ANNUAL REPORT

Gulf International Services

2018

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الخليج الدولية للخدمات ش.م.ق

Gulf International Services QSC

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His Highness
Sheikh Tamim bin Hamad Al Thani
The Amir of the State of Qatar

His Highness
Sheikh Hamad bin Khalifa Al Thani
The Father Amir

ABOUT GULF INTERNATIONAL SERVICES

ABOUT GULF INTERNATIONAL SERVICES

Gulf International Services Q.P.S.C. was incorporated as a Qatari joint stock company on February 12, 2008 by Resolution Number 42 of 2008 of the State of Qatar's Ministry of Economy and Commerce, pursuant to its Memorandum and Articles of Association and Law Number 5 of 2002 concerning Commercial Companies. The authorised share capital is QR 2 billion with the issued share capital consisting of 185.8 million ordinary shares and 1 special share.

The registered office is located at P.O. Box 3212, Doha, State of Qatar. Through the group companies, GIS operates in four distinct segments - insurance and reinsurance, drilling and associated services, helicopter transportation services and catering services.

Head Office Functions and Management Structure

Qatar Petroleum provides all of the head office functions for GIS through a comprehensive services agreement. The operations of the subsidiaries remain independently managed by their respective Boards of Directors and senior management teams.

DRILLING

Gulf Drilling International Q.S.C. ("GDI")

GDI was incorporated in 2004 as a joint venture between Qatar Petroleum (60%) and Japan Drilling Company (40%). Subsequent to exercising a share option provision within the joint venture agreement, QP increased its stake to 69.99% and then transferred this shareholding to GIS. With effect from May 1, 2014, GIS exercised an option in the joint venture agreement and acquired the remaining 30% of GDI, resulting in GDI becoming a wholly-owned subsidiary of GIS. The company's authorized and issued share capital is QR 739.7 million. The registered head office is located at The Gate Mall, Tower 3. 10th, 11th, 12th Floors, P.O. Box 9072, Doha, State of Qatar. Total headcount as of December 31, 2018 is 1,478, split between head office staff (147), onshore (566) and offshore (765) crew.

GDI currently has direct ownership of 17 drilling rigs (9 offshore rigs and 8 onshore rigs), which are used to drill wells suitable for oil and natural gas extraction, 1 jack-up accommodation barge and 2 lift boats.

As the only Qatari owned drilling contractor, GDI maintains a close relationship with Qatar Petroleum, due in part to QP's indirect ownership, and has 11 of its drilling rigs currently contracted to QP.

Offshore Rigs

GDI owns 9 offshore jack-up rigs, 3 of which are conventional rigs and 6 are hi-spec, premium rigs.

The conventional rigs Al Wajba and Msheireb, are in Class and under contract for work in 2018 , having each undergone extensive upgrades, refurbishments and life extension work over the last 5 years. The 3th conventional rig, Al Doha, is unmarketable and is retired on Q4 -2018

The hi-spec, premium rigs, Al Khor, Al Zubarah, Al Jassra, Les-Hat, Dukhan and Halul, are all relatively new, having been built within the last 10 years. Each of those rigs has been specifically designed for operations in Qatar.

The 2 conventional rigs still active and are rated for a maximum drilling depth of 6,000 meters while the hi-spec, premium rigs are rated for a maximum drilling depth of 9,000 meters.

Onshore Rigs

GDI owns 8 onshore rigs, 5 of which are drilling rigs and 3 are work-over rigs. All onshore rigs were contracted exclusively to Qatar Petroleum and are rated for maximum drilling depths ranging between 3,000 meters and 9,000 meters, however 1 of these rigs is requested by Shell for their operations at Ras Laffan. Shell requirement is for a 600 days program. After completing this operations, this Rig will return back for QP Operation.

Accommodation Jack-up Barges and Lift Boats

GDI owns 1 jack-up accommodation barge, Zikreet, and 2 liftboats Rumailah and Al Safliya. Zikreet has been awarded a contract to work with QP for a 5 year period, while Al Safliya is currently on a short-term contract with Qatar Petroleum Development. Rumailah is currently under repair mode at N-KOM Shipyard and is expected to complete the repair work by Q1 of 2019.

INSURANCE AND REINSURANCE

Al Koot Insurance and Reinsurance Company S.A.Q.

Incorporated in 2003, it is currently a wholly-owned subsidiary of Gulf International Services (GIS). Al Koot's authorized share capital is QR 500 million with its paid-in capital currently QR 218.6 million.

The registered Head Office is located at Al Maha Building, Bin Omran Area, P.O. Box 24563, Doha, and State of Qatar.
Total headcount is 88 with all staff based at the Head Office.

Services

Prior to its acquisition by GIS, Al Koot was the captive insurance company of Qatar Petroleum and hence was established with the primary aim of providing, risk management, insurance and reinsurance services to QP and its business ventures. Following acquisition, Al Koot, as an indirect subsidiary of QP, was providing a de facto captive insurance service to the QP Group until mid-2015.
All of the company's services are principally provided within the construction, operations, marine, and medical insurance and reinsurance fields.
Since June 2015 and following a QP circular ending the company's status as QP captive, Al Koot formed various committees to change its structure into a commercial entity.
The transformation committee submitted all the required documents and necessary explanation about the company's operation to the

credit rating agency S&P and got a credit rating of A- stable which enabled Al Koot continue to underwrite energy accounts that are the core business of the company. In the meantime, the company started to consolidate its underwriting capabilities and change its structure to meet the new phase.

The company was able to maintain almost all its energy business but with reduced shares to allow for the entrance of other local insurers. Al Koot's aim is to secure a share of the commercial market and at the same time prepare the company to compete in all future tenders. In respect of the medical line of business, the company has enhanced its in-house capabilities with an experienced team to manage its medical portfolio. The company is poised to play a leading role in the market in the near future.

AVIATION

Gulf Helicopters Company Q.S.C. ("GHC")

Originally incorporated in 1970 under the name of Gulf Helicopters Limited as a subsidiary of British Overseas Airways Corporation, the company was subsequently acquired by Gulf Air, and then sold to Qatar Petroleum in 1998. QP transferred its 100% shareholding to GIS in 2008. GHC has 1 direct subsidiary, Al Maha Aviation Company, in which it owns 92% of the shares and effective control over the remainder, and 1 indirect subsidiary, Redstar Havacilik Hizmetleri A.S., in which it owns 49% of the shares and effective control over the remainder. GHC also has a 36% investment in a joint venture in India through beneficial ownership under QP, United Helicharters Private Limited. During the year, GHC has acquired additional 26% shares in UHPL, awaiting controlling power over UHPL. GHC owns 49% investment in another joint venture in Malta, Gulf Mediterranean Aviation Services. GHC's authorised and issued share capital is QR 66 million.

The registered head office is located at Ras Abu Aboud Street, P.O. Box 811, Doha, State of Qatar. Headcount in Doha is 384, split between operations, engineering and administration.

Licenses

GHC holds an Air Operators Certificate, a maintenance organisation approval and a continuous airworthiness management organisation approval issued by the Qatar Civil Aviation Authority. GHC is recognised by the United States Federal Aviation Authority as an approved repair station and as a maintenance organisation by both the European Aviation Safety Agency and the Qatar Civil Aviation Authority. GHC, through its Libyan subsidiary Al Maha, is registered with the Libyan Civil Aviation Authority and additionally has a relevant approval as an approved maintenance organisation. Within Qatar, GHC operates as the sole provider of helicopter transportation services. GHC is also an EASA Part 147 approved Maintenance Training Organisation and an EASA approved Flight Simulators training device organisation. Lastly GHC is an approved maintenance organisation by the Civil Aviation of Oman / PACA.

Services

GHC's core operational activities consist of a variety of helicopter transportation services, including offshore / onshore transporting, long- and short-line load lifting, seismic support, VIP executive transport, and ad-hoc short-term contracts. Remaining revenue consists of residential rental income, simulator training, sale of spare parts and third party aircraft and component maintenance.

Fleet

GHC currently operates a fleet of 49 helicopters. Of these, 24 are twin-engine Agusta-Westland 139 and 189 helicopters, which can carry between 12 and 15 passengers, 20 twin-engine Bell 412 and 212 class helicopters, with a seating capacity of 13 persons , 3 Bell 206 class helicopters with a seating capacity of 6 persons and 2 Sikorsky S-92 helicopters configured for VVIP use.

It's Turkish subsidiary Redstar Aviation owns four fixed wing Learjet 45 aircraft.

CATERING

AMWAJ Catering Services Company Limited Q.S.C.

Incorporated in 2006 as a wholly-owned subsidiary of Qatar Petroleum with an authorised capital of QR 400 million and paid-up capital of QR 100 million, AMWAJ was subsequently acquired by GIS on June 1, 2012.

The registered head office is located at P.O. Box 23904, Doha, State of Qatar. Total headcount is 7,080 with staffs are allocated to various projects across Qatar.

Operations and Services

In addition to its original objective of providing high quality catering services, AMWAJ has diversified to encompass cleaning, pest control, manpower supply, facilities management, camp management, retail and VIP catering. AMWAJ is perceived as "a one-stop solution" provider to its clients.

AMWAJ has in depth experience within the business & industrial sector, catering for large volume industrial workforces with tight budgetary demands. The company is able to offer a wide and nutritious variety of international menus that satisfy the most demanding needs in oil & gas sectors for on shore and offshore operations, large business and industrial sectors, health sector and universities and schools. AMWAJ offers Soft Facility Management services, which include commercial cleaning services that cover both internal and external areas. The company offers comprehensive and efficient services that include cleaning & janitorial and laundry services for our clients. AMWAJ adopts modern methods that utilize eco-friendly pest control techniques for a pest free environment. AWWAJ also offers total solution for club management, which include catering, cleaning, recreation and leisure activities, coaching, certified lifeguards, SPAs & masseuses and maintenance.

Welfare of the migrant workers is the key factor together with estate maintenance for Camp Management operations. Currently, AMWAJ is successfully operating large-scale camps in a way that complies with the international standards in the following locations:

- Mesaieed with the capacity of 12,000 residents in two big camps.
- Zikreet with the capacity of 1,400 residents.

AMWAJ Catering Services also offers distinguished and high quality Corporate Hospitality and VIP dining services for small exclusive gatherings or large high profile celebrations, also catering for Wedding Banquets etc.

QHSE

As a leading catering service provider, AMWAJ considers Quality, Health, Safety and Environment management (QHSE) as a top priority. All QHSE activities in AMWAJ are managed through a framework, which includes policies & procedures driven by the following:

- Health & Safety Management Systems
- Food Safety Management Systems
- Environment Consciousness

AMWAJ's Food Safety Management System (FSMS), Health and Safety Management System (HSMS) and Environmental Management System (EMS) are based on stringent National and International standards. These systems are risk-based and include a comprehensive range of mandatory requirements to provide a framework for self-regulation and continuous improvement in performance.

AMWAJ Quality Management Systems are regularly assessed & audited internally and externally. These assessments ensure compliance with the following accreditations for which AMWAJ is certified.

1. Hazard Analysis and Critical Control Point (HACCP Codex Alimentarius)
2. Occupational Health and Safety System (OHSAS 18001)
3. Food Safety Management System (ISO 22000)
4. Environmental Management System (ISO 14001)


V.I.P LUNCH MENU
Cold Appetizer
Selection of Cold Appetizer
Hot Appetizer
Soup
Lobster Creamy Soup
Or
Main Course

BOARD OF DIRECTORS

Sheikh Khalid bin Khalifa Al-Thani

CHAIRMAN

Suleiman Haidar Al Haidar
VICE CHAIRMAN

Ghanim Mohammed Al-Kuwari
MEMBER

Abdulla Khalifa M. Al-Rabban
MEMBER

Saad Rashid Al-Muhannadi
MEMBER

Sheikh Jassim bin Abdullah Al-Thani
MEMBER

Mohammed Abullah Al-Mannai
MEMBER


IMO 9760794
AL-SAFLIYA

CHAIRMAN’S MESSAGE

Sheikh Khalid bin Khalifa Al-Thani

CHAIRMAN

INTRODUCTION

I am honoured to welcome all of you to the Annual General Assembly meeting of Gulf International Services, one of the largest services groups in the State of Qatar. On behalf of the Board members, I thank all of you for your continued support and belief in the company through all these years.

2018 was a year of consolidation, as the group is in various stages of implementing its growth strategy initiatives and cost optimization programs. Some of these initiatives are already bearing results with the group's ability to regain some of its lost businesses and optimize costs. Revenue grew modestly while the general and administrative expenses were slightly down on last year despite the inflationary pressure in the year. All segments, except catering segment, reported a decent growth in revenue driven by regaining lost contracts, GDI utilization rates increased from 81% in 2017 to 85% in 2018 and gaining new business opportunities.

FINANCIAL RESULTS

With a modest growth in revenue and marginal savings in the general and administrative expenses, the group reported an impressive EBITDA[1] of QR 746 million, marginally up on last year, indicating the group's ability to generate significant cash operating profits. However, a significant increase in the finance expenses and a number of one-off expenditures have resulted in the group reporting a net loss of QR 98 million. Consecutive increase in the policy interest rates that caused a sharp increase in the cost of borrowing for the group, and impairment of a some assets, which are considered to be of a minimum commercial use, have resulted in the group recording a loss in the current year.

Given that our strategy rollout is in full swing, the future performance of GIS in the medium and long run would be improved. There are a number of opportunities, which are most likely available to GIS in the immediate future. These include:

- Seeking future business from the Oil and Gas activities in the State of Qatar. These activities will provide significant opportunities for

[1] EBITDA = Net loss + Finance charges + Depreciation + Amortization + Impairment Expenses + Write off of PPE

our drilling and aviation subsidiaries, which have already started building capabilities to capture these opportunities.

- Our insurance subsidiary, Al Koot Insurance and Reinsurance Company, has regained some of its previously lost clients. Al Koot has also won a number of new clients that were not part of its portfolio. This demonstrates the clients' endorsement of our quality of services and competitiveness in insurance pricing.
- Our catering subsidiary will also benefit from the development in the State of Qatar, as this development will require additional catering and manpower services.
- Our aviation subsidiary, Gulf Helicopters Company, has actively engaged in market development, including overseas expansions. This will help GHC in utilizing its fleet more efficiently and entering new profitable markets.
- The debt of the parent company will be settled in 2021 providing some financial flexibility to the group, the debt was mainly used for acquiring Amwaj and 30% of GDI. As for GDI, the debt of QR 4.5 billion imposes a challenge to the group. Moreover, GDI finance charges have affected the group profits during the year.

Above all, we are actively focusing on cost and operational optimization programs to ensure that our cost base is within the acceptable benchmarks.

CAPITAL EXPENDITURE AND BUSINESS DEVELOPMENT

With respect to its future capital expenditure programs, the group expects to invest over the next five years. Much of these investments aims at enhancing efficiency, reducing operating costs, and to capture available opportunities. The capital expenditure relating to the potential opportunities will be assessed on a case-by-case basis, the details of which will be made available to shareholders via regular shareholder communications.

PROPOSED DIVIDEND DISTRIBUTION

For the period from the initial public offering in February 2008 to 2016, the group's shareholders have received accumulated cash dividends of circa QR 2.7 billion, which is equivalent to circa QR 16.6 per share, with an average payout ratio of approximately 52%. In addition, shareholders have received a total of 63 million additional shares through three bonus issuances.

Given the potential opportunities present to the group, and the need to remain financially flexible, the Board of Directors believes that a dividend payment in 2018 will be a burden to the group's liquidity position and will place several bottlenecks for future strategy deployment. GIS will deploy the retained funds to invest and capture the present and future opportunities. We thank our shareholders for their support, and expect fullest cooperation to execute our plans.

CONCLUSION

In conclusion, I would like to express my gratitude to His Highness Sheikh Tamim bin Hamad Al Thani, the Amir of the State of Qatar, for his vision and wise leadership, and the Board of Directors, senior management and dedicated staff of our group companies.

Khalid bin Khalifa Al-Thani,
Chairman of the Board of Directors

BOARD OF DIRECTOR’S REPORT

Introduction

The Board of Directors is pleased to present its report on the operational and financial performance of Gulf International Services, one of the largest services groups in Qatar with interests in a broad cross-section of industries, ranging from insurance, re-insurance, onshore and offshore drilling, accommodation barge, helicopter transportation, and catering services.

2018 was a year of consolidation, as the group continued to implement most of its growth strategy initiatives which were launched in 2017, and focused further on optimization efforts. The effect of the oil price plunge in 2016 was still felt within some of the segments with clients still holding a significant negotiation power. Nevertheless, the group was able to grow its operational performance in the current year. The insurance segment was able to regain its market share, while the aviation segment is entering new markets in Asia and Africa. The Drilling segment continued to focus on its rationalization programs with some assets which were previously out of contract returning to operations. The catering segment continued to gain market share with aggressive pricing and value added services.

FINANCIAL RESULTS

Group Revenue

The group's revenue for the year ended December 31, 2018 was QR 2.5 billion, marginally up by QR 0.1 billion or 5% over the last year. All segments, except the catering segment, reported growth over the previous year.

Revenue by Segment

Aviation

The aviation segment reported a revenue of QR 542 million, a marginal growth versus the previous year. Ex-Qatar aviation revenue and revenue from other ancillary services grew moderately to offset a reduction in the revenue from Qatar aviation.

Insurance

The insurance segment recorded revenue of QR 443 million, a significant increase of QR 111 million or ~33%, compared to the previous year. Revenue in both energy and medical lines of business grew significantly versus last year, whilst net commission revenue remained flat. The insurance segment was able to regain some of the previously lost businesses in addition to capturing new businesses from Qatar Petroleum, Qatargas, GDI, Qafac etc. in both the energy and medical lines of business, resulting in the significant increase in revenue in the insurance segment. The benefit of some of the new businesses will be realized in the next year as these businesses were captured only during the later part of 2018.

Catering

The catering segment contributed QR 440 million to the group's revenue, marginally down by ~QR 30 million, or ~6% compared to the previous year. The reduction was primarily due to demobilization of some of the projects and reduced occupancy in the camps. Although the segment reported a marginal reduction in 2018, the revenue has stabilized compared to the 2016-2017 period, as the financial year 2017 witnessed a reduction of QR 382 million, or 44% versus 2016.

Drilling

The drilling segment reported revenue of QR 1.1 billion, a marginal increase of ~3% on the previous year. The segment benefited from the deployment of some of the assets that were not previously contracted and the recovery of the crude oil prices. GDI succeeded in signing a definitive agreement to partner with Seadrill for the utilization of the Offshore drilling rig “West Tucana” contracted to Qatargas with a contract value of ~QR 132 million, of which QR 35 million is recognized during the year.

EBITDA[1] and Net Profit

The group reported an impressive EBITDA of QR 746 million, marginally up on last year. An increase in the revenue and savings in the general and administrative expenses resulted in an increase in the EBITDA from last year.

Net profit, on the other hand, decreased on last year, and the reported net loss for 2018 was QR 98 million. This loss was due to increased finance costs resulting from a hike in policy interest rates and recognition of one-off expenses relating to the impairment of assets in the drilling segment.

Profit by Segment

Aviation

The segment earned a net profit of QR 141 million, down by ~3% on previous year. The reduction was primarily due to indirect costs associated with other aviation revenue.

Insurance

Profit in the insurance segment amounted to QR 53 million, a decrease of QR 18 million, or 26% on last year, primarily due to an increase in the direct expenses. G&A expenses have also increased marginally, as the insurance segment built additional capabilities to manage the medical segment business internally, which was previously outsourced.

Catering

The catering segment reported a profit of QR 24 million, up significantly by ~QR 7 million, or 43% on last year, primarily due to a significant savings of ~32% in the general and administrative expenses. The results were also aided by an increase in other operating income, and decrease in the direct expenses in the current year.

Drilling

The drilling segment's results closed the year with a net loss of QR 264 million. The EBITDA for the year was QR 434 million, an increase of 5% on last year. The high EBITDA is a clear indication of the segment's ability to generate cash profits from operations and the segment's efforts on cost and operational optimization starting to produce results. The segment's net loss was due to non-operational reasons, as the increase in finance costs together with the impairment of drilling assets have contributed to the segment reporting a net loss.

PROGRESS OF GROWTH STRATEGY AND OTHER INITIATIVES

The group is in various stages of implementing its previously approved growth strategy.

The drilling segment is aggressively focusing on implementing the previously identified strategies. The strategies currently being implemented are at different stages with the full benefit to be seen over the coming years. The drilling segment is also exploring opportunities to benefit from the new drilling programs that are planned in the future.

The aviation segment will continue to focus on maintaining its current market share and penetrating new markets in Asia and Africa,

[1] EBITDA = Net loss + Finance charges + Depreciation + Amortization + Impairment Expenses + Write off of PPE

where we can leverage our solid relationships with our International Oil Company partners that can enhance our international footprint as a global service provider. We will also focus on growing our non-aviation business, such as maintenance, repair and overhaul business in order to reduce dependence on direct aviation revenues.

The insurance segment will continue to focus on market development. The main strategy would be to regain the oil & gas market share domestically by repositioning ourselves as leaders in providing health insurance schemes and related services. This strategy has already portrayed promising results with winning some of the contracts that were previously lost to competitors.

The catering segment, on the other hand, will focus on developing existing business portfolios, as the market has been recently very challenging due to heavy competition and increased operating costs. Furthermore, we will continue our focus on cost and operational optimization.

PROPOSED DIVIDEND DISTRIBUTION

The Board of Directors believes that a dividend payment in 2018 will be a burden to the group's liquidity position, and will place several bottlenecks for future strategy deployment, as the group is trying to regain its market share, consolidate its position, and to reduce reliance on expensive external sources of finance. The group will deploy the retained funds carefully to invest to capture the present and future opportunities.

CONCLUSION

The Board of Directors expresses its gratitude to His Highness Sheikh Tamim bin Hamad Al-Thani, the Amir of the State of Qatar. Our gratitude is also extended to the Chairman of the Board of Directors, Sheikh Khalid bin Khalifa Al-Thani. We also extend our appreciation to the management and employees of the group companies for their immense work, commitment and dedication to Gulf International Services. Finally, we would like to thank our valued shareholders for their patience and confidence placed in us.


AW189
Gulf Helicopters
A7-GAB

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Gulf International Services Q.P.S.C.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of Gulf International Services Q.P.S.C (the 'Company'), and its subsidiaries (together referred to as the "Group") which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the Group's consolidated financial statements in the State of Qatar, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of key audit matters

Impairment of property and equipment – refer to note 6 of the consolidated financial statements.

We focused on this area because:

- The carrying value of the Group's drilling rigs and related assets, that are subject to impairment testing and included within "Property and equipment" as at 31 December 2018 was QR 4,950 million This represents 49% of the Group's total assets, hence a material portion of the consolidated statement of financial position. The impairment loss recognised during the year amounts to QR 113 million.
- As a result of the deceleration of the oil and gas industry mainly due to unstable oil prices and linkage of some of the contracts with the crude oil prices, there is increased likelihood of impairment of these assets.
- There is increased complexity in forecasting future cash flows in the drilling industry due to the nature of its operations and prevailing market conditions, hence we considered this to be a key audit matter.

How the matter was addressed in our audit

Our audit procedures in this area included, among others:

- Understanding the Group's process of identifying indicators of impairment in drilling rigs and related assets;
- Assessing the competence and capabilities of the staff in the Group who performed the technical assessment of recoverable amounts;
- Involving our own valuation specialists to support us in challenging the recoverable amounts derived by the Group, in particular: and
  - Assessing the appropriateness of the methodology used by the Group to assess impairment; and
  - Assessing the appropriateness of the key assumptions used in the impairment model including utilization of rigs and related assets, growth rates, operating margins, discount rate, etc.
- Evaluating the adequacy of the consolidated financial statement disclosures, including disclosures of key assumptions and judgements.

Description of key audit matters	How the matter was addressed in our audit
Valuation of insurance contract liabilities – refer to note 12 and 21 of the consolidated financial statements We focused on this area because: • The Group's insurance contract liabilities represents 7.5% of its total liabilities relating to claims reported unsettled, claims incurred but not reported and unearned contributions. • The valuation of these insurance liabilities involves significant judgement regarding uncertainty in the estimation of future benefits payments and assessment of frequency and severity of claims. Estimating the reserves for claims incurred but not reported ('IBNR') and unearned premium reserves ('UPR) involves undertaking significant judgements and assumptions along with the use of actuarial projections and techniques hence, we considered this to be a key audit matter.	Our audit procedures in this area included, among others: • Testing the design and operating effectiveness of the key controls around reserving process, reported claims, unreported claims and unearned contribution; • Testing a sample of outstanding claims and related reinsurance recoveries, focusing on those with most significant impact on the consolidated financial statements, to assess whether claims and related recoveries are appropriately estimated; • Assessing the competence and capabilities of the management expert appointed by the Group; • Engaging our own an actuarial specialist to evaluate appropriateness of the methodology and the actuarial estimates of the management's expert , in particular: - Assessing and challenging the key reserving assumptions including loss ratios, frequency and severity of claims, and reasonableness of estimates made by the Group; and - Evaluating whether reserving was consistent in approach, with sufficient justification for changes in assumptions. • Evaluating the historical accuracy of the development of outstanding claims and IBNR by performing a review of retrospective historical performance of the estimates and judgements made by management; and • Evaluating the adequacy of the consolidated financial statement disclosures, including disclosures of key assumptions and judgements.

Description of key audit matters	How the matter was addressed in our audit
Transition to IFRS 15 Revenue from Contracts with Customers – refer to note 3 of the consolidated financial statements We focused on this area because: • The Group has multiple revenue streams, which required a detail assessment of performance obligations to recognise revenue under IFRS 15. • The impact assessment of IFRS 15 involves detailed analysis of underlying data and contracts and requires thorough understanding of the provisions of the standard. • The transition to IFRS 15 has resulted in an adjustment of QR 25.91 million to the Group's retained earnings as at 1 January 2018, hence, we considered this to be a key audit matter.	Our audit procedures in this area included, among others: • Evaluating the appropriateness of the selection of accounting policies based on the requirements of IFRS 15 and our understanding of the different sources of revenue of the Group; • Testing the reasonableness of the management's key judgements and estimates made in adopting IFRS 15, including selection of methods, models and assumptions; • Assessing the appropriateness of management's revenue recognition under IFRS 15 across significant revenue streams for a sample of contracts; • Evaluating the completeness, accuracy and relevance of data used in the calculations; and • Evaluating the completeness, accuracy and relevance of disclosures required when transiting to IFRS 15.
Impairment of goodwill – refer to note 7 of the consolidated financial statements The Group has recognised goodwill in the amount of QR 303.56 million. The goodwill arise as a result of acquisitions of a Group's subsidiary which is a separate cash-generating unit (CGU) of the Group. The annual impairment testing of goodwill is considered to be a key audit matter due to the complexity of the accounting requirements and the significant judgement required in determining the assumptions to be used to estimate the recoverable amount. The recoverable amount of the CGU, which is based on the higher of the value in use or fair value less costs to sell, has been derived from discounted forecasted cash flow models. This model use several key assumptions, including estimates of projected cash flows, terminal value growth rates, margins, growth rates and the weighted-average cost of capital (discount rate).	Our audit procedures in this area included, among others: • Assessing the competence and capabilities of the staff within the Group who performed the impairment evaluation of the goodwill; • Involving our own valuation specialists to support us in challenging the recoverable amount derived by the Group; and - Assessing the appropriateness of the methodology used by the Group to assess impairment; and - Assessing the appropriateness of the key assumptions used in impairment model including projected cash flows, terminal value growth rates, margins, growth rates and the weighted-average cost of capital (discount rate) etc. • Evaluating the adequacy of the consolidated financial statement disclosures including the disclosures of key assumptions and judgments.

Other Matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2017 were audited by another auditor, whose audit report dated 7 February 2018 expressed an unmodified audit opinion thereon.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Company's 2018 Annual Report (the "Annual Report"), but does not include the Company's consolidated financial statements and our auditor's report thereon. Prior to the date of this auditor's report, we obtained the report of the Board of Directors which forms part of the Annual Report, and the remaining sections of the Annual Report are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, when it becomes available, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we have obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining sections of the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board of Directors.

Responsibilities of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year, and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We have obtained all the information and explanations we considered necessary for the purposes of our audit. The Company has maintained proper accounting records and its consolidated financial statements are in agreement therewith. We have read the report of the Board of Directors to be included in the Annual Report and the financial information contained therein is in agreement with the books and records of the Company. We are not aware of any violations of the applicable provisions of Qatar Commercial Companies Law No. 11 of 2015 or the terms of the Company's Articles of Association and any amendments thereto having occurred during the year which might have had a material effect on the Company's consolidated financial position or performance as at and for the year ended 31 December 2018.

13 February 2019
Doha
State of Qatar

Gopal Balasubramaniam
KPMG
Qatar Auditors' Registry Number 251
Licensed by QFMA: External
Auditors' License No. 120153


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CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of Qatari Riyals

As at 31 December	2018	2017
ASSETS		
Non-current assets		
Property and equipment	6,720,311	7,219,761
Goodwill	303,559	303,559
Intangible asset	-	1,112
Contract assets	9,290	-
Equity-accounted investees	880	-
Financial investments	226,390	390,953
Total non-current assets	7,260,430	7,915,385
Current assets		
Inventories	216,289	202,116
Contract assets	18,632	-
Due from related parties	477,269	433,549
Financial investments	289,414	201,029
Trade and other receivables	599,842	467,294
Reinsurance contract assets	406,915	257,386
Short term investments	244,521	262,568
Cash and bank balances	643,941	689,149
Total current assets	2,896,823	2,513,091
TOTAL ASSETS	**10,157,253**	10,428,476
EQUITY AND LIABILITIES		
EQUITY		
Share capital	1,858,409	1,858,409
Legal reserve	364,698	359,410
General reserve	74,516	74,516
Foreign currency translation reserve	(11,501)	36
Fair value reserve	(7,536)	(3,692)
Retained earnings	1,253,475	1,389,884
Total equity	3,532,061	3,678,563

In thousands of Qatari Riyals

As at 31 December	2018	2017
LIABILITIES		
Non-current liabilities		
Loans and borrowings	4,061,868	4,247,662
Contract liabilities	15,664	-
Provision for decommissioning costs	41,598	25,954
Provision for employees' end of service benefits	80,217	76,757
Total non-current liabilities	4,199,347	4,350,373
Current liabilities		
Bank overdraft	1,408	-
Dividends payable	86,464	95,346
Loans and borrowings	934,697	897,803
Trade and other payables	660,578	743,996
Due to related parties	28,283	8,312
Reinsurance contract liabilities	677,391	611,186
Contract liabilities	37,024	-
Provision for decommissioning costs	-	42,897
Total current liabilities	2,425,845	2,399,540
Total liabilities	6,625,192	6,749,913
TOTAL EQUITY AND LIABILITIES	**10,157,253**	10,428,476

These consolidated financial statements were approved by the Company's Board of Directors and signed on its behalf by the following on 13 February 2019:

Khalid Bin Khalifa Al - Thani
Chairman

For/ **Suleiman Haidar Al-Haider**
Vice-Chairman

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	In thousands of Qatari Riyals	
For the year ended 31 December	**2018**	2017
Revenue	2,519,180	2,402,869
Direct costs	(2,115,216)	(1,952,045)
Gross profit	**403,964**	450,824
Other income	50,874	36,840
General and administrative expenses	(213,584)	(222,295)
(Reversal of Impairment)/ Impairment loss on financial assets	16,305	(23,984)
Other expenses	(159,445)	(11,530)
Operating profit	**98,114**	229,855
Finance income	29,152	27,514
Finance cost	(225,347)	(172,389)
Net finance cost	(196,195)	(144,875)
Share of loss of equity-accounted investees, net of tax	(188)	-
(Loss) / profit for the year	**(98,269)**	84,980
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Equity investments at Fair Value Through Other Comprehensive Income (FVTOCI) – change in fair value	(5,985)	-
Items that are or may be reclassified subsequently to profit or loss		
Available for sale financial assets – net change in fair value	-	(15,931)
Foreign operations – foreign currency translation difference	(11,537)	(1,289)
Other comprehensive income for the year	**(17,522)**	(17,220)
Total comprehensive income for the year	**(115,791)**	67,760
Earnings per share		
Basic and diluted earnings per share (Qatari Riyals)	(0.53)	0.46

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In thousands of Qatari Riyals

For the year ended 31 December	**Share capital**	**Legal reserve**	**General reserve**	**Foreign currency translation reserve**	**Fair value reserve**	**Retained earnings**	**Total**
Balance at 1 January 2017	1,858,409	352,294	74,516	1,325	12,239	1,499,985	3,798,768
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	84,980	84,980
Other comprehensive income	-	-	-	(1,289)	(15,931)	-	(17,220)
Total comprehensive income	-	-	-	(1,289)	(15,931)	84,980	67,760
Transfer to legal reserve	-	7,116	-	-	-	(7,116)	-
The Social and Sport Contribution Fund	-	-	-	-	-	(2,124)	(2,124)
Dividends declared	-	-	-	-	-	(185,841)	(185,841)
Balance at 31 December 2017	1,858,409	359,410	74,516	36	(3,692)	1,389,884	3,678,563
Balance at 31 December 2017, as previously reported	1,858,409	359,410	74,516	36	(3,692)	1,389,884	3,678,563
Adjustment on initial application of IFRS 9	-	-	-	-	2,141	(6,945)	(4,804)
Adjustment on initial application of IFRS 15	-	-	-	-	-	(25,907)	(25,907)
Adjusted balance at 1 January 2018	1,858,409	359,410	74,516	36	(1,551)	1,357,032	3,647,852
Total comprehensive income for the year							
Loss for the year	-	-	-	-	-	(98,269)	(98,269)
Other comprehensive income	-	-	-	(11,537)	(5,985)	-	(17,522)
Total comprehensive income	-	-	-	(11,537)	(5,985)	(98,269)	(115,791)
Transfer to legal reserve	-	5,288	-	-	-	(5,288)	-
Balance at 31 December 2018	1,858,409	364,698	74,516	(11,501)	(7,536)	1,253,475	3,532,061

CONSOLIDATED STATEMENT OF CASH FLOWS

	In thousands of Qatari Riyals	
For the year ended 31 December	**2018**	2017
OPERATING ACTIVITIES		
(Loss) / profit for the year	(98,269)	84,980
Adjustments for:		
Depreciation	489,062	487,277
Amortisation	1,112	1,112
Impairment of property and equipment	113,214	10,920
Provision for employees' end of service benefits	19,427	16,406
Gain on disposal of property and equipment	-	(2,713)
Write-off of property and equipment	36,768	-
Net movement of financial assets at fair value through profit or loss	(12,387)	(4,129)
Net gain from disposal of financial investments	(9,006)	(3,702)
Amortisation of finance cost related to borrowings	7,205	(8,754)
Reversal of provision for decommissioning costs, net of provision	(27,253)	(23,237)
Provision for slow moving inventories, net of reversals	780	7,705
(Reversal of impairment)/ Impairment loss on financial assets	(16,305)	23,984
Movement in unearned premiums	(45,360)	66,549
Profit distribution from managed investment funds	(4,116)	(2,204)
Share of loss of joint venture	188	-
Impairment of investment in joint venture	221	-
Finance income	(29,152)	(27,514)
Finance costs	225,347	172,389
Dividend income	(4,370)	(2,040)
	647,106	797,029
Changes in:		
Inventories	(14,953)	8,793
Contract assets	(130)	-
Contract liabilities	(1,011)	-
Trade and insurance receivables, prepayments and due from related parties	(223,104)	114,696
Trade and insurance payables, accruals and due to related parties	42,036	(190,921)
Cash generated from operations	**449,944**	729,597
Employees' end of service benefits paid	(15,967)	(10,443)
Net cash generated from operating activities	**433,977**	719,154

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December	In thousands of Qatari Riyals **2018**	2017
INVESTING ACTIVITIES		
Acquisition of property and equipment	(237,492)	(380,701)
Acquisition of financial investments	(187,582)	(165,861)
Net movement in term deposits with maturities in excess of three months	16,914	(262,568)
Interest received	24,137	27,514
Proceeds from disposal and maturity of financial assets	278,979	187,326
Proceeds from written off of property and equipment	487	4,315
Net movement in cash at banks – restricted for dividend	29,399	(29,752)
Profit distribution from managed investment funds	4,116	2,204
Dividend received	4,370	2,040
Investment in joint venture	(1,289)	-
Net cash used in investing activities	**(67,961)**	(615,483)
FINANCING ACTIVITIES		
Proceeds from loans and borrowings	795,038	629,817
Repayment of loans and borrowings	(951,143)	(1,045,432)
Dividends paid	(8,882)	(190,705)
Finance cost paid	(217,438)	(172,389)
Net cash used in financing activities	**(382,425)**	(778,709)
Net decrease in cash and cash equivalents	**(16,409)**	(675,038)
Change in foreign currency reserve	(773)	(1,289)
Cash and cash equivalents at 1 January	559,187	1,235,514
Cash and cash equivalents at 31 December	**542,005**	559,187

Notes to the consolidated financial statements are an integral part of the consolidated financial statements.
For more information, please visit GIS's website: www.gis.com.qa