

Company No 2630513

Gray MacKenzie Oilfield Services Limited

Report and Financial Statements

30 June 2010

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Gray MacKenzie Oilfield Services Limited

Registered No 2630513

Directors

Waqar Hassan Siddique
M Rafique Lakhani

Secretary

Grays Inn Secretaries Ltd

Auditors

Ernst & Young LLP
George House
50 George Square
Glasgow
G2 1RR

Bankers

BLC Bank
Po Box 11 - 1126
Beirut
Lebanon

Registered Office

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London
EC4M 7WS

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Directors' report

The Directors present their Annual Report and Financial Statements for the year ended 30 June 2010

Principal activities, review of the business and future developments

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 2,326,075 (2009: United States Dollars 2,308,001). The dividends were declared for this year as United States Dollars 1,000,000 (No dividends were declared for 2009)

Directors

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

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

Special provisions relating to small companies

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006

By order of the board



M Rafique Lakhani, Director

6 January 2011

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Directors' 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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 accounting estimates that are reasonable and prudent,
- state whether applicable UK 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2010 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, and the related notes 1 to 17. 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 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 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 2010 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.

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 prepare the financial statements and the directors' report in accordance with the small companies regime.

Walter Campbell

Walter Campbell (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Glasgow

12/1/2011

Profit and loss account

For the year ended 30 June 2010

	<i>Note</i>	<i>2010 US\$</i>	<i>2009 US\$</i>
Turnover	2	17,673,048	16,124,985
Cost of sales	3	(13,476,790)	(12,170,213)
Gross profit		<u>4,196,258</u>	<u>3,954,772</u>
Net operating expenses	3	(1,870,183)	(1,653,599)
Operating profit	4	<u>2,326,075</u>	<u>2,301,173</u>
Profit on disposal of fixed assets		-	6,824
Interest income		-	4
Profit on ordinary activities before tax		<u>2,326,075</u>	<u>2,308,001</u>
Tax on profit on ordinary activities	7	(946,245)	(861,432)
Profit for the financial year, transferred to reserves	13	<u><u>1,379,830</u></u>	<u><u>1,446,569</u></u>

All items in the profit and loss account relate to continuing operations

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

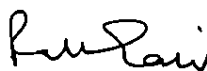
Balance sheet

As at 30 June 2010

	<i>Note</i>	<i>2010 US\$</i>	<i>2009 US\$</i>
Fixed assets			
Tangible assets	8	20,313	44,051
Current assets			
Debtors	9	3,092,355	3,751,740
Cash at bank and in hand	15	1,874,393	578,095
		<u>4,966,748</u>	<u>4,329,835</u>
Creditors			
Amounts falling due within one year	10	2,570,285	2,336,940
Net current assets		<u>2,396,463</u>	<u>1,992,895</u>
Net assets		<u>2,416,776</u>	<u>2,036,946</u>
Capital and reserves			
Called-up equity share capital	11	86,925	86,925
Profit and loss reserve	13	2,329,851	1,950,021
Shareholders' funds		<u>2,416,776</u>	<u>2,036,946</u>

These accounts are prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006

The financial statements on pages 6 to 15 were approved by the Board of Directors on 6 January 2011 and signed on their behalf by



M Rafique Lakhani, Director

6 January 2011

Cash Flow Statement

For the year ended 30 June 2010

	<i>Notes</i>	<i>2010</i>	<i>2009</i>
		<i>US\$</i>	<i>US\$</i>
Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit		2,326,075	2,301,173
Depreciation charges		24,140	14,378
Decrease/(increase) in debtors		659,385	(2,112,211)
(Decrease)/increase in creditors		(774,822)	323,663
Net cash inflow from operating activities		<u>2,334,778</u>	<u>527,003</u>
Cash flow statement			
Net cash inflow from operating activities		2,334,778	527,003
Returns on investment and servicing of finance	14	-	4
Taxation	14	(938,078)	(861,868)
Capital expenditure and financial investment	14	(402)	(20,094)
Increase/(decrease) in cash	15	<u>1,296,298</u>	<u>(354,955)</u>

Notes to the financial statements

1. Accounting policies

Basis of preparation

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

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 Dollars

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 2010 and 2009 the exchange rates were United States Dollars 1.52 and 1.65 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.

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.

Notes to the financial statements

1. Accounting policies (continued)

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 net operating expenses

	2010 US\$	2009 US\$
Cost of sales	13,476,790	12,170,213
Net operating expenses		
Administration Expense	1,812,839	1,573,134
Exchange loss	57,344	80,465
	<u>1,870,183</u>	<u>1,653,599</u>

4. Operating profit

Operating profit is stated after charging/(crediting) the following

	2010 US\$	2009 US\$
Depreciation	24,140	14,378
Rental charges	23,425	25,572
Exchange loss	57,344	80,465
Audit fees	68,000	66,000
	<u></u>	<u></u>

Notes to the financial statements

5. Employee information

	2010	2009
	US\$	US\$
Wages and salaries	347,562	181,388
Provision for end of service benefits	13,208	17,634
Other costs	37,315	32,845
	<u>398,085</u>	<u>231,867</u>

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	
	2010	2009
Management and administration	9	10

6. Directors' emoluments

The Directors of the company were paid by fellow group undertakings. No charge is made for their services to the Company.

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

Notes to the financial statements

7. Taxation

(a) Tax on profit on ordinary activities

	2010 US\$	2009 US\$
UK Corporation tax		
United Kingdom Corporation tax on profit of the period	680,228	602,710
Double taxation relief	(680,228)	(602,710)
	-	-
Foreign tax		
Current year	983,007	861,432
Adjustments in respect of prior periods	(36,762)	-
Total current tax charge	946,245	861,432

(b) Factors affecting current tax charge

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% (2009 28%) The differences are reconciled below

	2010 US\$	2009 US\$
Profit on ordinary activities before tax	2,326,075	2,308,001
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 28%)	651,301	646,240
Effect of		
Expenses not deductible for tax purposes	434	1,036
Depreciation in excess of capital allowances	(11,496)	(19,583)
Other timing differences	39,988	(24,983)
Adjustments in respect of prior periods	(36,762)	-
Higher taxes on overseas earnings	302,780	258,722
	946,245	861,432

(c) Factors that may affect future tax charges

The company has an unrecognised deferred tax asset of US\$ 463,388 (2009 US\$ 132,977) 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

Notes to the financial statements

8. Tangible assets

	<i>Buildings</i>	<i>Motor Vehicles</i>	<i>Furniture fittings & Equipment</i>	<i>Total</i>
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Cost				
At 1 July 2009	9,783	147,168	80,106	237,057
Additions	-	-	402	402
At 30 June 2010	9,783	147,168	80,508	237,459
Depreciation				
At 1 July 2009	9,783	106,651	76,572	193,006
Charge for the year	-	23,152	988	24,140
At 30 June 2010	9,783	129,803	77,560	217,146
Net book value				
At 30 June 2010	-	17,365	2,948	20,313
At 30 June 2009	-	40,517	3,534	44,051

9. Debtors

	<i>2010 US\$</i>	<i>2009 US\$</i>
Trade debtors	2,951,446	3,531,997
Prepayments and accrued income	140,909	219,743
	<u>3,092,355</u>	<u>3,751,740</u>

10. Creditors: amounts falling due within one year

	<i>2010 US\$</i>	<i>2009 US\$</i>
Amounts owed to fellow group undertakings	1,202,622	872,088
Corporation tax	169,118	189,762
Other taxes and social security costs	28,811	-
Accruals	1,169,734	1,275,090
	<u>2,570,285</u>	<u>2,336,940</u>

Notes to the financial statements

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.

12. Related party transactions

The Company, in the normal course of business carries out transactions with related parties, as defined by Financial Reporting Standard 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:

	2010 US\$	2009 US\$
Amounts owed to parent company	(1,189,489)	(848,676)
Amounts owed to fellow group undertakings	(13,133)	(23,412)
	<u> </u>	<u> </u>

13. Reserves

	Share capital US\$	Profit and loss account US\$	Total US\$
At 30 June 2009	86,925	1,950,021	2,036,946
Profit for the year	-	1,379,830	1,379,830
Dividends authorised, but not yet paid	-	(1,000,000)	(1,000,000)
At 30 June 2010	<u>86,925</u>	<u>2,329,851</u>	<u>2,416,776</u>

Notes to the financial statements

14. Notes to the statement on cash flows

	2010 US\$	2009 US\$
Returns on investments and servicing of finance		
Interest income	-	4
	<u> </u>	<u> </u>
Taxation		
Overseas tax paid	(938,078)	(861,868)
	<u> </u>	<u> </u>
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(402)	(26,918)
Receipts from sale of tangible fixed assets	-	6,824
	<u> </u>	<u> </u>
	(402)	(20,094)
	<u> </u>	<u> </u>

15. Analysis of net cash

	2010 US\$	2009 US\$
Cash at bank and in hand at beginning of the period	578,095	933,050
Increase/(decrease) in cash during the period	1,296,298	(354,955)
	<u> </u>	<u> </u>
Cash at bank and in hand at end of the year	1,874,393	578,095
	<u> </u>	<u> </u>

16. Dividends paid and proposed

During the year, the Board of Directors has approved a dividend of US\$ 1,000,000. This dividend remained unpaid at 30 June 2010, and is reflected within the amounts owed to fellow group undertakings of US\$ 1,202,622. There were no dividends during the prior year.

17. Ultimate parent undertaking

The ultimate parent undertaking is C2 Limited which is registered in the Cayman Islands.

The immediate parent undertaking is Gray MacKenzie Holdings Limited which is registered in Gibraltar.