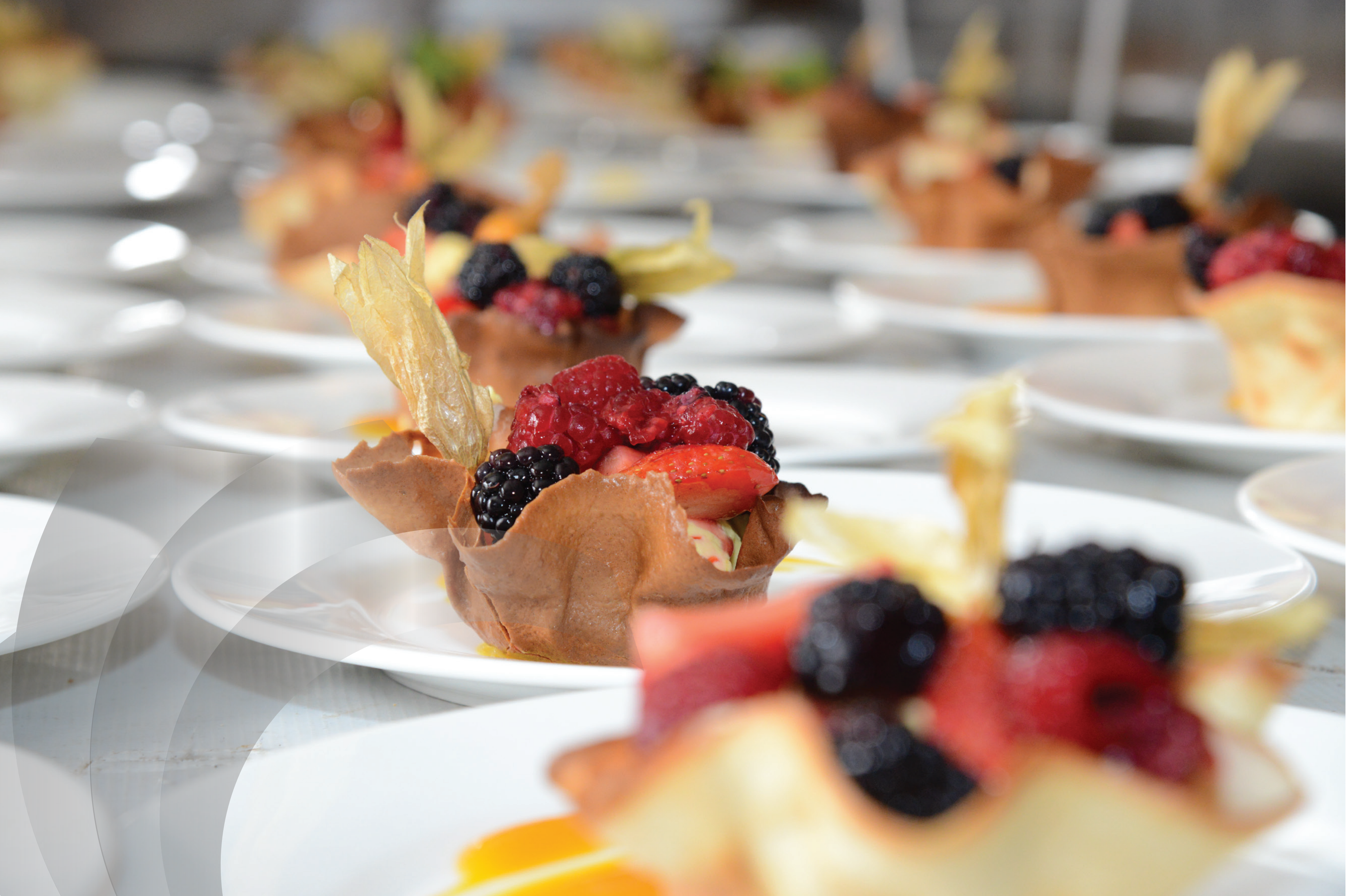
الخليج الدولية للخدمات

ANNUAL REPORT 2017



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الخليج الدولية للخدمات ش.م.ق
Gulf International Services QSC

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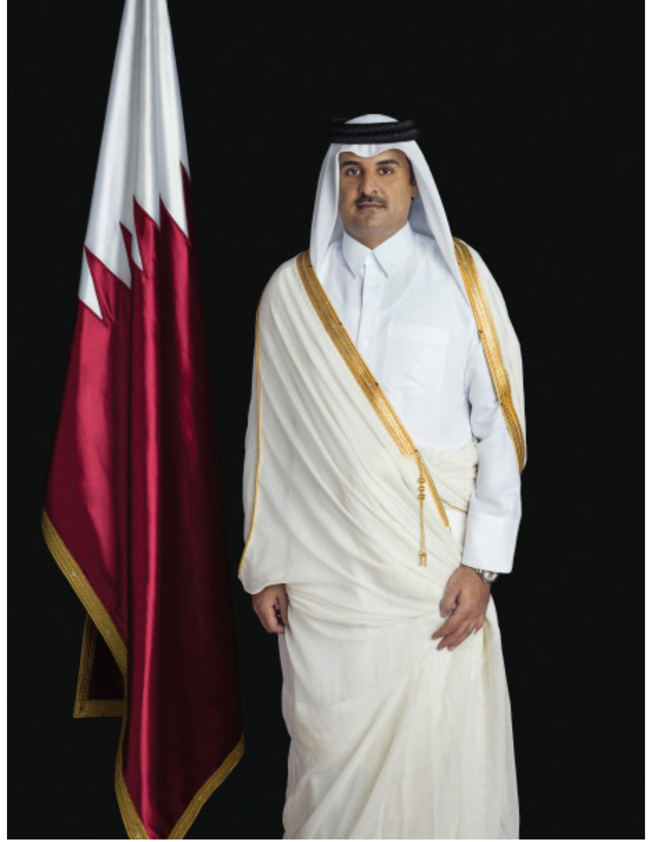
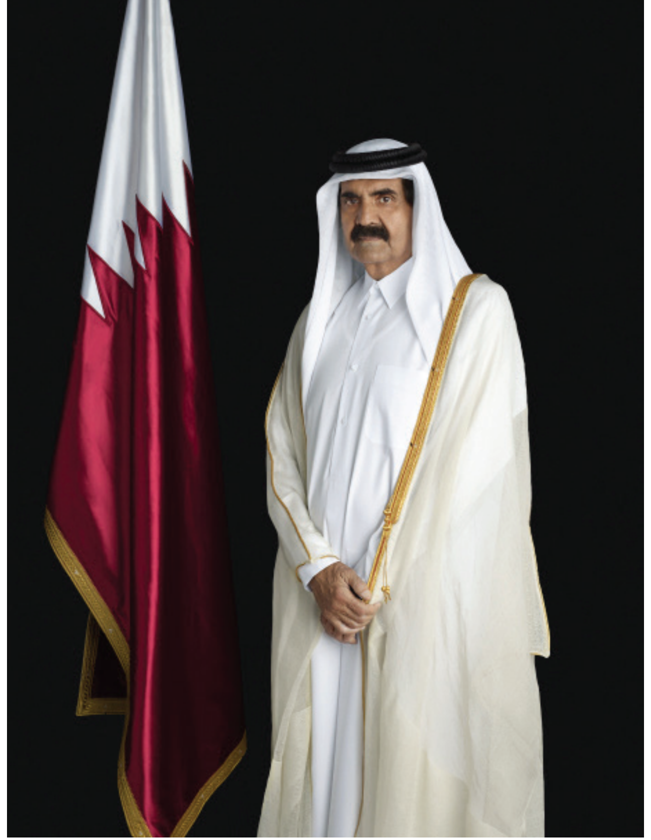
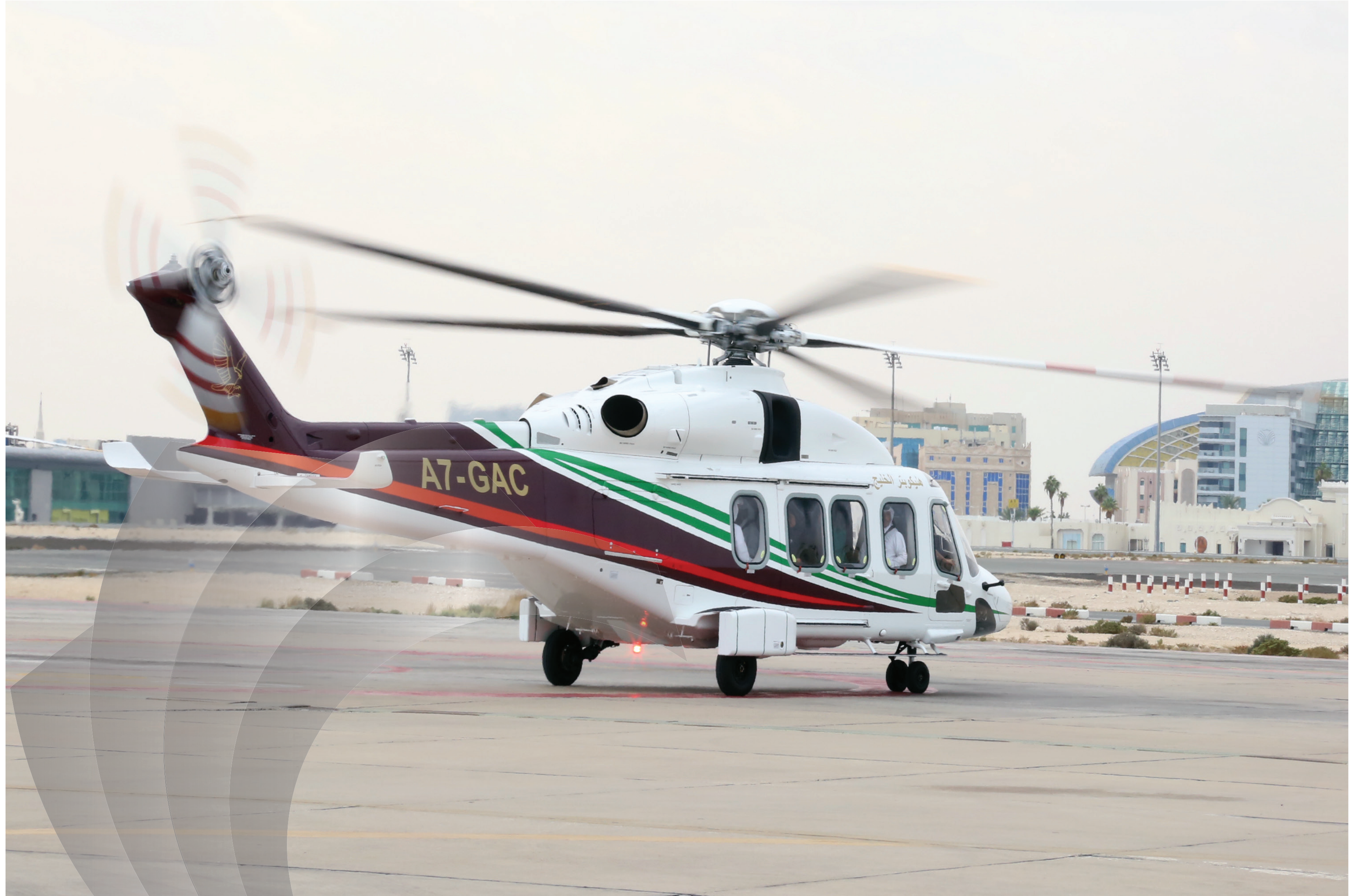


His Highness
Sheikh Tamim bin Hamad Al-Thani
The Emir of the State of Qatar



His Highness
Sheikh Hamad bin Khalifa Al-Thani
The Father Emir

ABOUT GULF INTERNATIONAL SERVICES Q.P.S.C.



About Gulf International Services Q.P.S.C.

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 ("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 Palm Tower B, West Bay, 9th Floor, P.O. Box 9072, Doha, State of Qatar. Total headcount as of December 31, 2017 is 1,601, split between head office staff (120), onshore (600) and offshore (881) 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 12 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 Doha, Al Wajba and Msheireb, are in Class and under contract for work in 2017, having each undergone extensive upgrades, refurbishments and life extension work over the last 5 years. The 4th conventional rig, Al Rayyan, which was retired in 2016 was sold in 2017 as it was no more marketable.

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 3 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 2 of these rigs were requested by Oxy and Shell respectively for their operations at Ras Laffan. Shell requirement is for a 600 days program, while the Oxy Contract is for a short duration. After completing both these operations, these Rigs 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 Q4 of 2018.

INSURANCE AND REINSURANCE

Al Koot Insurance and Reinsurance Company

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 84 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.

AVIATION

Gulf Helicopters Company ("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 2 subsidiaries, Al Maha Aviation Company, in which it owns 92% of the shares and effective control over the remainder, and 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, United Helicharters Private Limited, and 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 399, 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 48 helicopters. Of these, 23 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 two fixed wing Learjet 45 aircraft.

CATERING

AMWAJ Catering Services Company Limited

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.

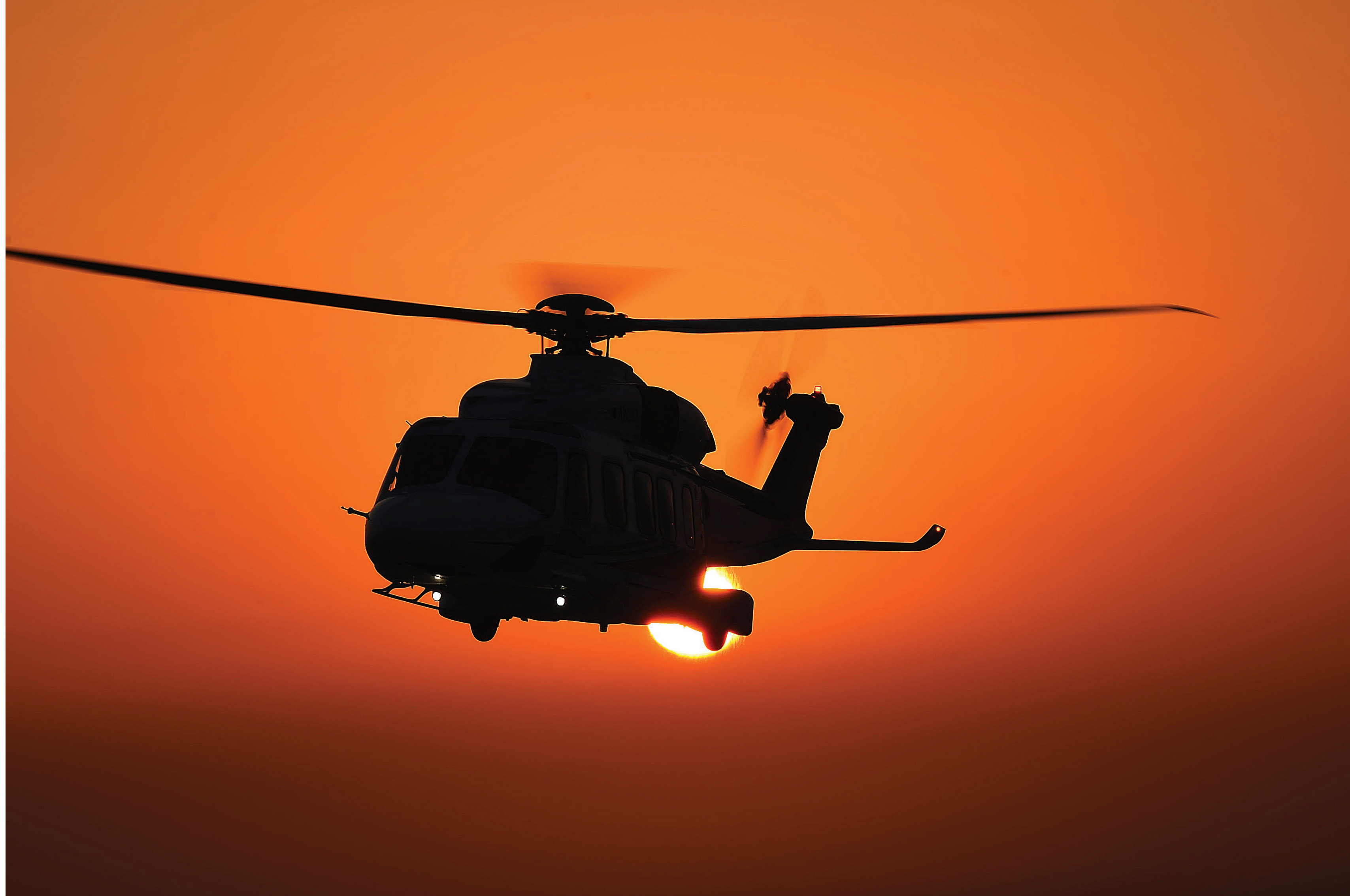
The registered head office is located at P.O. Box 23904, Doha, State of Qatar. Total headcount is 6,976 with staffs are allocated to various projects in Qatar.

Operations and Services

From the original objective to provide 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 its clients.

Health, Safety and Environment is the top priority for AMWAJ with all operations being covered by our effective Quality Management Systems. All Catering Operations have been recertified for ISO 22000:2005. The scope for OHSAS 18001:2007 is covering not only Catering Operations but also all Facility Management related tasks that are being undertaken by AMWAJ. The Certification of ISO 14001:2004 for Environmental Management System has been obtained and it covers the full scope of AMWAJ Operations.

BOARD OF DIRECTORS

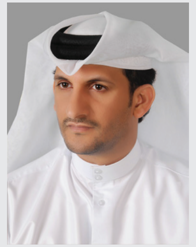


Sheikh Khalid bin Khalifa Al-Thani

Chairman

Mr. Suleiman Haidar Al-Haider

Vice Chairman



Mr. Ebrahim Ahmad Al-Mannai

Managing Director

Mr. Saad Rashid Al-Muhannadi

Member

Sheikh Jassim bin Abdullah Al-Thani

Member

Mr. Mohammed Abdullah Al-Mannai

Member

CHAIRMAN'S MESSAGE

Sheikh Khalid bin Khalifa Al-Thani

Chairman

Introduction

It gives me great pleasure to welcome all of you to the 10th Annual General Assembly Meeting of Gulf International Services (GIS), the largest services group in the State of Qatar. Please allow me and my fellow Board members to thank all of you for your continued support throughout these years.

2017 was a challenging year for GIS. The oil price plunge in 2016 continued to impact all our business segments. As a result, the clients of the GIS group continued to focus on costs through rate reduction and reassessment of their business requirements. The gradual increase in cost of borrowing has also exerted some additional pressure on the group's performance.

Despite these challenges and setbacks, GIS was able to achieve a modest performance during 2017. The drilling segment was able to redeploy most of its drilling assets, some of which were off contract for a considerable period. The aviation segment performed consistently with stable helicopter utilization. The energy insurance segment is also in the process of building capabilities to write additional insurance policies. The catering segment had a challenging year as most of the catering clients have opted for low cost alternatives and discontinued some of the value added services. The performance was also aided by the cost and operational optimization programs which started in late 2016.

Nevertheless, I am optimistic about the future performance of GIS in the medium and long run. There are a number of opportunities which are potentially available to GIS in the immediate future. These include:

- Additional drilling requirements and aviation services with Qatar Petroleum's recent plans to develop the North Field;
- New drilling services arising from the commencement of operations of Qatar Petroleum's new joint venture, North Oil Company;
- Al Koot is now better equipped to provide a broader insurance;
- The government is considering the provision of health insurance to the Qatari citizens via private insurance companies. This will provide an opportunity for Al Koot to participate and expand its insurance capabilities.

Additionally, as promised in my last year's Annual General Assembly meeting, we contracted a well renowned consultant who developed a growth strategy for GIS and its subsidiaries. This strategy focuses on realizing the full potential of the group and its subsidiaries, capturing existing synergies within the group companies and selective diversification in the related business areas where the expertise of GIS could be explored.

Financial Results

In what proved to be a critical year, GIS posted commendable financial results for the financial year 2017. The group reported revenue of QR 2.5 billion and net profit of QR 85 million while total assets stood at QR 10.4 billion as at 31 December 2017. Furthermore, we were able

to generate operating cash flows of QR 0.7 billion, affirming the group's ability to generate stable cash flows even under turbulent trading conditions experienced in 2017.

Capital Expenditure and Business Development

With respect to the group's future capital expenditure programs, the group expects to further invest QR 1.5 billion over the next five years. Much of these investments are aimed to respond to improving the efficiency and reducing operating costs so that the group will continue to remain competitive.

The capital expenditure relating to the new opportunities arising from the potential growth strategy implementation 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 QR 2.6 billion, which is equivalent to circa QR 14.2 per share, with an average payout ratio of approximately 55%. In addition, shareholders have received a total of 63 million additional shares through three bonus issuances.

The Board of Directors, after taking the current and future operating, investing, and the financing needs of business, believes that a dividend payment in 2017 will add further burden to the group's liquidity position, and will place many bottlenecks for future strategic development. As such, we do not recommend a dividend for the current year and will instead use the funds for investment opportunities identified in the growth strategy; whereby GIS will deploy the retained funds to invest in the group's activities, capturing the growing demand locally and internationally. We thank our shareholders for the continuous support during the difficult period, and expect fullest cooperation to execute our plans.

Conclusion

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

Khalid bin Khalifa Al-Thani
Chairman, Board of Directors

BOARD OF DIRECTORS' REPORT

Introduction

The Board of Directors is pleased to present its 10th annual report on the operational and financial performance of Gulf International Services, the largest services group 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.

2017 was a challenging year for GIS due to certain economic conditions. The effect of the oil price deflation in 2016 spilled over to this year as the significant after effects of the oil price reduction was felt by most companies only during the current year. However, the group was able to successfully contain and minimize the impact of the current conditions and the effect of the oil price deflation.

Financial Results

Group Revenue

The group revenue for the year ended December 31, 2017 was QR 2.5 billion, down by QR 0.5 billion or 17% from the previous year. This reduction was driven primarily by the catering and insurance segments. The aviation and drilling segments revenue remained almost flat on the previous year.

Revenue by Segment

Aviation

The segment reported revenue of QR 532 million, a minimal reduction of only QR 3 million or 0.5% from the previous year. The segment is augmenting its revenue from ex-Qatar operations.

Insurance

The insurance segment recorded gross insurance revenue of QR 332 million, a decrease of QR 111 million or 25%, compared to the previous year. The subdued market conditions in the energy insurance business contributed to the overall drop in revenue. However, the segment is continually gaining market share outside of the energy sector which will consequently enhance its revenue in the future. The energy sector continues to be its core focus and is continuously seeking opportunities to regain our market share.

Catering

The catering segment contributed QR 487 million to the group revenue, down by QR 382 million or 44% compared to the previous year due to re-pricing and demobilization of some of its contracts within its core industrial catering services. The segment is aggressively trying to maintain its market share by being competitively positioned; this however affected the performance margins and measures.

Drilling

Revenue in this segment stood at QR 1.2 billion, remaining flat on previous year. The segment is utilizing its assets efficiently in the current economic environment which has paved the way for improved revenue from its offshore operations.

Group Net Profit

The group net profit for the year closed at QR 85 million, a year-on-year increase of QR 18 million or 27%.This year-on-year improvement was primarily due to the increase in other income as there was a one-off retirement of an asset in the drilling segment reducing other income in the previous year. No such retirement was recorded during the year.

Profit by Segment

Aviation

The segment earnings of QR 145 million was down by 12% on the previous year. This is primarily due to the costs arising from increased maintenance of assets and a one-off provision for doubtful debts.

Insurance

Profit in the insurance segment amounted to QR 71 million, a decrease of QR 43 million or 38% primarily due to a general downturn in the energy insurance business. Efforts in seeking opportunities to regain the energy sector business will further improve the segment earnings in the future.

Catering

The segment reported a profit of QR 17 million, down by QR 71 million or 81% due to the reduction in revenue despite significant savings in the operating costs.

Drilling

The Drilling segment's results improved on the previous year reducing the losses significantly to close at a loss of QR 102 million. Firstly, the operating costs were reduced significantly due to the ongoing cost optimization initiatives. Secondly, other income increased as there was a one-off retirement of an asset in the drilling segment reducing other income in the previous year. No such retirement was recorded during the year.

Strategy Development and Other Initiatives

The Group appointed a world-renowned consulting firm to develop a growth strategy and the consultant has proposed a strategy for the group. The new strategy identified a number of initiatives including achieving the full potential across the group companies, together with exploring common synergies. We have developed specific plans for each subsidiary which is now in implementation phase over a 5 year cycle. In addition, this has identified several new strategic investment opportunities specifically in the drilling and aviation segments which are the key focus of our future growth.

The drilling segment will focus more on market development. The market is expected to grow domestically with QP's decision to uplift the moratorium, and the potential drilling activities from the new QP joint venture - North Oil Company.

The aviation segment will continue to focus on maintaining its current market shares domestically and internationally. The expansion and growth will be focused on penetrating new markets in Asia and Africa where we can leverage our current solid relationships with our International Oil Company partners that can enhance our international footprint as a global service provider.

The insurance segment will also focus on market development to grow both domestically and regionally. The main contribution to the overall strategy would be to regain the Oil & Gas market share domestically by repositioning ourselves as the leaders in providing health insurance schemes and related services. The insurance segment will also continue to aggressively explore new opportunities within and outside Qatar after gaining the status of a typical commercial insurance company.

The catering segment on the other hand will focus on developing existing business portfolios as the market has been recently very challenging due to increased competition. The key drivers of growth in the catering sector are mainly to strive in increasing our domestic market share while we continue to increase our cost efficiency to enhance our financial performance. The company also plans to collaborate with local business enterprises for synergies.

Furthermore, GIS will continue to assess other opportunities that could strategically be fit to the existing portfolio and invest selectively on a prioritization manner based on their merits.

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 QR 2.6 billion, which is equivalent to circa QR 14.2 per share, with an average payout ratio of approximately 55%. In addition, shareholders have received a total of 63 million additional shares through three bonus issuances.

The Board of Directors, after taking the current and future operating, investing, and the financing needs of business, believes that a dividend payment in 2017 will add further burden to the group's liquidity position, and will place many bottlenecks for future strategic development. As such, the Board of Directors has recommended no dividend for 2017 and will instead use the funds for investment opportunities identified in the Company's growth strategy, where GIS will deploy the retained funds to invest in the group's activities, capturing the growing demand locally and internationally. We thank our shareholders for the continuous support during the difficult period, and expect fullest cooperation to execute our plans.

Conclusion

The Board of Directors expresses its gratitude to His Highness, Sheikh Tamim bin Hamad Al-Thani, Emir 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.

MANAGING DIRECTOR'S STATEMENT

Mr. Ebrahim Ahmad Al-Mannai

Managing Director

It is my privilege to present the performance highlights of 2017 to our respected shareholders with an overview of the key developments and challenges faced during this period.

2017 was a very challenging year for the group. The spillover effect of the drop in oil price in 2016, and rising cost of finance created a tough and challenging operating environment for our group companies. Nevertheless, the group was able to post net profit of QR 85 million in 2017 and generate an operating cash flow of QR 0.7 billion. Total assets reached QR 10.4 billion as at 31 December, 2017. The group was also able to significantly outperform its budget.

The group’s performance is closely linked to that of its main clients operating in the oil and gas industry, and is closely correlated with the systematic risks of the oil and gas industry. The pressure on the day rates in the drilling segment was a direct result of the oil glut in 2016. Moreover, fierce competition in the local market due to its exposure to difficult economic environment – mostly in the catering and insurance segments, created a very challenging environment. The notable direct impact of the blockade on the group was only a force majeure suspension of an aviation contract in one of the blockading countries. There was no major impact on the other segments due to the current dispute.

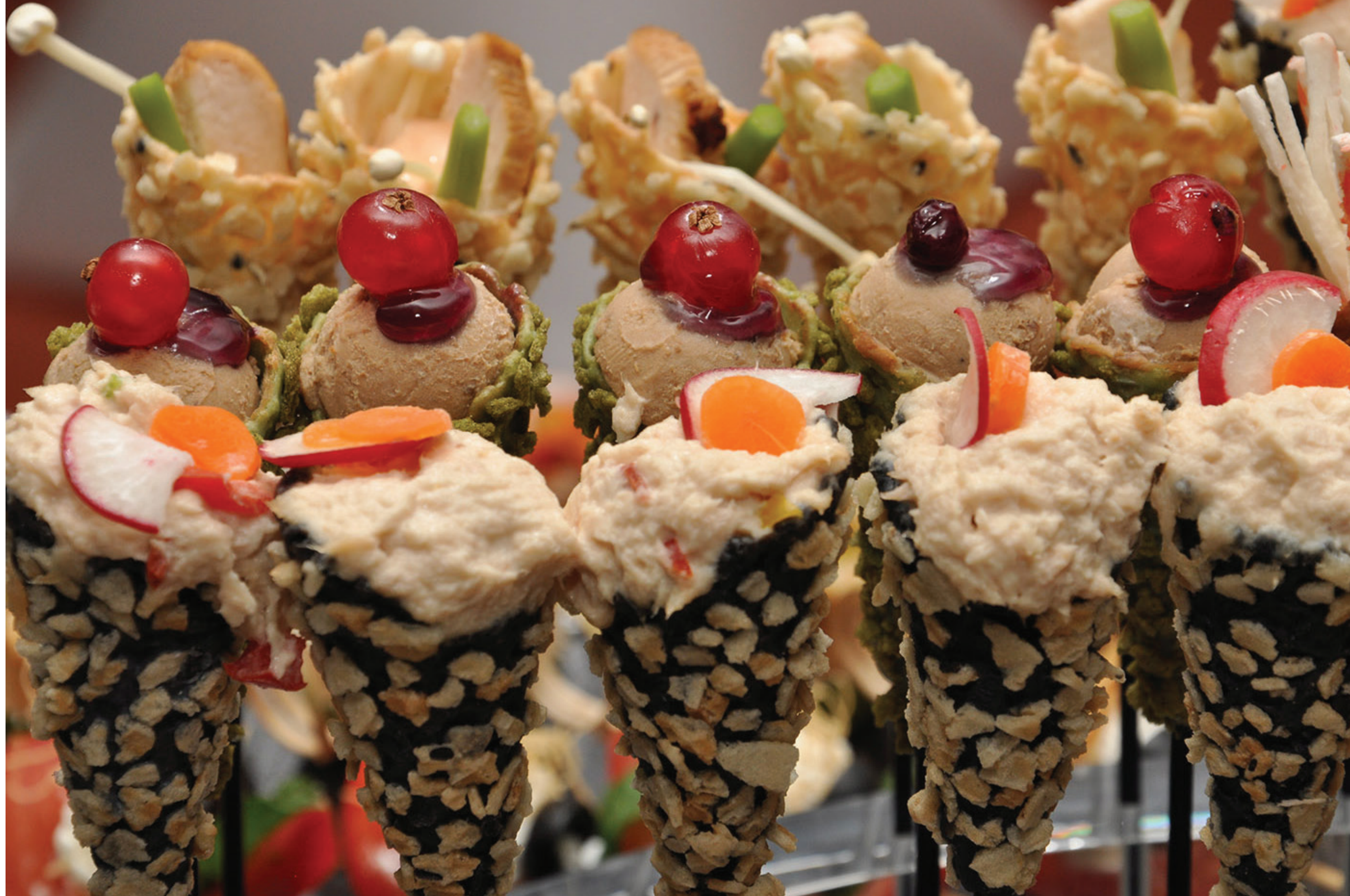
As stated in the message from the Chairman, and the Board of Directors Report, the head office of the group has been assiduously working to ensure that the selected strategies are implemented as intended in a timely and cost efficient manner. The head office is considering building up additional organizational capabilities to ensure seamless strategy implementation. Additionally, the group continued its efforts towards cost and operational optimization that began in late 2016. The chosen strategies will aid GIS in achieving better operational and financial performance, strengthening of financial position, and generating regular and stable cash flows.

Conclusion

In closing, I would like to extend my sincere gratitude to the Board of Directors of Gulf International Services, headed by Sheikh Khalid bin Khalifa Al-Thani, Chairman of GIS, the senior management and staff of our group companies for their hard work and support.

Ebrahim Ahmad Al-Mannai
Managing Director

INDEPENDENT AUDITORS' REPORT



The Shareholders
Gulf International Services Q.S.C.
Doha - Qatar

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Gulf International Services Q.S.C. ("the Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of 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 December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 other 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. 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.

Key audit matters	How our audit addressed the key audit matters.
The Group has QR. 303.56 million of goodwill at December 31, 2017 arising from past acquisition (Note 5). There is a risk regarding the potential impairment of the carrying value of the goodwill given the judgments management are required to make in respect of the assumptions used to determine the recoverable amount. The key judgements include identification of cash generating units, growth rates in future cash flow forecasts both short term and longer term, discount rates applied to these forecasts and determining the impact of reasonably possible changes in these assumptions.	Our audit work assessed the adequacy of the design and implementation of controls over monitoring the carrying value of goodwill. Independently we identified and challenged management's assessment of the cash generating units within the Group based on a review of the cash flows internally reported by management, and our understanding of the Group structure. We challenged the assumptions used by management in their impairment assessment by using valuation specialists within the audit team to benchmark the discount rate against independently available data, together with peer group analysis, our understanding of the assumptions underpinning the Group's cash flow forecasts, and the historical performance of the businesses. Having audited the assumptions, we checked that the impairment model had been prepared on the basis of management's assumptions and was arithmetically accurate. We challenged the appropriateness of management's sensitivities based on our work performed on the key assumptions, and recalculated these sensitised scenarios. Further, we assessed whether the related disclosures were in accordance with the requirements of International Financial Reporting Standards.

Key audit matters

As at December 31, 2017, one of the Group's subsidiary, Gulf Drilling International Limited Q.S.C. (GDI), has drilling rigs included in property, plant and equipment amounting to QR. 5,322 million which account for 82% of the total assets of the component.

During past few years, the oil prices decreased significantly and some contracts with customers were amended to decrease the operating hours and day rates of some of the Group's rigs.

As required by IAS 36 (Impairment of Assets), management conducts impairment tests to assess the recoverability of the carrying value of the property, plant and equipment whenever impairment indicators exist.

The assessment is performed using discounted cash flow models. A number of key judgments and assumptions made in determining the inputs into these models include:

- Revenue growth
- Operating margins
- The discount rates applied to the projected future cash flows.
- Refer to (note 3).

How our audit addressed the key audit matters.

Our audit procedures included a review of management's impairment assessment of each rig performed at year end. We engaged our internal specialists to assist with:

- Critically evaluating whether the discounted cash flow model used by management to calculate the value in use of the individual rigs complies with the requirements of IAS 36 (Impairment of Assets).
- Validating the assumptions used to calculate the discount rates and recalculating these rates.
- Analyzing the future projected cash flows used in the models to determine whether they are reasonable and supportable given the current macroeconomic climate and expected future performance of the individual rigs.
- Subjecting the key assumptions to sensitivity analyses.
- Comparing the projected cash flows, including the assumptions relating to revenue growth rates and operating margins, against historical performance, budgets and external data when available, to assess the reasonableness of management's projections.

Further, we assessed whether the related disclosures were in accordance with the requirements of International Financial Reporting Standards.

Key audit matters

One of the Group's subsidiaries, Al Koot Insurance and Reinsurance Company S.A.Q. (Al Koot) has two insurance business segments, namely, medical and non-medical insurance.

Al Koot maintained three main types of insurance contract liability to account for the claims incurred during the normal course of its insurance business, as follows:

1. Insurance claims outstanding (QR 462.6 million) as of December 31, 2017 (Note 11.4):
   For non-medical claims, the claim is estimated based on interim loss adjusters' reports, and for claims for which no loss recommendation is given by loss adjusters, interim provision is set up is accordance with the Group's policy. For medical claims, the provision is determined based on monthly statement provided by the Group's medical insurance partner.
2. Incurred But Not Reported ("IBNR") (QR 148.5 million) as of December 31, 2017 (Note 11.4):
   IBNR reserve for both medical and non-medical business had been estimated using actuarial assumptions, and internal assessment on adequacy of reserves recommended by an independent actuary.
3. Unearned Premium Reserve ("UPR") (QR 126.58 million) as of December 31, 2017 (Note 22):
   For both medical and non-medical, UPR is determined based on 1/365 method or the duration of the policy, whichever is longer.

The computation of claims outstanding, IBNR and UPR are subject to assumptions and key judgments which include a range of historic trend analysis, empirical data and standard actuarial claim projection techniques.

How our audit addressed the key audit matters.

We performed our audit procedures which were a combination of internal control reliance strategy and specific substantive procedures focusing on the significant risk. Such procedures, include, but are not limited to:

- Assessing the appropriateness and consistency of reserving methodologies used in the computation of reserves held by the Group, including sensitivity of such reserves to changes in key assumptions and judgements;
- Assessing the development of Outstanding Claims and IBNR by performing a review of retrospective historical performance of the estimates and judgements made by Al Koot; and
- Engaging an actuarial specialist to evaluate the actuarial estimates performed by management's expert for IBNR on medical and non-medical underwriting reinsurance business.

Further, we assessed whether the related disclosures were in accordance with the requirements of International Financial Reporting Standards.

Key audit matters

The Group has available-for-sale (AFS) financial assets amounting to QR 387.37 million as at December 31, 2017 (Note 9).

The valuation and impairment assessment of AFS financial assets involve the use of key judgements.

How our audit addressed the key audit matters.

We reviewed the reasonableness of valuation of AFS financial assets by test checking the following:

- The revaluation rates available from established market sources as at December 31, 2017; and
- Management assessment of significant or prolonged decline in value of available for sale investments and other indicators of potential impairment.

Further, we assessed whether the related disclosures were in accordance with the requirements of International Financial Reporting Standards.

Other Information

Management is responsible for the other information. The other information comprises the Directors› Report, which we obtained prior to the date of this auditors' report and annual report, which is expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, 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 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, the Company's Article of associations and applicable provisions of Qatar Commercial Companies' Law, and for such internal control as management 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, management 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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

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 ISAs 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's, we exercise professional judgement 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 risk, 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, 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 internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 disclosure in the consolidated financial statements or, if such disclosure 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 those charged with governance 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 those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law and regulations preclude 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.

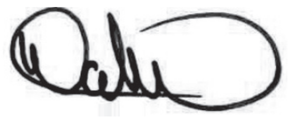
Report on Other Legal and Regulatory Requirements

Further, as required by the Qatar Commercial Companies' Law, we report the following:

- We are also in the opinion that proper books of account were maintained by the Group, physical inventory verification has been duly carried out.

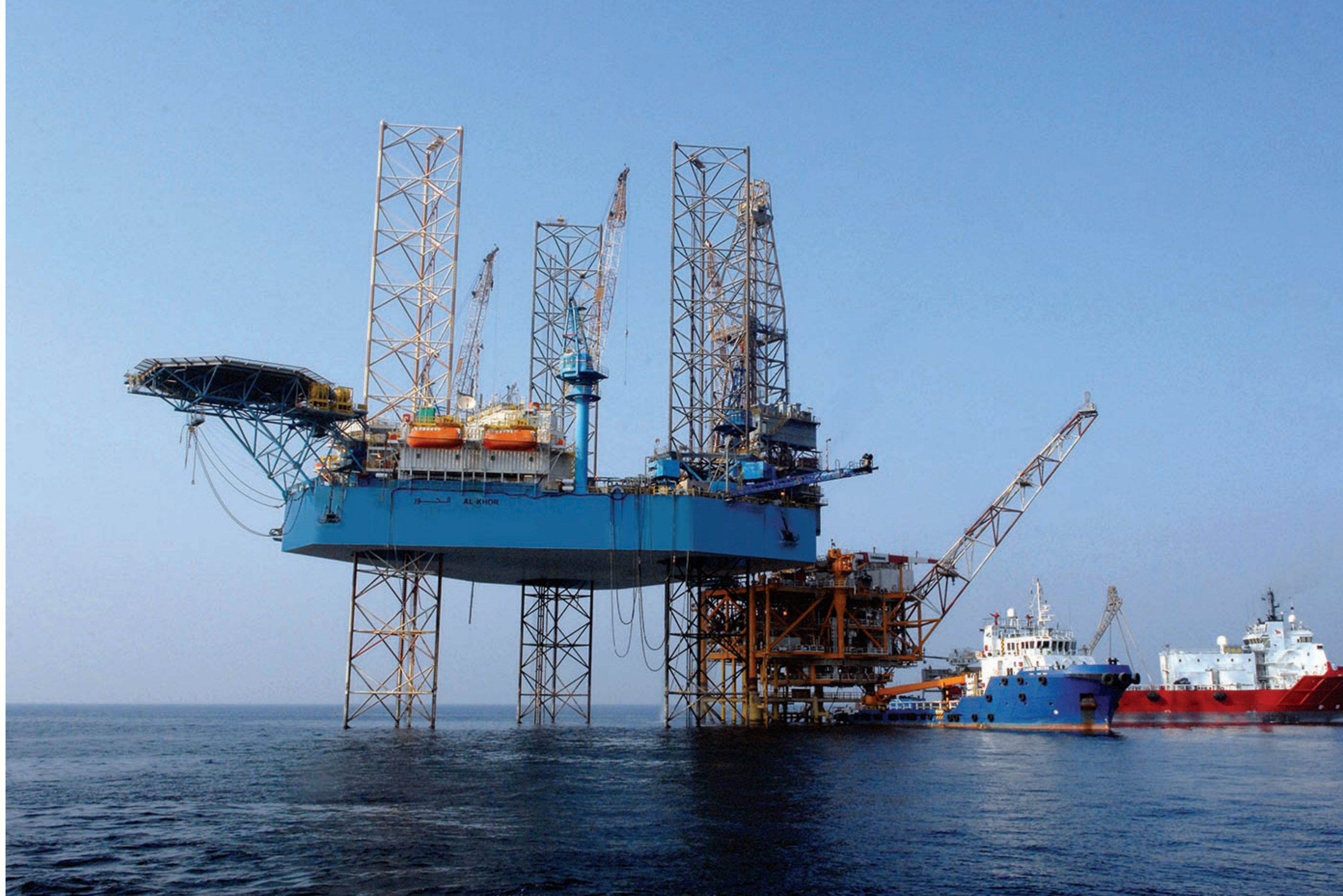
- We obtained all the information and explanations which we considered necessary for our audit.
- We further confirm that the financial informSation included in the Director's report addressed to the General Assembly is in agreement with the books and records of the Group.
- To the best of our knowledge and belief and according to the information given to us, no contraventions of the applicable provisions of Qatar Commercial Companies' Law and the Company's Articles of Associations were committed during the year which would materially affect the Group's consolidated financial position and performance.

Doha – Qatar **For Deloitte & Touche**
February 7, 2018 **Qatar Branch**



Walid Slim
Partner
License No. 319
QFMA Auditor License No. 120156

CONSOLIDATED FINANCIAL STATEMENTS



CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2017

	December 31, 2017	December 31, 2016
	QR '000	QR '000
ASSETS		
Non-current assets		
Property, plant and equipment	**7,219,761**	7,338,859
Goodwill	**303,559**	303,559
Intangible assets	**1,112**	2,224
Held-to-maturity financial assets	**3,583**	85,468
Available-for-sale financial assets	**387,370**	321,930
Total non-current assets	**7,915,385**	8,052,040
Current assets		
Inventories	**202,116**	218,614
Due from related parties	**462,841**	309,533
Accounts receivable, prepayments and other debit balances	**507,028**	720,377
Insurance contract receivables	**188,360**	266,999
Financial assets at fair value through profit or loss	**201,029**	214,149
Short-term investments	**20,263**	--
Cash and bank balances	**931,454**	1,335,724
Total current assets	**2,513,091**	3,065,396
Total assets	**10,428,476**	11,117,436
EQUITY AND LIABILITIES		
Equity		
Share capital	**1,858,409**	1,858,409
Legal reserve	**359,410**	352,294
General reserve	**74,516**	74,516
Foreign currency translation reserve	**36**	1,325
Fair value reserve	**(3,692)**	12,239
Retained earnings	**1,389,884**	1,499,985
Total equity	**3,678,563**	3,798,768

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
As at December 31, 2017

	December 31, 2017	December 31, 2016
	QR '000	QR '000
LIABILITIES		
Non-current liabilities		
Employees' end of service benefits	**76,757**	70,794
Provision for decommissioning costs	**25,954**	92,088
Loans and borrowings	**4,247,662**	4,629,862
Total non-current liabilities	**4,350,373**	4,792,744
Current liabilities		
Accounts payable, insurance payables and accruals	**1,355,182**	1,483,030
Provision for decommissioning costs	**42,897**	-
Dividends payable	**95,346**	100,210
Due to related parties	**8,312**	2,712
Loans and borrowings	**897,803**	939,972
Total current liabilities	**2,399,540**	2,525,924
Total liabilities	**6,749,913**	7,318,668
Total equity and liabilities	**10,428,476**	11,117,436

These consolidated financial statements were approved by the Board of Directors and signed on its behalf on February 7, 2018 by:

Khalid Bin Khalifa Al-Thani
Chairman

Ebrahim Ahmad Al-Mannai
Managing Director

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the Year Ended December 31, 2017

	2017	2016
	QR '000	QR '000
Revenue	**2,485,897**	2,988,798
Direct costs	**(2,035,073)**	(2,458,960)
Gross profit	**450,824**	529,838
Finance income	**27,514**	28,260
Net gains/(losses) on financial assets at fair value through profit or loss	**4,219**	7,732
Impairment losses on available-for-sale financial assets	**--**	(2,701)
Other income (expenses), net	**19,191**	(122,280)
Share on loss of joint venture	**--**	(191)
Finance cost	**(172,389)**	(125,163)
General and administrative expenses	**(244,379)**	(248,534)
Profit for the year	**84,980**	66,961

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
For the Year Ended December 31, 2017

	2017	2016
	QR '000	QR '000
Other comprehensive loss		
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets:		
Net fair value loss during the year	**(15,931)**	(11,662)
Net amount of impairment transferred to profit or loss	**--**	2,701
	(15,931)	(8,961)
Net foreign exchange difference on translation of foreign operations	**(1,289)**	454
Other comprehensive loss for the year	**(17,220)**	(8,507)
Total comprehensive income for the year	**67,760**	58,454
Earnings per share		
Basic and diluted earnings per share (Qatari Riyal)	**0.46**	0.36

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY
For the Year Ended December 31, 2017

	Share capital QR '000	Legal reserve QR '000	General reserve QR '000	Foreign currency translation reserve QR '000	Fair value reserve QR '000	Retained earnings QR '000	Total QR '000
Balance at January 1, 2016	1,858,409	340,893	74,516	871	21,200	1,631,940	3,927,829
Total comprehensive income for the year	--	--	--	454	(8,961)	66,961	58,454
Net movement in legal reserve	--	11,401	--	--	--	(11,401)	--
Dividends declared	--	--	--	--	--	(185,841)	(185,841)
Provision for social and sports fund	--	--	--	--	--	(1,674)	(1,674)
Balance at December 31, 2016	**1,858,409**	**352,294**	**74,516**	**1,325**	**12,239**	**1,499,985**	**3,798,768**
Balance at January 1, 2017	**1,858,409**	**352,294**	**74,516**	**1,325**	**12,239**	**1,499,985**	**3,798,768**
Total comprehensive income for the year	**--**	**--**	**--**	**(1,289)**	**(15,931)**	**84,980**	**67,760**
Net movement in legal reserve	**--**	**7,116**	**--**	**--**	**--**	**(7,116)**	**--**
Dividends declared	**--**	**--**	**--**	**--**	**--**	**(185,841)**	**(185,841)**
Provision for social and sports fund	**--**	**--**	**--**	**--**	**--**	**(2,124)**	**(2,124)**
Balance at December 31, 2017	**1,858,409**	**359,410**	**74,516**	**36**	**(3,692)**	**1,389,884**	**3,678,563**

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2017

	December 31, 2017 QR '000	December 31, 2016 QR '000
OPERATING ACTIVITIES		
Profit for the year	**84,980**	66,961
Adjustments for:		
Depreciation	**498,197**	576,883
(Gain)/loss on disposal/write off of property, plant and equipment	**(2,567)**	133,711
Finance cost	**172,388**	125,163
Finance income	**(27,514)**	(28,260)
Provision for employees' end of service benefits	**16,406**	18,961
Provision for slow moving and obsolete items	**7,705**	14,254
Provision for doubtful debts, net	**16,823**	587
Provision for other debts, net	**7,162**	--
Net gain on financial assets at fair value through profit or loss	**(4,219)**	(7,732)
Additional provision for decommissioning costs	**18,743**	6,628
Reversal of provision for decommissioning costs	**(41,980)**	--
Net gain on sale of available-for-sale financial assets	**(3,702)**	(3,962)
Impairment losses on available-for-sale financial assets	**--**	2,701
Amortization of intangible assets	**1,112**	1,112

	December 31, 2017	December 31, 2016
	QR '000	QR '000
Change in foreign currency translation reserve	**(1,289)**	454
Amortization of premium of held-to-maturity financial assets	**--**	53
	742,245	907,514
Working capital changes:		
Inventories	**8,793**	(10,884)
Accounts receivable, due from related parties, insurance contract receivables, prepayments and other debit balances	**114,695**	470,682
Accounts payable, due to related parties, insurance payables and accruals	**(124,372)**	(395,601)
Cash generated from operating activities	**741,361**	971,711
Employees' end of service benefits paid	**(10,443)**	(22,798)
Net cash generated from operating activities	**730,918**	948,913

	December 31, 2017	December 31, 2016
	QR '000	QR '000
INVESTING ACTIVITIES		
Proceeds from disposal of available-for-sale financial assets	**187,414**	73,276
Finance income	**27,514**	28,260
Acquisition of property, plant and equipment	**(380,701)**	(693,295)
Acquisition of available-for-sale financial assets	**(165,859)**	(88,487)
Time deposits with original maturities in excess of three months	**200,293**	(75,358)
Time deposits maturing beyond 180 days	**(20,263)**	--
Cash at banks – restricted for dividends	**4,864**	3,905
Proceeds from disposal of property, plant and equipment	**4,169**	7,970
Net cash used in investing activities	**(142,569)**	(743,729)

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