Company No 2630513

Gray MacKenzie Oilfield Services Limited

Report and Financial Statements

30 June 2009

Registered No 2630513

Directors
Waqar Hassan Siddique
M Rafique Lakhani

Secretary
Grays Inn Secretaries Ltd

Auditors
Ernst & Young LLP
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Edinburgh
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Directors' report

The Directors present their Annual Report and Financial Statements for the year ended 30 June 2009

Principal activities and business review

The principal activity of the Company is the supply of manpower to oil companies in Syrian Arab Republic

The Company has contracts mainly with oil companies in Syria, for the provision of specialist engineers in various disciplines including production engineering, planning and telecommunications

Ownership and ultimate parent company

The Company is owned by Gray Mackenzie Holdings Limited, incorporated in Gibraltar The ultimate parent company is C2 Limited, incorporated in the Cayman Islands

Results and dividends

The Company's profit for the year before tax was United States Dollars 2,308,001 (2008 United States Dollars 1,569,265) No dividends were declared for this year (2008 United States Dollars 1,000,000)

Directors

The names of the present Directors of the Company are shown on page 1

Directors' interests

None of the directors have any interests in the shares of the company or other group companies, which are required to be disclosed under the provisions of the Companies Act 1985 at either 1 July 2008 or 30 June 2009

Creditor payment policy

The Company is responsible for agreeing the terms and conditions under which business transactions with its suppliers are conducted Payments to suppliers are made in accordance with these terms, provided that the supplier is also complying with all relevant terms and conditions

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware Having made enquiries of fellow directors and the group's auditors each director has taken all steps that he is obliged to take as a director, in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information

Auditors

The Company has dispensed with the obligation to appoint auditors annually and Ernst & Young will therefore continue in office

This report has been prepared in accordance with the special provisions of part VII of the Companies Act 1985 relating to small entities

By order of the board

Waqar Hassan Siddique

Director

5 January 2010

Statement of directors' responsibilities in respect of the financial statements

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 Standard and applicable law) 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 period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 that 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

Independent auditors' report

to the members of Gray MacKenzie Oilfield Services Limited

We have audited the financial statements of Gray MacKenzie Oilfield Services Limited for the year ended 30 June 2009 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, and the related notes 1 to 16 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)

This report is made solely to the company's members, as a body, in accordance with Sections 495 and 496 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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 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

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 30 June 2009 and of its profit for the year then 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

Independent auditors' report

to the members of Gray MacKenzie Oilfield Services Limited (continued)

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

Ernst & Young LLP

Walter Campbell

for and on behalf of Ernst & Young LLP, Statutory Auditor

Glasgow

Date 2/2/2010

Profit and loss account

For the year ended 30 June 2009

	Note	2009 US$	2008 US$
Turnover from continuing operations	2	16,124,985	8,075,790
Cost of sales	3	(12,170,213)	(6,012,617)
Gross profit		3,954,772	2,063,173
Net operating expenses	3	(1,653,599)	(495,929)
Operating profit from continuing operations		2,301,173	1,567,244
Profit on disposal of fixed assets		6,824	543
Interest income		4	1,478
Profit on ordinary activities before tax	4	2,308,001	1,569,265
Tax on profit on ordinary activities	7	(861,432)	(678,422)
Profit for the financial year, transferred to reserves	13	1,446,569	890,843

There are no recognised gains and losses for the year, other than the profit

Balance sheet

As at 30 June 2009

	Note	2009 US$	2008 US$
Fixed assets			
Tangible assets	9	44,051	31,511
Current assets			
Debtors	8	3 751,740	1,639,529
Cash at bank and in hand	15	578,095	933,050
		4,329,835	2,572,579
Creditors			
Amounts falling due within one year	10	(2,336,940)	(2,013,713)
Net current assets		1,992,895	558,866
Net assets		2,036,946	590,377
Capital and reserves			
Called-up equity share capital	11	86,925	86,925
Profit and loss reserve	13	1,950,021	503,452
Shareholders' funds		2,036,946	590,377

These accounts are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small entities

The financial statements on pages 6 to 16 were approved by the Board of Directors on 5 January 2010 and signed on their behalf by

Waqar Hassan Siddique

Director

Cash Flow Statement

For the year ended 30 June 2009

	Notes	*2009* *US$*	*2008* *US$*
Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit		2,301,173	1,567,244
Depreciation charges		14,378	14,115
Decrease/(increase) in debtors		(2,112,211)	251,719
Increase/(decrease) in creditors		323,663	(630,278)
Net cash inflow from operating activities		527,003	1,202,800
Cash flow statement			
Net cash inflow from operating activities		527,003	1,202,800
Servicing of finance	14	4	1,478
Taxation		(861,868)	(677,986)
Net cash inflow/(outflow) from capital expenditures	14	(20,094)	543
Net increase/(decrease) in cash during the period	15	(354,955)	526,835

Notes to the financial statements

Gray MacKenzie Oilfield Services Limited is incorporated in the United Kingdom and has a registered branch in Syria The company's main operations are to provide specialist engineers including production engineering, planning and telecommunications and maintenance engineering to the oil and gas and water industries in Syria

1. Accounting policies

The financial statements are prepared in accordance with applicable accounting standards in the United Kingdom and the Companies Act 2006

Basis of preparation

The financial statements are prepared under the historical cost convention

The financial statements of the Company have their reporting currency in US dollars in consideration of the fact that the majority of the company's earnings and the valuation of its assets are made in US dollars, consequently these financial statements have been prepared in US$

Turnover

Turnover is recognised when the services are rendered to the customer and can be measured reliably

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation The cost of tangible fixed assets is depreciated by equal annual instalments over the expected useful lives of the assets, which are as follows

Buildings	5 years
Motor vehicles	3 to 4 years
Furniture, fittings and equipment	3 to 5 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount and impairment losses are recognised in the profit and loss account

Leased assets

Rental payments arising from operating leases are charged to the profit and loss account on a straight-line basis over the lease term

Foreign currencies

Foreign currency transactions are translated into United States Dollars at the rates ruling on the transaction dates Foreign currency monetary assets and liabilities are translated into United States Dollars at the rates ruling on the balance sheet date Differences on exchange are dealt with in the profit and loss account

At 30 June 2009 and 2008 the exchange rates were United States Dollars 1 65 and 1 99 for each Sterling Pound, respectively

Share capital is recorded at the rate of exchange prevailing at the date on which the share capital was issued

Notes to the financial statements

1. Accounting policies (continued)

Staff end of service benefits

Provision has been made for end of service benefits of staff in accordance with the terms of the contract or local labour laws as applicable to the individual

Corporate income tax

Corporate income tax provision was computed in accordance with the Income Tax Law and the current practices of the Ministry of Finance in Syria

Deferred Tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or receive more tax, with the following exception

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

2. Analysis of turnover

Turnover relates to one class of business, the provision of manpower services and is wholly attributable to Syria

3. Analysis of cost of sales and operating expenses

	2009 *US$*	*2008* *US$*
Cost of sales	12,170,213	6,012,617
Net operating expenses		
Administration Expense	1,573,134	969,324
Exchange loss/(gain)	80,465	(473,395)
	1,653,599	495,929

4. Profit on ordinary activities

Profit on ordinary activities before taxation is stated after charging/(crediting) the following

	2009 *US$*	*2008* *US$*
Depreciation	14,378	14,115
Rental charges	25,572	15,681
Exchange loss/(gain)	80,465	(473,395)
Audit fees	66,000	50,000

Notes to the financial statements

5. Employee information

	2009 US$	2008 US$
Wages and salaries	181,388	173,732
Provision for end of service benefits	17,634	16,942
Other costs	32,845	18,302
	231,867	208,976

5. Employee information (continued)

All employees discharged their duties wholly from outside the United Kingdom

The average monthly number of persons (including Directors) employed by the Company during the period was

	Number of employees 2009	2008
Management and administration	10	12

6. Directors' emoluments

The Directors of the company were paid by fellow subsidiaries or by other Cupola group companies No charge is made for their services to the Company

All Directors of the Company discharge their duties wholly from outside the United Kingdom

7. Taxation

(a) Tax on profit on ordinary activities

	2009 US$	2008 US$
United Kingdom corporation tax on profit of the period	602,710	473,921
Double tax relief	(602,710)	(473,485)
	-	436
Foreign tax		
Current tax	861,432	677,986
Total current tax	861,432	678,422

Notes to the financial statements

7. Taxation (continued)

(b) Factors affecting current tax charges

The tax assessed on the profit on ordinary activities for the period is different from the standard rate of corporation tax in the UK of 28% (2007 29 5%) The differences are reconciled below

	2009 US$	2008 US$
Profit on ordinary activities before tax	2,308,001	1,569,266
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2008 29 5%)	646,240	462,933
Effect of		
Expenses not deductible for tax purposes	1,036	1,887
Depreciation in excess of capital allowances	(19,583)	3,592
Other timing differences	(24,983)	5,509
Higher taxes on overseas earnings	258,722	204,501
	861,432	678,422

(c) Factors affecting future tax charge

The company has unrecognised deferred tax assets totalling US$132,977 (2008 US$211,157) in respect of decelerated capital allowances, other timing differences and capital losses carried forward These have not been recognised on the grounds that there is insufficient evidence as to the timing of their recoverability

8. Debtors

	2009 US$	2008 US$
Trade debtors (net of provision for doubtful debts of USD 0 as at 30 June 2009 and USD 170,582 in 2008)	3,531,997	1,488,666
Prepayments and accrued income	219,743	150,863
	3,751,740	1,639,529

Notes to the financial statements

9. Tangible assets

	Buildings	*Motor Vehicles*	*Furniture fittings & Equipment*	*Total*
	US$	*US$*	*US$*	*US$*
At 1 July 2008	9,783	245,552	179,740	435,075
Additions	-	23,152	3,766	26,918
Disposals	-	(121,536)	(103,400)	(224,936)
At 30 June 2009	9,783	147,168	80,106	237,057
Accumulated Depreciation				
At 1 July 2008	9,783	214,199	179,582	403,564
Provisions	-	13,988	390	14,378
Disposals	-	(121,536)	(103,400)	(224,936)
At 30 June 2009	9,783	106,651	76,572	193,006
Net book value At 30 June 2009	-	40,517	3,534	44,051
At 30 June 2008	-	31,353	158	31,511

10. Creditors: amounts falling due within one year

	2009	*2008*
	US$	*US$*
Amounts owed to related parties	872,088	1,180,968
Accruals	1,464,852	832,309
Corporation tax	-	436
	2,336,940	2,013,713

11. Called-up equity share capital

The Company was incorporated on 18 July 1991 with authorised ordinary share capital of 1,000 shares of Sterling Pound 1 each At an Extraordinary General Meeting held on 1 November 1991 the authorised share capital was increased to 50,000 ordinary shares of Sterling Pound 1 each and the shares were allotted

The Company's called-up share capital of 50,000 shares of Sterling Pound 1 each is stated at the exchange rate in effect on 1 November 1991(United States Dollars 1 7385 for each Sterling Pound), the date the share capital was issued

Notes to the financial statements

12. Related party transactions

The Company, in the normal course of business carries out transactions with related parties, as defined by FRS 8 Related Party Transactions These transactions are in the nature of recharge of expenses and advances Such transactions are carried out at terms agreed between the parties

The balances owed to and from related parties are set forth as follows

	2009 *US$*	*2008* *US$*
Amounts owed from Gray MacKenzie Holdings Limited	(848,676)	(1,122,524)
Amounts owed to other related parties	(23,412)	(58,444)

13. Reconciliation of shareholders' funds and movements on reserves

	Share capital *US$*	*Profit and loss account* *US$*	*Total* *US$*
At 30 June 2007	86,925	612,609	699,534
Profit for the year	-	890,843	890,843
Dividend	-	(1,000,000)	(1,000,000)
At 30 June 2008	86,925	503,452	590,377
Profit for the year	-	1,446,569	1,446,569
At 30 June 2009	86,925	1,950,021	2,036,946

14. Gross cash flows

	2009 *US$*	*2008* *US$*
Capital expenditures		
Receipts from sale of fixed assets	6,824	543
Payments to acquire fixed assets	(26,918)	-
	(20,094)	543
Servicing of finance		
Interest income	4	1,478

Notes to the financial statements

15. Analysis of the balances of cash as shown in the Balance Sheet

	2009 *US$*	*2008* *US$*
Cash balances at banks and in hand beginning of the period	933,050	406,215
Increase/(decrease) in cash during the period	(354,955)	526,835
Cash and balances at banks and in hand end of the year	578,095	933,050

16. Dividends paid and proposed

During the prior year, the Board of Directors has approved a dividend of USD 1,000,000 This dividend remained unpaid at 30 June 2009, and is there reflected within the intercompany balance with Gray MacKenzie Holdings Limited