AL SHAWAMIKH OIL SERVICES SAOC

Report and financial statements
for the year ended 31 December 2012

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Deloitte.

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Independent auditor's report to the shareholders of Al Shawamikh Oil Services SAOC

Report on the financial statements

We have audited the accompanying financial statements of **Al Shawamikh Oil Services SAOC** (the "Company") which comprise the statement of financial position as at 31 December 2012, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 3 to 17.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte.

Independent auditor's report
to the shareholders of
Al Shawamikh Oil Services SAOC (continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Al Shawamikh Oil Services SAOC** as of 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte

Deloitte & Touche (M.E.) & Co. LLC
Muscat, Sultanate of Oman
24 February 2013

P.O.Box 258, P.C. 112
Sultanate of Oman
Deloitte & Touche (M.E.)& Co. LLC

AL SHAWAMIKH OIL SERVICES SAOC

Statement of financial position
As at 31 December 2012

	Notes	2012 RO	2011 RO
ASSETS			
Non-current assets			
Property and equipment	4	23,702	44,617
Advance for capital expenditure	5	669,640	-
		693,342	44,617
Current assets			
Trade and other receivables	6	234,217	6,525
Cash and cash equivalents	7	1,533,201	2,373,740
Total current assets		1,767,418	2,380,265
Total assets		2,460,760	2,424,882
EQUITY AND LIABILITIES			
Capital and reserve			
Share capital	8	2,450,233	2,450,233
Accumulated losses		(139,061)	(26,885)
Total equity		2,311,172	2,423,348
Current liability			
Trade and other payables	9	149,588	1,534
Total equity and liabilities		2,460,760	2,424,882
Net assets per share	10	0.943	0.990

Chairman **Director**

The accompanying notes form an integral part of these financial statements.

AL SHAWAMIKH OIL SERVICES SAOC

Statement of comprehensive income
for the year ended 31 December 2012

	Notes	31 December 2012 RO	For the period since inception 7 March 2011 to 31 December 2011 RO
Revenue	11	40,000	-
Other income from rentals		4,000	-
General and administrative expenses	12	(156,176)	(26,885)
Loss for the year / period		(112,176)	(26,885)

The accompanying notes form an integral part of these financial statements.

AL SHAWAMIKH OIL SERVICES SAOC

Statement of changes in equity
for the year ended 31 December 2012

	Share capital RO	Accumulated losses RO	Total RO
At 7 March 2011	-	-	-
Issued share capital	2,450,233		2,450,233
Loss for the period	-	(26,885)	(26,885)
At 1 January 2012	**2,450,233**	**(26,885)**	**2,423,348**
Loss for the year	**-**	**(112,176)**	**(112,176)**
At 31 December 2012	**2,450,233**	**(139,061)**	**2,311,172**

The accompanying notes form an integral part of these financial statements.

AL SHAWAMIKH OIL SERVICES SAOC

Statement of cash flows
for the year ended 31 December 2012

	31 December 2012 RO	For the period since inception 7 March 2011 to 31 December 2011 RO
Operating activities		
Loss for the year / period	**(112,176)**	(26,885)
Adjustments for:		
Depreciation of property and equipment	**3,362**	821
Operating loss before changes in working capital	**(108,814)**	(26,064)
Changes in working capital:		
Trade and other receivables	**(192,692)**	(6,525)
Trade and other payables	**148,054**	1,534
Net cash used in operating activities	**(153,452)**	(31,055)
Investing activities		
Purchase of property and equipment	**(17,447)**	(45,438)
Advance for capital expenditure	**(669,640)**	-
Net cash used in investing activities	**(687,087)**	(45,438)
Financing activities		
Issued capital	**-**	2,450,233
Net change in cash and cash equivalents	**(840,539)**	2,373,740
Cash and cash equivalents, at the beginning of the year / period	**2,373,740**	-
Cash and cash equivalents at the end of the year / period (note 7)	**1,533,201**	2,373,740

The accompanying notes form an integral part of these financial statements.

1. General

Al Shawamikh Oil Services SAOC ("the Company") is a closed joint stock company. The company was established and registered with the Commercial Register Secretariat at Ministry of Commerce and Industry on 7 March 2011.

The Company's headquarter is at Al Khuwair – Muscat - Sultanate of Oman.

The principal activity of the Company is to provide subsurface services in the oil fields encompassing well intervention, well solution and maintenance.

These financial statements are presented in Rials Omani (RO) since that is the currency of the country in which the Company is domiciled.

2. Adoption of new and revised International Financial Reporting Standards (IFRS)

For the year ended 31 December 2012, the Company has adopted all the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for the year beginning on 1 January 2012.

2.1 Standards and Interpretations adopted with no effect on the financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

Amendments to IFRS 7 – *Disclosures – Transfer of Financial Assets*	The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures of transactions where a financial asset is transferred but the transferor retains some level of continuing exposure in the asset
Amendments to IAS 12 – *Deferred Tax : Recovery Of Underlying Assets*	The amendments to IAS 12 provide an exception to the general principal set out in IAS 12 Income Taxes that the measurement of deferred tax should reflect the manner in which an entity expects to recover a carrying amount of the asset. Specifically, the amendments established a rebuttable presumption that the carrying amount of an investment property measured using the fair value model in IAS 40 *Investment Property* will be recovered entirely through sale.

2. Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)

2.2 Standards and Interpretations in issue not yet effective

At the date of authorisation of these financial statements, the following new and revised Standards and Interpretations were in issue but not yet effective:

	Effective for annual periods beginning on or after
New IFRS and relevant amendments	
Financial Instruments	
IFRS 9: *Financial Instruments* (as revised in 2010 *to include requirements for the classification and measurement of financial liabilities and incorporate existing derecognition requirements)*	January 2015
Amendments to IFRS 9 and IFRS 7 : *Mandatory Effective Date of IFRS 9 and Transition Disclosures*	January 2015
Consolidation, joint arrangements, associates and disclosures	
IFRS 10: *Consolidated Financial Statements*	January 2013
IFRS 11: *Joint Arrangements*	January 2013
IFRS 12: *Disclosure of Interests in Other Entities*	January 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12 *Consolidated Financial Statements, Joint Arrangements and Disclosures in Other Entities : Transition Guidance and investments entities*	January 2013
IAS 27: *Separate Financial Statements (as revised in 2011)*	January 2013
IAS 27: *Separate Financial Statements amendments for investments entities*	January 2014
IAS 28: Investments in Associates, *reissued as IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)*	January 2013
Fair value measurement	
IFRS 13: *Fair Value Measurement*	January 2013
Revised IFRS	
Employee benefits	
IAS 19: Employee Benefits *(as revised in 2011 for the post- employment benefits and termination benefits)*	January 2013
Amendments to IFRSs	
IAS 1: *Presentation of items of other comprehensive income*	July 2012
IAS 32 : *Offsetting Financial Assets and Financial Liabilities*	January 2014
Annual improvements to IFRSs 2009 to 2011 Cycles	January 2013
IFRS 7 : *Disclosures – Offsetting Financial Assets and Financial Liabilities*	January 2013
New Interpretations and amendments to Interpretations:	
IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

The directors anticipate that the adoption of the above standards and interpretations in future periods will have no material impact on the financial statements of the Company in the period of initial application.

3. Summary of significant accounting policies

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

Basis of accounting

The financial statements are prepared on a historical cost basis as modified by measurement of certain assets and liabilities at fair value.

A summary of significant accounting policies, which have been adopted consistently, is set out below:

Property and equipment

Property and equipment are used in company activities, and stated at cost less accumulated depreciation and any identified impairment loss.

Depreciation is charged so as to write off the cost of property and equipment over their estimated useful lives, using the straight line method, on the following bases:

	Years
Workshop	15
Furniture and fixtures	4
Office equipment	4
Vehicles	5

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment

At each reporting date, the Company reviews the carrying amounts of its assets and cash generating units to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The loss arising on an impairment of an asset is determined as the difference between the recoverable amount and carrying amount of the asset and is recognised as loss immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount and the increase is recognised as income immediately, provided that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised earlier.

3. Summary of significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognized in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

The principal financial assets are bank balances and trade, other receivables.

Trade receivables are stated at their nominal value net of allowances. Appropriate allowances for irrecoverable trade receivables are recognised in the income statement when there is objective evidence that these debts are impaired.

The principal financial liabilities are trade and other payables.

Trade and other payables are stated at their fair value.

Share capital is recorded at net proceeds received.

Legal Statutory reserve

The legal statutory reserve, which is not available for distribution, is calculated in accordance with Article (106) of the Commercial Companies Law. The annual appropriation shall be 10% of the net annual profit of the Company until such time when the legal reserve amounts to at least one-third of the share capital.

Employee's benefits

Termination benefits for Omani employees are contributed in accordance with the terms of the Social Securities Law of 1991 and the Civil Service System.

Provision for non-Omani employees is made for termination gratuities, in accordance with the terms of the Labour Law of the Sultanate of Oman and is based on current remuneration and cumulative years of service at the reporting date.

Provisions

Provisions are recognized when the Company has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Taxation

Taxation is provided for in accordance with the fiscal regulations of the Sultanate of Oman.

Revenue recognition

Revenue represents the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts.

3. Summary of significant accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are translated to Rials Omani at the rate of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the exchange rates prevailing on that date. The exchange gains and losses are dealt within the income statement.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash on hand and bank balances, with a maturity of less than three months from the date of placement.

Use of estimates

The preparation of the financial statements, as per IFRS, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the reporting date and the resultant provisions and changes in fair value for the year. Such estimates are necessarily based on assumptions about several factors involving varying, and possibly significant, degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated assets and liabilities.

The following is the significant estimate used in the preparation of financial statements:

Useful lives of property, plant and equipment
Depreciation is charged so as to write off the cost of assets over their estimated useful lives. The calculation of useful lives is based on management's assessment of various factors such as the operating cycles, the maintenance programs, and normal wear and tear using its best estimates.

4. Property and equipment

	Workshop RO	Furniture and fixtures RO	Office equipment RO	Vehicles RO	Total RO
Cost					
At 7 March 2011	-	-	-	-	-
Additions	35,000	8,073	2,365	-	45,438
At 1 January 2012	35,000	8,073	2,365		45,438
Additions	-	760	10,187	6,500	17,447
Adjustment	(35,000)	-	-	-	(35,000)
At 31 December 2012	-	8,833	12,552	6,500	27,885
Depreciation					
At 7 March 2011	-	-	-	-	-
Charge for the period	19	684	118	-	821
1 January 2012	19	684	118	-	821
Charge for the period	-	1,689	1,582	110	3,381
Adjustments	(19)	-	-	-	(19)
At 31 December 2012	-	2,373	1,700	110	4,183
Carrying value					
At 31 December 2012	-	6,460	10,852	6,390	23,702
At 31 December 2011	34,981	7,389	2,247	-	44,617

5. Advance for capital expenditure

During the year the Company paid RO 669,640 for the purchase of machinery.

6. Trade and other receivables

	2012 RO	2011 RO
Trade receivables	187,739	-
Other receivables from PDO	35,000	-
Prepayments	9,603	6,525
Due from staff	1,875	-
	234,217	6,525

7. Cash and cash equivalents

	2012 RO	2011 RO
Cash on hand	1,003	-
Cash at bank current accounts	1,532,198	2,373,740
	1,533,201	2,373,740

8. Share capital

Authorized share capital:		
20,000,000 ordinary shares of RO 1 each	20,000,000	20,000,000
Issued share capital:		
2,450,233 shares of RO 1 each	2,450,233	2,450,233

9. Trade and other payables

Trade payables	143,740	-
Accrued expenses	2,218	1,534
Other payables	3,630	-
	149,588	1,534

10. Net assets per share

Net assets (RO)	2,311,172	2,423,348
Number of shares at the end of the year / period	2,450,233	2,450,233
Net assets per share (RO)	0.943	0.990

11. Revenue

	31 December 2012 RO	For the period since inception 7 March 2011 to 31 December 2011 RO
Management fees	**40,000**	-

12. General and administrative expenses

Salaries and other related costs	**93,940**	160
Directors sitting fees	**16,800**	9,000
Rent expenses	**14,625**	9,000
Travel expenses	**11,077**	1,351
Advertisement	**4,688**	-
Legal & Professional fees	**4,038**	2,281
Communication	**3,783**	521
Depreciation (Note 4)	**3,362**	821
Printing and Stationary	**2,097**	-
Office expenses	**1,001**	400
Maintenance	**472**	1,356
Cleaning	-	1,200
Donations	-	300
Utilities	**233**	134
Miscellaneous expenses	**60**	361
	156,176	26,885

13. Related party transactions

Related parties comprise directors and business entities in which they have the ability to control or exercise significant influence in financial and operating decisions.

Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise).

	2012 RO	2011 RO
Directors sitting fees	**16,800**	9,000

14. Financial risk management

Financial instruments carried on the statement of financial position comprise cash and cash equivalents, trade and other receivables, trade and other payables.

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been impacted.

The classification of financial assets depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial risk factors

Overview

The Company's activities expose it to a variety of financial risks: credit risk, market risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The potential risk in respect of amounts receivable is limited to their carrying values as management regularly reviews these balances whose recoverability is in doubt.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The exposure to credit risk at the reporting date was on account of:

	2012 RO	2011 RO
Trade receivables	**187,739**	-
Other receivables	**36,875**	-
Bank balances	**1,532,198**	2,373,740
	1,756,812	2,373,740

14. Financial risk management (continued)

Financial risk factors (continued)

(ii) Credit risk (continued)

Trade and other receivables (continued)

Exposure to credit risk (continued)

The age of trade receivables and related impairment loss at the reporting date was:

	2012		2011	
	Gross RO	Impaired RO	Gross RO	Impaired RO
Not past due	187,739	-	-	-

The Company establishes an allowance for doubtful debts that represents its estimate of potential losses in respect of trade and other receivables.

(iii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition the Company has access to credit facilities.

The following are the contractual maturities of financial liabilities.

31 December 2012

	Carrying amount RO	6 months or less RO
Trade and other payables	**149,588**	**149,588**

31 December 2011

Other payables	1,534	1,534

14. Financial risk management (continued)

Financial risk factors (continued)

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Foreign currency risk

The Company's functional and presentation currency is Rials Omani and the Company's performance is substantially independent of changes in foreign currency rates. There are no significant financial instruments denominated in foreign currency other than those pegged to the Rials Omani and consequently foreign currency risk is not significant.

Interest rate risk

The Company has no exposure to significant interest rate risk.

15. Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and benefit other stake holders. The management's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business.

16. Fair value of financial assets and liabilities

The fair value of financial assets and liabilities at the reporting date approximates their carrying amount in the statement of financial position.

17. Comparative amounts

The Company commenced operations on 7 March 2011, therefore the comparative figures represent the results of operations of the Company for the period from 7 March 2011 to 31 December 2011 and hence are not comparable to the year ended 31 December 2012 with respect to the statement of comprehensive income and cash flow, which are of a period of 12 months.

18. Approval of financial statements

These financial statements were approved by the Board of Directors and authorized for issue 24 February 2013.