الخليج العالمية للحفر
GULF DRILLING
INTERNATIONAL

Bright Future

ANNUAL REPORT 2017

His Highness

Sheikh Tamim Bin Hamad Al Thani
Emir of the State of Qatar

His Highness

Sheikh Hamad Bin Khalifa Al Thani
Father Emir of the State of Qatar

An Evolution in Reporting

Since 2007, GDI has produced a public annual report covering our operational and financial performance to stakeholders. Following the release of our first sustainability report for 2013, we are continuing to evolve our public reporting in line with international best practices. In 2016, we chose to produce an annual report which presented one story to our stakeholders of how GDI created value in the short, medium and long term. This annual report seeks to recognize the correlation between financial and non-financial performance by interlinking and integrating financial and non-financial performance measures.

In 2017 Annual report edition, we welcome all stakeholder feedback on the content of this report and our integrated approach to value creation. To provide your feedback, please use one of the following contacts:

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GDI at a Glance

GDI started as a JV with a shareholding of 60% for QP and 40% for JDC. In July 2007, QP acquired a further 25% of JDC's shares, raising QP's ownership in GDI to 70%, and in February 2008, the shares QP were transferred to Gulf International Services Q.S.C (GIS) which became a public shareholding company listed on the Qatar Stock Exchange (QSE).

In April 2014, GIS signed a Sale and Purchase agreement (SPA) to acquire all remaining JDC shares in GDI, making GDI a wholly owned subsidiary of GIS and thus a 100% Qatari Company onwards of 1st May 2014.

GIS now holds 100 % Share of GDI, Gulf Helicopter Company, Al Koot Insurance Company and Amwaj Catering Services.

Vision
A world class drilling services provider.

Mission
To achieve our vision, we:
- Work safely
- Work efficiently
- Work sustainably
- Promote hi-tech, cost effective technology
- Continuously improve performance
- Add value to everything we do

Values
We perform our work with;
- Integrity
- Creativity
- Teamwork
- Law abidance
- Respect of diversity

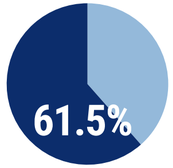
8 Onshore rigs

9 Offshore rigs

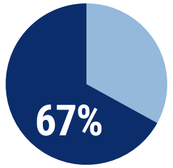
1 Accom-modation jack up

2 Lift boats

Market Share

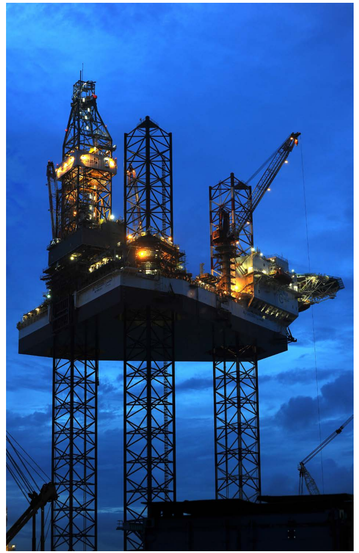


Qatar Offshore Rig Market as of December 2017



Qatar Offshore Accommodation/ Liftboat Market as of December 2017

100%
Qatar Onshore Rig Market



Current Clients Served

- Qatar Petroleum
- Occidental Petroleum (Oxy)
- Shell Qatar
- RasGas
- Dolphin Energy
- JX Nippon
- Qatar Gas

2017

Key Achievements

- AL-JASSRA started operation with Qatar Gas
- LES-HAT started operation with Qatar Gas
- ZIKREET started operation with QP
- MSHEIREB Started operation with QPD
- Cost optimization
- Reactivating Assets
- AL-KHOR; Completed 5 years of operations without a recordable incident
- LES-HAT; Completed 4 years of operations without a recordable incident
- AL-WAJBA; Completed 3 years of operations without a recordable incident
- First time secured contract of land operation with Intl Client
- Recognition from Client; QPD issued appreciation letter & Qatar Shell issued certificate of excellence

02 How GDI Creates Value

How GDI Creates Value

GDI creates value for its stakeholders through the use of human, natural, financial, manufactured, intellectual, social and relationship capital. We recognize that some capital is generated, some is utilized and some must be consumed as a part of our value creation process. This concept is referred to throughout this report, with a summary of capital conversion summarized within the Strategic Analysis chapter.

03

Leadership & Governance

Leadership & Governance

Message from Chairman BOD

Dear GDI Stakeholders,

While 2017 was another challenging year for GDI, with the oil and gas industry still reeling from a severe down market cycle, signs of a gradual recovery are starting to emerge that give hope to the future. Oil prices have strengthened, the demand for drilling services has increased and the surplus of drilling rigs in the market that have kept day rates low is lessening. Tempering this optimism, however, is the fact that there are still too many technically qualified rigs competing for too little work, which has perpetuated an aggressive competition amongst drilling contractors and has kept day rates below book breakeven levels.

Against this back drop, GDI achieved safety and operational excellence in 2017, as measured against Key Performance Indicators, and saw its rig utilization rate increase. Despite these favorable events, however, GDI still managed to reduce the loss to US$ 27.9 million in 2017, compared to a net loss of US$58.1 million in 2016. These net losses illustrate the depth to which day rates have sank over the last 2 years and the need for day rates to increase before drilling contractors can once again be profitable.

Oil prices have recovered to over US$ 60 / barrel, after sinking to a low of US$ 27/barrel in 2016, and with this rise, the demand for drilling rig services in the State of Qatar is picking up. With more exploration drilling and workover of existing wells planned for 2018 and beyond, GDI's rig utilization is set to increase, however, with day rates continuing to lag behind the increase in oil prices, the favorable impact of higher utilization has been lessened.

All of GDI's assets under contract are working for clients in the State of Qatar. For offshore operations, several new contracts were won this year, including contracts for the hi-spec premium rigs, "Al Jassra" and "Les-hat" with Qatargas and contracts for the conventional rig, "Msheireb", with Qatar Petroleum Development, initially, followed by a contract with Occidental Petroleum for operations that will commence in Q1 2018. The accommodation jack up "Zikreet" secured a long-term contract with Qatar Petroleum while the lift boat, "Al Safliya", secured a contract with Qatar Petroleum Development.

For onshore operations, GDI secured a contract with Qatar Shell to provide Onshore Drilling Rig Services. This is the first contract that GDI has secured from an international oil company for onshore drilling operations, having worked exclusively with Qatar Petroleum since inception. This presents a great opportunity for GDI's onshore team to gain valuable experience working with this internationally renowned operator.

In addition to achieving its TRIR safety target for the year, GDI achieved several other notable Key Performance Indicators of an operational nature in 2017, including lower non-productive time for the rigs in operation, lower equipment rental costs, greater inventory optimization and greater expenditure savings against budget. This improved level of performance shows that the culture of continuous improvement is alive and well at GDI.

Without compromising on safety, quality of performance or operational efficiency, GDI also realized significant savings from several cost optimization initiatives that were implemented in 2017. While the impact of these efforts may not be readily apparent given the financial results, we take pride in the fact that GDI is operating as efficiently as possible under the circumstances.

Looking ahead, while market conditions may remain challenging in 2018, the reactivation of exploration drilling and workovers in the North Field and having a full time operator (North Oil Company) working the Al Shaheen Field signal that the demand for drilling rig services in the State of Qatar will be increasing. In anticipation of this happening, GDI is positioning itself to capitalize on the opportunities that might arise and to be the drilling contractor of choice for any new work that is emerging.

Your continued support of GDI during these difficult times is appreciated and we trust that your patience and understanding will be repaid when the cyclical nature of the business leads to a recovery.

Ibrahim J. Al-Othman
Chairman of the Board

Corporate Governance

The Board of Directors are responsible for the strategic direction, governance and the long term success of GDI for its stakeholders. All corporate authority resides with the Board of Directors, unless reserved to the shareholders under applicable law. GDI operates under a set of formal corporate governance guidelines that have been established through the Board of Directors by the company's Articles of Association.

The Board of Directors consists of the members who were selected by the shareholders (GIS) and collectively represent around 156 years of oil and gas experience.

GDI's Board of Directors, management and all employees share an ongoing commitment to the highest standards of corporate governance.

GDI operates under a set of formal corporate governance guidelines that have been established through the Board of Directors by GDI's Article of Association. Pursuant to the company's Manual of Financial Authorities (MOFA), specified authority has been delegated by the Board to the CEO who, in turn, has further delegated specified authority to other members of management and employees of the company, in order to implement GDI's vision and mission.

The primary role of the Board of Directors is to:

- Exercise business judgment to promote the long term interests of the shareholders and continuity and vitality of the company.
- Review, monitor and approve fundamental financial and business strategies and major corporate actions of the company.
- Monitor the performance of the company and management by providing advice and feedback.
- Oversee processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance, and satisfy itself as to the adequacy of such processes.

To assist in the discharging of its responsibilities, the Board has established the following committees:

1) Executive Committee

Executive Committee consists of non-executive directors of the Board. The committee has the mandate to get involved with GDI Management on a consistent basis to review and advise on strategic business initiatives.

2) Audit Committee

Audit Committee helmed by Directors who are not officers of GDI to interface with the GDI's:

- Internal Audit Function which performs audits of functions concerning the execution of business activities as well as provides opinion on the adequacy and effectiveness of risk management and internal control systems.
- Independent External Auditors, who are appointed by the Board and ratified by the company's shareholders.
- The Audit Committee reviews the scope of work and coverage of external and corporate internal audit activities and meets with management, external auditors and internal auditors from time to time to discuss any matters that may require their attention.

In addition, with the Board's oversight, direction and approval, the management of the company has developed and adopted the following corporate governance tools to educate and guide all employees:

Integrated Management System (IMS) to document the company's:

- o Vision, Mission & Values;
- o Protocols & Codes of Conduct with respect to:
  - Communication via chain of command
  - Quality expectations
  - Business ethics and integrity
  - Environmental protection
  - Company Policies & Procedures

The Board of Directors considers the development of Corporate Governance to be an ongoing process that is subject to continuous improvement. Therefore, the Board may from time to time adopt, additional best practices as deemed necessary for GDI.

Board of Directors

Mr. Ibrahim J. Al-Othman
Chairman

Mr. Ibrahim J. Al-Othman holds a B.Sc. in Petroleum Engineering from the University of Southern California, United States and an MBA in Business Administration from the American University of Beirut, Lebanon. He is the President & Chief Executive Officer of United Development Company since June 2015 and was the Chief Executive Officer of Gulf Drilling International (GDI) for six years. He has accumulated over 28 years of experience in the oil and gas industry working for National and International Oil Service companies. He has been chairing various business and strategy-inclined Boards and Committees in different sectors.

Mr. Mubarak A. Al-Hajri
CEO and Managing Director

Mr. Mubarak Awaida Al-Hajri joined GDI in 2015 with 33 years of experience in Qatar Petroleum, where he worked his way up to group manager's position. He held the position of Operations Manager (Offshore Fields) for the past 11 years before he joined GDI.

Mr. Mubarak qualified as an Electrical Engineer, from Wigan College (U.K.) and went on to acquire a master degree (MBA) from the University of Glamorgan, United Kingdom. In addition, he was a member of various business committees of QP, such as Chairman of QP Limited Tender Committee (LTC). Also, he served earlier as a member of TEPQ (TOTAL) Tender Committee and Member of MOQ (Mearsk Oil Qatar) Tender Committee. He was a Team Leader of QP Maintenance and Production Group (Oil & Gas Companies) within the GCC countries.

Mr. Al-Hajri was a Board Member in Qapco & Vice Chairman in Nakilat. Also, had participated and chaired a number of international conferences.

Mr. Ibrahim A A AL-Mulla
Vice Chairman

Mr. Al-Mulla has more than 38 years of experience in the oil and gas sector. He joined the National Oil Distribution Company ("Nodco") in 1981, initially working in Operations as a plant operator, before joining the Finance Department in 1986. After the merger of Nodco with Qatar Petroleum, Mr. Al-Mulla assumed a variety of senior finance roles, until he was appointed in 2004 as the Manager of Qatar Petroleum's Department of Privatized Companies Affairs.

Mr. Al-Mulla is responsible for providing a wide range of head office services in line with international best practice to three of Qatar's largest listed companies, Industries Qatar, Gulf International Services and Mesaieed Petrochemical Holding Company. Mr. Al-Mulla serves the Boards of several QP's affiliates, including Qatar Steel, Gulf Drilling International, and Qatar Shell GTL Limited.

Mr. Al-Mulla graduated from the Faculty of Commerce, Ain Shams University in Egypt, where he received a BA in Accounting and Business Administration in 1986.

Mr. Soud Jaleel Al-Ruwaili
Director

Mr. Soud Al-Ruwaili is the Operations Manager of Dukhan Oil & Gas Fields of Qatar Petroleum. He holds a degree in Chemical Engineering from Teesside University, United Kingdom and earned units of MBA from Glamorgan University, United Kingdom. He joined QP in 1989. Throughout his more than 29 years of industry experience, he has held numerous key positions within the company. He was Assistant Manager, Production Operation in 2005 followed by his appointment as Manager of Gas Operations Department in 2014.

Mr. Soud Al-Ruwaili directed Internal Audits within QP Dukhan Operations being a Team Leader in the Quality Management Team. He led various committees such as Chairman for BPTC and CIP, Team Leader of SMS Transition Implementation Action Team for PTW & JSA, Eradah Rollout of Turnaround, Dukhan Reliability Enhancement Project, Operations Excellence Framework and ePTW Project in Dukhan Operations. He was also QP Team Leader for GCC Production and Maintenance Committee, Deputy Chairman of Organizing Committee for 1st and 2nd Operational Safety Challenges Forum.

He was appointed as Board Member of Alwaseeta on November 2012 and led as Chairman of the Alwaseeta Board Audit Committee. He was also a Committee Member of General Tenders Committee (GTC) in 2014. In addition to his position, Mr. Soud Al-Ruwaili is an esteemed Member of the Board of Directors of Gulf Drilling International (GDI).

Mr. Fahad AM Ahmed Al-Ansari
Director

Mr. Fahad Al-Ansari is currently the Project Services Manager of Qatar Petroleum. He holds a degree in Civil Engineering and has over 28 years of experience in the Oil & Gas Field having worked locally and overseas on assignments.

Mr. Fahad joined Qatar Petroleum from RasGas where he served as Sales & Contracts Manager. He also represents QP in several joint ventures on their Board of Directors.

A graduate of Qatar University, Mr. Fahad has attended executive education programs at The Harvard Business School, University of Chicago Business School, HEC Paris, Duke Corporate Education , Al- Jazeera Media Training as a part of the Qatar Leadership Centre Executive Leaders Program and IMD Global Board Centre, Lausanne, Switzerland as a part of the QP High Performance Board Program.

Risk Management

GDI has got robust internal control system in place and risk management process which incorporates the principles of "Three Lines of Defense" model to ensure effective governance structure. In 2017, GDI initiated Enterprise Risk Management project (ERM) with a mission to enhance its risk management capabilities in the changing business environment. GDI aims to embed risk management in all GDI processes. GDI Management is of the firm belief that ERM will improve the culture of risk management within GDI, and will better equip the company with the capability to achieve its vision, mission and strategic business objectives. This will also create greater business value for GDI by inculcating risk-based thinking leading to informed decision making. The ERM project is expected to be completed by first quarter of 2018.

GDI's current Governance Structure

GDI's Internal Audit department has developed a risk-based audit planning process which identifies the highest priority strategic, operational, financial, and regulatory risks to the organization. This ensures the provision of timely and impactful communications to key stakeholders regarding the overall identification of risks, audit findings, and issue-remediation efforts.

Audit Committee's Role in Overseeing Internal Control System:

1. The Audit Committee reviews management's assessment of the effectiveness of internal controls over financial reporting at the end of every financial year, and the independent auditors' (external auditors) report on management's assessment.

2. The Committee discusses with management, the internal auditors, and the independent auditors (external auditors) the adequacy and effectiveness of internal controls, including ERP (Enterprise Resource Planning system) controls and security, and any significant deficiencies or material weaknesses identified by the management of the Company.

3. The Committee also has the mandate to review the Company's compliance systems with respect to legal and regulatory requirements and review the Company's code of conduct and programs to monitor compliance with such programs.

4. The Committee may also discuss the Company's policies with respect to risk assessment and risk management, including the risk of fraud. The Committee discusses the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.

To avoid any risks related to ethical conduct, all employees have to declare any conflict of interest they have or perceive on an annual basis to 'Conflict of Interest Committee'. GDI further introduced a new 'Fraud Management Procedure' in 2014 as a result of an internal audit recommendation. Its purpose is to facilitate the detection and prevention of fraud in the company, providing a clear definition, reporting procedures and investigation responsibilities.

Executive Management

Pursuant to the company's Manual of Financial Authorities (MOFA), specified authority has been delegated by the Board of Directors to the CEO & MD who, in turn, has further delegated specified authority to other members of management and employees of the company, in order to implement the company's mission.

GDI's executive management is led by the Chief Executive Officer and Managing Director (CEO & MD). The management team consists of the CEO/MD and 8 line managers reporting directly to the CEO, including the Chief Internal Auditor, who administratively reports to the CEO and functionally reports to the Audit Committee of the Board of Directors, in line with corporate governance best practices.

The CEO/MD, who is also a Director, reports to the Chairman of the Board of Directors. The CEO leads the Management team in strategic planning and operational execution of GDI's activities, in accordance with the strategic direction set by the Board of Directors.

GDI's management team sets goals on an annual basis, translating critical success factors and key objectives of the company into targets. The company's main KPIs are based on the 'Balanced Scorecard' methodology and cover different aspects of GDI's performance, with responsibility for each KPI disseminated to relevant departments/process owners.

Organization Structure

Integrated Management System

GDI operates by a comprehensive Integrated Management System (IMS) which encompasses the standards and principles that underpin how we do business. Our IMS has six levels:

1. IMS Statement

Includes the Vision, Mission and Values of GDI thus reflects the strategic direction.

2. Protocols and Codes of Conduct

- IMS QHSE Protocol
- Business Protocol
- Communications Protocol
- Social Media Protocol
- Personal Behavior Protocol
- Prohibited Items and Substances Protocol
- Marine Security Protocol

3. The IMS Manual

A document outlining the structure of the management system.

4. Policies and Procedures

A set of high level documents to establish core management practices.

5. Operations, HSE & other departmental procedures / manuals

A set of documents covering the execution of work related processes in order to ensure stability output, standardization and measurement.

6. Records

Documents stating results achieved or providing evidence of activities performed.

GDI's IMS is recognized and certified to the following global standards:

- ISO 9001:2008: Quality Management System
- ISO 14001:2015: Environmental Management System
- OHSAS 18001:2007: Occupational Health and Safety Advisory Services

The company ensures compliance with the integrated management system by carrying out internal IMS audits, as well as having the system externally audited and certified by an independent third party Certification Body.

Cost Optimisation

To withstand the downturn in the drilling industry which started in 2015, GDI effectively made continuous efforts to optimize cost in every possible area of business. GDI have no choice but to reduce their costs as much as possible in a revenue-dropping scenario. Cost reduction plans are necessary to bring back a health operating profit margin.

GDI view cost optimization as a continuous improvement exercise that results in a healthy balance of cost savings and innovation, help the business to achieve extraordinary results. GDI is further planning for re-structuring of its organization along with other G & A costs that will be rationalized. Every component of Operational & General Administrative expenses is reviewed for potential savings without compromising on quality, health, safety, environment and operational performances.

In present conditions, controllable expenditures must be closely monitored in order to ensure that costs are fully optimized. These initiatives - when combined with our other efforts started in past several years - create a path for higher levels of free cash flow and returns on capital employed, even in a moderate recovery scenario. GDI is committed to become leaner, more flexible and therefore more adaptable to target a broader set of new business opportunities. A continuous cost-cutting and the restructuring will align GDI with immediate challenges in a fast-paced and highly competitive bidding environment. GDI's performance was inevitably affected by the tough market environment in the last 3 years, but the cost saving measures being pursued at all levels of the organization will make GDI to stand in good stead to navigate the sector downturn. This shows the ambitious approach of the management team to securing a successful future for GDI.

04 Strategic Analysis

Strategic Analysis

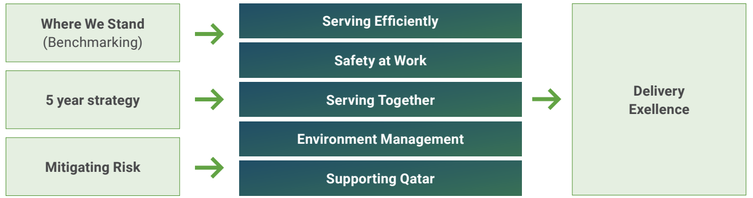
GDI ranks as one of the best-in-class drilling contractors as measured against regional and international peers. Recent benchmarking results covering our economic, environmental, social and corporate governance performance confirm this statement.

After a period of rapid growth, where the size of GDI's fleet increased from 8 in 2008 to 20 in 2017, our business strategy is now focused, in the face of maximizing a sustainable share of our target markets while phasing out non-productive assets in the most expedient manner. Accordingly, value preservation has replaced growth as our driving force. By products of this strategy in 2017 are reflected in our pursuit of programs having long term drilling and the retirement of the offshore drilling rig "Al Rayyan".

Risk mitigation continues to be a critical component of our strategic approach to continued business success, highlighting emerging areas of concern that can be responded to in a proactive way.

Sustaining our business for the long term entails effectively responding to issues that could affect our ability to create value over the short, medium and long term. Our objective to sustain GDI's business while providing a mechanism for monitoring, reporting and improving our performance across a full range of economic, environmental and social issues.

Objectives to Sustain Our Business



Determining the Issues that Matter The Most

Our overall strategic approach to becoming a sustainable business is based on identifying and prioritizing the aspects that substantively affect our ability to create value over the short, medium and long term. To do this we have used a variety of inputs from a range of initiatives, guidelines and frameworks, including:

- Updating stakeholder expectations
- Outputs from risk assessment and progress towards long term strategic goals
- Qatar Energy and Industry Sector Sustainability (QEISS) Programme
- Global Reporting Initiative (GRI) material aspects
- Sustainability Accounting Standards Board (SASB) material aspects
- IPIECA (International Petroleum Industry Environmental Conservation Association) reporting topics
- Qatar National Vision 2030.
- The review of our peers

After identifying all relevant aspects, we have assessed them with regards to the magnitude and likelihood of impact, which has resulted in the identification and clustering of issues as high, medium and low materiality.

Each aspect has a specific code that is referenced throughout this report.

Aspects of High Materiality	
Client Satisfaction	M1
Availability of Critical Spare Parts	M2
Profitability	M3
Utilization of Rigs	M4
Governance	M5
Energy and Emissions	M6
Employee Attraction and Retention	M7
Health and Safety	M8
Operational Efficiency	M9
BCM (Business Continuity Management) and Emergency Response	M10
Environmental Management	M11
Waste Management	M12

Aspects of Medium Materiality	
Transparent Reporting	M13
Reputation	M14
Project Management	M15
Spills Prevention	M16
Compliance	M17
Qatarization	M18
Corruption and Ethics	M19
Water Management	M20

Aspects of Low Materiality	
Community Investment	M21
Human Rights	M22
Training and Development	M23
Supply Chain Management	M24

Mitigating Risk

Our priority risks are determined through analysis of the risks facing our current operations and near to mid¬term strategies, longer-term aspirations and priorities, all in the context of the external risk landscape. Top risks are those which could result in a breach of risk appetite thresholds, negatively impact our value chain, cause a deviation from expected strategic outcomes or negatively influence GDI's reputation.

For the priority risks identified in 2017, we have set out a range of mitigating actions that have been integrated into the business plan and process for 2017 and 2018.

Priority Risks Identified in 2017	Potential Impact on GDI	Migitating Action
Securing business opportunities for rigs that are currently off contract or may be out of contract in the coming years **M3 M4**	• Drop in utilization • Reduction in revenue • Impairment in asset value	• Identify new business opportunities (local and regional) • Open dialog with existing clients for new opportunities and displacement of competitor rigs in the region • Market GDI rigs
Impact of oil prices on rig day rate **M3**	• Reduction in revenue	• Secure long term contracts with preferential rates with clients • Incorporate Day rate indexing mechanism into contracts. The day rate would be linked to the prevailing Oil Prices with floor set at $60/barrel • Contracts in which the day rate mechanism is not accepted, annual re-opener provision on the day rate to be negotiated • Implement cost optimization measures
Availability of critical spares **MI M2 M3**	• Rig downtime • Potential lost revenues	• Evaluate, review and monitor critical spares list • Involve maintenance team in review of critical spares • Expedite procurement of identified critical spares if less than minimum level
Keeping key staff and succession planning **MI M3**	• Loss of knowledge and investment • Potential for client concern	• Provide Opportunity for Employee growth (personal and professional growth). Develop employee's knowledge and skills in order to improve their value and enhance their own self¬esteem • Maintain effective employee compensation, rewards and benefit strategies in place by benchmarking against other organizations in the market through surveys • Maintain a promotion / succession plan, effectively communicated to the employees ensuring employees of a career growth • Improve Employee relationship strategies. Enhance the strategies on how we treat our people • Create and maintain a positive, encouraging and healthy work environment
Liquidity **MI M3**	• Limited options for growth • Reduced revenue and profit growth	• Monitor liquidity and the related rations • Plan for liquidity and cash flow • Obtain preferential bridge/working capital loan agreements • Forecast cash flow and secure capital contributions and credit facilities to ensure that sufficient funds are always available

Objectives to Sustain Our Business

GDI has identified five objectives that will help sustain its business success for the long term. They have been developed to address the highly material issues that may positively and negatively affect our ability as a business to generate value for our stakeholders.

Acting as a performance management framework, each objective has a set of KPI's that are measured, monitored and reported internally and externally. Annual targets and commitments are also put in place to drive continuous improvement.

Serving Efficiently

MI M3 M4 M5 M10 M16

Position

We seek to be recognized as the leader in delivering efficient and reliable drilling services with a focus on excellence in everything we do.

Progress on 2017 Commitments

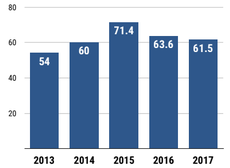
- ✕ Source vessels to cater to market demand and opportunities.
- ✓ Accomplish major maintenance / upgrade of rigs according to plan.
- ✕ Achieve closure of all audit items on time.
- ✓ Profitability vs. budget >= 100%.
- ✓ Total fleet downtime < 1%.
- ✓ Preventive maintenance schedule compliance >97%.
- ✓ Achieve 180 "GDI Days".
- ✓ Optimization costs of 95% of the budget achieved.

2018 Commitments & Targets

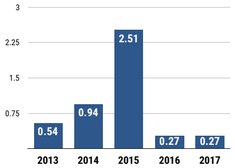
1. Source vessels to cater for market demand and opportunities.
2. Accomplish major maintenance/upgrade of rigs according to plan.
3. Achieve closure of all audit items on time.
4. Key Targets in 2018:
   - Profitability vs. budget >= 100%,
   - Total fleet downtime <1%,
   - Preventive maintenance schedule compliance >97%,
   - Achieve 180 "GDI Days",
   - Optimization of costs to be less than 100% of the budget.

Annual Performance

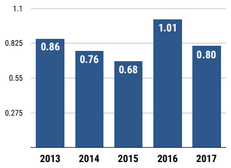
Offshore Market share (%)



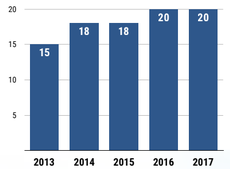
Dividend per share ($)



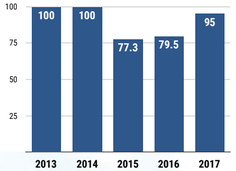
Average total fleet downtime (%)



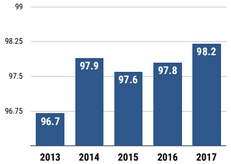
Total rig count



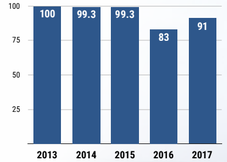
Rig utilization (%)



Preventive maintenance schedule compliance (%)



Closure of internal audit findings (%) *



* Includes only the closure of finding from the Internal Audit conducted by GDI's Internal Audit Department.

Safety at Work Place

M9 M11

Position

From the boardroom to the rig, we cultivate a common safety culture with the aim to achieve an incident and injury free workplace while enhancing operational efficiency.

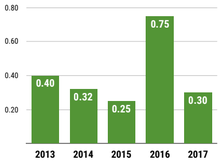
Progress on Commitments

- ✔ Achieve combined TRIR ≤ 0.40.
- ✔ Maintain zero fatality record.
- ✔ HSEMS Procedure verification exercise with key personnel.

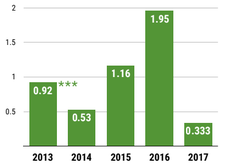
2018 Commitments & Targets

- Maintain Zero Fatality as target.
- GDI Essential implementation and compliance monitoring.
- Conducting annual audits and inspections fleet wise.
- Review and revise existing policies and procedures for further enhancement.
- Implementation of GDI new electronic observation reporting system {GDI Essential Observation Reporting Module} fleet wise. Develop and prepare a monthly Essential observation trend report.
- Rollout of QHSE campaigns fleet wise on quarterly basis.
- Rig site visits by QHSE team / management.

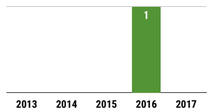
Total Recordable Incident Rate (TRIR *) — employees and contractors



Lost Time Injury Frequency (LTIF **) — employees and contractors



Fatalities



- QHSE internal and external audits.
- Development of GDI Competency Program.
- Development of Enterprise Risk Management program.
- Enhancement of HSE staff training delivery skills by introducing "Train The Trainer" program.
- TRIR =<0.38.

* Asa member of IADC (International Association of Drilling Contractors), GDI follows the guidelines of IADC incident Reporting Scheme for reporting and monitoring of incidents: TRIR = (Total number of Recordable Incidents during period x 200,000) / Total man-hours during period.

** LTIF = (Total number of Lost Time Incidents during period x 1,000,000)/ Total man-hours during period.

*** 2013 LTIF has been restated.

Serving Together

M8 M23 M24

Position

We hire, train and retain competent employees, investing to develop them as individuals and as a team, within a healthy and engaging work environment.

Progress on 2017 Commitments

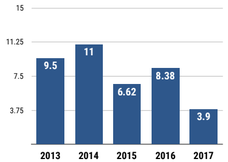
- ✔ Attract qualified employees, on time, as per the recruitment plan.
- ✔ Retain top employees, with less than 5% turnover of top performers of 2017.
- ✔ Achieve staff turnover below 9% of total employees.
- ✔ Achieve compliance with training matrix above 95%.
- ✔ Maintain average recruitment and mobilization time in line with approved Service Level Agreement (SLA).
- ✔ Recruit new rig crew for new rig/barge operations according to the Operations' targets set.

2018 Commitments & Targets

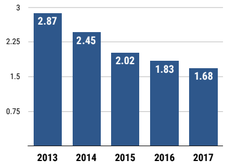
1. Develop the competency framework via Competency Management Project in 2018.
2. Implement Learning Management System.
3. On time recruitment of crew.
4. Key Targets:
   - Employee turnover ≤6%.
   - Compliance with training matrix >95%.
   - Average recruitment time < 65 days basis.

Annual Performance

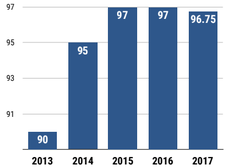
Employee turnover (%)



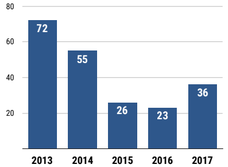
Female employees (%)



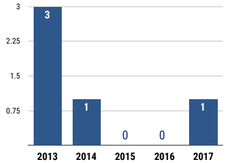
Compliance with training matrix (%)



Average recruitment time (days)



Heat stress incidents



Environment Management

M6 M8 M11 M12 M13 M17 M20 M21

Position

Together with our clients we ensure environmental concerns are incorporated into our day to day operations.

Progress on Commitments

- Maintain zero spill* target
- Conduct regular noise surveys and water tests
- Complete environmental inspection audits (covering all GDI locations)
- Attain re-certification of ISO 14001:2015
- Control harmful/hazardous emissions
- Develop Noise Survey reports using noise meter with octave band analyzers to determine better noise emission controls and protection measures
- Review HSE and operational procedures according to IMS

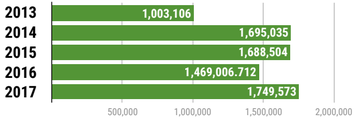
* Includes significant spills which have environmental impact

2018 Commitments & Targets

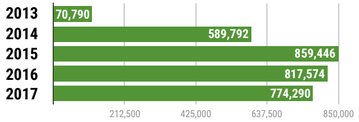
1. Efficient consumption and usage of energy on GDI assets
2. Implement paper and consumable savings campaign through 'Print Management system' to access double side and black & white printing.
3. Increase environmental awareness in company by updating the environmental training materials for in house training
4. Improvement of waste management process. Creation of asset specific waste management plans for 21 assets
5. Key targets
   - 0 Significant spills
   - Over 17 Environmental inspections covering all GDI sites and rig locations

Annual Performance

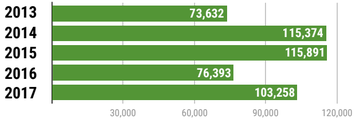
Total direct energy consumption (GJ)



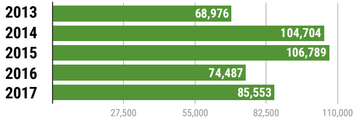
Total GHG emissions (tonnes)



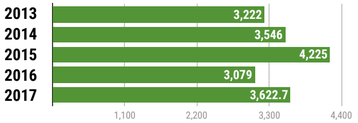
Total water consumption (m3)



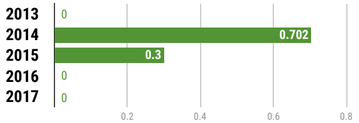
Total water discharged (m3)



Total waste generated (tonnes)



Total Volume of spills (m3)



Number of significant spills 2013-2017 — 0

Supporting Qatar

M18 M21 M22 M25

Position

We deliver value for the State of Qatar by developing people, communities and the economy.

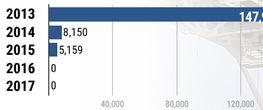
Progress on 2017 Commitments

- ✕ Exceed the overall Qatarization target of 7% on approved position count.
- ✕ Complete CSR projects planned on time.
- ✓ Develop Qatari nationals to assume higher responsibilities according to the 'Qatari Development Programme'.
- ✓ Where possible, give preference to local vendors, companies and shipyards, and promote long-term contracts with local vendors.

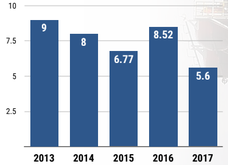
2018 Commitments & Targets

1. Training and Development of Qatari nationals.
2. Increase number of Qatari employees ≥ 6%.
3. Increase the number of local suppliers by 10%.
4. CSR projects

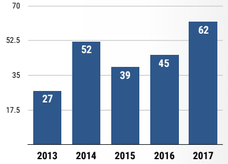
Community Investment spendings (USD)



Qatarization on approved positions (%)



Local procurement and Contracts (%) *



* Includes contracts for rig purchases, rig/barge construction, refurbishment & modifications

05

Serving Efficiently

Serving Efficiently

M1 M3 M4 M5 M10

Operational efficiency is paramount for maintaining profitable business in the current market. Minimizing downtime and complying with our preventive maintenance KPI's are the keys to achieve that efficiency.

Last year's Rig utilization & daily rates were adversely affected by the prevailing market conditions. However, the successful rig start up projects this year helped to increase the utilization percentage and made it more feasible to achieve full utilization in 2018.

Efficient consumption of common spares rig inventory between onshore /offshore operations has effectively helped to reduce costs and saved millions of US Dollars.

Maintaining Back-up Well control Equipment at GDI Central Ware house for both Onshore and Offshore Operations has eliminated high rental costs and significantly increased rig operations efficiency and profitability.

Infield/Insitu re-certification of Well Control Equipment by OEM and approved API Accredited representatives has helped to save 20-30% costs and time. More over stepped a head in collaboration with OEMs on Certificate of Conformance (CoC) extension, Infield/Insitu with Equipment certification extension and Re-certification option to reduce costs and delays to rig operations and clients' wells.

Cost optimization without compromising safety and quality was mandatory to ensure profitability in the current market. The GDI Workshop aided to minimize the cost of these upgrade projects, with our in-house overhaul and fabrication capabilities used extensively.

Use of GDI Workshop and local resources to conduct major overhaul of rig equipment and mobilization of OEM Representative to only witness the job for CoC and certifications issuance. This practice has helped reduce 50% cost of conducting equipment at OEM Facility.

Standardizing spare parts and purchasing common items for the fleet helped to reduce the equipment rental costs. Sharing spare parts and common equipment between the onshore and offshore fleets also reduced costs and helped minimize downtime exposure. Downtime due to lack of spare parts was almost eliminated within the fleet.

Periodic meetings with international reputed Original Equipment Manufacturers (OEMs) I.e. NOV, CAMERON, etc. has helped GDI to build strong lasting and reliable relationships in order to address major shortcomings relating to re-certification delays and long-lead delivery of OEM parts to service our operating rigs.

Use of Class/ABS approved Vendor to make repairs relating to Jacking Gears wherever practically possible to reduce cost instead using Only OEM.

Tubular and Well Control strategy is in place to avoid high rental costs.

Created Project Taskforce for the first time within GDI Domains typically comprising key personnel and resources from various Department with specified areas of knowledge or experience are brought together with a single objective to accomplish and deliver new projects and new rig startup to client's satisfaction and specifications.

Technical Audits on new facilities to approve equivalent products to enhance cost savings. A good example is the approved HILONG product for tubular Internal Plastic Coating (TC-2000 & TC-2000P) which are half the price of NOV Tuboscope IPC equivalent (TK-34 & TK-34P).

Operational Excellence

We strive to attain operational excellence through our world-class maintenance, commercial and warehouse management systems, which have been used to minimise downtime and support our market position and growth.

Asset integrity and maintenance of equipment is of utmost importance to conducting continuous operations. GDI's computerized maintenance management system 'Maximo' is used for all rigs and locations in order to schedule regular preventive maintenance. GDI further ensures that all critical equipment and rigs remain certified according to industry guidelines and requirements. It is a GDI requirement that all rig equipment have a 'certificate of conformance' from the manufacturer/ supplier. GDI also obtains OEM (Original Equipment Manufacturer) re-certifications and OEM spares to preserve the integrity of its equipment.

In 2017, 1 onshore rig 5 yearly API Certification and 5 offshore UWILD (Underwater Inspection in Lieu of Dry-docking) were conducted in order to identify any major problems or areas that may need further attention or major maintenance work in the future. We also carried out two meduim-scale rig refurbishment and upgrade project.

GDI has signed an agreement with Qatar Shell to provide onshore drilling services. This is first time that GDI secured a land operation contract with International Client. GDI and Qatar Shell management teams were present in ceremony and GDI's CEO & MD, Mr. Mubarak Awaida Al-Hajri and Qatar Shell MD & Chairman, Mr. Andrew Faulkner signed the contract.

Recognition certificates for excellent service were awarded to Al-khor rig from Qatar Shell for operational excellence. Appreciation letter awarded to Msheireb rig for excellent performance from QPD.

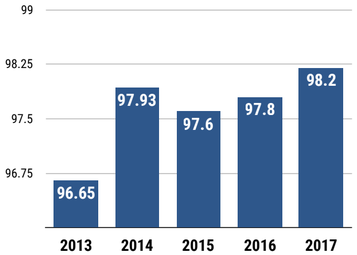
The availability of critical spare parts is another central element of uninterrupted operations and represents one of GDI's highest risks. Our commercial and warehouse management systems are both central to mitigating this risk. Through these systems, we ensure that all critical spare parts are on hand at all times, and that this equipment is of the highest quality. All critical assets and spare parts go through an intensive quality control evaluation.

GDI is currently standardizing its equipment and assets across similar operational rigs in order to optimise costs (purchasing and warehousing) and also to ensure ease of maintenance, availability of spares and to receive better supplier service. Through the new workshop, GDI is now able to perform in-house equipment fabrication, which maximizes the availability of critical assets and reduces costs.

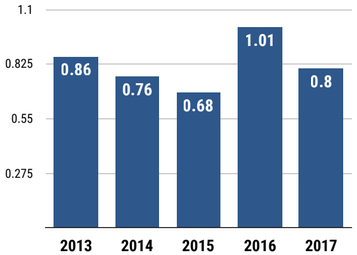
Onshore & Offshore operations constantly showing substantial reduction in "Rig Downtime" due to proactive maintenance and continued rig performance, which has minimized "revenue loss", associated to Repair & Zero Rates. Rig operation is based on "Cost Reduction Strategy" to drive operational decisions in order to maximize profits as safely and efficient as possible.

In 2017, we achieved 98.2% compliance with our preventive maintenance schedule and the average downtime rate for GDI's fleet in 2017 was 0.80%. As a member of IADC (International Association of Drilling Contractors), GDI follows the standard 'IADC Code-8' definitions for drilling rig downtime categorization and computation.

Preventive maintenance schedule compliance (%)



Average total fleet downtime (%)



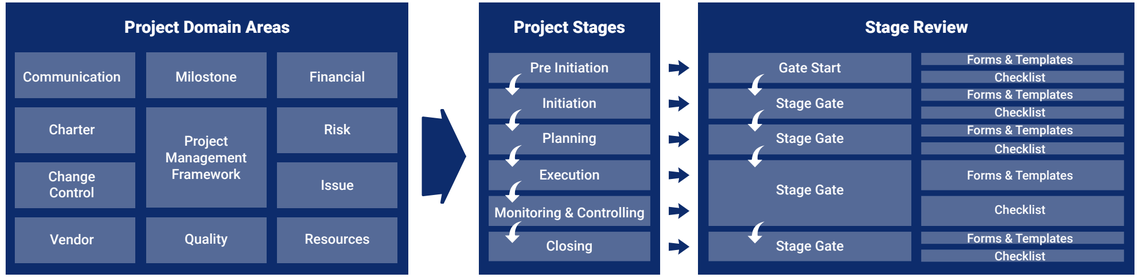
Project Management & Quality Control

Effective project management is central to the continued growth and development of our business. With the expansion of operations, GDI has embarked on a number of new projects in recent years, from large- scale rig construction projects to medium scale rig refurbishment and upgrade projects, to small scale crew accommodation and workshop construction projects carried out at the DSSA (Dukhan Support Service Area). GDI uses internally developed "Project Management Guidelines" (PMG) in order to streamline and to unify the process of managing projects across the entire company.

The PMG is used to govern the initiation, planning, execution, monitoring, controlling, and closing of small, medium, and large projects. They include project management standards to aid GDI's management team in overseeing the progress of a project against that project's schedule, so that it can prevent project overruns in advance and promptly address any divergence from the project plan.

For large projects, such as overseeing the construction of a new rig by suppliers or major shipyard refurbishment, dedicated project teams (comprised of internal and external experts) are formed and the project is overseen by a Project Steering Committee.

Project Management Methodology



Selection of vendors is generally based on stringent evaluation criteria. Quality audits are performed by a third party, and project management and facility audits are done by GDI Internal Audit and technical teams. For main equipment procurement, factory acceptance tests (FAT) are performed by GDI Engineers to ensure quality, performance, safety and efficiency requirements are met in accordance with GDI standards.

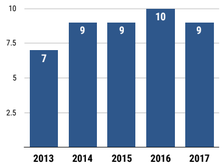
Client Relationships

Fuelled by our strong operational performance, we have succeeded in maintaining our standards even during the tough down-market cycle.

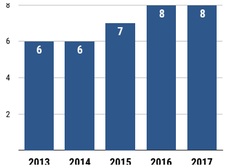
GDI's competitive position has been strengthened by the relationships that it has established and developed over the years with various industry players. Our strong affiliation with Qatar Petroleum has served as a keystone to our business development. This relationship has proven to be invaluable in positioning GDI as the market leader in Qatar.

We value the feedback of our clients, recognizing how much they can teach us. Periodic client satisfaction surveys are conducted to gauge the level of client satisfaction and to obtain valuable feedback from the client's perspective. Actions are put in place to incorporate the lessons learned from this valuable client feedback. Regular management level meetings are also held in addition to day-to-day operational engagement with clients. Client input is considered in every aspect of operations. As a relatively young company, we learn best practices from our clients as well. Our constant interaction with clients has helped us improve our performance which in turn has led us to be the drilling contractor of choice in Qatar.

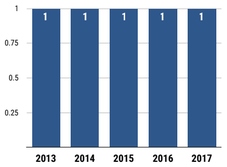
Offshore jack-up rigs



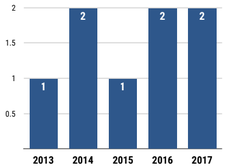
Land rigs



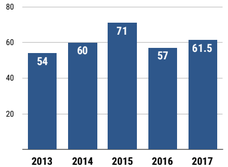
Accommodation Barge



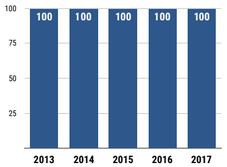
Liftboats



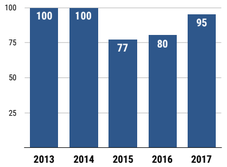
Offshore market share (%)



Onshore market share (%)



Utilization (%)

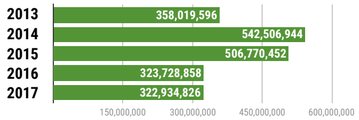


Managing the Downturn

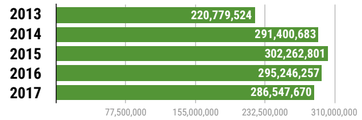
Like all other drilling contractors, GDI also had very tough last three years. With oil prices currently around $60 per barrel mark, there is hope that prices have bottomed out and have begun to recover modestly. This has also reflected in the demand for Hitech Jack-up Rigs in the region. Rig contracting and utilization are going up and asset values are also increasing. There are long term drilling works emerging in the State of Qatar and currently GDI does not have enough technically qualified rigs to meet these market demands. Most of GDI's Rigs were back to operation in 2017, however the day rates have not improved and assets are expecting a linear increase in the coming year. In 2017, 5 new contracts were awarded by the Operators in the State of Qatar and GDI could not secure any of these opportunity because of non-availability of Hi-Spec Rigs in its fleet.

GDI's focus is to keep the fleet fully operational and try to add more rigs to the fleet in 2018. Market conditions are improving but still it is challenging at the same time. To reach the targeted market share, GDI could safely add a minimum of 4 hi-spec premium rigs over the next 5 years and keep them continuously on contract in Qatar. This will also improve the profitability along with market share.

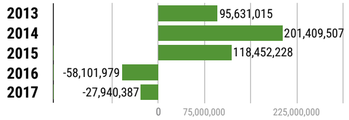
Revenues (USD)



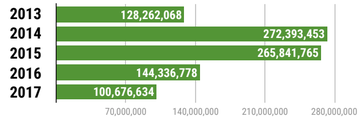
Direct costs (USD)



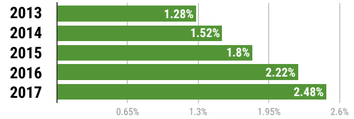
Profit or Loss for the year (USD)



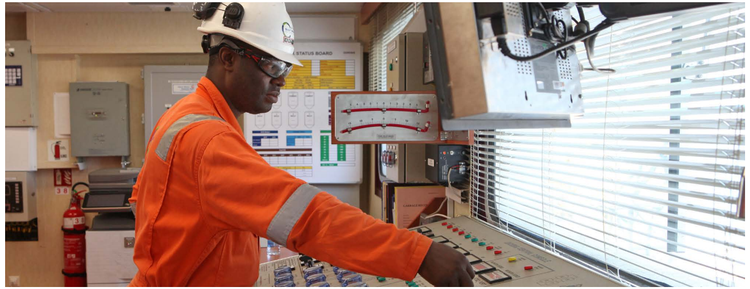
Cash generated by operations (USD)



Net debt to equity ratio



Dividend per share (USD)



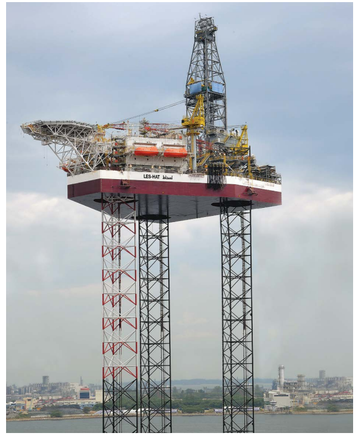
06 Safety at Work

Safety at Work

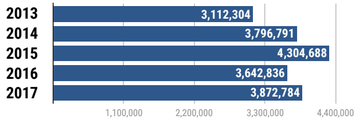
M9 M11

Safety Management System

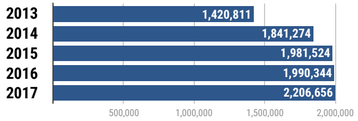
HSE Management System (HSEMS) remains a major element of the three standards that make up GDI Integrated Management System (IMS) and continue to play a vital role as reference point for enhancing operational safety. While we continue to maintain valid status of ISO certifications, a process for verification was introduced to determine the understanding by key staff members who are expected to drive the implementations at the various rigs/ assets.



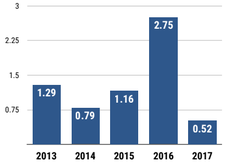
Work hours completed (employees)



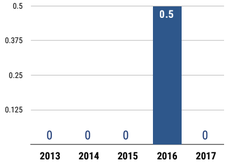
Work hours completed (contractors)



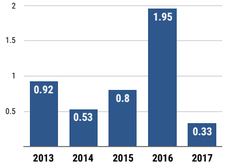
LTIF (employees) *



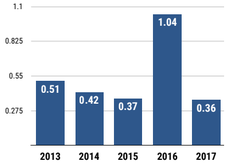
LTIF (contractors)



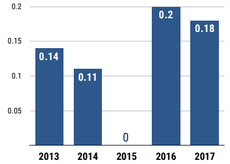
LTIF (employees and contractors)



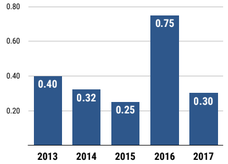
TRIR (employees) **



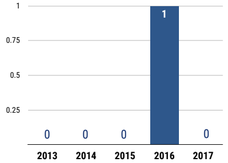
TRIR (contractors)



TRIR (employees and contractors)



Fatalities (employees & contractors)



* LTIF = (Total number of Lost Time incidents during period x 1,000,000)/ Total man-hours during period.

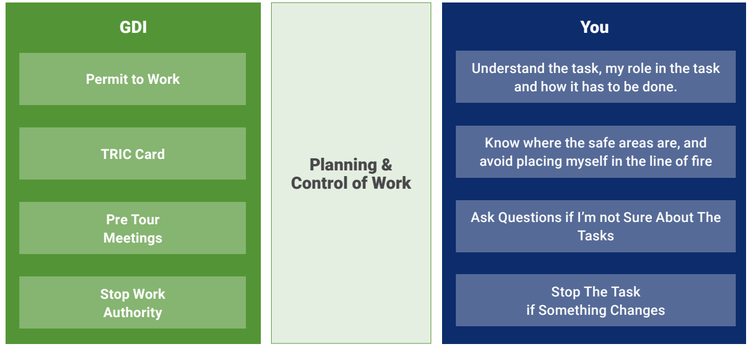
** Asa member of IADC (International Association of Drilling Contractors), GDI follows the guidelines of IADC Incident Reporting Scheme for reporting and monitoring of incidents: TRIR = (Total number of Recordable Incidents during period x 200,000)/ Total man-hours during period.

GDI Essentials

GDI Essential program was launched and rolled out across fleet with the collaboration of all stake holders, operations, and QHSE team. Program brief presentations were done to all clients with the involvement of leadership management from both sides. Program was very well supported, and appreciated by all clients.

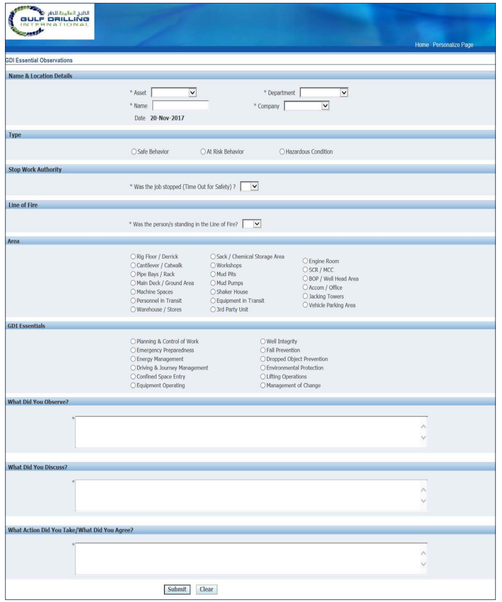
GDI Essential program consists of 12 main elements known as "GDI Essentials", Each GDI Essential was developed to focus/address the most important and critical elements of GDI HSEMS management system. Every employee, contractors and stakeholders were encouraged to come onboard into this new concept that is geared towards a simplistic approach and mastering of GDI IMS procedures while addressing all individual clients' rules in one go.

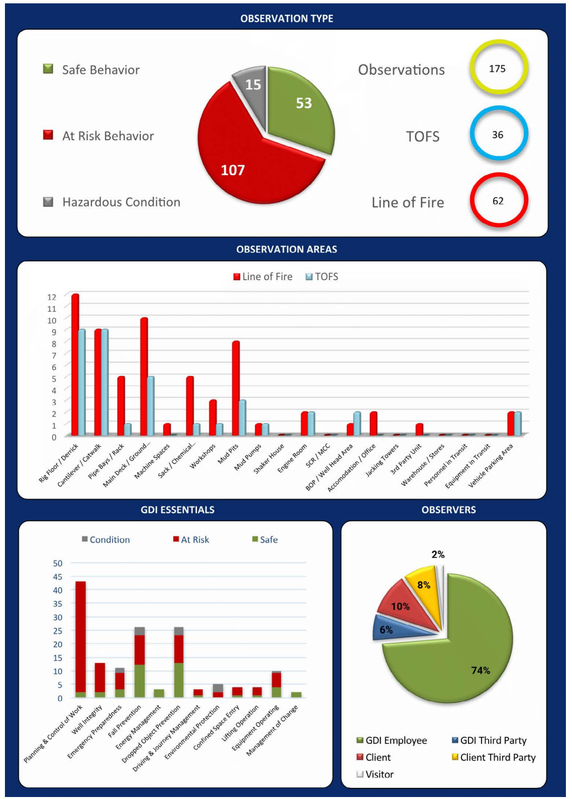
GDI Essential Observations and Conversations shall focus on the identification and correction of at risk behaviors, hazardous conditions, the reinforcement of safe behaviors, and the knowledge and understanding of the GDI Essentials. Personnel are required to observe behaviors at the workplace and are empowered to intervene and engage in conversation whenever required.



Series of Essential prompts have been developed to assist personnel to support the GDI Essentials. The prompts shall be available at key locations around the asset, and in a pocket book format for individuals. The prompts shall be used to enhance knowledge and understanding for individuals and team, and will assist in supporting the GDI Essentials during planning & conducting safety meetings, Essential observations & conversation, coaching and incident investigation

During the Year 2017 GDI Essential program has been rolled out successfully across fleet and being campaigned on monthly basis with the selection of one GDI Essential based on the trend and incident root cause analysis.





Safety Engagement and Culture

The need to further consolidate and sustain the gains from previous Behavioral Based Safety (BBS) and Leadership programs cannot be over-emphasized. Based on increasing impact of crew turn-over in the industry which creates a mix of company trained crew and those that arrived afterwards, a team of senior management staff members with vast industry experience in operational efficiency and human capital development has taken the responsibility to conduct regular leadership development sessions with rigs/ assets based supervisors with the aim of enhancing continuity

Business continuity management

GDI conducted a successful Business Continuity Exercise at head office. It demonstrated the ability to run normal operations effectively and efficiently with minimum manning and resources in case of emergency scenario. This exercise fulfilled the main purpose of drawing attention to identify the areas where improvement is required.

IT Governance

The effective use of Information Technology at GDI is considered imperative. We recognize that an effective IT system is a key enabler in achieving company's strategic business objectives and integrating core risk control process across the company. We aim to align our IT system with our corporate strategy and invest the latest technologies to deliver value to our business.

Gulf Drilling International(GDI) IT department has developed an IT Governance Framework ("ITGF") with a mission to improve business processes, control measures and procedures for managing IT across the organization. The framework is developed by adopting the COBIT Standard (Control Objectives for Information and Related Technologies) this will help GDI IT to continuously improve the process capabilities and will enhance the governance reporting activities there by ensure that the IT is delivering the expected value for its investments. In addition, the implementation of framework will improve the risk management capability of IT and will enhance the business - IT alignment.

07 Serving Together

Serving Together

M8 M23 M24

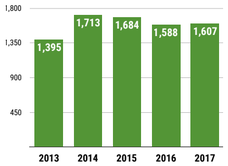
Our employees provide technical expertise that is core to our provision of world-class drilling services. They form a safety-oriented, environmentally-conscious and highly skilled multinational workforce possessing a performance driven work ethic that ensures delivery of the highest level of service to our clients at all times. We therefore endeavor to attract and retain the best talent, to ensure that all members of our workforce have the necessary training and health to succeed, and to provide an equitable and engaging work environment.

Attracting & Retaining The Best Talent

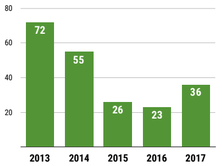
We seek to attract and recruit a driven team with the relevant skills and knowledge to deliver safe and effective operations. Our challenge in recent years has been to build our workforce to meet the needs of our rapidly expanding operations, and to retain our team despite the harsh working environment inherent to oil and gas extraction activities. We continue to face this challenge by improving our recruitment activities and reducing our average recruitment time from 72 days in 2013, to just 36 days in 2017.

Ensuring employee engagement and satisfaction and minimizing employee turnover is critical to our ability to provide uninterrupted service on our rigs. To earn our employees' respect and loyalty, we invest in their development, health and wellbeing, and communicate with them frequently to understand their needs. We also conduct periodic surveys in order to benchmark the salaries paid to operations crew to ensure that they are at par with the industry average.

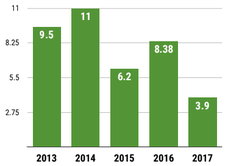
Total employees



Average recruitment time (days)



Staff turnover (%)



Employee Engagement

Employees also have the right to file grievances arising from their employment with the company. The 'Employee Grievance Process' is shared with all employees at GDI in a flowchart format and is also available for them in the Human Resources Manual. In order to handle employee related grievances and welfare, GDI has a dedicated 'Employee Relations Specialist'.

Training and Development

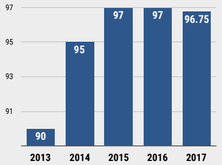
We invest in training to ensure that our employees are equipped with the skills and competencies to safely and effectively perform their jobs and to enhance the quality of process delivery in all areas of our operations.

Training needs are identified through annual performance appraisals and by departmental needs assessments. GDI then monitors and maintains compliance of all crew with the requirements identified via a training compliance tracking system. We achieved 96.75% compliance with the crew training matrix developed for 2017.

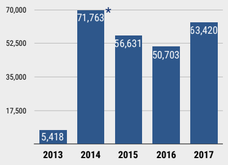
GDI also provides progressive non-mandatory training opportunities that increase personal and professional skills.

GDI Conducted a successful "Internal Auditor Course" based on ISO 9001:2015 & ISO 14001:2015 at GDI head office. Employees from various functional areas attended the course and gained auditing skills and knowledge through classroom training, practical role-playing, group workshops, case studies and open forum discussions.

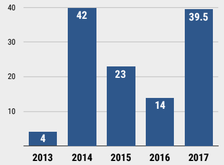
Compliance with crew training matrix (%)



Total hours of training provided to employees



Average hours of training per employee



* Induction and in-house trainings have been included into this years record; 2013 represents external training only and hence the lesser number.

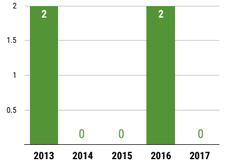
Health & Wellbeing

Health and Wellness Monitoring is an ongoing practice in all locations of GDI. Procedures related to health were revisited and reviewed as well as the guidelines pertaining to Heat Stress Illness Prevention and Portable Water Management. Rig medical personnel were given the opportunity to enhance their clinical skills by providing them training and exposures to conferences and seminars related to their medical fields of expertise.

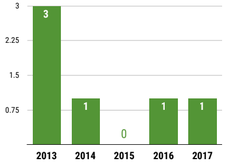
Reviewing 2047 cases, GDI had 1 heat stress related illness (FAC) in September 2017. GDI hope to achieve zero cases in 2018 with combined efforts from our team and the untiring contributions and support from our clients and contractors as well. There were no other occupational injuries or illnesses were recorded in 2017.

First aid awareness amongst the crew especially the emergency response team was initiated throughout the fleet. Specific first aid awareness trainings for the management of common illnesses or injuries were initiated.

Employee occupational illness incidents



Heat stress incidents



Diversity & Equal Opportunity

GDI has developed and implemented policies and procedures that protect human rights and provide fair treatment to all employees. These guidelines are documented in the 'Human Resources Manual' which is made accessible to all staff via the company's intranet. We are an equal opportunity employer and do not discriminate on the basis of race, gender, national origin or religion; no incidents involving alleged discrimination based on race, gender, religion or nationality were reported in 2017. Currently, there are 56 nationalities comprising our workforce.

Female employment remains an ongoing challenge especially given the nature of our business. At present, 1.68% of the workforce are women; however the percentage of females among our office-based employees in 2017 reached 19.01%, compared to 18.7% in 2016.

Competency Management Project

GDI is committed to delivering the highest level of service quality and operational excellence in a safe and efficient manner. In order to support our mission and commitment, GDI seek to develop and improve existing Human Resources Management System through the adoption of a competency based approach to manage our job functions. GDI engaged the consultancy assistance of a company (Safety 24/7) who is specialized in Functional and Behavioral based competency consulting services, to partner GDI in this endeavor.

The objective of the engagement is to assist GDI in adopting a competency based approach to HR management which will help GDI take a holistic approach to addressing all its recruitment, development, retention, performance management and career planning under a common framework derived from and linked to organizational strategy.

08 Environment Management

Environment Management

M7 M12 M13 M17 M21

GDI recognizes that environmental management is a key priority for the long-term preservation of our natural world. We also see key opportunities to optimize costs, improve process efficiencies, and differentiate our business through management of our environmental impact, particularly as work as a drilling services provider poses significant changes in its dependence on large quantities of water and energy and accompanying emissions and waste streams. Thus, we are dedicated to continuing to implement best practices to reduce the risks inherent in our operations.

Environmental Management

Our ISO-certified Environmental Management System (EMS), part of the company's overall IMS, includes various environmental procedures and programs to ensure the appropriate levels of controls are executed in line with the key environmental priorities of GDI. The main sections within the EMS cover:

- Waste Management,
- Chemical Management,
- Environmental Monitoring,
- Noise Management,
- Oil Spill Prevention Planning.

Listed environmental procedures are revised in 2017 incorporating new requirements, capture latest updates and make them more easily understandable for rig workers. Continuous improvement is core of management system functioning. PLAN-DO-CHECK-ACT model used in EMS assures effectiveness of the system.

Set plan to increase environmental awareness in company covering all departments of GDI was implemented in year 2017 and will continue in 2018. This will help to spread awareness in the company about understanding of environmental responsibilities of their respective departments and support GDI operations more professionally. Environmental trainings for rig workers are improved and will include latest updates of International environmental standard ISO14001:2015

GDI conducts regular environmental inspections and audits on GDI assets to ensure compliance with its International environmental management standard ISO14001; In year 2017 total 17 environmental inspections and audits had been conducted covering all GDI locations. 118 environmental recommendations had been raised and addressed to audited assets.

GDI is developing further its offshore legal environmental documents. Legal register of garbage management plan had been created. The register will be developed capturing the legal requirements of entire MARPOL.

In year 2018 to improve company environmental section performance we shall continue focus on better coordination with other departments of the company.

Our Environmental Aspects and Impacts Register had been modified adopting new risk based approach. It lists all of company environmental aspects according to activities related to type of operations, and uses risk-based analysis to determine the level of impact these aspects have on the environment. This register is complemented by the HSE-Legal Compliance Register, continually reviewed and updated to capture any changes to relevant local, national and international legislation and regulations.

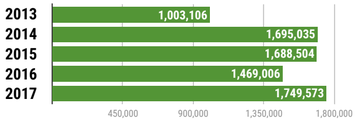
Finally, our purchasing system applies a risk-based approach which recognizes environmental protection as a significant consideration. In particular, supplies are sourced with a view to limiting the import of dangerous goods or hazardous material products from overseas.

Energy efficiency, Energy Management, and GHG Emissions

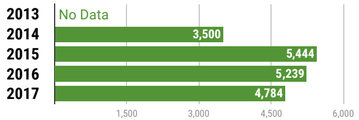
GDI assets management system is main tool serving as energy efficiency and management measure in GDI. Equipment maintenance technics, maintenance management processes and procedures save time and energy of GDI operations, reduce fuel consumption and pollutant emissions.

We continue to seek ways to lower our emissions and energy consumption in order to minimize adverse impact on the environment, reduces costs, and improve process efficiencies. This is an important element of our competitive advantage. The activity with the most significant impact on direct energy usage within GDI is the consumption of diesel for the operation of our power generators on our operational rigs. Indirect energy usage is a product of our electricity consumption within our offices. Flaring operations do not come under the scope of GDI's operations as these are controlled and managed by our clients.

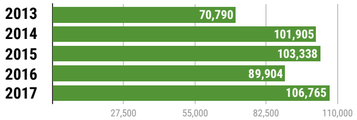
Direct energy consumption (GJ) *



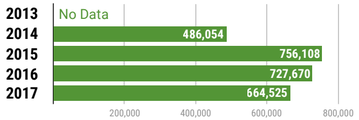
Indirect energy consumption (GJ) *



Direct GHG emissions (tonnes CO2e) *



Indirect GHG emissions (tonnes CO2e) *



It must be noted that all of our new build jack-up rigs have been designed to be more energy efficient; resulting in monthly average energy consumption and C02 emissions being reduced by 27% and 28.4% respectively. This also amounts to proportional fuel cost savings.

* Corrected based on revised measures and calculations.

Water Management

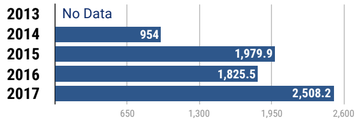
GDI offshore vessels generate potable water using 'water makers' onboard the rigs. Qatar Petroleum supplies potable water to our onshore facilities. Fresh drinking water is supplied to all GDI rigs, DSSA and office in the form of bottled water. Consumption of water by rigs is reported to QHSE department monthly basis.

All GDI offshore rigs are also equipped with sanitary sewage treatment units in order to minimize harmful discharges to the environment. These units are regularly maintained via the GDI automated preventive maintenance system.

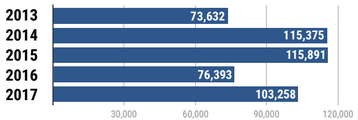
Detailed analysis is undertaken for potable water considering GDI and to client requirement. To comply with Qatari and international regulations Deck and Machinery space drain effluent water treated in oily-water separators are tested for quality prior to discharge into open sea. The reports are then reviewed by an Environmental Engineer and recorded in the EMS for monitoring purposes.

Due to increases in the number of assets in operation, water consumption has continued to rise. However, due to water efficiency measures and the purchasing of state of the art assets, water intensity has reduced.

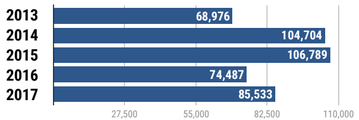
Fresh water purchased (m3) *



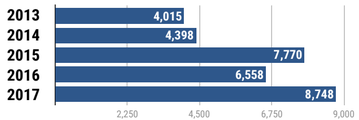
Fresh water generated (m3) *



Treated waste water discharged to sea (m3) *



Waste water discharged other than sea (m3) *



Waste Management

GDI's Waste Management Procedure contains all necessary guidance to manage the waste generated by GDI's operations and its facilities, in line with the requirements put forward by the Ministry of Energy and Industry in Qatar. The procedure classifies waste as non-hazardous and hazardous waste, includes examples of the waste streams generated in the company, and offers a clear explanation of correct waste segregation and disposal.

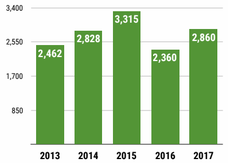
Waste Management Procedure had been revised in 2017 emphasizing GDI commitment to waste minimization, reuse and recycling.

Asset Specific waste management had been developed for each asset defining responsibilities for waste management and giving necessary guidance for each asset to label, segregate and store waste.

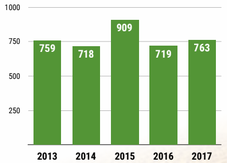
Biohazard waste management is carefully monitored in GDI. Rig clinics are checked monthly. Collected clinical waste is incarnated in plant. In 2017, GDI outlined a plan to achieve 100% recycling of metal and 80% recycling of office waste (paper) by 2020.

Our generated waste decreased in 2017.

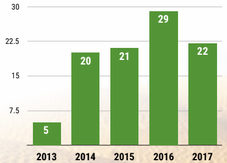
Non-hazardous waste generated (tonnes) **



Hazardous waste generated (tonnes) **



Waste recycled (%)



* Corrected based on revised measures and calculations.

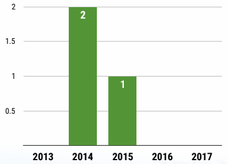
** The Hazardous waste and Non-hazardous waste data have been recalculated based on the latest classification methodology adopted.

Spill Prevention

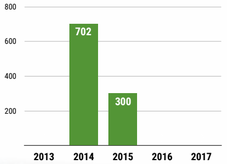
Spill Prevention Procedures have been developed and implemented for all GDI operations, and each facility and rig has a specific spill contingency plan, which includes spill prevention measures, mitigations and emergency planning. Biannual environmental spill drills are executed along with spill prevention awareness and education sessions.

All offshore GDI assets are equipped with Shipboard Oil Pollution Emergency Plans.

Oil spills (greater than one barrel)



Volume of spills (litres)

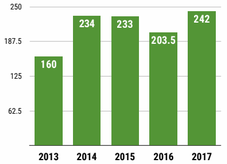


Other Air Emissions

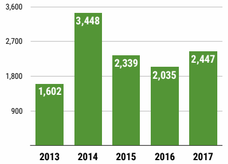
GDI closely monitors its emissions of NOx and SOx and regularly reports in annual report. Use of new rig models allow GDI to produce less emissions, as compared to old rig models. Nevertheless, total emissions slightly decreased in 2017.

As a part of government permit requirement Air quality test had been conducted in GDI workshop to check the contraction of pollutants in air. GDI also carefully manages its noise pollution.

SOx (tonnes) *



NOx (tonnes) *



* Data have been re-calculated based on the latest classification methodology adopted.

09

Supporting Qatar

Supporting Qatar

M19 M22 M25

GDI creates significant value for Qatar's economy through its provision of safe and efficient drilling services to support the country's oil and gas sector. In addition, value is generated by building the country's human capital through our Qatarization efforts, supporting local companies through our procurement decisions, and investing directly in community development projects.

Qatarization

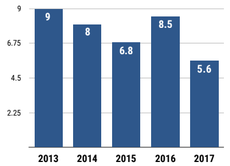
GDI seeks to attract hard-working and ambitious Qatari nationals of varying educational levels, backgrounds and experience. We aim to provide them with a nurturing and supportive learning environment and a promising career path. An internal 'Qatarization Committee' oversees the development of Qatari nationals and issues surrounding Qatarization in the company. However, all departments share responsibility for achieving set targets.

In its effort to recruit Qatari nationals we participate in many career fairs at local colleges and universities. We give preference to Qatari nationals in hiring for all vacant positions and promotions, and a number of positions have been reserved for Qatari nationals only.

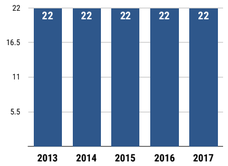
To support the development of Qatari employees, GDI has implemented a specific and extensive training program, the Career Development Program (CDP), to ensure that Qataris are able to perform their specific job tasks confidently and safely and to develop their professional skills. GDI also offers a summer internship program tailored to Qatari university students.

Finally, GDI is a part of the Strategic Qatarization Plan Steering Committee for the Energy and Industry Sector, which consists of representatives from over 40 companies. This committee meets to discuss and share matters of immediate importance to the ongoing progress of Qatarization in the sector.

Qatarization (%) *



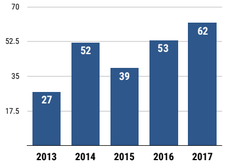
Qatarization of Senior Management (%) **



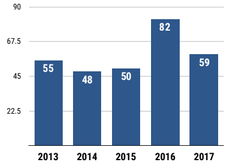
Local Procurement & Contracts

GDI seeks to promote local suppliers in order to generate greater value creation in the local economy. Despite facing challenges and restrictions in sourcing some of our major assets locally.

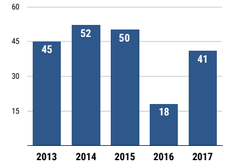
Total procurement and contract value for local vendors (%) ***



Total Local vendors (%)



Total Foreign vendors (%)



Continuity of Business Operation

Due to current geopolitical situation, GDI Management initiated a contingency plan managed by a Committee from all concerned departments. The team had the mandate to meet on a regular basis to discuss the impact on business due to change in situation and to devise proactive measures ensuring seamless continuity of business operations. The Committee worked well under the guidance of GDI's CEO & MD and all necessary measures were taken to continue business as usual. Also contracts from blockade countries were assigned to new entities in other countries. HR department has also taken actions about flights re-routing for staff, as needed. GDI continues to run its business uninterruptedly and in a more efficient & cost-effective manner.

Supporting Emir of Qatar

GDI's CEO & MD, management team and employees extended their support to H. H. Sh. Tamim Bin Hamad Al-Thani through various activities. Signatures and statements in support of Qatar on Emir's portrait board was one of those activity. All staff members expressed their emotions in support and loyalty for Qatar.

Developing National Talent

GDI has further explored the area of talent development through in-house training program. Initiative was taken in order to provide the necessary English communication and writing skills to Qatari nationals to meet the company's present and future business needs.

* Based on approved positions for the year.

** As of December 31, 2017.

*** This indicator includes the local vendors' proportion of the total of procurements made to vendors and the total of contracts entered into with all contractors.

Offshore Jack-up Fleet

Sr. №	Rig Name	Year in Service	Rig Design	POB	Water Depth (ft)	Drilling Depth (ft)	Client	Status	Contract Duration (years)	Contract End
1	Al Doha	1981	Mitsubishi MD T76J- VIII	99	250	20,000	QP	Contracted	5	18-Jan-18
2	Al Wajba	1977	Marathon LeTorneau 82-C	99	270	20,000	Oxy	Contracted	5	31-Dec-19
3	Al Khor	2007	Keppel Fels Mod VB	110	300	30,000	Shell–JX Nippon	Contracted	4	31-Oct-18
4	Al Zubarah	2008	Keppel Fels Mod VB	110	300	30,000	QP	Contracted	5	21-Jun-18
5	Al Jassra	2013	PPL Pacific class BMC400	150	375	30,000	QATARGAS	Contracted	1	22-Jul-18
6	Les-hat	2013	Keppel Fels MOD VB Bigfoot	150	300	30,000	QATARGAS	Contracted	1	23-Apr-18
7	Msheireb	1976	LeTourneau 116-C	116	300	25,000	Oxy	Contracted	1	15-Feb-19
8	Dukhan	2014	Keppel Fels MOD VB Bigfoot	150	300	30,000	QP	Contracted	5	31-Dec-19
9	Halul	2016	Keppel Fels MOD VB Bigfoot	150	300	30,000	QP	Contracted	5	30-Apr-21

Onshore Fleet

Sr. №	Rig Namr	Year in Service	Rig Design	Rig Size	Client	Status	Contract Duration (years)	Contract End
1	GDI-1	2004	Lanzhou	1500 HP	QP	Contracted	5	31-Jan-19
2	GDI-2	2005	Lanzhou	1500 HP	QP	Contracted	5	31-Jan-19
3	GDI- 3	2008	LANCO	750 HP	QP	Contracted	5	28-Feb-19
4	GDI-4	2007	BOMCO	1500 HP	QP	Contracted	5	11-Apr-19
5	GDI-5	2012	LANCO	1000 HP	QP	Contracted	3	7-Dec-18
6	GDI-6	2012	LANCO	1000 HP	QP	Contracted	3	7-Dec-18
7	GDI-7	2015	SUPERIOR DERRICK SERVICES	1500 HP	QP	Contracted	5	28-Aug-21
8	GDI-8	2016	SUPERIOR DERRICK SERVICES	3000 HP	Shell	Contracted	2	20-Oct-19

Lifeboat & Accomodation Jack-up

Sr. №	Rig Name	Year in Service	Vessel Type & Design	POB	Client	Status	Contract Duration (years)	Contract End
1	Zikreet	1982	Accommodation Jack-up Hitachi-250 C	116	QP	Contracted	3	24-Dec-20
2	Rumailah	2014	GLND 410 Class Liftboat (3 x Truss Legs)	154		Shipyard		
3	Al Safliya	2016	Bennet 310 Class Liftboat (4 x tube Legs)	132	QDP	Contracted		10-Jan-18

10 Financial Statements

Independent Auditor's Report

Deloitte.

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P.O. Box: 431, Doha - Qatar

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QR. 82540
RN: 000275/BH/2017

To the Shareholder
Gulf Drilling International Limited Q.S.C.

Opinion

We have audited the accompanying financial statements of Gulf Drilling International Limited Q.S.C. (the "Company"), which comprise the statement of financial position as at December 31, 2017, and the statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Company's financial statements in Qatar, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and applicable provisions of Qatar Commercial Companies Law, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Independent Auditor's Report
(continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

As part of an audit in accordance with ISA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, 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 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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

Further, as required by the Qatar Commercial Companies' Law, we report the following:

- We are also in the opinion that proper books of account were maintained by the Company, physical inventory verification has been duly carried out.
- We obtained all the information and explanations which we considered necessary for our audit.
- To the best of our knowledge and belief and according to the information given to us, no contraventions of the applicable provisions of Qatar Commercial Companies' Law and the Company's Articles of Associations were committed during the year which would materially affect the Company's financial position or performance.

Doha – Qatar
05 February 2018

For Deloitte & Touche
Qatar Branch

Midhat Salha
Partner
License No. 257

Statement on Financial Position as at December 31, 2017

	Notes	2017 (USD)	2016 (USD)
Assets			
Non-current assets			
Property and equipment	5	1,587,590,319	1,629,906,359
Current assets			
Inventories	6	33,791,066	33,690,987
Amounts due from related party	7 (i)	81,458,282	40,956,335
Accounts receivables and other debit balances	8	22,020,727	32,173,530
Cash and cash equivalents	9	40,375,709	112,786,009
Total current assets		177,645,784	219,606,861
Total assets		1,765,236,103	1,849,513,220
Equity and liabilities			
Equity			
Share capital	10	203,200,000	203,200,000
Legal reserve	11	87,706,747	87,706,747
Retained earnings		186,025,135	233,753,896
Total equity		476,931,882	524,660,643
Non-current liabilities			
Loans and borrowings	12	1,038,170,529	1,081,515,805
Employees' end of service benefits	13	3,092,102	2,966,532
Total non-current liabilities		1,041,262,631	1,084,482,337
Current liabilities			
Amounts due to related parties	7 (ii)	3,820,177	3,391,203
Accounts payables and accruals	14	58,581,127	43,441,335
Loans and borrowings	12	184,640,286	193,537,702
Total current liabilities		247,041,590	240,370,240
Total liabilities		1,288,304,221	1,324,852,577
Total equity and liabilities		1,765,236,103	1,849,513,220

Ibrahim J. Al-Othman
Chairman of the Board

Mubarak Awaida M. A. Al-Hajri
Chief Executive Officer &
Managing Director

Statement of Profit or Loss & Other Comprehensive Income

	Notes	2017 (USD)	2016 (USD)
Revenue		322,934,826	323,728,858
Direct costs	15	(286,547,670)	(295,246,257)
Gross profit		36,387,156	28,482,601
General and administrative expenses	16	(25,324,805)	(31,690,197)
Other income net / (expenses)	17	1,227,767	(27,582,708)
Interest income		513,909	581,182
Finance costs		(40,744,414)	(27,892,857)
Profit for the year		(27,940,387)	(58,101,979)
Other comprehensive income		–	–
Total comprehensive income for the year		(27,940,387)	(58,101,979)

Statement of Changes in Equity

	Share capital (USD)	Legal reserve (USD)	Retained earnings (USD)	Total (USD)
Balance at January 1, 2016	203,200,000	87,706,747	311,644,249	602,550,996
Total comprehensive income for the year	–	–	(58,101,979)	(58,101,979)
Dividends paid (i)	–	–	(19,788,374)	(19,788,374)
Balance at December 31, 2016	203,200,000	87,706,747	233,753,896	524,660,643
Total comprehensive income for the year	–	–	(27,940,387)	(27,940,387)
Dividends paid (i)	–	–	(19,788,374)	(19,788,374)
Balance at December 31, 2017	203,200,000	87,706,747	186,025,135	476,931,882

(i) During the year, the Company paid dividends amounting to US$ 19,788,374 (2016: US$ 19,788,374), equivalent to US$ 0.2675 per share (2016: US$ 0.2675 per share).

Statement of Cash Flows

	Note	2017 (USD)	2016 (USD)
Operating Activities			
Loss before tax		(27,940,387)	(58,101,979)
Adjustments for:			
Depreciation of property and equipment	5	101,113,332	121,085,070
Finance costs		40,744,414	27,892,857
Impairment loss on property and equipment		3,000,000	--
Provision for employees' end of service benefits	13	742,953	1,127,499
Write-off of property and equipment	5	--	27,280,068
(Reversal) / provision for slow moving damaged inventories	6	(1,477,362)	2,366,493
Write-off of inventories	6	--	234,847
(Gain) / loss on disposal of property and equipment		(705,312)	213,391
Interest income		(513,909)	(581,182)
		114,963,729	121,517,064
Movements in working capital			
Inventories		1,377,283	(1,965,590)
Amounts due from related party		(40,501,947)	22,560,176
Accounts receivable and other debit balances		9,897,689	36,017,882
Amounts due to related parties		428,974	(335,298)
Accounts payables and accruals		14,510,906	(33,457,456)
Cash flows generated by operations		100,676,634	144,336,778
Payment for employees' end of service benefits	13	(617,383)	(1,656,377)
Finance cost paid		(40,115,528)	(27,381,606)
Net cash flows generated by operating activities		59,943,723	115,298,795
Investing Activities			
Movement in restricted cash	9	--	5,827,355
Purchases of property and equipment	5	(62,230,259)	(175,228,748)
Proceeds from sales of property and equipment		1,138,279	159,274
Interest income received		769,023	326,068
Net cash flows used in investing activities		(60,322,957)	(168,916,051)
Financing Activities			
Proceeds from loan availments	12	151,000,000	505,000,000
Payments of loans and borrowings		(203,242,692)	(326,418,808)
Dividends paid		(19,788,374)	(19,788,374)
Net cash flows (used in) / generated by financing activities		(72,031,066)	158,792,818
Net (decrease) / increase in cash and cash equivalents		(72,410,300)	105,175,562
Cash and cash equivalents at the beginning of the year		112,786,009	7,610,447
Cash and cash equivalents at the end of the year	9	40,375,709	112,786,009

Notes to The Financial Statements

For the year ended December 31, 2017

1. Incorporation & Activities

Gulf Drilling International Limited Q.S.C. ("the Company") is registered and incorporated in the State of Qatar under commercial registration number 27968 as a Qatar Shareholding Company in accordance with the resolution of the Minister of Economy and Commerce pursuant to the Qatar Commercial Companies. The Company commenced operations on May 18, 2004. The objectives of the Company are to own or charter offshore jack up drilling rigs, land rigs, work over rigs, lift boats and accommodation barges and to provide drilling related services to oil and gas companies in Qatar and other countries in the region.

During the year ended December 31, 2014, until its termination on April 30, 2014, the activities of the Company were governed by a Joint Venture Agreement (JVA) dated March 22, 2004 between Qatar Petroleum (QP) and Japan Drilling Co. Ltd. (JDC) and the Company's Memorandum and Articles of Association. As per the JVA, the term of the Joint Venture was set for 25 years unless extended or terminated in accordance with the JVA. QP, which owned 70% of the shares in the Company, transferred its ownership of these shares to Gulf International Services Q.S.C. (GIS) on February 12, 2008. GIS is a listed public shareholding company owned by individual investors and selected institutions.

Effective April 30, 2014, GIS exercised its right under the JVA to acquire the 30% shareholding that was held by JDC at net book value, making the Company a wholly owned subsidiary of GIS. The change in the ownership has been reflected in the Company's commercial registration number 27968.

The financial statements were approved by the Board of Directors and authorised for issue on the 5th of February 2018.

2. Application of New & Revised International Financial Reporting Standards (IFRSs)

2.1 New and revised IFRSs applied with no material effect on the financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2017, have been adopted in these financial statements

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

The Company has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference.

The application of these amendments has had no impact on the Company's financial statements.

Amendments to IAS 7 Disclosure Initiative

The Company has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The Company's liabilities arising from financing activities consist of borrowings (note 12). A reconciliation between the opening and closing balances of these items is provided in note 12. Consistent with the transition provisions of the amendments, the Company has not disclosed comparative information for the prior period. Apart from the additional disclosure in note 12, the application of these amendments has had no impact on the Company's financial statements.

2.2 New and revised IFRS in issue but not yet effective

The Company has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs	Effective for Annual periods beginning on or after
Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1, IFRS 12 and IAS 28	1-Jan-18
Annual Improvements to IFRS Standards 2015–2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23.	1-Jan-19
IFRIC 22 Foreign Currency Transactions and Advance Consideration The interpretation addresses foreign currency transactions or parts of transactions where: • there is consideration that is denominated or priced in a foreign currency; • the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and • the prepayment asset or deferred income liability is non-monetary.	1-Jan-18
Amendments to IFRS 2 Share Based Payment regarding classification and measurement of share based payment transactions.	1-Jan-18
Amendments to IFRS 4 Insurance Contracts: Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.	1-Jan-18
Amendments to IAS 40 Investment Property: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.	1-Jan-18
IFRS 9 Financial Instruments (revised versions in 2009, 2010, 2013 and 2014) IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments. A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. ***The standard contains requirements in the following areas:*** • Classification and measurement: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. • Impairment: The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.	1-Jan-18

New and revised IFRSs	Effective for Annual periods beginning on or after
• Hedge accounting: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. • Derecognition: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.	
Amendments to IFRS 9 ***Financial Instruments***: Relating to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.	1-Jan-19

Impact assessment of IFRS 9 Financial Instruments

Based on an analysis of the Company's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the directors of the Group have assessed the impact of IFRS 9 to the Group's financial statements as follows:

Classification and measurement:

· All other financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under IAS 39.

Financial assets:

The Company does not have any hedged relationships with any party as at December 31, 2017. Accordingly, will not have any impact on the financial position and/or financial performance of the Company.

Financial liabilities:

The Company did not have any financial liabilities classified as "FVTPL" and did not assess to classify any liability as FVTPL on DIA of IFRS 9. Hence there is no indication of any impact on Financial liabilities at January 1, 2018.

IFRS 15 Revenue from Contracts with Customers In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition: Step 1: Identify the contract(s) with a customer. Step 2: Identify the performance obligations in the contract. Step 3: Determine the transaction price. Step 4: Allocate the transaction price to the performance obligations in the contract. Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation. Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.	1-Jan-18

New and revised IFRSs	Effective for Annual periods beginning on or after

Impairment:

Financial assets measured at amortised cost, will be subject to the impairment provisions of IFRS 9.

The Company expects to apply the simplified approach to recognise lifetime expected credit losses for its trade receivables, as required or permitted by IFRS 9.

In general, the directors anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for the respective items and will increase the amount of loss allowance recognised for these items.

Impact assessment of IFRS 15 Revenue from Contracts with Customers

The application of IFRS 15 from the annual period beginning January 1, 2018 will have an impact on the Company's financial statements in respect of revenue from contracts with customers. Based on analysis of the Company's revenues from contracts with customers as at December 31, management of the Company has assessed the impact of IFRS 15 to the Company's financial statements as follows:

Management has preliminarily assessed that revenue from rendering of drilling services and supply of related ancillary services represents multiple performance obligations and accordingly, revenue will be recognised for each of these performance obligations when control over the corresponding services is transferred to the customer, either at a point in time or over a period of time. The transaction price will be allocated to these different performance obligations based on the relative stand-alone selling price of the services as agreed with the customer in accordance with the terms of the contract. Revenue from mobilization and drilling services is recognized as a single performance obligation due to significant integration of each individual service. Mobilization service is relevant input as its facilitates the performance of the drilling services promised to the customer. Revenue from mobilization and drilling services is recognized over time.

Management intend to use the modified transition approach of transition to IFRS 15.

Management anticipates that the application of IFRS 15 will have an impact on the financial position and financial performance of the Company related to the accounting of revenue from mobilization services. Mobilization services revenue is currently recognized upfront upon acceptance by the customer. With the application of IFRS 15, management assessed that mobilization service only facilitates the performance of the obligation (i.e. drilling services) and does not provide a distinct service to the customer on its own and revenue should be recognized over the term of the contract.

The cost incurred related to the mobilization qualifies to be recognized as an asset in accordance with IFRS 15 requirement. The asset recognized shall be amortized on a systematic basis that is consistent with the transfer of the services to the customer (i.e. over the term of contract).

Amendments to IFRS 15 Revenue from Contracts with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.	1-Jan-18
IFRS 16 Leases IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The management have not yet performed a detailed analysis of the impact of the application of this Standard and hence have not yet quantified the extent of the impact.	1-Jan-19

New and revised IFRSs	Effective for Annual periods beginning on or after
Amendments to IAS 28 Investment in Associates and Joint Ventures: Relating to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	1-Jan-19
Amendments to IFRS 7 Financial Instruments: Disclosures relating to disclosures about the initial application of IFRS 9.	When IFRS 9 is first applied
IFRS 7 Financial Instruments: Disclosures relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.	When IFRS 9 is first applied

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, IFRS 15 and IFRS 16, may have no material impact on the financial statements of the Company in the period of initial application.

Management anticipates that IFRS 15 and IFRS 9 will be adopted in the Company's financial statements for the annual period beginning January 1, 2018 and that IFRS 16 will be adopted in the Company's financial statements for the annual period beginning January 1, 2019. The application of IFRS 15, as highlighted in previous paragraphs, and IFRS 9 may have significant impact on amounts reported and disclosures made in the Company's financial statements in respect of revenue from contracts with customers and the Company's financial assets and financial liabilities and the application of IFRS 16 may have significant impact on amounts reported and disclosures made in the Company's financial statements in respect of its leases.

3. Significant Accountant Policies

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and applicable provisions of Qatar Commercial Companies Law.

Basis of preparation

The financial statements of the Company have been prepared on a historical cost basis.

These financial statements are presented in United States Dollars (US$), which is the Company's functional and presentation currency. The principal accounting policies are set out below.

Property and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.

Depreciation is calculated based on the estimated useful lives of the applicable assets on a straight-line basis commencing when the assets are ready for their intended use. The estimated useful lives, residual values and depreciation methods are reviewed at each statement of financial position date, with the effect of any changes in estimate accounted for on a prospective basis.

The following rates apply to those assets being depreciated using the straight-line method:

Aspects of High Materiality	Useful life (years)	Residual value (%)
Rigs	15–30	10%
Machinery	6–7	0%
Building	20	0%
Furniture and fixtures	6–7	0%
Computers and other equipment	3–7	0%
Vehicles	5	0%

The Company reviews the estimated useful lives of its fixed assets on a periodic basis to be in line with the expected use of the asset. This review indicated that the revised expected actual use of rigs was longer than the previously estimated useful lives used for depreciation purposes in the Company's financial statements. As a result, effective January 1, 2017, the Company changed its estimates of the useful lives to better reflect the estimated periods during which these assets will remain in service. The estimated useful lives of the rigs that previously from 10 to 25 years were increased to 15 to 30 years.

The effect of this change in estimate will reduce 2017 depreciation expense by US$ 13,263,752, and increase net income in 2017 by the same value.

Properties under construction are not depreciated.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognised in the statement of profit or loss.

Capital work in progress

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

Impairment of property, plant and equipment

At each statement of financial position date, the Company reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Significant Accountant Policies (continued)

The recoverable amount is the higher of fair value less costs of disposal and value in use. 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.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (CGU) is increased to the revised estimate of its recoverable amount, provided the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (CGU) in prior years. A reversal of an impairment loss is recognised immediately in the statement of profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value after taking an allowance for any slow moving or obsolete items. Cost comprises the purchase price, import duties, transportation handling and other direct costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with an original maturity of three months or less, net of bank overdrafts, if any.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. After initial measurement, loans and receivables (including trade and other receivables, bank balances and cash and others) are subsequently measured at amortised cost using the effective interest rate (EIR) method, less any impairment.

Interest income is recognised by applying the EIR, except for short-term receivables when the effect of discounting is immaterial.

Trade receivables are carried at original invoiced amount less provision for non-collectability of these receivables. A provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

Impairment of financial assets

Financial assets, other than those at Fair Value through profit or loss (FVTPL), are assessed for indicators of impairment at each statement of financial position date. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For other financial assets, objective evidence of impairment could include:

(i) significant financial difficulty of the issuer or counterparty; or

(ii) default or delinquency in interest or principal payments; or

(iii) it is becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

(iv) the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the statement of profit or loss.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in statement of profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities (including loans and borrowings and accounts payable and accruals) 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 EIR is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the EIR, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Accounts payable and accruals

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

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the sum of the consideration paid and payable is recognised in profit or loss.

Taxation

As the Company is exempt from income tax, no provision for current or deferred income taxes has been provided for in these financial statements.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Significant Accountant Policies (continued)

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Employees' end of service benefits

The Company provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period, calculated under the provisions of the Qatar Labour Law and is payable upon resignation or termination of the employee. The expected costs of these benefits are accrued over the period of employment.

With respect to its Qatari employees, the Company makes contributions to Government Pension Fund calculated as a percentage of the employees' salaries in accordance with the requirements of Qatar Commercial Companies Law pertaining to Retirement and Pensions. The Company's obligations are limited to these contributions, which are expensed when due.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. The other borrowing costs are recognised in the statement of profit or loss in the period in which they are incurred.

Foreign currencies

The financial statements are presented in US$, which is the Company's functional and presentation currency. The official currency of the State of Qatar, the Company's country of domicile, is the Qatari Riyal (QR). Certain domestic transactions are conducted in QR, which is pegged to the US$. The Company maintains its financial records and prepares its financial statements in US$. All major sales and purchase agreements entered into by the Company are denominated in US$.

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except as otherwise stated in the Standards.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's Board of Directors.

Revenue recognition

Revenue represents rig rental and supply of related ancillary services income earned and invoiced during the year, in accordance with the terms of the contracts entered into with customers. Rig mobilisation fees received to mobilise a drilling unit at the commencement of a contract are recognised as income in the period it is received and associated costs are expensed as incurred. Costs incurred to relocate drilling units for which a contract has not been secured are expensed as incurred.

Interest revenue is recognised as the interest accrues using the effective interest 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.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Company as lessee

Assets held under finance leases are initially recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

4. Critical Judgments & Key Sources of Estimation Uncertainty

In the application of the Company's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

Revenue recognition

In making its judgment, management considered the detailed criteria for the recognition of revenue rig rental and supply of related ancillary services, as set out in IAS 18, Revenue. Management has judged that during the year, revenue has only been recognized when the outcome of transactions involving the rendering of services can be estimated reliably. In making this judgment, management has ensured that the following conditions have been satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity;
- The stage of completion of the transaction at the reporting date can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Retirement of rig

The Company's management determines retirement of rigs based on the internal assessment of the rigs. This assessment considers other factors such capability, sustainability and marketability, current stacked position and significant capital expenditures required to upgrade the rig to some reasonable conditions.

Operating lease commitments - the Company as lessee

The Company has entered into contract of lease for some of the office space it occupies. The Company has determined that all significant risks and benefits of ownership on these properties will be retained by the lessor. In determining significant risks and benefits of ownership, the Company considered, among others, the significance of the lease term as compared with the EUL of the related asset. The Company accordingly accounted for these as operating leases.

Operating lease commitments - the Company as lessor

The Company has entered into commercial contract on its rigs for drilling services. The Company has determined that it retains all significant risks and rewards

Critical Judgments And Key Sources of Estimation Uncertainty (continued)

of ownership of these rigs as the Company considered among others the length of the lease term as compared with the EUL of the assets.

Going concern

The Company's management has made an assessment of the its ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt on its ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Useful lives of property and equipment

The Company's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset, physical wear and tear, technical or commercial obsolescence.

Residual values of property and equipment

The Company's management determines the estimated residual values of its property and equipment for calculating depreciation. This estimate is determined after considering the expected value which the entity will receive at the end of the asset's useful lives.

Impairment of property and equipment

The Company's management tests annually whether property and equipment have suffered impairment in accordance with accounting policies stated in Note 3. The recoverable amount of an asset is determined based on value-in-use (VIU) method. This method uses estimated cash flow projections over the estimated useful life of the asset discounted using market rates.

During the year, as indications of impairment exist, the Company carried out an impairment assessment on the recoverable amount of its property and equipment. An impairment loss of US$ 3,000,000 for the property and equipment was recognised. The VIU calculations are done based on the discount rate of 8% and budgets approved by the Board.

Impairment of accounts receivables

An estimate of the collectible amount of trade and other receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

At the reporting date, gross amounts due from related parties and accounts receivable were US$ 103,479,009 (2016: US$ 73,129,865) (Notes 7 and 8). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of profit or loss and other comprehensive income.

The Company recorded no provision for doubtful debts in 2017 and 2016.

Impairment of inventories

Inventories are held at the lower of cost or net realizable value. When inventories become old or obsolete, an estimate is made of their net realizable value. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence.

At the reporting date, the gross value of inventories was US$ 36,089,111 (2016: US$ 37,466,394), with allowance for slow moving and damaged inventories of US$ 2,298,045 (2016: US$ 3,775,407) (Note 6). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the statement of profit or loss and other comprehensive income.

5. Property & Equipment

	Rigs	Machinery	Furniture and fixtures	Computers and other equipment	Vehicles	Capital work-in-progress	Total
Cost (USD)							
At January 1, 2016	1,538,925,522	156,896,235	24,498,393	93,600,141	350,308	305,079,533	2,119,350,132
Additions	16,220,921	5,550,017	6,250,407	1,101,360	--	146,106,043	175,228,748
Transfers	372,312,761	21,302,527	2,549,621	18,419,881	350,308	(414,935,098)	--
Write-off	(88,938,539)	(4,782,906)	--	(4,016,260)	--	(5,373,695)	(103,111,400)
Disposals	--	--	(1,222,125)	(587,908)	--	--	(1,810,033)
At December 31, 2016	1,838,520,665	178,965,873	32,076,296	108,517,214	700,616	30,876,783	2,189,657,447
Additions	15,304,942	4,664,217	262,285	1,114,103	--	40,884,712	62,230,259
Transfers	17,801,989	809,172	--	--	--	(18,611,161)	--
Disposals	(382,856)	(3,504,621)	(3,341)	(204,705)	--	--	(4,095,523)
At December 31, 2017	1,871,244,740	180,934,641	32,335,240	109,426,612	700,616	53,150,334	2,247,792,183
Accumulated depreciation							
At January 1, 2016	376,456,647	78,613,001	9,262,899	51,415,019	187,152	--	515,934,718
Charge for the year	82,250,049	20,259,465	2,511,456	15,940,484	123,616	--	121,085,070
Write-off	(67,628,577)	(4,138,920)	--	(4,063,835)	--	--	(75,831,332)
Relating to disposals	--	--	(1,075,538)	(361,830)	--	--	(1,437,368)
At December 31, 2016	391,078,119	94,733,546	10,698,817	62,929,838	310,768	--	559,751,088
Charge for the year	60,477,729	20,934,400	2,603,212	16,955,868	142,123		101,113,332
Impairment loss	3,000,000	--	--	--	--	--	3,000,000
Relating to disposals	(198,029)	(3,257,101)	(3,341)	(204,085)	--	--	(3,662,556)
At December 31, 2017	454,357,819	112,410,845	13,298,688	79,681,621	452,891	--	660,201,864
Carrying amount:							
At December 31, 2017	1,416,886,921	68,523,796	19,036,552	29,744,991	247,725	53,150,334	1,587,590,319
At December 31, 2016	1,447,442,546	84,232,327	21,377,479	45,587,376	389,848	30,876,783	1,629,906,359

Property & Equipment (continued)

Notes:

a) The depreciation charge has been allocated in the statement of profit or loss and other comprehensive income as follows:

	2017 (USD)	2016 (USD)
Direct costs (Note 15)	99,749,719	119,189,597
General & administrative expenses (Note 16)	1,363,613	1,895,473
	101,113,332	121,085,070

b) The encumbrances and liens on property and equipment are set out in Note 12.

c) In 2016, the Company concluded a business expansion plan that commenced in 2011. A new land rig, a new lift boat and a new offshore drilling rig were added in 2016. These assets have been financed through various loans that are summarized in Note 12. The amount of borrowing costs capitalized during the year ended December 31, 2016 was US$ 1,606,349.

d) In 2016, the Company retired the drilling rig Al Rayyan rig, which gave rise to a write-off of US$ 27,280,068. The rig had been off contract since May of 2015 and was deemed by the Company to be unmarketable in its present condition.

e) The Company's lift boat, Rumailah, had a punch through while being positioned in the Al Shaheen field on July 5, 2015. In 2015, the Company incurred US$ 53,638,002 to remove the vessel from the field and commence preparation for its repair, of which US$26,964,316 not covered by insurance was recognized as other expense.

During the year, the Company contracted Nakilat-Keppel Offshore & Marine to perform the repairs on the rig.

f) As of December 31, 2017, the cost of fully depreciated property, plant and equipment which are still in use amounted to US$ 57,033,509 (2016: US$ 105,603,790).

6. Inventories

	2017 (USD)	2016 (USD)
Drilling materials, spare parts and consumables	32,737,288	33,022,399
Goods in transit	3,351,823	4,443,995
	36,089,111	37,466,394
Less: Allowance for slow moving and damaged inventories	(2,298,045)	(3,775,407)
	33,791,066	33,690,987

Movement in the allowance for slow moving damaged inventories is as follows:

	2017 (USD)	2016 (USD)
Drilling materials, spare parts and consumables	3,775,407	1,643,761
Goods in transit	–	2,366,493
	(1,477,362)	–
Less: Allowance for slow moving and damaged inventories	–	(234,847)
	2,298,045	3,775,407

The reversal pertains to the reversal of allowance provided for slow moving inventories sold during the year.

7. Related Party Disclosures

Related parties represent associated companies, major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties.

Transactions with related parties included in the statement of profit and loss and other comprehensive income are as follows:

Name of related party	Nature of relationship	Type of transaction	2017 (USD)	2016 (USD)
Qatar Petroleum	Ultimate Parent Company	Sales	204,837,039	211,211,918
		Secondee fees	1,113,982	1,113,982
		Services rendered	302,060	302,060
Qatar Petroleum Development	Affiliated Company	Sales	16,395,323	–
RasGas Company Limited	Affiliated Company	Sales	41,734,441	185,119
Amwaj Catering	Affiliated Company	Catering services for rigs	9,570,285	9,441,453
Qatar Fuel (WOQOD)	Affiliated Company	Purchase of diesel	5,804,875	6,475,553
Al Koot Insurance	Affiliated Company	Staff medical insurance premium	811,943	1,001,344
Gulf Helicopters	Affiliated Company	Services rendered	61,112	147,970
Al Shaheen Well Services Company	Affiliated Company	Services rendered	3,460,459	719,993

Goods and services bought from associates and an entity controlled by key management personnel are on normal commercial terms and conditions.

Related Party Disclosures (continued)

Related party balances

Balances with related parties included in the statement of financial position are as follows:

(i) Amounts due from related parties

	2017 (USD)	2016 (USD)
Related parties receivable	57,792,134	19,800,460
Unbilled revenue	23,666,148	21,155,875
	81,458,282	40,956,335

The average credit period for services to related parties is 45 days. The receivables are unsecured in nature and earn no interest. The company provides for doubtful debts that are past due for over one year.

Aging of neither past due nor impaired

	2017 (USD)	2016 (USD)
Up to 30 days	72,205,955	40,217,164

Aging of past due but not impaired

	2017 (USD)	2016 (USD)
30 – 60 days	6,087,724	721,868
180 + days	3,164,603	17,303
Total	9,252,327	739,171

(ii) Amounts due to related parties

	2017 (USD)	2016 (USD)
Amwaj Catering	1,565,793	1,757,240
Qatar Fuel (WOQOD)	956,942	984,732
Qatar Petroleum	928,665	644,323
Al Shaheen Well Services Company	342,775	–
Gulf Helicopters	26,002	–
Al Koot Insurance	–	4,908
	3,820,177	3,391,203

Due to relates parties included in accrued expenses amounted to US$ 1,281,483 (2016: US$ 1,153,398) (note 14).

Details of the above follows:

	2017 (USD)	2016 (USD)
Amwaj Catering	858,083	1,153,398
Qatar Fuel (WOQOD)	423,400	--
	1,281,483	1,153,398

(iii) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2017 (USD)	2016 (USD)
Short-term benefits	1,235,220	1,215,648
Directors' remuneration (Note 16)	254,433	229,647
	1,489,653	1,445,295

8. Accounts Receivables & Prepayments

	2017 (USD)	2016 (USD)
Trade accounts receivables	7,885,341	14,032,747
Unbilled revenue	6,738,531	8,672,890
Prepayments and other receivables *	7,396,855	9,467,893
	22,020,727	32,173,530

* Included in this balance in 2017 is nil (2016: US$ 1,673,686) associated with the Rumailah insurance claim. For details refer to Note 5.

The average credit period for services is 45 days. No interest is charged on overdue receivables from clients. The company provides for doubtful debts that are past due for over one year.

The Company has no trade and other receivables that are denominated in other major currencies.

	2017 (USD)	2016 (USD)
Aging of neither past due nor impaired		
Up to 30 days	14,623,872	22,688,131
Aging of past due but not impaired		
60 – 90 days	—	17,506

9. Cash & Cash Equivalents

Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	2017 (USD)	2016 (USD)
Cash on hand	24,680	17,278
Cash in bank	40,351,029	47,452,708
Time deposits	–	65,316,023
	40,375,709	112,786,009

Time deposits are short-term, highly liquid investments that are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Company and earn interest ranging from 2.90% to 3.10% per annum.

During the year, the investment in time deposits matured and earned interest amounting to US$ 474,909 (2016: US$ 522,903).

10. Share Capital

	2017 (USD)	2016 (USD)
Authorised, issued and paid up:		
(73,974,088 ordinary shares of US$ 2.7469 (QR 10) each)	203,200,000	203,200,000

11. Legal Reserve

As required by the Qatari Commercial Companies Law and the Company's Articles of Association, 10% of the profit for the year is to be transferred to the statutory reserve until the reserve reaches a minimum of 50% of the paid up share capital. This reserve is not available for distribution.

12. Loans & Borrowings

	2017 (USD)	2016 (USD)
Loan 1 (i)	–	4,000,000
Loan 2 (ii)	215,183,150	277,549,450
Loan 3 (iii)	70,714,286	94,285,715
Loan 4 (iv)	62,285,714	77,857,143
Loan 5 (v)	39,178,565	50,607,168
Loan 6 (vi)	80,928,628	95,642,857
Loan 7 (vii)	202,071,428	237,214,286
Loan 8 (viii)	66,785,688	78,928,572
Loan 9 (ix)	343,100,000	365,000,000
Loan 10 (x)	151,000,000	–
	1,231,247,459	1,281,085,191
Less: Unamortised finance cost associated with raising finance	(8,436,644)	(6,031,684)
	1,222,810,815	1,275,053,507

	2017 (USD)	2016 (USD)
Classified in the statement of financial position as follows:		
Current portion	184,640,286	193,537,702
Non-current portion	1,038,170,529	1,081,515,805
	1,222,810,815	1,275,053,507

(i) Loan 1:

The Company obtained a loan of US$ 40 million in December 2006 from a commercial bank to finance the final payment purchase of offshore rig Al Khor. The effective interest is LIBOR plus 0.55% and the loan is repayable in 40 equal quarterly instalments of US$ 1 million each commencing from March 31, 2008. The loan is secured by way of granting the lender a right of set-off against the credit balances in other accounts of the Company maintained with the lender. The loan is fully paid in December 2017.

(ii) Loan 2:

The Company obtained a syndicated loan of US$ 430 million in May 2011 from a consortium of lenders, to finance the construction of two offshore drilling rigs, purchase of one offshore drilling rig and purchase of two rigs for land operations. The effective interest is LIBOR plus 1.5%. The loan is divided into three sub facilities of US$ 368 million, US$ 42 million and US$ 20 million, repayable in 28 equal quarterly instalments, 26 equal quarterly instalments and 24 equal quarterly instalments, respectively. The loan is being secured by creating first preferred mortgages on the above mentioned offshore assets in favour of the lenders.

(iii) Loan 3:

The Company obtained a syndicated loan of US$ 215 million in April 2012 from a consortium of lenders, to finance the construction of one offshore drilling rig and purchase of one accommodation barge. The effective interest is LIBOR plus 1.75%. The loan is divided into two sub facilities of US$ 165 million and US$ 50 million, each repayable in 28 equal quarterly instalments. The loan is being secured by creating a first preferred mortgage on the offshore drilling rig in favour of the lenders. In September of 2013, the US$50 million sub facility was cancelled and replaced by the facility described as Loan 7 below.

(iv) Loan 4:

In August 2013, the Company obtained a loan of US$ 109.0 million from a commercial bank to finance the construction of a new Lift boat that will be used to provide accommodation facilities. The effective interest of this unsecured loan, which will be repayable over a period of seven years, is LIBOR plus 1.50%.

(v) Loan 5:

In December 2013, the Company obtained a loan of US$ 80.0 million from a commercial bank to finance the purchase of an offshore drilling rig. The EIR of this unsecured loan, which will be repayable over a period of seven years, is LIBOR plus 1.65%.

(vi) Loan 6:

In July 2014, the Company obtained a loan of US$ 103 million from a commercial bank to finance the construction of two new land rigs. The effective interest of this unsecured loan, which will be repayable over a period of seven years, is LIBOR plus 1.35%.

(vii) Loan 7:

In July 2014, the Company obtained a loan of US$ 246 million from a commercial bank to finance the construction of one new offshore drilling rig. The effective interest of this unsecured loan, which will be repayable over a period of seven years, is LIBOR plus 1.35%.

(viii) Loan 8:

In September 2014, the Company obtained a loan of US$ 85 million from a commercial bank to finance the construction of one new lift boat. The effective interest of this unsecured loan, which will be repayable over a period of seven years, is LIBOR plus 1.35%.

(ix) Loan 9:

In March 2016, the Company obtained a Murabaha facility of US$ 365 million from an Islamic Bank to refinance short-term loans and to finance the general working capital requirement of the Company. The effective interest of this unsecured loan, which will be repayable on a quarterly basis over a period of seven years, is LIBOR plus 2.274%.

(x) Loan 10:

In May 2017, the Company has entered into a Master Murabaha facility of US$ 925 million with an Islamic Bank. The proceeds of the facility will be utilized on the Company's general corporate purposes and the settlement or refinancing of the outstanding loan facilities (loans 2, 3, 4, 5, 6, 7, 8 and 9). The loan is unsecured and has an effective interest of LIBOR plus 2.70%, and repayable in lump sum upon maturity on December 31, 2023. The Company has drawn down from the Facility US$ 151 million.

	2017 (USD)	2016 (USD)
Reconciliation of loans and borrowings arising from financing activities:		
Balance at beginning of the year	1,275,053,507	1,096,472,315
Financing cash flows	(52,242,692)	178,581,192
Balance at end of the year	1,222,810,815	1,275,053,507

12. Loans & Borrowings
(continued)

The maturity profiles of the loans are as follows:

	Nominal interest rate	Year of maturity	1 year	2 – 5 years	5 years and above	Total
As at December 31, 2017:						
Loan 1	LIBOR +0.55%	2017	--	--	--	--
Loan 2	LIBOR +1.50%	2021	57,468,864	157,714,286	--	215,183,150
Loan 3	LIBOR +1.75%	2020	23,571,429	47,142,857	--	70,714,286
Loan 4	LIBOR +1.50%	2021	15,571,429	46,714,285	--	62,285,714
Loan 5	LIBOR +1.65%	2021	11,428,564	27,750,001	--	39,178,565
Loan 6	LIBOR +1.35%	2023	14,714,286	58,857,142	7,357,200	80,928,628
Loan 7	LIBOR +1.35%	2023	35,142,857	140,571,428	26,357,143	202,071,428
Loan 8	LIBOR +1.35%	2023	12,142,857	48,571,402	6,071,429	66,785,688
Loan 9	LIBOR +2.27%	2023	14,600,000	104,285,714	224,214,286	343,100,000
Loan 10	LIBOR +2.70%	2023	--	--	151,000,000	151,000,000
			184,640,286	631,607,115	415,000,058	1,231,247,459

	Nominal interest rate	Year of maturity	1 year	2 – 5 years	5 years and above	Total
As at December 31, 2016:						
Loan 1	LIBOR +0.55%	2017	4,000,000	--	--	4,000,000
Loan 2	LIBOR +1.50%	2021	62,366,300	215,183,150	--	277,549,450
Loan 3	LIBOR +1.75%	2020	23,571,429	70,714,286	--	94,285,715
Loan 4	LIBOR +1.50%	2021	15,571,429	62,285,714	--	77,857,143
Loan 5	LIBOR +1.65%	2021	11,428,572	39,178,596	--	50,607,168
Loan 6	LIBOR +1.35%	2023	14,714,286	58,857,143	22,071,428	95,642,857
Loan 7	LIBOR +1.35%	2023	35,142,857	140,571,429	61,500,000	237,214,286
Loan 8	LIBOR +1.35%	2023	12,142,857	48,571,403	18,214,312	78,928,572
Loan 9	LIBOR +2.27%	2023	14,600,000	104,285,714	246,114,286	365,000,000
			193,537,730	739,647,435	347,900,026	1,281,085,191

13. Employees' End of Service Benefits

	2017 (USD)	2016 (USD)
Balance at the beginning of the year	2,966,532	3,495,410
Provision for the year	742,953	1,127,499
Less: Payments made during the year balance at the end of the year	(617,383)	(1,656,377)
	3,092,102	2,966,532

The amount recognised for the year ended December 31, 2017 as an expense for the pension liability to Qatari employees is US$ 872,769 (2016: US$ 630,870) and the amount yet to be remitted to the Retirement and Pension Authority amounts to nil (2016: US$ 79,924), which is included in accrued expenses and provisions.

14. Accounts Payable And Accruals

	2017 (USD)	2016 (USD)
Trade accounts payables	24,579,764	12,283,967
Other payable	1,571,875	1,727,367
Accrued expenses and provisions	32,429,488	29,430,001
	58,581,127	43,441,335

15. Direct Costs

	2017 (USD)	2016 (USD)
Depreciation (Note 5)	99,749,719	119,189,597
Staff costs	80,609,100	72,774,166
Repairs and maintenance	18,512,266	16,804,581
Reimbursable expenses	17,479,329	10,477,547
Rig related expenses	14,358,590	12,397,247
Direct materials	9,059,015	9,001,532
Catering cost	9,046,963	8,150,155
Crew change expenses	7,404,088	6,176,768
Insurance expense	6,279,907	7,264,859
Handling and moving expenses	3,856,801	4,460,879
Inspection expense	3,826,684	3,766,606
Transportation expenses	3,414,870	4,401,794
Rental expenses	2,964,024	2,925,578
Training expenses	2,923,863	2,190,102
Communication expense	1,905,585	3,118,139
Camp expenses	1,208,707	902,293
Immigration expense	671,268	630,384
Mobilisation expenses	629,913	8,407,023
Miscellaneous expenses	2,646,978	2,207,007
	286,547,670	295,246,257

16. General And Administrative Expenses

	2017 (USD)	2016 (USD)
Staff costs	17,200,389	22,905,290
Office rent	2,748,604	2,748,604
Depreciation (Note 5)	1,363,613	1,895,473
Secondment fees	1,104,400	1,215,648
Communication expenses	1,311,058	1,167,154
Travelling and transport	467,250	448,621
Directors' remunerations (Note 7 (iii))	254,433	229,647
Repairs and maintenance	154,800	222,925
Disaster recovery expenses	165,980	178,469
Advertising expenses	164,170	166,094
Professional fees	116,415	133,466
Printing and stationery	109,294	101,798
Recruitment costs	13,500	42,762
Training expenses	8,574	39,075
Entertainment expenses	4,995	11,867
Miscellaneous expenses	137,330	183,304
	25,324,805	31,690,197

17. Other Income / (Expenses), Net

	2017 (USD)	2016 (USD)
Loss on rigs *	--	(27,280,068)
Impairment loss on rigs	(3,000,000)	--
Gain on reversal of provision for slow moving inventories	1,477,362	--
Gain / (loss) on disposal of property and equipment	705,312	(213,391)
Miscellaneous gain / (loss)	2,045,093	(89,249)
	1,227,767	(27,582,708)

* In 2016, the loss on rig pertains to the losses incurred on the retirement of Al Rayyan rig. For details refer Note 5.

During the period, the Company has carried out an assessment for impairment of its rigs in light of the current economic conditions surrounding oil prices and market rates in the country. The assessment resulted to a provision for impairment losses of US$ 3,000,000.

18. Capital Management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from 2017.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, after fulfilling senior debt obligations, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2017 and 2016.

The Company monitors capital using a gearing ratio, which is debt divided by capital.

The Company includes within debt, interest bearing loans and borrowings. Capital includes equity less any net unrealized gains reserve.

Gearing ratio

The gearing ratio at year end was as follows:

	2017 (USD)	2016 (USD)
Debt (i)	1,222,810,815	1,275,053,507
Cash and cash equivalents	(40,375,709)	(112,786,009)
Net debt	1,182,435,106	1,162,267,498
Equity (ii)	476,931,882	524,660,643
Net debt to equity ratio	2.48	2.22

(i) Debt is defined as short term and long-term debt, as detailed in note 12.

(ii) Equity includes all capital and reserves of the Company that are managed as capital.

19. Financial Instruments

Financial instruments are comprised of financial assets and financial liabilities.

Financial assets consist of cash and cash equivalents, amounts due from related parties and accounts receivables. Financial liabilities consist of loans and borrowings, amounts due to related parties and payables.

The fair values of the financial instruments are not materially different from their carrying values as at the reporting date.

20. Financial Risk Management

Objectives and policies

The Company's principal financial liabilities comprise term loans, accounts payable and certain other accruals and amounts due to related parties. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has various financial assets such as accounts receivables and certain other receivables, amounts due from related parties and cash and cash equivalents.

The Board of Directors have the overall responsibility of the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

The main risks arising from the Company's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below.

Interest rate risk

The Company is exposed to interest rate risk as it borrows funds with floating interest rates. The risk is managed by the Company by maintaining an appropriate mix of debt and equity.

At December 31, 2017, if interest rates on US$ denominated borrowings had been 50 basis point higher/lower with all other variables held constant, the loss in 2017 and 2016 would have been US$ 6,114,054 (2016: US$ 6,375,268) higher/lower, mainly as a result of higher/lower interest expense on floating rate borrowings.

Foreign currency risk

The Company does not hedge its currency exposure due to its minimal exposure to currency risk as most of its financial liabilities are denominated in US Dollars or Qatari Riyals. As the exchange rate for these currencies are pegged, balances in Qatari Riyals are not considered to represent a significant currency risk.

The following table presents the Company's exposure on major currencies on payables.

	2017 (USD)	2016 (USD)
Trade payables & due to related parties		
Qatari Riyals	16,424,974	10,058,814
United States Dollar	11,322,717	8,768,829
UAE Dirhams	44,334	64,267
Japanese Yen	196,258	1,095
Great Britain Pounds	122,074	27,578
Euro	303,676	81,282

Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the creditworthiness of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management annually.

Trade receivables consist of a few number of customers in the oil and gas industry and trading industry for rig rentals and other ancilliary services and sale of scraps, respectively. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

Exposure to credit risk

The carrying amount of financial assets as represented in the statement of financial position represents the maximum credit exposure.

Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below analyses the Company's non-derivative financial liabilities based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

20. Financial Risk Management (continued)

	Weighted average effective interest rate (%)	Less than 1 year (USD)	Between 1 and 2 years (USD)	Between 2 and 5 years (USD)	Over 5 years (USD)
As at December 31, 2017:					
Trade and other payables	--	26,151,639	--	--	--
Loans and borrowings	3.24	191,102,696	198,862,831	458,008,572	431,600,059
As at December 31, 2016					
Trade and other payables	--	14,011,334	--	--	--
Loans and borrowings	2.4	199,343,861	201,995,047	562,559,489	361,816,027

21. Commitments & Contingencies

The Company had the following commitments and contingent liabilities outstanding at December 31:

	2017 (USD)	2016 (USD)
Letters of credit and letters of guarantee	10,737,617	13,754,484
Capital commitments	2,639,515	23,571,436
	13,377,132	37,325,920

22. Commitments Under Operating Leases

The Company has entered into lease agreements for the lease of its home office and DSSA base camp lands. The rental costs in respect of these properties are accounted for as operating leases.

The future lease commitments in respect of the above lease agreements are as follows:

	2017 (USD)	2016 (USD)
Within one year	2,747,472	2,747,472
After one year but not more than five years	--	2,747,459
	2,747,472	5,494,931

11 Appendices

Appendix A
Report Scope & Boundaries

Report Profile

This report has been created in order to clearly communicate the integrated story of how GDI creates value. To do this GDI has utilized Integrated Reporting <IR> and the International <IR> Framework as developed by the International Integrated Reporting Council (IIRC). We have also continued to use the GRI framework, adopting the latest G4 guidelines, and take inspiration from the Qatar Energy and Industry Sector Sustainability (QEISS) Programme.

Integrated Reporting <IR> Principles

As much as possible, we have followed the Guiding Principles of the International <IR> Framework in the following ways:

- Strategic Focus and Future Orientation - by providing detailed insight into our corporate strategy and long term objectives.
- Connectivity of Information - by developing a value creation map and by showcasing the different ways in which we are responding to our most material issues throughout the report.
- Stakeholder Relationships - by developing a stakeholder map and discussing how GDI is responding to the needs of our stakeholders throughout the report.
- Materiality - by updating our materiality mapping and linking the issues identified to the operations and outputs of the company.
- Conciseness - by producing one document that is shorter than our previous financial and sustainability report combined.
- Reliability and Completeness - The report covers performance across all material issues identified, disclosing both positive and negative performance. All data used in this report is taken from GDI's management systems. To the best of our knowledge the data presented in this report is reliable and has been checked and verified internally and externally with the support of a consultant.
- Consistency and Comparability - The report utilizes industry guidelines for reporting and provides previous years' data whenever possible, allowing the analysis of trends over time. Some data and information may have been restated from previous reports due to calculation methodologies - this has been identified within the report itself.

Scope and Boundary of the Report

This report covers all of GDI's operations in the State of Qatar. GDI does not have any operations outside Qatar.

Assurance

Full assurance has been conducted on the annual financial results presented in this report. Unless otherwise stated, no other third party auditing of data and information has been performed in the preparation of this report.

Appendix B
Stakeholder Map

Our stakeholder map was devised through an internal engagement process and captures the groups of stakeholders that are deemed to have the most effect on, or are most affected by, GDI's operations.

Our Stakeholders	How we engage them	What they expect of GDI	How we are responding
Shareholders (GIS)	• Board meetings • Audit committee meeting • Reports, e.g. monthly, quarterly and annual reporting, audit reports	• Corporate governance • Compliance with laws, regulations and company policies and procedures • Financial efficiency and profit optimisation • Sustainable business growth • Risk management • Safe and efficient operations	• Business planning and budgeting • Implementing world-class management systems • Balanced scorecard based performance monitoring system • Robust Enterprise Risk Management System (ERM) Risk-based audits • Constant focus on operational efficiency and availability • Benchmarking with local and international industry leaders
Clients (QP, Oxy, Shell, Ras Gas, Dolphin Energy, JX Nippon, Qatar Gas)	• Monthly and weekly meetings, in addition to daily operational contact • Regular operational reporting • Quarterly workshops • Process safety symposium • Regular surveys, inspections and audits • Regular client feedback	• Safe operations • Efficient operations • Compliance with clients drilling plans and standards • Effective project management and reporting • Availability and reliability of rigs and equipment • Qualified and trained crew	• Investing in safety systems and having dedicated safety staff • Maintaining and upgrading rigs according to clients' requirements • Developing bridging document to improve GDI's standards towards meeting clients' standards • Products and service innovation - the introduction of barge operation and liftboat • Preventive maintenance • Recruiting and retaining competent personal • Set stringent KPIs, monitor for achievement and improvement
Employees (1,607 people)	• Welfare committees on rigs • Satisfaction survey • Suggestions scheme • Regular awareness sessions on HR policies • Reaching out to the employees (e.g. "Ask HR" initiative - via the intranet) • GDI intranet	• Safe working environment • Attractive compensation and benefits package (for employee and family) • Career advancement • Training and development • Recognition and reward • Employee and family well-being	• Providing safe and healthy work environment • Providing competitive compensation packages by establishing the market pay through regular salary surveys • Continuous employee training and development • Providing knowledge and tools necessary to carry on jobs • Career development plan • Employee retention plan • Performance-based reward and bonus scheme • Enhance employee and family quality of life

Our Stakeholders	How we engage them	What they expect of GDI	How we are responding
Suppliers and Vendors Rig manufacturers, equipment and spares providers and other local/ foreign suppliers/ vendors and service providers	• Public tenders (for local vendors and suppliers) • Online suppliers and vendors portal to invitation to bid • Daily contact with vendors, suppliers and their representatives/ agents • Vendor registration	• Timely-coordination for purchase requests • On-time payment • Transparent and clear tendering practices • Long-term relationship • On-time deliveries	• Clear registration and tendering systems • Tendering committee that ensures equal opportunities for suppliers and vendors • Clear payment process to ensure on-time payments • Seminars to educate suppliers and vendors on the use of the new online portal • Dedicated employees (buyers) to coordinate with suppliers and vendors
Relevant governmental authorities Ministry of Environment, Ministry of Labour, Ministry of Energy and Industry, QP HSE DG and others	• Regular meetings • Submitting regular reports • Audits and inspections • Certifications and Licensing • Consent to work	• Compliance with laws and regulations • Contributing to national priorities and related sector initiatives, e.g. SDIR programme • Qatarization • Support community development	• HSE legal compliance register • Environmental aspect and impact register • Implementing sustainability management and reporting • Continuous participation in SDIR programme • Qatarization programme • Third party quality inspections and certifications
Lenders Banks providing GDI with loans to finance the acquisition of assets	• Regular meetings • Business planning and budgeting process • Annual audit reports • Quarterly compliance certificates • Current outlooks & forecasts	• Long-term business planning and budgeting • Liquidity and going concern • Strong financial performance (return on investment and cost optimisations) • Compliance with loan covenants • Risk management	• Compliance with bank and regulatory covenants • Providing 5-year business plan and annual budgets • Monitoring financial performance and liquidity • Developing and updating the company's risk register
Society Population of Qatar	• Press releases • Website • Public events (environment fair, careers fairs...)	• Provide jobs and opportunities for Qatari citizens • Contribute to the development of the nation • Environmentally friendly company	• Qatarization programs • Identifying ways to improve social interaction • Sustainability reporting • Up-to-date website

Appendix C
GRI, ipieca and QEISS index

Indicator	Page reference (or direct response in case of Indicator omission)	External Assurance	IPIECA Indictors	QEISS Indicators
General Standard Disclosures				
Strategy and Analysis				
1		No		
Organizational Profile				
3		No		
4		No		
5		No		
6		No		
7		No		
8		No		
9		No		
10		No		53
11		No		
12		No		
13		No		
14		No		
15		No		
16		No		
Identified Material Aspects and Boundaries				
17		No		
18		No		
19		No		
20		No		
21		No		
22	No significant changes.	No		
23	All restatements of information provided in previous reports have been clearly marked and explained in the report.	No		
Stakeholder Engagement				
24		No		
25		No		
26		No		
27		No		
Report Profile				
28		No		
29		No		
30		No		
31		No		
32		No		
33		No		

Indicator	Page reference (or direct response in case of Indicator omission)	External Assurance	IPIECA Indictors	QEISS Indicators
Governance				
34		No		
Ethics and Integrity				
56		No		
Pecific Standard Disclosures				
Category: Economic				
Material Aspect: Economic Performance				
G4-DMA		No		
EC1		Yes		1
EC4		No		
Material Aspect: Market Presence				
G4-DMA		No	SE5, SE6	
EC5		No		
EC6		No	SE6	
Material Aspect: Indirect Economic Impacts				
G4-DMA		No		
EC8		No		
Material Aspect: Procurement Practices				
G4-DMA		No	SE5, SE7	3
EC9		No	SE7	
Category: Environmental				
Material Aspect: Energy				
G4-DMA		No	E3	
EN3		No	E2	4,5
Material Aspect: Water				
G4-DMA		No		
EN8		No	E6	12
EN10		No	E6	16
Material Aspect: Emissions				
G4-DMA		No		
EN15		No	E1	9
EN16		No	E1	10
EN21		No	E7	17, 18
Material Aspect: Effuents and Waste				
G4-DMA				
EN22		No	E9	14, 15
EN23		No	E10	21, 22, 23
EN24		No	E8	19, 20

Appendix C
GRI, ipieca and QEISS index
(continued)

Indicator	Page reference (or direct response in case of Indicator omission)	External Assurance	IPIECA Indictors	QEISS Indicators
Material Aspect: Compliance				
G4-DMA		No		
EN29		No		
Category: Social **Sub-Category: Labor Practices And Decent Work**				
Material Aspect: Employment				
G4-DMA		No		
LA1		No		56
Material Aspect: Occupational Health and Safety				
G4-DMA		No	HS1, HS2	
LA6		No	HS3	26-34
LA7		No		
Material Aspect: Training and Education				
G4-DMA		No	SE17	
LA9		No	SE17	57
Material Aspect: Diversity and Equal Opportunity				
G4-DMA		No	SE15	
LA12		No	SE15	55
Sub-Category: Human Rights				
Material Aspect: Non-discrimination				
G4-DMA		No		
HR3		No		
Material Aspect: Child Labour				
G4-DMA		No		
HR5		No		
Material Aspect: Forced or Compulsory Labour				
G4-DMA		No		
HR6		No		
Sub-Category: Society				
Material Aspect: Local Communities				
G4-DMA		No	SE1, SE4	
SO1		No		58
Material Aspect: Anti-corruption				
G4-DMA		No	SE11, SE12	
SO5		No		59
Material Aspect: Compliance				
G4-DMA		No		
SO8		No		
Material Aspect: Emergency Preparedness				
G4-DMA		No		
Material Aspect: Asset Integrity and Process Safety				
G4-DMA		No	HS5	
OG13		No	HS5	35

Appendix D
Glossary & Acronyms

Accommodation rig	A customised mobile offshore jack-up vessel (without drilling capabilities), normally non-propelled, which provides complete accommodation facilities to persons on board.
CEO	Chief Executive Officer.
GCC	Gulf Cooperation Council. The Cooperation Council for the Arab States of the Gulf.
GDI/ The Company	Gulf Drilling International Limited Q.S.C.
GHG	Green House Gases (GHG) are gases in the atmosphere that absorb and emit radiation within the thermal infrared range. This process is the fundamental cause of the greenhouse effect. The primary greenhouse gases in the Earth's atmosphere are water vapor, carbon dioxide, methane, nitrous oxide, and ozone. GHGs affect the temperature of the earth.
GRI	Global Reporting Initiative (GRI) is an international not-for-profit organization in the sustainability field. 'G4' is the latest version of GRI's Sustainability Reporting Guidelines.
IIRC	The International Integrated Reporting Council (IIRC) is a global coalition of regulators, investors, companies, standard setters, the accounting profession and NGOs. The coalition is promoting communication about value creation as the next step in the evolution of corporate reporting.
IPIECA	International Petroleum Industry Environmental Conservation Association. IPIECA is the global oil and gas industry association for environmental and social issues.
Integrated reporting (<IR>)	Integrated Reporting is an evolution of corporate reporting, with a focus on conciseness, strategic relevance and future orientation.
ISO	The International Organisation for Standards, is the world's largest developer of voluntary International Standards. GDI is an ISO 9001 and ISO 14001 certified company.
KPI	Key Performance Indicators.
Liftboat	A self-propelled, self-elevating vessel with a relatively large open deck capable of carrying equipment and supplies in support of various offshore mineral exploration and production or offshore construction activities.

Appendix D
Glossary & Acronyms
(continued)

QEISS	The Qatar Energy and Industry Sector Sustainability reporting programme. The QEISS programme was established in 2010 by His Excellency the Minister for Energy and Industry with the purpose of enhancing sustainability in the sector and optimizing its contribution to the State of Qatar.
OEM	Original Equipment Manufacturer.
OHSAS	The Occupational Health and Safety Advisory Services (OHSAS) Project Group is an international collaboration formed to address a unified approach to occupational health & safety management systems. GDI is an OHSAS 18001 certified company.
QNV 2030	Qatar National Vision 2030. Qatar's National Vision, launched in October 2008, defines the long-term outcomes for the country and provides a framework within which national strategies and implementation plans can be developed. The 4 Pillars of QNV-2030 are; Human Development, Social development, Economic Development & Environmental Development.

GDI Camp-Dukhan

الخليج العالمية للحفر

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