Consolidated financial statements and independent auditor's report

BORETS INTERNATIONAL LIMITED

31 December 2017

Contents

Independent Auditor's Report	
Consolidated Statement of Financial Position	**1**
Consolidated Statement of Comprehensive Income	**2**
Consolidated Statement of Cash Flows	**3**
Consolidated Statement of Changes in Equity	**4–5**
Notes to the Consolidated Financial Statements	**6–47**

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Borets International Limited

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Borets International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We communicate with 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

As required by the DIFC Companies Law No. 2 of 2009, we also confirm that we have obtained all the information and explanations necessary for our audit and proper books of account have been kept by the Company. To the best of our knowledge and belief, no violations of the above mentioned Law or the Articles of Association have occurred during the year which would have had a material effect on the business of the Company or on its financial position.

Grant Thornton

Farouk Mohamed
Registration No. 86
Dubai, 21 March 2018

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	31 Dec 2017 USD'000	31 Dec 2016 USD'000
ASSETS			
Non-current			
Property, plant and equipment	6	**382,193**	355,640
Intangible assets and goodwill	7	**115,886**	115,848
Other non-current assets	8	**2,847**	3,865
Deferred tax assets	15	**9,922**	8,564
		510,848	483,917
Current			
Inventories	9	**109,519**	106,062
Trade and other receivables	10	**167,639**	109,306
Current income tax assets		**2,359**	3,141
Other assets	11	**11,159**	9,820
Cash and cash equivalents	12	**42,559**	32,793
		333,235	261,122
Total Assets		**844,083**	745,039
EQUITY			
Attributable to the shareholders of the parent company			
Share capital	13	**4**	4
Treasury shares	13	**(40,875)**	–
Share premium		**48,000**	48,000
Asset revaluation reserve		**157,117**	159,458
Foreign currency translation reserve		**(197,689)**	(218,658)
Retained earnings		**268,535**	234,634
		235,092	223,438
Non-controlling interest		**663**	2,034
Total Equity		**235,755**	225,472
LIABILITIES			
Non-current			
Loans and borrowings	14	**325,374**	392,425
Trade and other payables	16	**10,178**	–
Deferred tax liabilities	15	**21,802**	25,315
		357,354	417,740
Current			
Loans and borrowings	14	**141,085**	8,140
Trade and other payables	16	**68,671**	54,492
Current income tax liabilities		**5,664**	1,911
Other liabilities	17	**35,554**	37,284
		250,974	101,827
Total Liabilities		**608,328**	519,567
Total Equity and Liabilities		**844,083**	745,039

The consolidated financial statements were approved by the Board of Directors on 21 March 2018 and signed on their behalf by:

Chief Executive Officer
Lev Stulberg

Chief Financial Officer
Leonid Margaryan

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	Notes	**2017 USD'000**	2016 USD'000
Revenue	18	**599,880**	482,383
Cost of sales	19	**(398,127)**	(339,165)
Gross profit		**201,753**	143,218
Selling and marketing expenses	20	**(5,994)**	(3,830)
Administrative expenses	21	**(88,342)**	(83,304)
Other operating (expenses) / income, net	22	**(18,091)**	1,018
Operating profit		**89,326**	57,102
Net finance costs	23	**(42,149)**	(34,511)
Profit before income tax		**47,177**	22,591
Income tax expense, net	24	**(16,696)**	(16,153)
Profit for the year after tax		**30,481**	6,438
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of the net defined benefit liability		**(16)**	51
Changes in asset revaluation reserve due to revaluation of property, plant and equipment		**(289)**	85,391
Items that will be reclassified subsequently to profit or loss			
Changes in foreign currency translation reserve		**21,068**	57,673
Other comprehensive income for the year, net of tax		**20,763**	143,115
Total comprehensive income for the year		**51,244**	149,553
Profit for the year attributable to:			
Shareholders of the parent company		**30,463**	6,497
Non-controlling interest		**18**	(29)
Total profit for the year		**30,481**	6,438
Total comprehensive income for the year attributable to:			
Shareholders of the parent company		**51,126**	148,724
Non-controlling interest		**118**	829
Total comprehensive income for the year		**51,244**	149,553

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Notes	**2017 USD'000**	2016 USD'000
Cash flows from operating activities			
Profit before income tax		**47,177**	22,591
Adjustments for:			
Depreciation and amortisation		**74,656**	66,828
Impairment of obsolete inventory, net	22	**6,672**	1,825
Impairment and write-off of doubtful trade and other receivables, net	22	**9,170**	1,260
Gain from write-off of payables for contribution to associate		**(161)**	–
Interest income		**(2,475)**	(1,032)
Interest expense		**33,306**	36,583
Loss from redemption of guaranteed notes		**11,087**	–
Loss on disposal of property, plant and equipment and intangible assets	22	**1,202**	303
Foreign exchange difference on non-operating activities		**888**	8,150
Devaluation and impairment of property, plant and equipment	22	**90**	1,367
		181,612	137,875
Net changes in working capital:			
Increase in inventories in course of operational activities		**(51,030)**	(53,877)
(Increase) / decrease in trade and other receivables in course of operational activities		**(18,638)**	2,378
Increase / (decrease) in trade and other payables in course of operational activities		**12,910**	(3,316)
(Increase) / decrease in other assets and increase / (decrease) in other liabilities, net		**(5,156)**	7,733
Interest received		**2,093**	1,032
Interest paid		**(32,033)**	(35,530)
Income taxes paid		**(17,125)**	(17,197)
Net cash generated from operating activities		**72,633**	39,098
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		**(18,798)**	(9,459)
Development costs		**(5,027)**	(5,265)
Proceeds from disposal of property, plant and equipment		**366**	1,515
Contributions to bank deposits		**(50,700)**	(1)
Net cash used in investing activities		**(74,159)**	(13,210)
Cash flows from financing activities			
Proceeds from loans and borrowings		**103,761**	19,750
Repayment of loans and borrowings		**(50,074)**	(71,565)
Buy back of shares		**(40,875)**	–
Purchase of non-controlling interest		**(86)**	–
Net cash generated from / (used in) financing activities		**12,726**	(51,815)
Effect of exchange rate changes on cash and cash equivalents		**(1,434)**	(4,232)
Net increase / (decrease) in cash and cash equivalents		**9,766**	(30,159)
Cash and cash equivalents at the beginning of the year		**32,793**	62,952
Cash and cash equivalents at the end of the year	12	**42,559**	32,793

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Equity attributable to shareholders of the parent company								
	Share capital USD'000	Treasury shares USD'000	Share premium USD'000	Asset revaluation reserve USD'000	Foreign currency translation reserve USD'000	Retained earnings USD'000	**Total USD'000**	Non-controlling interest USD'000	**Total equity USD'000**
Balance as at 1 January 2017	**4**	**–**	**48,000**	**159,458**	**(218,658)**	**234,634**	**223,438**	**2,034**	**225,472**
Transactions with owners									
Acquisition of non-controlling interest	–	–	–	–	–	1,403	**1,403**	(1,489)	**(86)**
Redemption of shares	–	(40,875)	–	–	–	–	**(40,875)**	–	**(40,875)**
Transactions with owners	**–**	**(40,875)**	**–**	**–**	**–**	**1,403**	**(39,472)**	**(1,489)**	**(40,961)**
Profit for the year	–	–	–	–	–	30,463	**30,463**	18	**30,481**
Other comprehensive income									
Asset revaluation reserve recognised on revaluation of property, plant and equipment (net of deferred tax)	–	–	–	(289)	–	–	**(289)**	–	**(289)**
Remeasurements of the net defined benefit liability	–	–	–	–	–	(17)	**(17)**	1	**(16)**
Release of asset revaluation reserve	–	–	–	(2,052)	–	2,052	**–**	–	**–**
Changes in foreign currency translation reserve	–	–	–	–	20,969	–	**20,969**	99	**21,068**
Total comprehensive income for the year	**–**	**–**	**–**	**(2,341)**	**20,969**	**32,498**	**51,126**	**118**	**51,244**
Balance at 31 December 2017	**4**	**(40,875)**	**48,000**	**157,117**	**(197,689)**	**268,535**	**235,092**	**663**	**235,755**

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2017

	Equity attributable to shareholders of the parent company								
	Share capital USD'000	Treasury shares USD'000	Share premium USD'000	Asset revaluation reserve USD'000	Foreign currency translation reserve USD'000	Retained earnings USD'000	**Total USD'000**	Non-controlling interest USD'000	**Total equity USD'000**
Balance as at 1 January 2016	**4**	**–**	**48,000**	**77,444**	**(275,975)**	**225,241**	**74,714**	**1,205**	**75,919**
Profit for the year	–	–	–	–	–	6,467	**6,467**	(29)	**6,438**
Other comprehensive income									
Asset revaluation reserve recognised on revaluation of property, plant and equipment (net of deferred tax)	–	–	–	84,897	–	–	**84,897**	494	**85,391**
Remeasurements of the net defined benefit liability	–	–	–	–	–	43	**43**	8	**51**
Release of asset revaluation reserve	–	–	–	(2,883)	–	2,883	**–**	–	**–**
Changes in foreign currency translation reserve	–	–	–	–	57,317	–	**57,317**	356	**57,673**
Total comprehensive income for the year	**–**	**–**	**–**	**82,014**	**57,317**	**9,393**	**148,724**	**829**	**149,553**
Balance at 31 December 2016	**4**	**–**	**48,000**	**159,458**	**(218,658)**	**234,634**	**223,438**	**2,034**	**225,472**

1. Background

1.1 Principal activities

Borets International Limited ("the Company") is a holding company domiciled till 2014 in British Virgin Islands. In September 2014 the Company redomiciled to Dubai International Financial Centre, Dubai, United Arab Emirates (UAE). The Company's registered office is Office No. 15223, Level 15, The Gate Building, Dubai International Financial Centre (DIFC), PO Box 121208, Dubai, UAE.

The primary activities of the Company and its subsidiaries (together referred to as the "Group") are production and distribution of electrical submersible pumps (ESP) for oil extraction and related services. The production and sales facilities of the Group are located in Russia and in other parts of the world, mainly in the United States of America, Canada, Egypt, Slovakia, Latin America, Middle East and China. The Group's total headcount as at 31 December 2017 was 8,445 (31 December 2016: 8,663).

The shares of the Company are ultimately owned 92% by several individuals through intermediate legal entities and 3% by International Finance Corporation ("IFC"). 5% of the shares are held by Group as treasury shares as at 31 December 2017. None of ultimate shareholders individually controls or owns a 50% or more interest in the Company. From its formation, the Group has expanded substantially through acquisitions of new companies and establishment of new businesses. A list of significant subsidiaries is presented in Note 33 "Principal subsidiaries".

1.2 Operating environment of the Group

Despite significant geographical diversification, the largest part of the Group's business is still concentrated in the Russian Federation. During the period, the Russian economy showed notable signs of recovery from the impact of significant decline in oil prices and sanctions imposed on Russia by the United States of America, the European Union and some other countries since 2014. This economic revival has had a favourable impact on the Group's business in the current year.

These consolidated financial statements reflect current management's assessment of the impact of the current business environment on the operations and the financial position of the Group. Future business environment may differ from management's assessment.

2. Basis of preparation

2.1 Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as developed and published by the International Accounting Standards Board (IASB).

2.2 Basis of measurement

These consolidated financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies summarised in Note 3.

2. Basis of preparation (continued)

2.3 Functional and presentation currency

The presentation currency used in the preparation of these consolidated financial statements is United States Dollar ("USD"). Management has used the USD to manage most financial risks and exposures and to manage performance of the Group.

The functional currencies of the Company and its subsidiaries are chosen to reflect the economic substance of the underlying events and circumstances relevant for the given entity. Since 1 January 2007 the functional currency of Russian entities of the Group is Russian Rouble ("RUR"). Following USD/RUR exchange rates are applicable for Russia for 2017: opening rate — 60.6569, average rate — 58.3270, closing rate — 57.6002 (2016: opening rate — 72.8827, average rate — 66.6978, closing rate — 60.6569). The functional currencies of those subsidiaries outside Russia that carry out their operations with a significant degree of autonomy are chosen to reflect the economic substance of those operations. The functional currency of most other Group entities is USD. Financial information has been rounded to the nearest thousand USD.

2.4 Critical accounting estimates and judgments

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Although these estimates are based on management's best knowledge of current events and actions, actual results may substantially differ from these estimates.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies are described in the following notes:

- Revaluation and impairment of property, plant and equipment as described in Note 6 "Property, plant and equipment";
- Estimate of useful lives, impairment and capitalisation of assets in Note 3.5, Note 3.6, Note 6 and Note 7;
- Judgement that the Group as a whole is one cash-generating unit as described in Note 7;
- Development costs capitalised as disclosed in Note 7;
- Allowance for inventory obsolescence as described in Note 9 "Inventories";
- Allowance for doubtful trade and other receivables as described in Note 10 "Trade and other receivables";
- Defined-benefit obligation as described in Note 16 "Trade and other payables";
- Recognition of deferred tax assets in Note 15 "Deferred tax assets and liabilities";
- Tax contingencies as described in Note 28 "Contingencies";
- Warranty provisions as described in Note 17 "Other liabilities"; and
- Impact on the financial position and results of the new accounting standards in issue but not yet effective as of the reporting date. (Note 4.2 "Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group").

2.5 Going concern

These consolidated financial statements have been prepared on a going concern basis, which assumes the realisation of assets and the settlement of liabilities in the normal course of business.

3. Summary of significant accounting policies

The following significant accounting policies have been consistently applied in the preparation of the consolidated financial statements.

3.1 Subsidiaries, joint ventures and associates

Subsidiaries
These consolidated financial statements consolidate the financial statements of the Company and all of its subsidiaries as of 31 December 2017. Subsidiaries are those enterprises and businesses controlled by the Group. A company controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries of the Company have an annual reporting date of 31 December. All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised gains and losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the consolidated financial statements have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Acquired subsidiaries are consolidated using the purchase method of accounting. This involves the revaluation at fair value of all identifiable assets and liabilities including contingent liabilities of the subsidiary as at the acquisition date regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition the assets and liabilities of the subsidiary are included in consolidated statement of financial position at their revalued amounts which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies. The consideration transferred is measured at fair value of assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are recorded as expense when incurred. Goodwill represents the excess of consideration transferred over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

If the consideration transferred is less than the fair value of the identifiable net assets of the subsidiary acquired the difference is recognised directly in profit or loss.

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary, carrying amount of any non-controlling interest and the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received, fair value of any investment retained and records any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Joint venture
Joint venture is a joint arrangement whereby the Group and other parties that have significant control of the arrangement have rights to the net assets of the arrangement. The investment in joint venture is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of investee's net assets. The profit or loss of the Group includes the Group's share of the profit or loss of the investee.

3. Summary of significant accounting policies (continued)

3.2 Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealised gains arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled enterprises are eliminated to the extent of the Group's interest in the enterprise. Unrealised gains resulting from transactions with associates and joint ventures are eliminated against the investment in the associate or joint ventures. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

3.3 Segment information

The Group has a single reportable segment as chief operating decision makers review operating results and financial position of the entire Group due to high degree of cooperation and integration within the Group. Therefore, these consolidated financial statements contain voluntary entity-wide disclosures with information about sales revenue by type, sales revenue by geographical areas based on selling location and non-current assets other than financial instruments, deferred tax assets and goodwill by its geographical location as required by IFRS 8.

3.4 Foreign currency transactions

Transactions in foreign currencies are translated to the appropriate functional currency at the foreign exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the foreign exchange rate prevailing at the reporting date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated to the functional currency at the foreign exchange rate at the date of the transaction. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the foreign exchange rates at the date when the fair values were determined. Foreign exchange differences arising from translation are recognised in profit or loss.

At the reporting date, assets and liabilities of each entity whose functional currency is different than presentation currency of the Group are translated into the Group's presentation currency at the exchange rate as at the reporting date and income, expenses and other changes in equity are translated at exchange rates as at the dates of the transactions. Resulting exchange differences are recognised in translation reserve through other comprehensive income.

3.5 Property, plant and equipment

Property, plant and equipment are shown at fair value (except for rental tools, see on the next page), based on periodic, at least every five years, valuations by external independent appraisers, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

A revaluation increase on an item of property, plant and equipment is recognised directly in equity through other comprehensive income except to the extent that it reverses a previous revaluation decrease recognised in the profit or loss. A revaluation decrease on an item of property, plant and equipment is recognised in profit or loss except to the extent that it reverses a previous revaluation increase recognised directly in equity.

3. Summary of significant accounting policies (continued)

3.5 Property, plant and equipment (continued)

Items of property, plant and equipment acquired after periodic revaluation are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The cost of self-constructed assets includes cost of materials, direct labour and an appropriate portion of production overheads. Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

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 Group and the cost of the item can be measured reliably. All other expenditure is recognised in profit or loss as an expense when incurred.

Rental tools represent property, plant and equipment (mainly Electrical Submersible Pumps) that are produced by the Group and held for use in the Group's supply of services. The recoverability of these rental tools will be through the stream of operational rent payments from customers. Rental tools are accounted for using cost model.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Land is not depreciated. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. The estimated useful lives are as follows:

Buildings	20 – 50 years
Machinery and equipment	4 – 15 years
Rental tools	2 – 5 years
Vehicles	3 – 7 years
Fixtures and fittings	2 – 5 years

The assets' residual values and useful lives are reviewed, and adjusted prospectively if appropriate, at each reporting date.

3.6 Intangible assets

Costs associated with research activities are expensed in profit or loss as and when incurred. Costs that are directly attributable to the development phase of new or substantially improved products and services are capitalised if the product or process is technically and commercially feasible, the Group has sufficient resources to complete the development and such intangible asset is likely to generate economic benefits through internal use or sale. Directly attributable costs include cost of materials, direct labour and appropriate production overheads. All other development costs are expensed as incurred.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Such intangible assets are systematically tested for impairment at each reporting date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Trademarks, licenses and patents, designs and prototypes	2 – 8 years
Software	2 – 3 years

3. Summary of significant accounting policies (continued)

3.6 Intangible assets (continued)

Goodwill
Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to the Group's single cash-generating unit.

3.7 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term bank deposits maturing within three months or for which the Group has a right to recall without significant penalties.

Bank borrowings are generally considered to be financing activities. However, in some countries, bank overdrafts which are repayable on demand form an integral part of an entity's cash management. In these circumstances, bank overdrafts are included as a component of cash and cash equivalents. A characteristic of such banking arrangements is that the bank balance often fluctuates from being positive to overdrawn.

3.8 Financial instruments

Recognition, initial measurement and derecognition
Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities is described below and on the next page.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets
For the purpose of subsequent measurement financial assets, other than those designated and effective as hedging instruments, are classified into the following categories upon initial recognition:

- loans and receivables;
- financial assets at fair value through profit or loss (FVTPL);
- held-to-maturity (HTM) investments; and
- available-for-sale (AFS) financial assets.

All financial assets except for those at FVTPL are reviewed for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

3. Summary of significant accounting policies (continued)

3.8 Financial instruments (continued)

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Classification and subsequent measurement of financial liabilities
The Group's financial liabilities include borrowings, trade and most other payables.

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognised in profit or loss. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

3.9 Impairment

The carrying amounts of Group's financial assets carried at amortised cost/cost and non-financial assets, except for deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

Financial assets carried at amortised cost
The Group reviews its loans and receivables, to assess impairment on a regular basis. A loan or receivable is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan or receivable and that event (or events) has an impact on the estimated future cash flows of the loan or receivable that can be reliably estimated. The Group first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the receivable in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of loss is measured as difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

In some cases the observable data required to estimate the amount of impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Group uses its experience and judgment to estimate the amount of any impairment loss.

3. Summary of significant accounting policies (continued)

3.9 Impairment (continued)

All impairment losses in respect of loans and receivables are recognised in the profit or loss and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

Non-financial assets
Non-financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non-financial assets is the greater of their fair value less costs to sell 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. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non-financial assets are recognised in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.10 Inventories

Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined on the weighted-average basis. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity), but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less cost of completion and selling expenses.

3.11 Offsetting

Financial assets and liabilities are offset and the net amount is reported in consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

3.12 Provisions

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in provision due to passage of time is recognised as interest expense.

Warranty obligations
Provisions for the expected cost of warranty obligations are recognised at the date of sale of the relevant products, at the management's best estimate of the expenditure required to settle the Group's obligation.

3. Summary of significant accounting policies (continued)

3.13 Equity

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction in equity.

When share capital recognised as equity is repurchased, the amount of consideration paid, including directly attributable costs, is recognised as a decrease in equity.

Treasury shares are own equity instruments held by the Group. The cost of treasury shares held is presented as a separate reserve in equity. Redeemed treasury shares reduce share capital at the total amount of the their nominal value, residual value of redeemed treasury shares decreases equity.

Share premium represents amount in excess of the par value of shares received from shareholders.

Asset revaluation reserve comprises gains and losses due to revaluation of property, plant and equipment.

Foreign currency translation reserve accounts for the foreign exchange differences arising as a result of translation from functional currencies to the presentation currency. Foreign currency translation differences arising on the translation of the Group's foreign entities are also included in the foreign currency translation reserve.

Retained earnings include all current and prior years' retained profits/(losses).

3.14 Post-employment benefits and short-term employee benefits

Post-employment benefit plans
The Group provides post-employment benefits through defined benefit plans.

Defined benefit plans
Under the Group's defined benefit plans, the amount of lump sum payment that an employee will receive on retirement is defined by reference to the employee's length of service and final salary. The legal obligation for any benefits remains with the Group.

The liability recognised in consolidated statement of financial position for defined benefit plans is the present value of the defined benefit obligation (DBO) at the reporting date.

Short-term employee benefits
Short-term employee benefits, including holiday entitlement, are current liabilities included in wages, salaries and other related accruals, measured at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

3.15 Taxation

Income tax on profit for the period comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected amount of income taxes payable / (recoverable) in respect of the taxable profit / (tax loss) for the period using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

3. Summary of significant accounting policies (continued)

3.15 Taxation (continued)

Deferred tax is the change in the amount of income taxes payable / (recoverable) in future periods in respect of the temporary taxable / (deductible) differences and carry-forward of unused tax losses. Deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability settled based on the tax rates that have been enacted or substantively enacted at the reporting date.

3.16 Revenue

Revenue from sale of goods is recognised when significant risks and rewards of ownership have been transferred to the buyer. Revenue from rendering of services is recognised in proportion to the stage of completion of transactions at the reporting date.

The stage of completion is assessed by reference to acts of acceptance signed by customers. No revenue is recognised if there are significant uncertainties regarding recoverability of the consideration due, associated costs or the possible return of goods.

3.17 Borrowing costs

Borrowing costs are interest and other costs incurred by the Group in connection with the borrowing of funds. Interest expense is recognised in profit or loss determined as the amount of change of the carrying amount of liability other than from cash payments or cash receipts. Interest costs incurred in connection with borrowings, which are directly attributable to the acquisition, construction or production of qualifying assets, are capitalised.

3.18 Net finance costs

Net finance costs comprise interest expense on borrowings, losses from de-recognition of financial liabilities, interest income on funds invested, dividend income, bank fees and foreign exchange gains and losses recognised in profit or loss.

4. Application of new and revised International Financial Reporting Standards

4.1 New and revised standards that are effective for annual periods beginning on or after 1 January 2017

There are no relevant new standards, interpretations or amendments to existing standards effective for the accounting period beginning on or after 1 January 2017 that would have a material impact on the Group.

4.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

At the date of authorisation of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's consolidated financial statements.

IFRS 9 Financial Instruments (effective for accounting period beginning on or after January 1, 2018)

The new Standard for financial instruments (IFRS 9) replaces IAS 39 'Financial Instruments: Recognition and Measurement'. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets.

IFRS 9 also contains new requirements on the application of hedge accounting. The new requirements look to align hedge accounting more closely with entities' risk management activities by increasing the eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assessing hedge effectiveness.

Classification and measurement

Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. IFRS 9 contains three principal classification catagories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 catagories of held to maturity, loans and receivables and available for sale. Financial liabilities are classified in a manner similar to IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

Based on a preliminary assessment, the Group does not believe that the new classification requirements will have a material impact on its accounting for the financial assets and liabilities.

Impairment

The 2014 version of IFRS 9 introduces an 'expected credit loss' (ECL) 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. The new impairment mode will apply to the financial assets measured at amortised cost. Under IFRS 9, loss allowances will be measured on the basis of the credit risk of financial asset at the reporting date.

The ECL model will apply higher percentage of loss where credit risk increases significantly since initial recognition. An entity may determine that financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date.

4. Application of new and revised International Financial Reporting Standards (continued)

4.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group (continued)

IFRS 9 Financial Instruments (effective for accounting period beginning on or after January 1, 2018) (continued)

The estimated ECL will be calculated based on the actual credit loss experience. The Group will perform the calculation of ECL rates separately for different types of customer including related parties.
The Group does not expect the application of IFRS 9 requirements related to impairment to have a significant impact on its consolidated financial statements.

Hedge accounting

IFRS 9 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. The application of the requirements of IFRS 9 related to hedges will not have any impact on these consolidated financial statements.

Derecognition

The requirements for derecognition of financial assets and liabilities are carried forward from IAS 39.

The Group management has decided not to restate comparative information for the prior periods with respect to classification and measurements (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9, if any, will generally be recognised in equity as at 1 January 2018.

IFRS 15 Revenue from Contracts with Customers — New (effective for accounting period beginning on or after January 1, 2018)

IFRS 15 establishes a single comprehensive five-step model for entities to use in accounting for revenue arising from contracts with customers. It will supersede the following revenue Standards and Interpretations upon its effective date:

- IAS 18 Revenue;
- IAS 11 Construction Contracts;
- IFRIC 13 Customer Loyalty Programmes;
- IFRIC 15 Agreements for the Construction of Real Estate;
- IFRIC 18 Transfers of Assets from Customers; and
- SIC 31 Revenue-Barter Transactions Involving Advertising Services.

The five steps in the model are as follows:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts; and
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Guidance is also provided on topics such as the point in which revenue is recognised, contract modifications, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

4. Application of new and revised International Financial Reporting Standards (continued)

4.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group (continued)

IFRS 15 Revenue from Contracts with Customers — New (effective for accounting period beginning on or after January 1, 2018) (continued)

As per a preliminary assessment by Management most of the ongoing contracts related to rendering of services and sales of goods represent multiple performance obligations and accordingly, revenue will be recognized for each of these performance obligations when control over the corresponding goods or services is transferred to the customer. Certain contracts of supply of goods coupled with the installation services may represent a single performance obligation however the revenue might be recorded over time.

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

The Group will use input method or the output method in allocating the relative transaction price to performance obligations that are satisfied over time, depending on the nature of the contract. The timing of revenue recognition of each of these performance obligations will be over the period when services are performed. Variable consideration amounts are estimated at either their expected value or most likely amount and included in revenue to the extent that it is highly probable that the revenue will not reverse.

Based on Group's preliminary assessment, currently the timing of revenue recognition for ongoing contracts and estimates for variable consideration are broadly similar. Therefore, the Group does not expect the application of IFRS 15 to result in significant differences in the revenue recognition in 2018.

IFRS 16 "Leases"

IFRS 16 "Leases" brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 "Leases" and related interpretations and is effective for periods beginning on or after 1 January 2019, with earlier adoption permitted if IFRS 15 "Revenue from Contracts with Customers" has also been applied.

5. Acquisition and disposal of subsidiaries and associates

The Group has not acquired or sold any subsidiaries or associates in the reporting or comparative years.

6. Property, plant and equipment

In thousands of USD	Land and buildings	Machinery and equipment	Rental tools	Vehicles	Fixtures and fittings	Rental tools awaiting installation	Assets under construction	Total
Cost / revalued amount								
At 1 January 2017	79,999	142,977	169,391	9,436	7,470	34,308	4,001	447,582
Impairment	–	(81)	–	(481)	(11)	–	–	(573)
Additions	769	4,933	7,619	774	1,445	8,999	9,448	33,987
Transferred from inventories	42	594	8,215	38	61	94,924	1,106	104,980
Disposals	(41)	(523)	(1,235)	(338)	(39)	(435)	(50)	(2,661)
Transferred to inventories	–	–	(80,624)	–	–	(106)	(1)	(80,731)
Transferred from intangible assets	–	132	–	–	–	–	–	132
Transfers	3,200	891	98,893	50	98	(98,893)	(4,239)	–
Effect of translation to presentation currency	4,338	7,895	8,314	350	348	1,674	169	23,088
At 31 December 2017	**88,307**	**156,818**	**210,573**	**9,829**	**9,372**	**40,471**	**10,434**	**525,804**
Depreciation and impairment								
At 1 January 2017	3,741	15,571	69,048	1,694	1,888	–	–	91,942
Impairment	–	(24)	–	(165)	(5)	–	–	(194)
Depreciation charge	3,920	16,807	43,260	1,790	2,501	–	–	68,278
Disposals	(3)	(210)	(971)	(164)	(33)	–	–	(1,381)
Transferred to inventories	–	–	(20,042)	–	–	–	–	(20,042)
Effect of translation to presentation currency	281	1,079	3,452	84	112	–	–	5,008
At 31 December 2017	**7,939**	**33,223**	**94,747**	**3,239**	**4,463**	**–**	**–**	**143,611**
Carrying value								
At 31 December 2017	**80,368**	**123,595**	**115,826**	**6,590**	**4,909**	**40,471**	**10,434**	**382,193**
At 1 January 2017	**76,258**	**127,406**	**100,343**	**7,742**	**5,582**	**34,308**	**4,001**	**355,640**

6. Property, plant and equipment (continued)

In thousands of USD	Land and buildings	Machinery and equipment	Rental tools	Vehicles	Fixtures and fittings	Rental tools awaiting installation	Assets under construction	Total
Cost / revalued amount								
At 1 January 2016	52,401	82,666	121,625	8,631	7,316	7,129	2,779	282,547
Revaluation	17,927	39,514	–	(189)	(1,896)	–	(553)	54,803
Additions	1,317	1,488	–	600	1,163	47	3,242	7,857
Transferred from inventories	–	246	4,574	1	7	117,881	1,012	123,721
Disposals	(239)	(1,139)	(1,696)	(428)	(45)	(68)	–	(3,615)
Transferred to inventories	–	(51)	(70,732)	–	–	–	–	(70,783)
Transferred from intangible assets	–	81	–	–	–	–	–	81
Transfers	787	1,815	94,165	104	110	(94,165)	(2,816)	–
Effect of translation to presentation currency	7,806	18,357	21,455	717	815	3,484	337	52,971
At 31 December 2016	79,999	142,977	169,391	9,436	7,470	34,308	4,001	447,582
Depreciation and impairment								
At 1 January 2016	8,810	32,021	43,910	5,577	5,054	–	–	95,372
Revaluation	(8,810)	(32,021)	–	(5,577)	(5,054)	–	–	(51,462)
Depreciation charge	3,542	14,714	39,280	1,688	1,786	–	–	61,010
Disposals	(4)	(193)	(1,635)	(65)	(19)	–	–	(1,916)
Transferred to inventories	–	(3)	(19,164)	–	–	–	–	(19,167)
Effect of translation to presentation currency	203	1,053	6,657	71	121	–	–	8,105
At 31 December 2016	3,741	15,571	69,048	1,694	1,888	–	–	91,942
Carrying value								
At 31 December 2016	76,258	127,406	100,343	7,742	5,582	34,308	4,001	355,640
At 1 January 2016	43,591	50,645	77,715	3,054	2,262	7,129	2,779	187,175

Revaluation of assets

Management bases their estimate of the fair value of the property, plant and equipment mostly on the results of the independent appraisals. The recent independent appraisals were performed by BDO. As at 1 January 2016 all categories of property, plant and equipment, except for rental tools, owned by the Group were evaluated in course of periodic valuation in accordance with the adopted accounting policy.

Three methods were used during the valuation of assets: Sales comparison approach, Income capitalisation approach and Cost approach. For assets of different classes the most appropriate and reliable method was selected subject to data availability. Method selected for individual classes of assets were as follows:

- Land — primarily sales comparison approach;
- Specialised buildings, plant and equipment which are unique and are never sold separately from the business they are part of — Depreciation Replacement Cost approach specifying an upper limit based on analysis of relevant sales comparison approach for particular asset type; and
- Other items of plant and equipment — primarily sales comparison approach.

6. Property, plant and equipment (continued)

Revaluation of assets (continued)

The test for adequate profitability of the assets and possible impairment was performed using discounted cash flow (DCF) method. DCF model included projections over 5 year period and was based on the following main assumptions:

- Conservative scenario with no step changes or business efficiency improvements;
- Revenue growth assumption — 2% USD revenue decrease for 2016 and 4–5% growth for further periods;
- Macroeconomic assumptions per official government forecasts;
- Discount rate — WACC estimated at 15.4%–15.5% applied to USD cash flows;
- EBITDA margin: 25.2–25.7%.

The revaluation of property, plant and equipment carried out on 1 January 2016 resulted in revaluation surplus of USD'000 106,265 net of impairment of certain property, plant and equipment amounting to USD'000 1,367.

	2016 USD'000
Change in asset revaluation reserve due to revaluation	106,283
Translation difference arising from revaluation	1,349
Devaluation and impairment of property, plant and equipment (Note 22)	(1,367)
Revaluation surplus net of devaluation and impairment	**106,265**

The reconciliation of revaluation surplus net of devaluation and impairment to changes of the carrying values of relevant property, plant and equipment is as follows:

	2016 USD'000
Accumulated depreciation written off	51,462
Gross carrying amounts restated to reflect the revalued amounts	54,803
Revaluation surplus net of devaluation and impairment	**106,265**

Further, asset revaluation reserve recognised on revaluation of property, plant and equipment reflected in consolidated statement of changes in equity is as follows:

	2016 USD'000
Change in asset revaluation reserve due to revaluation	106,283
Change in deferred tax due to revaluation recognised in equity (Note 15)	(20,892)
Change in asset revaluation reserve, net of deferred tax	**85,391**

6. Property, plant and equipment (continued)

Revaluation of assets (continued)
As per management's assessment, there was no further impairment in property, plant and equipment as at 31 December 2017 or as at 31 December 2016.

Historical cost
The net book value of property, plant and equipment that would have been recognised under the historical cost method is USD'000 255,948 as at 31 December 2017 (31 December 2016: USD'000 221,047).

Rental tools awaiting installation
Rental tools awaiting installation comprises equipment designated to be used as rental tools which is located at service bases and is ready for installation in wells.

Assets under construction
During the year, the Group has been acquiring equipment as part of the investment program. Assets under construction comprises equipment in the process of installation at manufacturing sites and buildings under construction.

Transfer from intangible assets to property, plant and equipment
A part of development costs incurred in connection with the projects may result in a tangible outcome, e.g., test rigs. During the year, amounts related to such outcome were reclassified to Assets under construction or appropriate category of property, plant and equipment in total amount of USD'000 132 (2016: USD'000 81).

Transfer from inventory to property, plant and equipment
Some of finished goods produced by the Group are used as rental tools and are accordingly classified by management. Also some inventories are used in construction. During the year amount of inventory transferred to property, plant and equipment amounted in USD'000 104,980 (2016: USD'000 123,721). Most of this inventory was eventually transferred to rental tools and to rental tools awaiting installation..

Transfer from property, plant and equipment to inventory
From time to time rental tools can be sold to customers. These transactions mainly relate to rental program, which involves sales of the assets to the customer once they prove their efficiency while exploited as rental tools. In such cases the net book value of assets sold is derecognised as property, plant and equipment and recognised as inventory. Then it is recognised as cost of sales, see Note 19 (Rental tools sold line). Carrying value of the rental tools sold during 2017 was USD'000 1,261 (2016: USD'000 1,822).

It may also happen that equipment recognised under property, plant and equipment can be disassembled and then recorded under inventory. During 2017, transactions of both types resulted in property, plant and equipment transfers to inventory with a net book value of USD'000 60,689 (2016: USD'000 51,616).

7. Intangible assets and goodwill

In thousands of USD	Goodwill	Trademarks, licenses and patents, designs and prototypes	Software	Development costs	Total
Cost					
Cost at 1 January 2017	**84,042**	**47,516**	**3,683**	**10,599**	**145,840**
Additions	**–**	**11**	**483**	**5,027**	**5,521**
Disposals	**–**	**–**	**(389)**	**(46)**	**(435)**
Transferred to property, plant and equipment	**–**	**–**	**–**	**(132)**	**(132)**
Transfers	**–**	**3,905**	**–**	**(3,905)**	**–**
Effect of translation to presentation currency	**–**	**1,881**	**18**	**449**	**2,348**
At 31 December 2017	**84,042**	**53,313**	**3,795**	**11,992**	**153,142**
Amortisation and impairment					
At 1 January 2017	**–**	**27,617**	**2,375**	**–**	**29,992**
Amortisation charge	**–**	**5,853**	**525**	**–**	**6,378**
Disposals	**–**	**–**	**(290)**	**–**	**(290)**
Effect of translation to presentation currency	**–**	**1,168**	**8**	**–**	**1,176**
At 31 December 2017	**–**	**34,638**	**2,618**	**–**	**37,256**
Carrying value					
At 31 December 2017	**84,042**	**18,675**	**1,177**	**11,992**	**115,886**
At 1 January 2017	**84,042**	**19,899**	**1,308**	**10,599**	**115,848**

7. Intangible assets and goodwill (continued)

In thousands of USD	Goodwill	Trademarks, licenses and patents, designs and prototypes	Software	Development costs	Total
Cost					
Cost at 1 January 2016	**84,042**	**39,354**	**3,395**	**7,084**	**133,875**
Additions	**–**	**1**	**416**	**5,265**	**5,682**
Disposals	**–**	**(110)**	**(196)**	**(232)**	**(538)**
Transferred to property, plant and equipment	**–**	**–**	**–**	**(81)**	**(81)**
Transfers	**–**	**2,673**	**–**	**(2,673)**	**–**
Effect of translation to presentation currency	**–**	**5,598**	**68**	**1,236**	**6,902**
At 31 December 2016	**84,042**	**47,516**	**3,683**	**10,599**	**145,840**
Amortisation and impairment					
At 1 January 2016	–	19,103	2,186	–	21,289
Amortisation charge	–	5,450	368	–	5,818
Disposal	–	(110)	(196)	–	(306)
Effect of translation to presentation currency	–	3,174	17	–	3,191
At 31 December 2016	–	27,617	2,375	–	29,992
Carrying value					
At 31 December 2016	84,042	19,899	1,308	10,599	115,848
At 1 January 2016	84,042	20,251	1,209	7,084	112,586

Goodwill

In 2008, the Group completed the purchase accounting for its acquisition of ESP business of subsidiaries of Weatherford Bermuda Holding Limited. At 31 December 2008, the carrying value of goodwill was attributed to the Group's cash-generating unit represented by acquired ESP business.

Due to high degree of cooperation within the Group achieved during 2009 and increased integrity of the business, management believes that the Group now consists of only one cash-generating unit (CGU).

In March 2010, January 2012 and October 2013 the Group acquired new businesses that are supplementary in respect of basic ESP business of the Group in Canada and in Russia, and thus relate to the same CGU.

7. Intangible assets and goodwill (continued)

Goodwill (continued)

That is why the goodwill is attributed to the Group as a whole and tested for impairment accordingly. Subsequently, upon the impairment test as on 31 December 2017, the carrying amount of goodwill is allocated as follows:

	At 31 December 2017 USD'000
Group as a whole	**84,042**

Management has performed goodwill impairment testing based on assumption of one CGU.

The recoverable amount of the cash-generating unit (Group as a whole) was determined based on value-in-use calculations, which uses cash flow projections based on financial forecasts covering a detailed five-year period, and a discount rate of 12.49% per annum.

Cash flow projections during the forecasted period are based on the same expected gross margins throughout the projected period. The cash flows beyond that five-year period have been extrapolated using a conservative 2% per annum growth rate assumption, which is significantly lower than management's assessment of the long-term average market growth rate. The management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

As a result of these calculations, management arrived at the value of the Group that is significantly higher than the net assets value and therefore no impairment of goodwill was recognised as at 31 December 2017 as well as at 31 December 2016.

8. Other non-current assets

Other non-current assets mostly represent advances paid to suppliers for property, plant and equipment in the amount of USD'000 986 (31 December 2016: USD'000 1,492), performance guarantee deposits in the amount of USD'000 1,577 (31 December 2016: USD'000 1,855) and the carrying value of the equity investment in joint venture is now USD'000 0 (31 December 2016: USD'000 239).

9. Inventories

	31 Dec 2017 USD'000	31 Dec 2016 USD'000
Raw materials and consumables	**27,085**	41,230
Work in progress	**12,695**	10,710
Finished goods and goods for resale	**90,836**	68,317
	130,616	120,257
Allowance for obsolete inventory	**(21,097)**	(14,195)
Total inventories	**109,519**	106,062

The Group's core business is continuously changing, subject to rapid technology changes, which may cause inventory obsolescence. Provision is determined based on management assessment of inventory realisable value, which considers certain internal policies and technical assessments of usability, due to which certain items identified to be slow moving may not be impaired. In determining net selling prices of inventory, management has taken into account the most reliable evidence available at the times the estimates were made.

9. Inventories (continued)

Movements in the allowance for obsolete inventory are as follows:

	2017 USD'000	2016 USD'000
Balance at the beginning of the year	**14,195**	13,716
Charge for the year	**6,672**	1,825
Write-offs during the year	**(110)**	(2,308)
Translation to presentation currency	**340**	962
Balance at the end of the year	**21,097**	14,195

10. Trade and other receivables

	31 Dec 2017 USD'000	31 Dec 2016 USD'000
Trade receivables	**133,708**	121,571
Allowance for doubtful trade receivables	**(18,499)**	(13,722)
Trade receivables, net	**115,209**	107,849
Other receivables	**53,702**	2,759
Allowance for doubtful other receivables	**(1,272)**	(1,302)
Other receivables, net	**52,430**	1,457
Total trade and other receivables	**167,639**	109,306

Trade receivables are on average settled within 70 days (2016: 81 days) and do not bear any effective interest rate. There is a significant concentration of credit risk, as the amounts recognised mostly relate to a limited number of receivables from larger customers mostly based in Russia (see Note 27.2 "Credit risk analysis").

The maximum exposure to credit risk at the reporting date is the carrying value of receivables mentioned above. The Group does not hold any collateral as security over these balances.

Trade receivables that are past due but less than 6 months are not considered impaired unless there is indication that such impairment exists. Management is under discussion with overdue customers and is making efforts to receive these balances.

The aging analysis of overdue trade receivables is as follows:

	31 December 2017		
	USD'000 Gross value	**USD'000 Allowance**	**USD'000 Carrying value**
Not more than 6 months	**23,393**	**(17)**	**23,376**
More than 6 months but not more than 1 year	**2,560**	**(747)**	**1,813**
More than 1 year	**18,274**	**(17,735)**	**539**
Total	**44,227**	**(18,499)**	**25,728**

10. Trade and other receivables (continued)

	31 December 2016		
	USD'000 Gross value	USD'000 Allowance	USD'000 Carrying value
Not more than 6 months	13,016	(50)	12,966
More than 6 months but not more than 1 year	4,923	(530)	4,393
More than 1 year	21,718	(13,142)	8,576
Total	39,657	(13,722)	25,935

All of the Group's trade receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and as at 31 December 2017 an allowance for doubtful trade receivables in amount of USD'000 18,499 was created (31 December 2016: USD'000 13,722). Certain overdue receivables as disclosed above were not considered as impaired based on management's internal assessment and discussions with customers and attorneys. This has been considered as a significant estimate as actual recoverability would depend on customer's ability to pay and ongoing negotiations. The impaired trade receivables are mostly due from the entities that are experiencing financial difficulties or went bankrupt.

Movements in the allowance for doubtful trade receivables are as follows:

	2017 **USD'000**	2016 USD'000
Balance at the beginning of the year	**13,722**	14,652
Charge for the year	**9,540**	2,945
Recovered during the year	**(320)**	(2,006)
Write-offs during the year	**(4,470)**	(1,963)
Translation to presentation currency	**27**	94
Balance at the end of the year	**18,499**	13,722

Other receivables include two deposits of USD'000 25,000 each made with a financial institution with the interest range of 1.86%–2.15%. Maturity period of these deposits is more than 6 months but ends before the redemption date of the guaranteed notes issued in 2013. Interest of these deposits will be paid along with the principal amount at maturity.

Besides, other receivables include a deposits of USD'000 700 made with a financial institution with the interest rate of 1.4%. Maturity period of this deposit is more than 6 months but less than 1 year and interest will be paid on half-year basis and along with the principal amount at maturity.

11. Other assets

	31 Dec 2017 **USD'000**	31 Dec 2016 USD'000
Prepayments for raw materials and consumables	**5,475**	3,997
VAT to be reclaimed	**5,328**	4,559
Other tax prepayments	**356**	1,264
Total other assets	**11,159**	9,820

12. Cash and cash equivalents

	31 Dec 2017 USD'000	31 Dec 2016 USD'000
Cash at bank	**43,950**	29,483
Overdraft facility utilised	**(2,279)**	(1,961)
Term deposits	**868**	5,253
Cash in hand	**20**	18
Total cash and cash equivalents	**42,559**	32,793

As at 31 December 2017 the Group's cash and cash equivalents comprise cash at bank, overdraft, term deposits and cash in hand.

As at 31 December 2017 the Group's overdraft facility carried interest at a variable rate plus a margin of 2.20% per annum (31 December 2016: a variable rate plus a margin of 2.20% per annum).

As at 31 December 2017 the Group doesn't have term deposits in Russian banks (31 December 2016: USD-denominated term deposits in total amount of USD'000 5,000 in Russian banks (including deposits with a related party to the Group), generating 2.5% interest per annum). As at 31 December 2017 the Group has BRL-denominated term deposit in amount of USD'000 615, generating interest at a variable rate, and non-interest bearing deposit in reliable banks in total amount of USD'000 253 (31 December 2016: USD'000 253).

As at 31 December 2017 the Group had restricted cash accounts related to certain shipment contracts in total amount of USD'000 427 (31 December 2016: USD'000 329). Until the shipment takes place this cash could be used only to cover costs related to the contract. As at 31 December 2017 this cash is included in cash at bank.

13. Share capital

As at 31 December 2017 authorised and issued share capital of the Company consisted of 4,300 shares, of which 4,085 were ordinary shares and 215 were treasure shares as at 31 December 2017, with the nominal value of 1 USD each (31 December 2016: 4,300 ordinary shares with the nominal value of 1 USD each).

The holders of ordinary shares are entitled to receive dividends as and when declared and are entitled to one vote per share at annual and general meetings of the Company subject to the covenants under offer memorandum and the applicable laws. No dividends have been declared or paid during 2017 and 2016.

On 18 December 2017 Group has bought back 215 shares from European Bank for Reconstruction and Development ("EBRD") for consideration of USD'000 40,875 which were held as treasury shares as of 31 December 2017 and represent 5% of the Company's shares. The considerations paid in exchange for the treasury shares have been recognised as special component of equity.

14. Loans and borrowings

	31 Dec 2017 USD'000	31 Dec 2016 USD'000
Non-current		
Guaranteed notes	**325,374**	392,425
Total non-current borrowings	**325,374**	392,425
Current		
Guaranteed notes	**141,085**	8,137
Loans	**–**	3
Total current borrowings	**141,085**	8,140
Total loans and borrowings	**466,459**	400,565

Terms and repayment schedule are as follows:

Loans outstanding as at 31 December 2017:

Loans and borrowings	**Lender**	**Currency**	**Primary / outstanding nominal principal, USD'000**	**Year of final maturity**
Guaranteed notes	Subscribers to the guaranteed notes	USD	420,000 / 133,278	2018
Guaranteed notes	Subscribers to the guaranteed notes	USD	330,000 / 330,000	2022

Loans outstanding as at 31 December 2016:

Loans and borrowings	**Lender**	**Currency**	**Primary / outstanding nominal principal, USD'000**	**Year of final maturity**
Guaranteed notes	Subscribers to the guaranteed notes	USD	420,000 / 394,723	2018
Loans received	Russian banks (including related-party bank)	RUR	48,460 / 0	2017

Contractual cash flows of the loans are represented in Note 27.4 "Liquidity Risk".

Guaranteed notes issued

In September 2013 Borets Finance DAC a wholly-owned finance subsidiary of the Company issued guaranteed notes listed on Irish Stock Exchange for the aggregate nominal amount USD'000 420,000 at annual rate of 7.625% due 2018. Interest on the notes is payable semi-annually in arrears on 26 March and 26 September of each year and commenced from 26 March 2014. The effective interest rate as at the reporting date was 8.25% (31 December 2016: 8.12%). The objective of issuing guaranteed notes was to finance share buyback from Weatherford International Limited and to refinance loans from IFC and EBRD.

Until 31 December 2016, guaranteed notes with nominal value of USD'000 25,277 were bought back and redeemed. In January 2017, guaranteed notes with nominal value of USD'000 21,777 were bought back and redeemed. On 7 April 2017, guaranteed notes with nominal value of USD'000 239,668 were bought back and redeemed.

14. Loans and borrowings (continued)

Guaranteed notes issued (continued)

In April 2017, Borets Finance DAC issued guaranteed notes listed on Irish Stock Exchange for the aggregate nominal amount USD'000 330,000 at annual rate of 6.5% due 2022. Interest on the notes is payable semi-annually in arrears on 7 April and 7 October of each year commencing from 7 October 2017. The effective interest rate as at the reporting date was 6.95%. The objective of issuing these guaranteed notes was to finance buy back of guaranteed notes issued in September 2013.

Loans received

In the course of acquisition of new subsidiary LLC Neftegasmashlizing (Russia) on 2 July 2015 the Group acquired long-term loans from Russian banks (including loans from related party to the Group) in total amount of USD'000 48,894 (RUR'000 2,730,240) at market annual rates within the range from 13% to 16%. In 2016, these loans were repaid in full.

In 2016, the Group received credit facilities with the limit of USD'000 19,784 (RUR'000 1,200,000) from Russian banks at market interest rates within the range from 13% to 16%. In January 2017 these credit facilities were closed. In January 2017, the Group received credit facility with limit of USD'000 10,417 (RUR'000 600,000) from a Russian bank at market interest rate. As at the reporting date, the entire facility remained unutilised. The objective of this credit facility is to cover current liquidity requirements of the Group, and this facility is available till August 2018. The guarantors of this facility are certain Group entities and there are certain covenants and early payment penalties attached to this facility.

In January 2017, the Group received a loan from a Russian bank in the total amount of USD'000 23,000 at market interest rate. The purpose of obtaining this loan was to finance buy back of guaranteed notes issued in September 2013. In April 2017, this loan was settled in full.

The offering memorandum of guaranteed notes and loan agreements impose certain financial covenants, tested on every reporting date. Based on these consolidated financial statements, the Group has met these covenants as at the end of the current and comparative years.

15. Deferred tax assets and liabilities

	Assets		Liabilities		Net	
In thousands of USD	**31 Dec 2017**	31 Dec 2016	**31 Dec 2017**	31 Dec 2016	**31 Dec 2017**	31 Dec 2016
Property, plant and equipment	**1,479**	889	**(37,623)**	(37,880)	**(36,144)**	(36,991)
Inventories	**6,818**	3,918	**(42)**	(14)	**6,776**	3,904
Receivables and prepayments	**2,603**	2,361	**(15)**	(1,473)	**2,588**	888
Payables and accruals	**4,421**	4,124	**(417)**	(393)	**4,004**	3,731
Tax losses carried forward	**10,896**	11,717	**–**	–	**10,896**	11,717
	26,217	23,009	**(38,097)**	(39,760)	**(11,880)**	(16,751)

15. Deferred tax assets and liabilities (continued)

The applicable income tax rate for the entities of the Group incorporated in Russia is 20%. This rate has been used in the calculation of deferred tax assets and liabilities. Other subsidiaries pay income tax in accordance with the legislative requirements of their tax jurisdictions. For the entity located in the USA the tax rate varies from 15% to 35%, and management used a rate of 21% for the purposes of deferred tax asset calculation. Deffered tax asset related to the subsidiary in the United States of America in amount of USD'000 19,441 has not been recognised since the management does not foresee the recoverability of this amount in the applicable future period. Management reviews at each reporting date the recoverability of recognised deferred tax assets. For the entity located in China the applicable corporate income tax rate is 25%.

Deferred tax assets and liabilities shown above are offset within each legal entity. Total amount of positive net balances resulted in USD'000 9,922 of deferred tax assets and total amount of negative net balances resulted in USD'000 21,802 of deferred tax liability, as shown in the consolidated statement of financial position as at 31 December 2017 (31 December 2016: USD'000 8,564 — deferred tax assets and USD'000 25,315 — deferred tax liability).

Movements in deferred taxes (net) during the reporting year were as follows:

In thousands of USD	**Property, plant and equipment**	**Inventories**	**Receivables and prepayments**	**Cash and cash equivalents**	**Payables and accruals**	**Tax losses carried forward**	**Total**
Balance as at 1 January 2017	**(36,991)**	**3,904**	**888**	**–**	**3,731**	**11,717**	**(16,751)**
Recognised in profit and loss	**2,914**	**2,745**	**1,572**	**–**	**65**	**(900)**	**6,396**
Translation to presentation currency	**(2,067)**	**127**	**128**	**–**	**208**	**79**	**(1,525)**
Balance as at 31 December 2017	**(36,144)**	**6,776**	**2,588**	**–**	**4,004**	**10,896**	**(11,880)**

Movements in deferred taxes during the 2016 and balances as at 31 December 2016 were as follows:

In thousands of USD	Property, plant and equipment	Inventories	Receivables and prepayments	Cash and cash equivalents	Payables and accruals	Tax losses carried forward	Total
Balance as at 1 January 2016	(11,635)	3,283	2,078	1	2,688	11,281	7,696
Recognised in profit and loss	714	324	(1,569)	(1)	416	329	213
Recognised in equity due to revaluation of property, plant and equipment	(20,892)	–	–	–	–		(20,892)
Translation to presentation currency	(5,178)	297	379	–	627	107	(3,768)
Balance as at 31 December 2016	(36,991)	3,904	888	–	3,731	11,717	(16,751)

16. Trade and other payables

	31 Dec 2017 USD'000	31 Dec 2016 USD'000
Non-current		
Other payables	**10,178**	–
Total non-current payables	**10,178**	–
Current		
Trade payables	**36,960**	30,759
Wages, salaries and other related accruals	**22,488**	20,346
Other payables	**9,223**	3,387
Total current payables	**68,671**	54,492
Total trade and other payables	**78,849**	54,492

Non-current other payables represent long term portion of liability relating to purchase of property, plant and equipment in Kuwait. At the date of purchase the liability was recognized in amount of fair value of purchased property plant and equipment. The liability was partly netted off against trade receivable with the seller and partly is being paid by installments during the period ended in 2020. The difference between the fair value and the total payment is recognised as interest over the period of credit with the effective interest rate of 4.11%.

Wages, salaries and other related accruals include liabilities recognised for defined benefit plan, in the amount of USD'000 1,370 (31 December 2016: USD'000 1,191).

The Group operates defined benefit plans for qualifying employees of its certain subsidiaries in Russia. Under the plans, the employees are entitled to retirement benefits varying between 2 and 12 final monthly salaries on retirement (of a retirement age in accordance with Russian Labour Code) if they have completed 2 to 10 years' service for the entities. Currently the Group does not have any plan assets for funding the defined benefit plan. No other post-employment benefits are provided to these employees.

The most recent calculation of the present value of the defined benefit obligation was carried out at 31 December 2017 by management of the Group. The present value of the defined benefit obligation was measured using discounted cash-flow (DCF) method. The following principal assumptions were used for the purposes of the calculation:

- Discount rate — 8.01% (31 December 2016: 8.74%);
- Projection period — infinite period (31 December 2016: infinite period); and
- Expected employee attrition rate — 10.05% (31 December 2016: 14.50%).

These assumptions were developed by management. The discount factor is determined close to the year-end by reference to high quality Russian government bonds that are denominated in RUR, the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related post-employment obligation. Other assumptions are based on management's historical experience.

Amount of service gain recognised in profit or loss in respect of the defined benefit plans for 2017 was USD'000 2 (2016 service loss: USD'000 26). The service loss is included in the Wages, salaries and related social costs in Note 19 "Cost of sales".

Amount of interest expense recognised in profit or loss in respect of the defined benefit plans for 2017 was USD'000 100 (2016: USD'000 89). The interest cost is included in Note 23 "Net finance costs".

Amount of net actuarial loss recognised in other comprehensive income (consolidated statement of comprehensive income) in respect of the defined benefit plans for 2017 was USD'000 16 (2016 net actuarial gain: USD'000 51).

17. Other liabilities

	31 Dec 2017 USD'000	31 Dec 2016 USD'000
Advances from customers	**12,735**	16,439
VAT payable	**12,367**	12,734
Other taxes payable	**7,731**	7,398
Warranty provisions	**2,721**	713
Total other liabilities	**35,554**	37,284

Warranty provisions are based on historical trends and have been considered as best possible management's estimate.

18. Revenue

	2017 USD'000	2016 USD'000
Revenue from sale of goods	**333,350**	261,538
Revenue from rendering of services and rentals	**266,530**	220,845
Total revenue	**599,880**	482,383

19. Cost of sales

	2017 USD'000	2016 USD'000
Raw materials and components used in production	**242,679**	210,446
Wages, salaries and related social costs	**109,169**	94,620
Depreciation and amortisation	**72,099**	64,655
Production overheads	**24,091**	24,819
Transportation	**12,295**	11,374
Conversion and contractor services	**3,960**	4,044
Rental tools sold (Note 6)	**1,261**	1,822
Change in stock of work in progress and finished goods other than related to acquisition and disposal of subsidiaries	**(21,899)**	1,252
Work performed capitalised	**(45,528)**	(73,867)
Total cost of sales	**398,127**	339,165

20. Selling and marketing expenses

	2017 USD'000	2016 USD'000
Transportation	**5,515**	3,650
Commission	**304**	21
Advertisement	**175**	159
Total selling and marketing expenses	**5,994**	3,830

21. Administrative expenses

	2017 USD'000	2016 USD'000
Wages, salaries and related social costs	**56,039**	50,104
Management fee (Note 29.1)	**15,569**	15,312
Rent expenses	**4,496**	5,846
Consulting, audit and legal expenses	**4,257**	4,164
Travel expenses	**2,977**	2,784
Depreciation and amortisation	**2,557**	2,173
Telecommunication expenses	**826**	886
Repairs and maintenance	**597**	624
Development costs capitalised	**(5,027)**	(5,265)
Other expenses	**6,051**	6,676
Total administrative expenses	**88,342**	83,304

22. Other operating expenses / (income), net

	2017 USD'000	2016 USD'000
Impairment and write-off of doubtful trade and other receivables	**9,170**	1,260
Impairment of inventory	**6,672**	1,825
Loss on disposal of property, plant and equipment and intangible assets	**1,202**	303
Devaluation and impairment of property, plant and equipment	**90**	1,367
Gain from write-off of payables for contribution to associate	**(161)**	–
Other	**1,118**	(5,773)
Total other operating expenses / (income), net	**18,091**	(1,018)

Other operating income of comparative year in the amount of USD'000 5,773 is mainly represented by the reversal of accrued and unpaid bonuses, and other provisions.

23. Net finance costs

	2017 USD'000	2016 USD'000
Interest income	**(2,475)**	(1,032)
Foreign exchange gains	**(844)**	(1,928)
Bank and other transaction fees	**1,075**	888
Interest expense — Notes	**32,264**	32,012
Loss from redemption of guaranteed notes	**11,087**	–
Interest expense on other payables	**515**	149
Interest expense — Loans and credit facilities from Russian banks	**384**	4,270
Net interest on the net defined benefit liability in profit or loss	**100**	89
Interest expense — bank overdraft facilities drawn down	**43**	63
Total net finance costs	**42,149**	34,511

24. Income tax expense, net

	2017 USD'000	2016 USD'000
Current		
Current income tax expense	**23,092**	16,366
Deferred		
Effect of utilisation and origination of tax losses carried forward	**900**	(329)
Origination and reversal of temporary differences	**(7,296)**	116
Total income tax expense, net	**16,696**	16,153

Reconciliation of theoretical income tax expense with actual income tax expenses:

	2017 USD'000	2016 USD'000
Profit before income tax	**47,177**	22,591
Income tax in UAE (zero %)	**–**	–
Tax expense at tax rates applicable in other jurisdictions	**17,998**	1,524
Adjustment for tax exempt income and non-deductible expenses	**(1,302)**	14,629
Total income tax expense in the consolidated statement of comprehensive income	**16,696**	16,153

The line "Adjustment for tax exempt income and non-deductible expenses" above includes the tax effects of the foreign currency exchange differences related to intercompany loans between some of the Group companies. These forex effects do not give rise to consolidated profit or losses, however they are taken into account when calculating taxable profits in certain jurisdictions. For 2017, such tax effects amounted to USD'000 227 of tax income (2016: USD'000 4,494 of tax expense).

The applicable income tax rate for the entities of the Group incorporated in Russia is 20%. This rate has been used in the calculation of deferred tax assets and liabilities. Other subsidiaries pay income tax in accordance with the legislative requirements of their tax jurisdictions. For the entity located in the USA the federal tax rate varies from 15% to 35%, management decided to use the minimum federal rate plus state tax resulting in 21% for the purposes of deferred tax asset calculation. For the entity located in China the applicable tax rate is the corporate income tax rate of 25%. Aggregate impact of other entities on the income tax expense is immaterial.

25. Consolidated EBITDA reconciliation

	2017 **USD'000**	2016 USD'000
Consolidated profit for the year after tax	**30,481**	6,438
Adjustments for:		
Income tax expense, net	**16,696**	16,153
Interest expense, net	**30,831**	35,551
Loss from redemption of guaranteed notes	**11,087**	–
Management fee (Note 29.1)	**15,569**	15,312
Consolidated EBIT	**104,664**	73,454
Adjustment for depreciation and amortisation	**74,656**	66,828
Adjustment for extraordinary item (devaluation of property, plant and equipment due to appraisal)	**90**	1,367
Consolidated EBITDA	**179,410**	141,649

26. Capital risk management

The Group's policy is to maintain a strong capital base so as to ensure investor and creditor confidence and to sustain future development of the business. The policy includes compliance with certain internally imposed minimum capital requirements. The Group's management constantly monitors profitability and gearing ratios and compliance with the minimum capital requirements. The Group uses the return on assets ratio which is defined as operating profit divided by total assets (averaged over the measurement period) and the gearing ratio calculated as net debt, comprising long-term and short-term indebtedness less cash and cash equivalents divided by equity. The level of dividends is also monitored by the Board of Directors of the Group.

There were no changes in the Group's approach to capital management during the reporting year. The return on assets ratios for the reporting and comparative years were as follows:

	2017 **USD'000**	2016 USD'000
Operating profit	**89,326**	57,102
Total averaged assets	**794,561**	677,019
Return on assets ratio for the year	**11.2%**	8.4%

The increase in ROA ratio resulted from the increase of operating profit.

26. Capital risk management (continued)

The gearing ratios were as follows:

	31 Dec 2017 USD'000	31 Dec 2016 USD'000
Loans and borrowings	466,459	400,565
Less: Cash and cash equivalents	(42,559)	(32,793)
Net debt	423,900	367,772
Total equity	235,755	225,472
Gearing ratio	179.8%	163.1%

The increase in gearing ratio is due to an increase in net debt calculated as total loans and borrowings less cash and cash equivalents. This calculation does not take into account certain deposits with a reputable bank, which are intended specifically to be utilised for the redemption of the 2013 Bonds in September 2018. These deposits of USD'000 50,000 are included in the other receivables as at 31 December 2017 (31 December 2016: USD'000 0).

27. Financial risk management

Exposure to credit, liquidity and market risk (including currency, fair value interest rate risk and price risk) arises in the normal course of the Group's business. Risk management is carried out by a central treasury department.

The Group does not use derivative financial instruments to reduce exposure to fluctuations in foreign exchange rates and interest rates. The most significant financial risks to which the Group is exposed are described below.

These risks are attributable to the following categories of financial instruments:

	31 Dec 2017 USD'000	31 Dec 2016 USD'000
Financial assets		
Trade and other receivables	167,639	109,306
Cash and cash equivalents	42,559	32,793
Financial liabilities		
Loans and borrowings	466,459	400,565
Trade and other payables	78,849	54,492

All of the Group's financial assets are classified as loans and receivables and all financial liabilities are at amortised cost.

27.1 Currency exchange rate risk

The Group has monetary assets and liabilities denominated in several contractual currencies. The Group does not use any derivative financial instruments to hedge currency exchange rate risk exposure. Management uses USD to analyse currency exchange rate risk.

27. Financial risk management (continued)

27.1 Currency exchange rate risk (continued)

Contractual currency analysis of financial assets and liabilities is as follows:

	31 December 2017				
	USD	RUR	EUR	Other	Total
	USD'000	USD'000	USD'000	USD'000	USD'000
Financial assets					
Trade and other receivables	90,345	71,876	91	5,327	167,639
Cash and cash equivalents	15,682	25,283	(2,691)	4,285	42,559
Total financial assets	**106,027**	**97,159**	**(2,600)**	**9,612**	**210,198**
Financial liabilities					
Loans and borrowings	(466,459)	–	–	–	(466,459)
Trade and other payables	(34,248)	(37,788)	(1,401)	(5,412)	(78,849)
Total financial liabilities	**(500,707)**	**(37,788)**	**(1,401)**	**(5,412)**	**(545,308)**
Net position	**(394,680)**	**59,371**	**(4,001)**	**4,200**	**(335,110)**

	31 December 2016				
	USD	RUR	EUR	Other	Total
	USD'000	USD'000	USD'000	USD'000	USD'000
Financial assets					
Trade and other receivables	36,372	68,595	79	4,260	109,306
Cash and cash equivalents	15,976	15,402	(1,579)	2,994	32,793
Total financial assets	52,348	83,997	(1,500)	7,254	142,099
Financial liabilities					
Loans and borrowings	(400,562)	(3)	–	–	(400,565)
Trade and other payables	(15,090)	(33,676)	(1,129)	(4,597)	(54,492)
Total financial liabilities	(415,652)	(33,679)	(1,129)	(4,597)	(455,057)
Net position	(363,304)	50,318	(2,629)	2,657	(312,958)

The table on the next page details the Group's sensitivity to a 10% change in the USD rates against the other currencies. 10% is the sensitivity rate used when reporting currency exchange rate risk internally to key management personnel and represents management assessment of the reasonably possible change in currency exchange rates. The analysis was applied to financial instruments at the reporting date denominated in respective contractual currencies.

27. Financial risk management (continued)

27.1 Currency exchange rate risk (continued)

Had the USD strengthened against the RUR, Euro and other currencies by 10%, and all other variables remained constant, then this would have had the following impact on comprehensive income:

Foreign currency	**31 Dec 2017 USD'000**	31 Dec 2016 USD'000
RUR	**(5,937)**	(5,032)
EUR	**400**	263
Other	**(420)**	(266)

Had the USD weakened against the RUR, Euro and other currencies by 10% then this would have the equal but opposite effect on the amounts shown above given that all other variables remained constant.

27.2 Credit risk analysis

Credit risk is the risk that counterparty may default or not meet its obligations to the Group when contractually due leading to financial losses to the Group. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. If such customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

At the reporting date, there was a significant concentration of credit risk since trade receivables consist of a small number of customers. The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks.

The maximum exposure to credit risk for trade receivables at the reporting date relates to counterparties operating in the Russian Federation and other countries mainly in oil production industry. The Group does not require collateral in respect of the majority of its financial assets.

The table below represents five largest balances of trade accounts receivable, net of allowance for doubtful trade receivables, from the major counterparties as at the reporting date:

	31 Dec 2017 USD'000
Rosneft group	**44,359**
Ecopetrol S.A.	**4,402**
Lukoil group	**3,845**
Petrobel group	**3,537**
Badr Petroleum Company (Bapetco)	**3,473**

	31 Dec 2016 USD'000
Rosneft group	42,454
PDVSA group	6,886
Surgutneftegaz group	5,225
Lukoil group	5,054
Ecopetrol S.A.	4,137

27. Financial risk management (continued)

27.3 Interest rate risk

Interest rate risk is the risk that movements in market interest rates will adversely impact the financial results of the Group.

Interest rates on the Group's debt finance are either fixed or variable, at a fixed spread over LIBOR for the duration of each interest-setting period (6 months). Changes in market interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Management does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. However, at the time of raising new loans and borrowings, management uses its judgment to decide whether it believes that a fixed or variable rate would be more favourable to the Group over the expected period until maturity.

At the reporting date, the interest rate profile of the Group's interest bearing financial instruments was:

	31 Dec 2017 USD'000	31 Dec 2016 USD'000
Fixed rate instruments		
Term deposits — term less than 3 months (Note 12)	**253**	5,253
Term deposits — term more than 3 months (Note 10)	**50,700**	–
Loans and borrowings (Note 14)	**(466,459)**	(400,562)
	(416,506)	(395,309)
Variable rate instruments		
Term deposits — term less than 3 months (Note 12)	**615**	–
Overdraft facility utilised (Note 12)	**(2,279)**	(1,961)
Loans and borrowings (Note 14)	**–**	(3)
	(1,664)	(1,964)

As of reporting date, the Group had no material balances of variable rate instruments and was not exposed to significant interest rate risk. Therefore had the Group considered sensitivity of profit to a reasonably possible change in variable interest rate of 1%, this would not have a material impact on the profit for the current and comparative years.

27. Financial risk management (continued)

27.4 Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle its liabilities when they are contractually due.

The Group manages liquidity risk with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due by preparing annual budgets, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Contractual maturities of financial liabilities are given below. Contractual cash flows represent undiscounted cash flows of financial liabilities based on earliest date on which the Group can be required to pay and include both the principal and interest cash flows.

		Contractual cash flows				
31 December 2017	**Carrying amount USD'000**	**6 months or less USD'000**	**6 – 12 months USD'000**	**1 – 2 years USD'000**	**More than 2 years USD'000**	**Total contractual cash flows USD'000**
Financial liabilities						
Loans and borrowings	**466,459**	**15,806**	**149,084**	**21,450**	**383,625**	**569,965**
Trade and other payables	**78,849**	**67,715**	**858**	**5,755**	**4,521**	**78,849**
Total financial liabilities	**545,308**	**83,521**	**149,942**	**27,205**	**388,146**	**648,814**

		Contractual cash flows				
31 December 2016	Carrying amount USD'000	6 months or less USD'000	6 – 12 months USD'000	1 – 2 years USD'000	More than 2 years USD'000	Total contractual cash flows USD'000
Financial liabilities						
Loans and borrowings	400,565	15,051	15,049	424,821	–	454,921
Trade and other payables	54,492	54,327	46	74	45	54,492
Total financial liabilities	455,057	69,378	15,095	424,895	45	509,413

27. Financial risk management (continued)

27.5 Fair value of financial instruments

Management of the Group consider that the carrying amounts of the financial instruments approximate their fair values.

The estimated fair values of financial assets and liabilities are calculated using discounted cash flow techniques based on estimated future cash flows and discount rates for similar instruments at the reporting date. The estimates of fair value are intended to approximate the amount for which a financial instrument could be exchanged between knowledgeable, willing parties in an arm's length transaction. However given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of assets or settlement of liabilities. Detailed assumptions on the revaluation of property, plant and equipment are mentioned in Note 6.

28. Contingencies

28.1 Insurance

The Group maintains adequate insurance cover for its property, plant and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group's property or relating to Group's operations.

28.2 Litigation

From time to time and in the normal course of business, claims against the Group are received. On the basis of own estimates and internal and external professional advice, the management is of the opinion that at 31 December 2017 the potential losses from litigations will not exceed USD'000 206 (at 31 December 2016: USD'000 597). Matters arising from litigation on tax issues are described in Note 28.3.

28.3 Taxation contingencies

The taxation system in the Russian Federation is relatively new and is characterised by numerous official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretations by different authorities. Taxes are subject to audit and investigation by a number of authorities of different levels, which are empowered by law to impose severe fines, penalties and interest charges for late payments.

These facts may create tax risks in the Russian Federation substantially more significant than in other countries. Management believes that it has adequately provided for the tax liabilities based on its interpretation of the tax legislation. However, the relevant tax authorities may have different interpretations and the effects could be significant.

The way the Group has structured its activities can be challenged by the tax authorities of the Russian Federation, which may result in additional tax payments being required. However, management of the Group believes that the accumulated potential amount of such payments is not material.

28.4 Environmental matters

The Group periodically evaluates its obligations under environmental regulations. Management believes that there are no significant liabilities for environmental damage.

28. Contingencies (continued)

28.5 Uncertainties of operating environment

The Group's major operations are in the Russian Federation. Over the last few years, there have been a number of political developments that affect the overall business and investment climate of the Russian Federation leading to risks that are not typically associated with developed markets; such as capital markets instability, deterioration of liquidity in the business sector and tighter credit conditions. The Russian Government has introduced a range of stabilisation measures aimed at ensuring solvency and providing liquidity and financing for Russian companies.

The future stability of the Russian economy is largely dependent upon the reforms and developments, global oil prices and the effectiveness of economic, financial and monetary measures undertaken by the government.

During the year 2014 certain sanctions were applied on Russian Federation by the USA and European Union. Management believes that currently those sanctions had no significant impact on Group's business.

The Group also performs operations in Venezuela. The operating environment in Venezuela is characterised by unsettled political and economic conditions, especially by highly inflationary local currency — Venezuelan bolivar (VEF). Since 2010, Venezuela has been considered a highly inflationary economy. The Venezuelan government has instituted several mechanisms for controlling and restricting sale and purchase of foreign currencies and for establishing of official exchange rates between VEF and USD. In addition to the official exchange rates there is also market rate that is publicly available and used in Venezuela. In such circumstances, when several exchange rates are available, the Group uses the rate at which the future cash flows represented by the respective transaction or balance are expected to be settled. Following this approach management has prudently chosen the market exchange rate.

Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

Inflation

According to the State Committee on Statistics of the Russian Federation, the rate of inflation, as measured by changes in the Consumer Price Index, was 2.5% for 2017 (2016: 5.4%) that represents positive trend in Russian economy. The financial results of the Russian economy and consequently of the Group will be affected if inflation is not controlled effectively.

29. Related-party transactions

The Group has related-party relationship with its shareholders, directors, senior officers and some other parties.

The related party transactions are carried out at the terms mutually agreed amongst the parties. In most situations, the terms of transactions with related parties are not materially different from those with third parties.

29. Related-party transactions (continued)

29.1 Transactions with shareholders

Tangent Fund Limited

	31 Dec 2017 USD'000	31 Dec 2016 USD'000
Year-end balances		
Short-term payables	**6,303**	672

	2017 USD'000	2016 USD'000
Purchases of services, interest expense		
Management fee	**15,569**	15,312
Interest expense	**61**	185

The Group shares previously owned by European Bank for Reconstruction and Development ("EBRD") have been bought back during the reporting period (Note 13 "Share Capital"). Thus by the year-end EBRD and its subsidiaries are not considered as related parties.

29.2 Transactions with key management personnel

Remuneration paid to key management personnel for 2017 was USD'000 5,602 (2016: USD'000 5,277).

29.3 Transactions with other related parties under common control

In the normal course of its business activities the Group purchases services and raw materials or property, plant and equipment, and makes sales to related parties other than disclosed above. Transactions with those related parties were as follows:

	2017 USD'000	2016 USD'000
Sales and purchases of goods and services, interest expense		
Sales of goods and services to other related parties (net of VAT)	**8**	269
Purchases of services (net of VAT)	**2,096**	2,186
Purchases of materials and property, plant and equipment (net of VAT)	**3,334**	3,982
Interest expense	**–**	133

	31 Dec 2017 USD'000	31 Dec 2016 USD'000
Year-end balances		
Cash at bank and short-term deposits	**6,804**	6,228
Receivables and prepayments	**917**	1,760
Trade and other payables	**78**	145

30. Commitments

30.1 Capital commitments

The Group has the following capital commitments at the reporting date:

	31 Dec 2017 USD'000	31 Dec 2016 USD'000
Capital construction and purchase of property, plant and equipment	**1,175**	2,192
Total capital commitments	**1,175**	2,192

30.2 Operating leases

The Group has the following commitments on rent of premises at the reporting date:

	31 Dec 2017 USD'000	31 Dec 2016 USD'000
Rent expenses for the period up to 12 months	**1,360**	1,134
Total commitments on rent of premises	**1,360**	1,134

30.3 Commitments to customers

By 31 December 2017 the Group has won a number of tenders for supply of the electrical submersible pumps (ESP) to the major Russian and international oil-production enterprises. The exact contractual amounts will be agreed after defining and contracting detailed customer requirements.

As at 31 December 2017 the Group had several contracts for the ESP service and maintenance. The exact value of the service charge is calculated on the base of the actual number of days of normal operating of the oil wells.

Management believes that the costs to fulfil the commitments to customers will be as follows:

	31 Dec 2017 USD'000	31 Dec 2016 USD'000
ESP service and maintenance contracts in Russia	**267,644**	213,097
ESP service and maintenance contracts for international oil-production companies	**206,868**	180,373
Tenders for supply of the ESP to the major Russian oil-production enterprises	**49,306**	39,075
International tenders for supply of the ESP to oil-production companies	**37,038**	45,809
Total costs to fulfil commitments to customers	**560,856**	478,354

31. Entity-wide information

The Group has a single reportable segment as chief operating decision maker believes that the Group consists of one cash-generating unit due to high degree of cooperation and integration within the Group achieved during 2009 and increased integrity of the business (as discussed in more detail in Note 7).

Breakdown of the total sales revenue based on selling location is as follows (for the breakdown of the total sales revenue by type of activity refer to Note 18 “Revenue”):

	2017 USD’000	2016 USD’000
Russia	**440,257**	368,800
USA	**45,171**	34,061
Egypt	**25,624**	19,109
Colombia	**20,243**	18,110
Venezuela	**15,746**	6,583
Canada	**11,710**	7,987
Oman	**11,626**	4,977
Serbia	**10,105**	10,250
Kuwait	**9,052**	7,137
Brazil	**4,549**	3,481
Kazakhstan	**2,183**	587
Republic of Congo	**1,368**	658
Other	**2,246**	643
Total revenue	**599,880**	482,383

Location of non-current assets is as follows:

	31 Dec 2017 USD’000	31 Dec 2016 USD’000
Russia	**298,005**	301,656
USA	**40,647**	34,720
Slovakia	**23,008**	21,818
Kuwait	**18,770**	–
Oman	**14,927**	8,076
Colombia	**3,564**	3,987
Venezuela	**2,956**	3,943
Brazil	**2,822**	3,954
Egypt	**3,172**	3,583
Canada	**3,110**	3,457
Other	**5,903**	6,117
Total non-current assets	**416,884**	391,311

Non-current assets for this purpose consist of property, plant and equipment, intangible assets (excluding Goodwill) and other non-current assets.

Goodwill is excluded from the amount of intangible assets as it is attributed to the Group as a whole because of high degree of cooperation within the Group achieved during 2009 and increased integrity of the business due to which management believes that the Group consists of only one cash-generating unit (Note 7).

32. Fair value hierarchy

The tables below analyse assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value hierarchy as at 31 December 2017, USD'000	**Level 1**	**Level 2**	**Level 3**	**Total**
Property, plant and equipment	**–**	**–**	**225,896**	**225,896**

Fair value hierarchy as at 31 December 2016, USD'000	Level 1	Level 2	Level 3	Total
Property, plant and equipment	–	–	220,990	220,990

There were no transfers between levels of fair value hierarchy during the reporting years. Details of assumptions used in valuation have been disclosed in the relevant notes.

33. Principal subsidiaries

The following comprise the list of the principal Group subsidiaries as at 31 December 2017.

Entity	**Principal activities**	**Country of incorporation**	**Control, %**	
			31 Dec 2017	31 Dec 2016
OOO Proizvodstvennaya Kompaniya Borets	Production, Trading	Russia	100	100
OOO Lemaz	Production	Russia	100	100
OOO Lysvaneftemash	Production	Russia	100	100
OOO Kurgansky Kabelny Zavod	Production	Russia	100	100
OOO Servisnaya Kompaniya Borets	Service	Russia	100	100
OOO Neftegazmash	Service	Russia	-	100
ZAO Centroforce	Service	Russia	95.69	83.95
OOO Borets Muravlenko	Service	Russia	100	100
OOO Borets Servis-Nefteyugansk	Service	Russia	100	100
OOO CBPO PREPU	Service	Russia	100	100
OOO Torgovaya Kompaniya Borets	Trading	Russia	100	100
OOO Oskolneftemash	Production	Russia	100	100
Borets US, Inc.	Trading	USA	100	100
Borets Canada Limited	Trading, Service	Canada	100	100
Borets International Oilfield Equipment (Shanghai) Co Limited	Production	China	100	100
ZTS-Kabel sro	Production	Slovakia	100	100
Borets Finance DAC	Finance services	Ireland	100	100
Borets Venezuela, S.A.	Trading, Service	Venezuela	100	100
Borets do Brasil Limited	Trading, Service	Brazil	100	100
Borets Seven Seas LLC	Trading, Service	Oman	100	100
Borets Services Ltd. (BVI)	Trading, Service	BVI	100	100
Borets Services Ltd. (Colombia branch)	Trading, Service	Colombia	100	100
Borets Services Ltd. (Congo branch)	Trading, Service	Congo	100	100
Hultic (Egypt branch)	Trading, Service	Egypt	100	100
Borets Servise Serbia d.o.o. Zrenjanin	Service	Serbia	100	100
Oilfield Equipment Development Center Limited	Asset holder	Seychelles	100	100

34. Events after the reporting period

There have been no material events requiring disclosure subsequent to the reporting date.