

COMPANY REGISTRATION NUMBER 01224704

DENHOLM OILFIELD SERVICES (KAZAKHSTAN) LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2015



DENHOLM OILFIELD SERVICES (KAZAKHSTAN) LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

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DENHOLM OILFIELD SERVICES (KAZAKHSTAN) LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

YEAR ENDED 31 DECEMBER 2015

Directors	J S Denholm M J Beveridge G Milne (Resigned 23 February 2015)
Secretary	C J M Denholm (Appointed 30 October 2015) G A Hanson (Resigned 30 October 2015)
Registered office	Abbey Manor Business Centre Preston Road Yeovil Somerset BA20 2EN
Independent auditor	Deloitte LLP Chartered Accountants and Statutory Auditor Glasgow United Kingdom

DENHOLM OILFIELD SERVICES (KAZAKHSTAN) LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2015

The directors submit their report and the financial statements of the company for the year ended 31 December 2015.

This directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption. In addition, as a result of taking this exemption, no Strategic Report has been prepared.

Principal activities and business review

The principal activity of the company during the year was that of a holding company.

Results and dividends

The profit for the year after taxation was £2,159,793 (2014 - £658,045).

The company has paid a dividend of £1,200,000 in the year ended 31 December 2015 (2014 - £nil).

Directors

The directors who served the company during the year and to the date of this report are listed on page 1.

Employment policies

The company's employment policies are built around Fairness, Achievement, Integrity and Respect as set out in the Denholm Standard for employment.

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

As at the date of this report, as far as each director is aware, there is no relevant audit information of which the company's auditor is unaware. Each of the directors have taken such steps as they should have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

DENHOLM OILFIELD SERVICES (KAZAKHSTAN) LIMITED

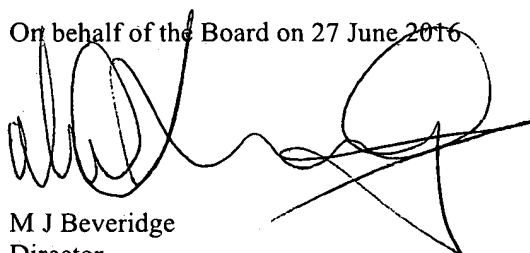
THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2015

Going concern

The directors, having considered the company's forecasts, cash resources and group facilities, have concluded that the company has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

On behalf of the Board on 27 June 2016

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke, positioned above the printed name and title.

M J Beveridge
Director

DENHOLM OILFIELD SERVICES (KAZAKHSTAN) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DENHOLM OILFIELD SERVICES (KAZAKHSTAN) LIMITED

YEAR ENDED 31 DECEMBER 2015

We have audited the financial statements of Denholm Oilfield Services (Kazakhstan) Limited, company registration number 01224704, for the year ended 31 December 2015 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland".

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

DENHOLM OILFIELD SERVICES (KAZAKHSTAN) LIMITED

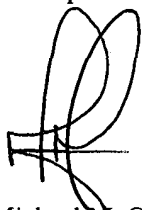
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DENHOLM OILFIELD
SERVICES (KAZAKHSTAN) LIMITED *(continued)***

YEAR ENDED 31 DECEMBER 2015

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from preparing a Strategic Report and in preparing the Directors' Report.



Michael McGregor ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Glasgow
United Kingdom

27 June 2016

DENHOLM OILFIELD SERVICES (KAZAKHSTAN) LIMITED**PROFIT AND LOSS ACCOUNT****FOR YEAR ENDED 31 DECEMBER 2015**

	Note	2015 £	2014 £
Administrative expenses		615,908	400,707
OPERATING PROFIT	2	615,908	400,707
Gain on sale of 50% of investment in subsidiary	4	-	7,316
Income from group undertaking	5	1,200,000	-
Interest receivable and similar income	6	479,098	525,591
Interest payable and similar charges	7	(102,439)	(233,139)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,192,567	700,475
Tax on profit on ordinary activities	8	(32,774)	(42,430)
PROFIT FOR THE FINANCIAL YEAR		2,159,793	658,045

All of the activities of the company are classed as continuing.

There are no items of comprehensive income other than the profit of £2,159,793 attributable to the shareholders for the year ended 31 December 2015 (2014 - £658,045). Accordingly, a separate statement of other comprehensive income is not presented.

The notes on pages 9 to 15 form part of these financial statements.

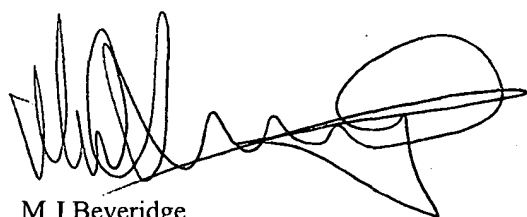
DENHOLM OILFIELD SERVICES (KAZAKHSTAN) LIMITED

BALANCE SHEET

FOR YEAR ENDED 31 DECEMBER 2015

	Note	2015 £	2014 £
FIXED ASSETS			
Investments	10	<u>1,644,195</u>	<u>1,644,195</u>
		<u>1,644,195</u>	<u>1,644,195</u>
CURRENT ASSETS			
Debtors due within one year	11	<u>4,368,485</u>	<u>4,629,640</u>
Cash at bank		<u>120,684</u>	<u>319,845</u>
		<u>4,489,169</u>	<u>4,949,485</u>
CREDITORS: Amounts falling due within one year	12	<u>(3,052,691)</u>	<u>(4,472,800)</u>
NET CURRENT ASSETS		<u>1,436,478</u>	<u>476,685</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,080,673</u>	<u>2,120,880</u>
NET ASSETS		<u>3,080,673</u>	<u>2,120,880</u>
CAPITAL AND RESERVES			
Called-up share capital	14	<u>2,000,000</u>	<u>2,000,000</u>
Profit and loss account		<u>1,080,673</u>	<u>120,880</u>
SHAREHOLDERS' FUNDS		<u>3,080,673</u>	<u>2,120,880</u>

These financial statements were approved by the Board on 27 June 2016



M J Beveridge
Director

The notes on pages 9 to 15 form part of these financial statements.

DENHOLM OILFIELD SERVICES (KAZAKHSTAN) LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR YEAR ENDED 31 DECEMBER 2015

	Note	Called up share capital £	Profit and loss account £	Total equity £
As at 31 December 2013 as stated under UK GAAP and FRS 102		2,000,000	(537,165)	1,462,835
Profit for the financial year as stated under UK GAAP		-	691,981	691,981
Changes on transition to FRS 102	18	-	(33,936)	(33,936)
Balance at 31 December 2014		2,000,000	120,880	2,120,880
Profit for the financial year		-	2,159,793	2,159,793
Dividend on equity shares		-	(1,200,000)	(1,200,000)
Balance at 31 December 2015		2,000,000	1,080,673	3,080,673

The notes on pages 9 to 15 form part of these financial statements.

DENHOLM OILFIELD SERVICES (KAZAKHSTAN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES

Basis of accounting

Denholm Oilfield Services (Kazakhstan) Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the company's principal activities are set out in the Directors' Report on page 2.

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments. They have been prepared on the going concern basis as explained in the Directors' Report.

This is the first year in which the financial statements have been prepared under FRS 102. Details of adjustments made in order to transition to FRS 102 are given in note 18.

Denholm Oilfield Services (Kazakhstan) Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Denholm Oilfield Services (Kazakhstan) Limited is consolidated in the financial statements of its parent, as disclosed in note 15. Exemptions have been taken in these separate company financial statements in relation to financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

Consolidation

The company is exempt from the obligation to prepare and deliver group financial statements under S400 of the Companies Act 2006. Accordingly, these financial statements present only the financial position of the company. The undertaking whose consolidated accounts its results are included is Denholm Oilfield Services Limited.

Functional currency

The directors have adopted the pound sterling as the company's functional and presentational currency, being the currency of the primary economic environment in which the company operates.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except otherwise indicated. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

Derivative financial instruments

The activities of the company expose it directly to the financial risks of changes in foreign currency exchange rates. The company uses forward foreign exchange contracts to hedge these exposures. The company does not use derivative financial instruments for speculative purposes.

Derivatives are initially recorded on the balance sheet and subsequently measured at fair value, which is calculated using standard industry valuation techniques in conjunction with observable market data. The changes in fair value are reported through the profit and loss account.

DENHOLM OILFIELD SERVICES (KAZAKHSTAN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES *(continued)*

Investments in subsidiary undertakings

Investments in subsidiary and joint venture undertakings are stated at cost. Any impairment is provided against the cost of the investment.

Foreign currencies

In preparing the financial statements, transactions in currencies other than the functional currency are recognised at the spot rate at the dates of the transaction, or at an average rate where this rate approximates the actual rate at the date of transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

Exchange differences arising are included as an exchange gain or loss in the profit and loss account.

Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised when the company becomes party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

(a) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs). Debt instruments that are classified as payable or receivable within one year are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment. Financial assets are derecognised when and only when the contractual rights to the cash flows from the financial asset expire or are settled.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of the estimation means that actual outcomes could differ from those estimates. The following judgements have had the most significant effect on amounts recognised in the financial statements:

(a) Contingent liabilities

The company exercises judgement in measuring and recognising provisions and the exposures to contingent liabilities. Judgement is necessary in assessing the likelihood that a liability will arise, and to quantify the possible range of financial settlement. Because of the inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision.

DENHOLM OILFIELD SERVICES (KAZAKHSTAN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

2. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2015	2014
	£	£
Gains on foreign exchange	(785,381)	(600,283)
Auditor's remuneration - audit fees	6,300	5,400
Change in the fair value of derivatives	15,589	33,936
	<u>15,589</u>	<u>33,936</u>

3. PARTICULARS OF EMPLOYEES

No salaries or wages have been paid to employees, including the directors, during the year. The directors have been remunerated through other Group companies and it is not practical to allocate their salary.

4. GAIN ON SALE OF 50% OF INVESTMENT IN SUBSIDIARY

	2015	2014
	£	£
Gain on sale of 50% of investment in subsidiary	-	7,316
	<u>-</u>	<u>7,316</u>

In 2013, the company sold 50% of its investment in Turner and Hickman Limited, generating a gain on sale of £2,683,966. This was revised by a further £7,316 during 2014.

5. INCOME FROM SHARES IN GROUP UNDERTAKINGS

	2015	2014
	£	£
Dividends received from group undertakings	1,200,000	-
	<u>1,200,000</u>	<u>-</u>

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2015	2014
	£	£
Interest receivable on amounts due from group undertakings	413,457	464,831
Interest receivable from joint venture undertaking	65,638	60,758
Bank interest received	3	2
	<u>479,098</u>	<u>525,591</u>

DENHOLM OILFIELD SERVICES (KAZAKHSTAN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2015	2014
	£	£
Interest payable on amounts due to group undertakings	102,439	141,469
Interest payable on underpaid tax	-	91,670
	<u>102,439</u>	<u>233,139</u>

8. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of tax charge in the year

Current tax:

	2015	2014
	£	£
UK Taxation		
In respect of the year:		
UK Corporation tax based on the results for the year	85,462	55,235
Over provision in prior year	(515)	(56,741)
	<u>84,947</u>	<u>(1,506)</u>
Double taxation relief	(40,699)	-
	<u>44,248</u>	<u>(1,506)</u>
Foreign tax		
Current tax on income for the year	40,699	43,936
Adjustments in respect of prior periods	(52,173)	-
	<u>(11,474)</u>	<u>43,936</u>
Tax on profit on ordinary activities	<u>32,774</u>	<u>42,430</u>

b) Factors affecting current tax charge for the period

Tax on profit on ordinary activities for the year when expressed as a percentage of profit on ordinary activities before taxation is lower at 2% (2014 - lower at 6%) than the standard rate of corporation tax in the UK of 20.25% (2014 - 21.50%).

	2015	2014
	%	%
Standard rate of corporation tax in the UK	20	22
Income/expenses not (chargeable)/deductible for tax purposes	(12)	(8)
Adjustments in respect of prior periods	(6)	(8)
	<u>2</u>	<u>6</u>

DENHOLM OILFIELD SERVICES (KAZAKHSTAN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

8. TAXATION ON PROFIT ON ORDINARY ACTIVITIES *(continued)*

Reductions in the UK corporation tax rate to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. The rate will further reduce to 19% from 1 April 2017 and to 18% (effective from 1 April 2020), as enacted on 18 November 2015. This will reduce the company's future current tax charge accordingly.

9. DIVIDENDS

	2015	2014
	£	£
Dividends paid at £0.60 per share (2014 - £nil)	<u>1,200,000</u>	<u>-</u>

10. INVESTMENTS

	Joint Ventures	Subsidiary Undertakings	Total
	£	£	£
Cost			
At 1 January 2015 and 31 December 2015	<u>1,630,199</u>	<u>13,996</u>	<u>1,644,195</u>
Net Book Value			
At 31 December 2015 and 31 December 2014	<u>1,630,199</u>	<u>13,996</u>	<u>1,644,195</u>

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Subsidiary undertakings	Country of registration	Principal activity	% of voting rights held
Denholm Zholdas LLP	Kazakhstan	Multi discipline services for the petro-chemical industry	90%
Turner & Hickman Ltd	Scotland	Joint venture holding company and plant hire	50%
Speedy Zholdas (*)	Kazakhstan	Plant hire	45%

All holdings are of ordinary shares.

(*) indicates shares are held by Turner & Hickman Limited

DENHOLM OILFIELD SERVICES (KAZAKHSTAN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

11. DEBTORS

	2015 £	2014 £
Amounts falling within one year		
Amounts owed by group undertakings	3,680,944	3,365,385
Other debtors	687,541	1,264,255
	<u>4,368,485</u>	<u>4,629,640</u>

The amounts owed by group undertakings in less than one year includes a loan to a subsidiary undertaking of \$5,250,000 (2014 - \$5,250,000) which bears interest at a rate of 12%.

12. CREDITORS: Amounts falling due within one year

	2015 £	2014 £
Trade creditors	-	37,148
Amounts owed to group undertakings	2,881,412	2,577,296
Corporation tax	33,012	712,955
Other creditors	25,443	1,067,931
Fair value of derivatives	49,525	33,936
Accruals and deferred income	63,299	43,534
	<u>3,052,691</u>	<u>4,472,800</u>

The amount due to a group undertaking within one year is in respect of a loan from the immediate parent undertaking which bears interest at a fixed rate of 4% and is repayable on demand.

13. RELATED PARTY TRANSACTIONS

Transactions with entities in which the Denholm Oilfield Services Limited group of companies has 100% of the voting rights are not disclosed as permitted by Financial Reporting Standard 102, Section 7 - "Related Party Disclosures".

14. SHARE CAPITAL

Allotted, called up and fully paid:

	2015		2014	
	Number	£	Number	£
Ordinary shares of £1 each	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>

DENHOLM OILFIELD SERVICES (KAZAKHSTAN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

15. ULTIMATE PARENT COMPANY

The immediate and ultimate parent undertaking is Denholm Oilfield Services Limited, a company registered in England. During the prior year, the ultimate parent undertaking was J. & J. Denholm Limited. Copies of the accounts of Denholm Oilfield Services Limited may be obtained from the Registrar of Companies, Crown Way, Cardiff, CF14 3UZ.

The financial statements of Denholm Oilfield Services Limited are the smallest and largest group which consolidate the company.

16. CONTINGENT LIABILITY

The company has cross-guaranteed the bank borrowings of its ultimate parent company, Denholm Oilfield Services Limited. The company's maximum exposure as at 31 December 2015 is £20,000,000 (2014 - £nil).

17. SUBSEQUENT EVENT

In May 2016, the Supreme Court of Kazakhstan ruled in the company's favour and reinstated the original court decision. This should result in the return of 359m Kazakhstani Tenge (approximately £733,000) later in 2016.

18. TRANSITION TO FRS 102

This is the first year that the company has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under previous UK GAAP were for the year ended 31 December 2014 and the date of transition to FRS 102 was therefore 1 January 2014.

Reconciliation of profit and equity from old GAAP to FRS 102

	Profit for the year ended 31 Dec 2014 £	Equity as at 31 Dec 2014 £	Equity as at 1 Jan 2014 £
Amount under old GAAP	691,981	2,154,816	1,462,835
Adjustment to recognise fair value of derivatives	(33,936)	(33,936)	-
Amount under FRS 102	<u>658,045</u>	<u>2,120,880</u>	<u>1,462,835</u>