

Company No: 2630513

Gray MacKenzie Oilfield Services Limited

Report and Financial Statements

30 June 2013



Gray MacKenzie Oilfield Services Limited

Registered No: 2630513

Directors

Waqar Hassan Siddique
M Rafique Lakhani

Secretary

Grays Inn Secretaries Ltd

Auditors

Ernst & Young LLP
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Glasgow
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Bankers

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Directors' report

The directors present their annual report and financial statements for the year ended 30 June 2013.

Results and dividends

The Company's loss for the year after taxation amounted to US\$ 163,305 (2012: profit USD 56,070). The directors approved dividend declaration amounted USD 2,450,000 for this year (no dividends for 2012). However, the ultimate shareholders of the company have confirmed that they have no intention to receive the 2012/2013 dividend until the company has adequate cash resources available.

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.

With the full year impact of the continuing sanctions imposed on Syria by the United States of America and the European Union during 2013, the turnover of the company has considerably declined compared to 2012. Accordingly due to the continuing sanctions, the company will not earn any revenue in foreseeable future. The directors are confident that although the Company has stopped its operations in Syria due to the sanctions, it will be able to sustain itself for the foreseeable future because of its low overheads and the cash position of the company.

The directors are also considering embarking on a strategy to grow the business in other Middle East countries.

Ownership and ultimate parent company

The Company is owned by GMBC Limited which is registered in the Cayman Islands. The ultimate parent company is C2 Limited, incorporated in the Cayman Islands.

Directors

The directors who served the company during the year and to date of this report are stated 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.

Going Concern

In line with the FRC guidance on Going Concern issued in November 2009, the Directors have undertaken an exercise to review the appropriateness of the continued use of the Going Concern basis. The company's principal activities, a review of the business and future developments are outlined above.

After undertaking such an exercise the directors have a reasonable expectation that the company has adequate resources to meet its liabilities as they fall due for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the accounts.

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.

Directors' report

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



M Rafique Lakhani, Director

20 JUNE 2014

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 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 2013 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Cash Flows, 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 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 set out on page 5, 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 Report and Financial Statements to identify material inconsistencies with the audited financial statements. 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 30 June 2013 and of its loss 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.

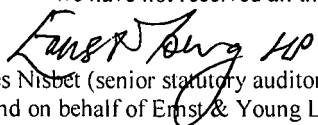
Opinion on other matter prescribed by the Companies Act 2006

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.


James Nisbet (senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Glasgow

20 June 2014

Profit and loss account

For the year ended 30 June 2013

	Note	2013 US\$	2012 US\$
Turnover	2	49,352	6,128,442
Cost of sales	3	(26,667)	(3,999,211)
Gross profit		<u>22,685</u>	<u>2,129,231</u>
Net operating expenses	3	(187,821)	(1,462,417)
Operating (loss) profit	4	<u>(165,136)</u>	<u>666,814</u>
Gain on sale of fixed asset		8,792	2,700
(Loss) profit on ordinary activities before taxation		<u>(156,344)</u>	<u>669,514</u>
Tax on (loss) profit on ordinary activities	7	(6,961)	(613,444)
(Loss) profit for the financial year	14	<u><u>(163,305)</u></u>	<u><u>56,070</u></u>

All amounts relate to continuing activities.

There are no recognised gains and losses for the year, other than the loss reported above.

Balance sheet**As at 30 June 2013**

	<i>Note</i>	<i>2013 US\$</i>	<i>2012 US\$</i>
Fixed assets:			
Tangible assets	9	186	1,468
Current assets:			
Debtors	10	587,714	2,041,712
Cash at bank and in hand		1,255,841	1,454,683
		<u>1,843,555</u>	<u>3,496,395</u>
Creditors: amounts falling due within one year	11	(1,659,606)	(700,423)
Net current assets		<u>183,949</u>	<u>2,795,972</u>
Net assets		<u>184,135</u>	<u>2,797,440</u>
Capital and reserves			
Called-up share capital	12	86,925	86,925
Profit and loss account	14	97,210	2,710,515
Shareholders' funds		<u>184,135</u>	<u>2,797,440</u>

These financial statements have been prepared in accordance with the special provisions for small companies under part 15 of the Companies Act 2006.

These financial statements were approved by the Board of Directors on 20 June 2014 and signed on their behalf by:



M. Rafique Lakhani, Director

Cash Flow Statement

For the year ended 30 June 2013

		2013	2012
	Notes	US\$	US\$
Net Cash outflow from operating activities	15(a)	(199,235)	(926,001)
Return on investment and servicing of finance	15(b)	-	-
Taxation	15(c)	(8,917)	(615,848)
Capital expenditure and financial investment	15(d)	9,310	2,700
Decrease in cash	15(e)	<u>(198,842)</u>	<u>(1,539,149)</u>

Reconciliation of next cash flow to movement in net funds

for year ending 30 June 2013

		2013	2012
		US\$	US\$
Movement in net cash in the year	15(e)	(198,842)	(1,539,149)
Net funds at 1 July 2012 / 2011	15(e)	<u>1,454,683</u>	<u>2,993,832</u>
Net funds at 30 June	15(e)	<u>1,255,841</u>	<u>1,454,683</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

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.

Operating leases

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 2013 and 2012 the exchange rates were United States Dollars 1.52 and 1.57 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)

Provision for 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 taxation

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. 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

	2013 US\$	2012 US\$
Cost of sales	26,667	3,999,211
Net operating expenses		
Administration expense	119,234	1,147,498
Exchange loss	265,109	314,919
	<u>384,343</u>	<u>1,462,417</u>

4. Operating (loss) / profit

This is stated after charging / (crediting) the following:

	2013 US\$	2012 US\$
Depreciation	764	5,651
Rental charges	17,929	16,237
Exchange loss	265,109	314,919
Audit fees	14,500	22,162
Release of provisions	(196,522)	-
	<u></u>	<u></u>

Notes to the financial statements

5. Employee information

	2013 US\$	2012 US\$
Wages and salaries	59,460	3,761,232
Provision for end of service benefits	15,634	21,524
Other costs	14,950	83,349
	<u>90,044</u>	<u>3,866,105</u>

All employees discharged their duties wholly from outside the United Kingdom.

The average monthly number of employees (including directors) during the period was made up as follows:

	Number of employees	
	2013	2012
Management and administration	6	7
Engineers	-	72
	<u>-</u>	<u>72</u>

6. Directors' emoluments

No director received or was due to receive any emoluments in connection with their services as a director of this company in the period.

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

7. Taxation

(a) Tax on (loss) / profit on ordinary activities

The tax charge is made up as follows:

	2013 US\$	2012 US\$
Current tax		
UK corporation tax on the (loss) / profit for-the year	-	161,021
Double taxation relief	-	(161,021)
	<u>-</u>	<u>-</u>
Foreign tax		
Current tax	6,961	613,444
Total current tax	<u>6,961</u>	<u>613,444</u>

Notes to the financial statements

7. Taxation (continued)

(b) Factors affecting current tax charges

The tax assessed on the (loss) / profit on ordinary activities for the period is different from the standard rate of corporation tax in the UK of 23.75% (2012: 25.5%). The differences are reconciled below:

	2013 US\$	2012 US\$
(Loss) / Profit on ordinary activities before tax	(156,344)	669,514
(Loss) / Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.75% (2012: 25.5%)	(37,132)	170,726
Effects of:		
Expenses not deductible for tax purposes	6	221
Depreciation in excess of capital allowances	(9,367)	(8,633)
Other timing differences	(36,404)	(1,293)
Unused losses carried forward	82,897	-
Higher taxes on overseas earnings	6,961	452,423
Adjustments in respect of prior periods	-	-
	6,961	613,444

(c) Factors affecting future tax charge

The company has unrecognised deferred tax assets totalling US\$ 98,570 (2012: US\$ 92,145) 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. Dividends paid and proposed

During the year, the Board of Directors approved a dividend of US\$ 2,450,000 (2102: US\$ 0). This dividend remained unpaid at 30 June 2013 and is reflected within the amounts owed to fellow group under takings of US\$ 1,275,305.

Notes to the financial statements

9. 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 2012	9,783	114,437	80,508	204,728
Additions	-	-	-	-
Disposals	(9,783)	(44,980)	(58,559)	(113,322)
At 30 June 2013	-	69,457	21,949	91,406
Accumulated Depreciation				
At 1 July 2012	9,783	114,437	79,040	203,260
Charge for the year	-	-	764	764
Disposals	(9,783)	(44,980)	(58,041)	(112,804)
At 30 June 2013	-	69,457	21,763	91,220
Net book value				
At 30 June 2013	-	-	186	186
At 30 June 2012	-	-	1,468	1,468

10. Debtors

	<i>2013 US\$</i>	<i>2012 US\$</i>
Trade debtors	579,432	770,624
Prepayments and accrued income	8,282	46,059
Amounts owed from parent undertaking	-	1,225,029
	<u>587,714</u>	<u>2,041,712</u>

11. Creditors: amounts falling due within one year

	<i>2013 US\$</i>	<i>2012 US\$</i>
Amounts owed to fellow group undertakings	1,275,305	75,787
Accruals	298,172	536,551
Foreign tax	86,129	88,085
	<u>1,659,606</u>	<u>700,423</u>

Notes to the financial statements

12. Called-up equity share capital

	<i>No</i>	<i>2013</i>	<i>No</i>	<i>2012</i>
		<i>US\$</i>		<i>US\$</i>
<i>Allotted called up and fully paid</i>				
Ordinary shares of £1 each	50,000	86,925	50,000	86,925

The company's called up share capital of 50,000 shares of £1 each is stated at the exchange rate in effect of 1 November 1991 (\$1.7385 for each £1), the date the share capital was issued.

13. 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:

	<i>2013</i>	<i>2012</i>
	<i>US\$</i>	<i>US\$</i>
Amounts owed to fellow group undertakings	(50,334)	(75,787)
Amounts owed (to) / from parent undertaking	(1,224,971)	1,225,029

14. Reconciliation of shareholders' funds and movements on reserves

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total shareholders funds</i>
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
At 30 June 2011	86,925	2,654,445	2,741,370
Profit for the year	-	56,070	56,070
At 30 June 2012	86,925	2,710,515	2,797,440
Loss for the year	-	(163,305)	(163,305)
Dividends	-	(2,450,000)	(2,450,000)
At 30 June 2013	86,925	97,210	184,135

Notes to the financial statements

15. Notes to the statement of cash flows

(a) Reconciliation of operating (loss) / profit to net cash flow from operating activities

	2013	2012
	US\$	US\$
Operating (loss) / profit	(165,136)	666,814
Depreciation charges	764	5,651
Decrease / (increase) in debtors	228,969	(533,340)
Increase / (decrease) in creditors	(263,832)	(1,065,126)
Net cash inflow from operating activities	<u>(199,235)</u>	<u>(926,001)</u>

(b) Return on investment & servicing of finance

Interest income	-	-
Dividends paid	-	-
	<u>-</u>	<u>-</u>

(c) Taxation

Overseas tax paid	<u>(8,917)</u>	<u>(615,848)</u>
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(d) Capital expenditure and financial investment

Proceeds of sale of fixed assets	<u>9,310</u>	<u>2,700</u>
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(e) Analysis of net funds

	At 1 July 2012	Cash flow	At 30 June 2013
	US\$	US\$	US\$
Cash at the bank and in hand	<u>1,454,683</u>	<u>(198,842)</u>	<u>1,255,841</u>

16. Ultimate parent undertaking and controlling party

The immediate parent undertaking is GMBC Limited which is registered in the Cayman Islands.

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