

## Rental tools life cycle - Note 6 to the FY2016 financial accounts

1. When a piece of equipment is designated to be used in rental activities, it is accounted for in the row marked “transfer from Inventories” in Note 6, PPE. At this point, equipment that are yet to be installed in the wells are accounted for in the “Rental Tools awaiting installation” column, while those that go directly in the ground are recognized under the “Rental tools” column.
2. Once a designated piece of equipment identified in Step 1 above i.e. those recorded in the column “Rental tools awaiting installation” is actually installed in a well, it is recognized in the row marked “Transfers” in Note 6, PPE which reduces the “Rental tools awaiting installation” column balance and increases “Rental tools” column balance.
3. During the time the rental equipment is installed, a depreciation charge is recognized for the usage of those rental tools, in the row marked “Depreciation charge – Rental Tools column”.
4. When a rental equipment comes out of the well and is dismantled, it is taken out from PPE and transferred to inventory where it undergoes tests and/or refurbishment to determine its condition and utility. The cost at which that item gets transferred to inventory is its net book value (cost less accumulated depreciation) i.e. the cost of that item along with its accumulated depreciation from the point it was installed in the well till the time it is taken out from PPE and transferred to inventory. This could be found in the row marked “Transferred to inventories” in Note 6, PPE.
5. Once the equipment transferred to inventory in Step 4, has been refurbished, the steps 1 to 4 are repeated.
6. For the purpose of statement of cash flows, the item titled “Increase in inventories in the course of operational activities” also includes the net impact of steps 1 and 4 above.