	55,922	-	-	-
	3,602,587	**57,192**	**4,740,918**	**58,224**

Compensation of key management personnel

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

USD	2020	2019
Total benefits*	**4,765,140**	**12,475,433**

** Total benefits include annual salary, other allowances and share based payments vested during the year. Comparative information has been restated to conform with the current year presentation*

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 2020, the Group has not recorded any provision for expected credit losses relating to receivables and amounts owed by related parties (2019: 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 2020, the top three debtors of the Group represent 82% (2019: 72%) 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 31 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:

	Increase /de-crease in basis points	Effect on profit before income tax
31-Dec-20		
USD	100	(1,310,116)
USD	(100)	1,310,116
31-Dec-19		
USD	100	(1,369,287)
USD	(100)	1,369,287

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 EGP currency is considered as significant currency risk and foreign currency changes for all other currencies is not material.

	Change in USD rate	Effect on profit before income tax USD
31-Dec		
2020		
EGP	+10%	587,692
EGP	-10%	(587,692)
31-Dec		
2019		
EGP	+10%	678,829
EGP	-10%	(678,829)

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 2020					
Loans and borrowings	30,408,812	101,515,349	712,635,032	12,425,000	856,984,193
Trade and other payables*	57,721,496	96,506,076	-	-	154,227,572
Due to related parties	-	57,192	-	-	57,192
Lease liability	2,484,186	3,367,784	15,599,605	-	21,451,575
Derivative financial instruments**	2,872,040	2,645,597	6,215,471	-	11,733,108
Total undiscounted financial liabilities	**93,486,534**	**204,091,998**	**734,450,108**	**12,425,000**	**1,044,453,640**

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 instruments**	1,478,748	1,652,980	6,584,893	-	9,716,621
Total undiscounted financial liabilities	**98,051,306**	**218,244,703**	**808,518,714**	**12,465,041**	**1,137,279,764**

**excluding finance lease liability and deferred mobilization revenue.*

*** comparative information has been restated to conform with the current year presentation.*

Capital management

Capital includes share capital, share premium, reserves, treasury shares 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	2020	2019
Loans and borrowings (Note 20)	391,001,574	406,047,328
Bonds payable (Note 21)	315,479,756	313,158,968
Bank balances and cash (Note 12)	(62,488,548)	(119,601,159)
Net debt	643,992,782	599,605,137
Total equity	**453,897,389**	**452,724,480**
Total capital	**1,097,890,171**	**1,052,329,617**
Gearing ratio	**59%**	**57%**

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a industry.

The Group's 2 customers (2019: 2 customers) drive more than 10% revenue from contract with customers and contribute to 78% (2019: 73%) revenue from contract with customer.

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	2020	2019
Letter of guarantees*	103,872,724	119,933,552

** comparative information has been restated to conform with the current year presentation*

Contingent liabilities represent letters of guarantee issued in favour of Saudi Customs, Egyptian General Petroleum Corporation, Suze Abu Zenima Petroleum Company (Petro Zenima), Kuwait Oil Company, The Gulf of Suez Petroleum Company and others. The cover margin on such guarantees amounted to USD 5,681,061 (31 December 2019: USD 5,527,168).

Following are the facilities of the Group:

- The Group signed a Syndicated Credit facility agreement arranged by 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. The financial institutions participating in the facility are Mashreq Bank PSC Dubai, The Mauritius Commercial Bank Ltd and Warba Bank K.S.C.P. As of 31 December 2020, the Group utilized letter of guarantees a total amount of USD 62,244,633 (2019: USD 78,269,350).
- The Group entered into a bilateral Unfunded Trade Finance Facility Agreement with Arab Petroleum Investments Corporation (APICORP) in 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 2020, the Group utilized letter of guarantees for a total amount of USD 2,874,244 (2019: 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, by means of a Letter of Guarantee agreement. As of 31 December 2020, and 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 has settled used LG's in 2020 and didn't renew the facility (2019: 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 to cover working capital needs including issuance of letters of guarantees. As of 31 December 2020, the Group utilized letter of guarantees for a total amount of USD 11,176,749 (2019: USD 9,314,139).
- The Group entered into bilateral agreement with EG Bank "EGB" bank dated February 2020 amounting to USD 11,427,500, for issuance of letters of guarantees. As of 31 December 2020, the Group utilized letter of guarantees for a total amount of USD 5,082,325 (2019: USD 5,160,825).
- The Group entered into a bilateral agreement with Alinma Bank dated April 2019 in SAR equivalent to USD 10,000,000 available to cover working capital needs including issuance of letters of guarantees. As of 31 December 2020, the Group utilized letter of guarantees for a total amount of USD 9,945,695 (2019: USD 9,945,695).
- The Group entered into a bilateral agreement with National Commercial Bank in KSA (NCB) dated May 2019 in SAR equivalent to USD 2,933,333 available to issuance of letters of guarantees. As of 31 December 2020, the Group utilized letter of guarantees for a total amount of USD NIL (2019: USD 2,504,183).
- The Group entered into bilateral agreement with Export development bank of Egypt "EBE" bank dated 18 July 2018 amounting to USD 12,000,000.00, available to cover working capital needs including issuance of letters of guarantees As of 31 December 2020 the Group utilized letter of guarantees for a total amount of USD 11,994,880 (2019: USD 8,999,880).
- The Group entered into a bilateral agreement with Emirates National Bank of Dubai S.A.E dated July 2020 in USD 25,000,000 available to cover working capital needs including a limit of USD 5,000,000 issuance of letters of guarantees and letters of credits. As of 31 December 2020, the Group utilized letter of credit for a total amount of USD 554,198.

31 Derivative financial instruments

USD	2020	2019
Derivative held for trading		
Interest rate swap	4,747,098	3,569,046
Balance as at 31 December	**4,747,098**	**3,569,046**
Total current	**2,232,381**	**1,150,326**
Total non-current	**2,514,717**	**2,418,720**

The change in fair value of derivative held for trading amounting to USD 1,178,052 is recorded as expense in the consolidated statement of comprehensive income (2019: gain of USD771,134). 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-Dec-20				
Derivative financial instrument:				
Interest rate swap	**(4,747,098)**	**-**	**(4,747,098)**	**-**

USD	Total	Level 1	Level 2	Level 3
31-Dec-19				
Derivative financial instrument:				
Interest rate swap	**(3,569,046)**	**-**	**(3,569,046)**	**-**

During the year ended 31 December 2020, 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 2019: USD nil).

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 4,747,098 as of 31 December 2020 (2019: USD 3,569,046). 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 2020. 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	2020	2019
Derivative financial liabilities that are designated and effective as hedging instruments		
Interest rate swap contracts	6,986,010	6,147,575
Balance as at 31 December	**6,986,010**	**6,147,575**
Total current	3,285,256	1,981,402
Total non-current	3,700,754	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 6,986,010 as of 31 December 2020 (31 December 2019: USD 6,147,575). This carrying amount represents the negative mark to market value for SAR 434,147,727 notional amount equivalent to USD 115,772,727 (31 December 2019: 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 434,147,727	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-Dec-20				
Derivative financial instrument:				
Interest rate swap	(6,986,010)	-	(6,986,010)	-

USD	Total	Level 1	Level 2	Level 3
31-Dec-19				
Derivative financial instrument:				
Interest rate swap	(6,147,575)	-	(6,147,575)	-

During the year ended 31 December 2020, 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 2019: Nil).

32 Dividend distributions

In the current period, dividends of USD 2,367,975 (2019: USD 1,934,284) have been paid by UPDC, one of the Group's subsidiaries, to its non-controlling shareholders in respect of 2019 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

Offer by Innovative Energy Holding

On 8 March 2021, the Independent Directors of the group ("ADES International") and Innovative Energy Holding Limited (a newly formed company to be jointly owned by ADES Investments Holding Ltd, The Public Investment Fund of the Kingdom of Saudi Arabia and Zamil Group Investment Co) announced that they had reached agreement on the terms of a recommended cash offer to be made by Innovative Energy for the entire issued and to be issued ordinary share capital of ADES International not already owned or treated as owned by Innovative Energy and its associates for the purposes of the DIFC Companies Law (the "Offer").

The Independent Directors and Innovative Energy are announced that the offer document, containing the full terms and conditions of the Offer and the procedures for its acceptance subject to certain restrictions relating to persons in Restricted Jurisdictions, the Offer Document is available on ADES International's website and the Closing Date of the Offer is 1.00 p.m. (London time) on 20 April 2021.

Shares buy back

On 27 January 2021, ADES International Holding PLC has purchased 2,900 from its own shares with an average price of USD 10.00 per share, in accordance with the Shareholders' authority granted at the Company's AGM on 22 June 2020 and as part of the buyback program announced on November 29, 2019.

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