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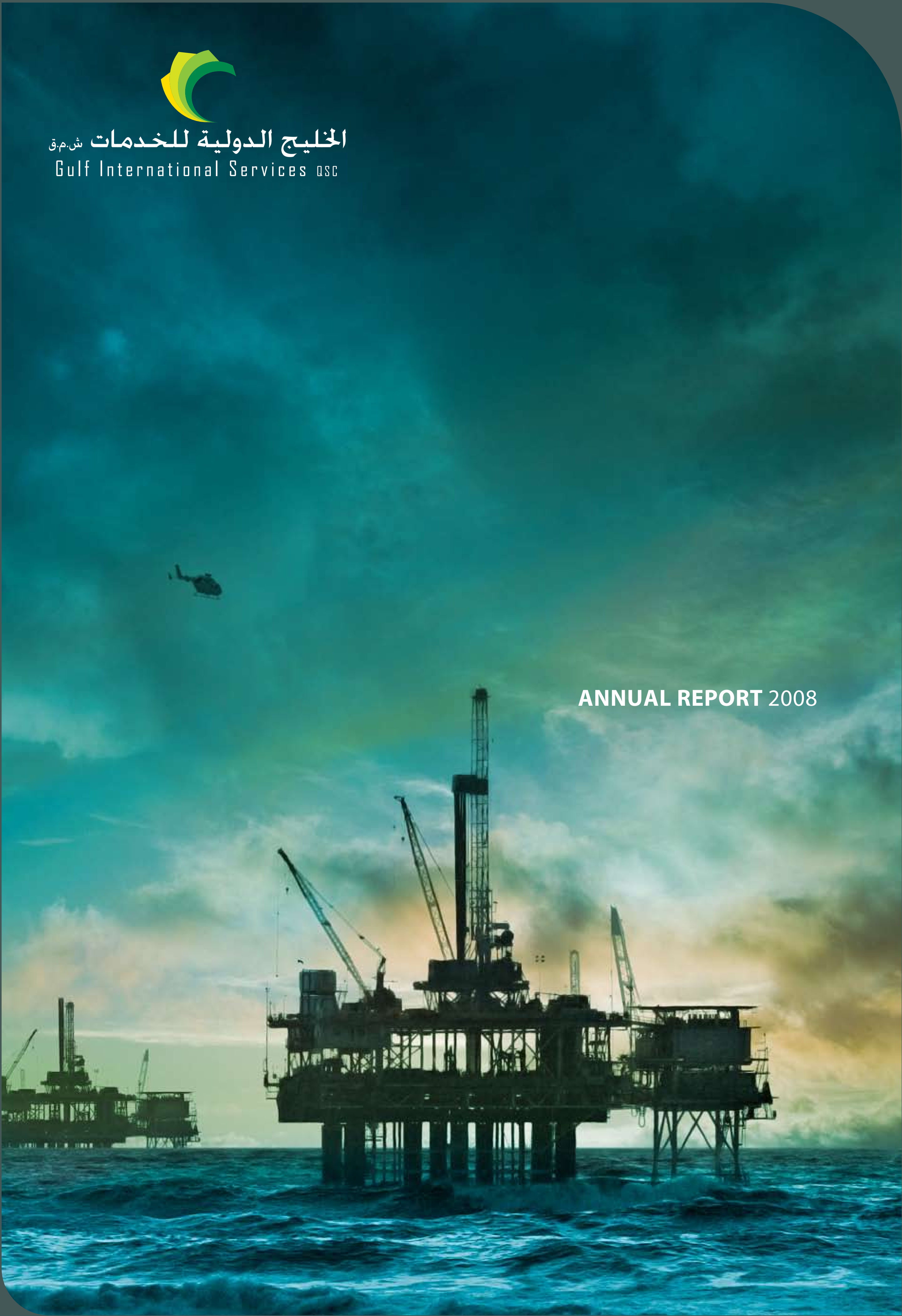
Gulf International Services QSC



ANNUAL REPORT 2008

IN THE NAME OF ALLAH
THE MOST MERCIFUL THE MOST COMPASSIONATE

His Highness
SHEIKH HAMAD BIN KHALIFA AL THANI
The Emir of the State of Qatar

His Highness
SHEIKH TAMIM BIN HAMAD AL THANI
The Heir Apparent

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ABOUT GULF INTERNATIONAL SERVICES

INTRODUCTION

Gulf International Services Q.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 10 billion with the issued share capital consisting of 122.9 million ordinary shares and 1 special share.

The group head office is located at Qatar Petroleum Head Office, West Bay, PO Box 3212, Doha, State of Qatar. Through the group companies, GIS operates in three distinct segments - insurance and reinsurance, drilling and helicopter transportation services.

HEAD OFFICE FUNCTIONS & MANAGEMENT STRUCTURE

Qatar Petroleum, the largest shareholder, provides all of the head office functions for GIS through a comprehensive service directive. The operations of the subsidiaries and joint venture remain independently managed by their respective Boards of Directors and senior management teams.

AL KOOT INSURANCE AND REINSURANCE S.A.Q.

Incorporated in 2003, it is currently a wholly-owned subsidiary of GIS. The company has a 33% stake in a joint venture, Fereej Real Estate Company. Al Koot's authorised 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, PO Box 24563, Doha, State of Qatar. Total headcount is 34, 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 insurance and reinsurance services to QP and its business ventures. Although no longer a direct subsidiary of QP, Al Koot still provides a de facto captive insurance service to the QP group.

All of the group's services are principally provided within the construction, operations, marine and medical insurance and reinsurance fields. The group's insurance and reinsurance services are of three different types:

Insurance

Insurance services, which are provided only to the QP group, consist of direct underwriting services and insurance advisory services, with directly underwritten risks being either fully or partially insured.

Reinsurance

As a reinsurer, Al Koot will not directly insure risks, but will reinsure a portion of risk a third party insurer has itself assumed. By arrangement, the company is entitled to match winning local reinsurance bids offered to QP and thereby assume a defined percentage of the risk.

Fund Management

Al Koot manages the administration of claims of a QP group life and personal accident fund that provides death and disability insurance benefits to QP employees.

Currently, there are no plans to enter new insurance or reinsurance markets or segments, to increase or decrease Al Koot's percentage interest in reinsurance risks or to reduce the company's historical captive insurer role.

GULF DRILLING INTERNATIONAL Q.S.C.

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. GDI has no subsidiaries or associates, and is not party to any subordinate joint venture arrangements. The company's authorised and issued share capital is QR 375.7 million.

The registered head office is located at Main Airport Road, Building 4718, PO Box 9072, Doha, State of Qatar. Total headcount is 836, split between head office, onshore and offshore staff.

SERVICES

GDI has direct ownership of 9 drilling rigs (5 offshore, 4 onshore) which are used to drill boreholes suitable for oil and natural gas extraction. The drilling process typically consists of drilling boreholes of varying depths, sampling sub-surface formations and materials, and installing sub-surface pipes and instruments to produce reservoir fluids. GDI maintains a close relationship with Qatar Petroleum due to QP's indirect ownership; so, despite not having a captive business agreement, all of GDI's drilling rigs are currently contracted to QP and QP affiliates.

Offshore Rigs

GDI has 5 offshore 'jack-up' rigs of varying ages. Of them, Gulf-2 (renamed 'Al-Rayyan') underwent a complete refurbishment in 2006, Gulf-3 (renamed 'Al-Wajbah') was upgraded in the same year, while Al-Khor and Al-Zubarah are both brand new, state of the art rigs delivered within the last 2 years. The remaining rig, Al-Doha (previously named 'Gulf-1'), was built in 1981 and modified in 1987. The older rigs have a maximum drilling depth of 6,000m, while the new rigs are rated for 9,000m.

Onshore Rigs

The company operates 4 onshore rigs. A replacement for a previously leased GDI-3 was delivered during 2008, GDI-4 was built in 2006 and GDI-2 was put into service in early 2005. The remaining unit was built in the early 1980's. All of the rigs are rated to a maximum drilling depth of 4,500m.


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GULF HELICOPTERS COMPANY Q.S.C.

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 one subsidiary, Al Maha Aviation Company, in which it has a 92% stake and effective control over the remainder, a deemed 36% investment in an associate, United Helicharters Private Limited (incorporated in India), and one branch office located in West Sussex, United Kingdom. The company's authorised and issued share capital is QR 66 million.

The registered head office is located at Ras Abu Aboud Street, PO Box 811, Doha, State of Qatar. Total headcount is 310, split between operations, engineering and administration.

LICENSES

GHC holds an Air Operators Certificate issued by the Qatar Civil Aviation Authority. The company is recognised by the United States Federal Aviation Authority as an approved repair station and by the Qatar Civil Aviation Authority as a maintenance organisation. GHC, through its Libyan subsidiary Al Maha, is registered with the Libyan Civil Aviation Authority and is currently in the process of applying for an Air Operators Certificate. Within Qatar, GHC operates as the sole provider of helicopter transportation services.

SERVICES

The company's core operational activities consist of a variety of helicopter transportation services, including onshore transporting, long- and short-line load lifting, seismic support, VIP executive transport, helicopter emergency medical services and ad-hoc short-term contracts. Remaining revenue consists of residential rental income and income from its UK procurement branch.

FLEET

GHC owns 27 helicopters, the majority of which are twin-engine Bell 412 or 212 class helicopters, with a seating capacity of 13 persons. The company also has 4 twin-engine Augusta Westland 139 helicopters, which can carry between 12 and 15 passengers, and one single-engine Augusta-Bell 206 that can seat 3 passengers.

BOARD OF DIRECTORS

H.E. ABDULLAH BIN HAMAD AL-ATTIYAH

Deputy Premier • Minister of Energy & Industry

Chairman, Board of Directors and Managing Director

As a renowned international diplomat, H.E. Al-Attiyah has held a series of influential positions including as a member of the UN Division for Sustainable Development (CSD-15), President of OPEC and Head of the Qatar delegation. Since 1992, he has headed the Petroleum Cooperation Committee in the GCC and is a member of the OPEC Follow-up Committee and a number of other international committees. He lectures in various international and regional forums and conferences on energy and industrial affairs.

SAEED MUBARAK AL-MUHANNADI

Deputy Chairman, Board of Directors

Mr. Al-Muhannadi holds a BSc in Electrical Engineering from Marquette University in the USA, and a Masters Degree in Mechanical Engineering from Cranfield Institute, UK. He has worked for Qatar Petroleum in a range of high-level positions over 26 years. Currently, he holds the position of Operations Director in QP, and he represents QP on the board of various companies within the QP group and on the management committees of several QP group joint ventures.

ABDULAZIZ AHMAD AL-MALKI

Member, Board of Directors

Mr. Al-Malki holds a BA in Business and Economics from Saint Martens College in the USA. From March 2002 until present, he has held the position of Office Manager to H.E. Abdullah Al-Attiyah. He holds a number of other high-level positions such as Vice-Chairman of Qatar National Hotels, Chairman of Amwaj Catering Company and board member of Qatar Fertiliser Company.

YOUSIF RASHID AL-KHATER

Chief Executive Officer, Gulf Drilling International

Member, Board of Directors

Mr. Al-Khater holds a BSc in Industrial Engineering from Fairleigh Dickenson University, New Jersey, USA. He has more than 18 years' experience in general and project management with QP and other leading companies, including companies in the QP group operating in the oil and gas sector.

AHMAD SAIF AL-SULAITI

Member, Board of Directors, Gulf Helicopters Company

Member, Board of Directors

Mr. Al-Sulaiti holds a Diploma in Site Engineering from the Metropolitan University UK, and a Diploma from Charlotte Park College, USA. He is a member of the Qatar Petroleum Executive Committee for Public Tenders, a member of the Management Committee of QP's joint venture with Encana International for oil exploration, a board member of Gulf Helicopters Company and Chairman of Al Shaheen Energy Services Company.

AHMAD RAFI'A AL-EMADI

Chief Executive Officer, Al Koot Insurance and Reinsurance Company

Member, Board of Directors

Mr. Al-Emadi holds a BSc in Business Administration (Finance) from Concordia University, Milwaukee, USA. He has 23 years' oil and gas sector experience in Qatar in the fields of finance, insurance and reinsurance. His experience includes management and executive positions involving participation in decision making and issuing directives with respect to budgeting and approval of feasibility studies and project financing.

MOHAMED IBRAHIM AL-MOHANNADI

Chief Executive Officer, Gulf Helicopters Company

Member, Board of Directors

Mr. Al-Mohannadi holds a degree in Aviation Management from Florida Institute of Technology in the USA. He began his career in 1985 as a trainee pilot with Gulf Air. Later, he joined Gulf Air's management as a trainee. During this period he held several positions including Assistant General Manager of Customer Service, a role he carried out in London, Qatar and India.

CHAIRMAN'S MESSAGE

It is with great pleasure that I welcome you to this, the first Annual General Assembly Meeting of Gulf International Services. Incorporated on February 12, 2008 GIS was formed to further the economic diversification and privatisation policies of H.H. the Emir and fill a niche position for a service group dedicated to the oil and gas industry.

Currently, GIS has direct and indirect interests in a broad cross-section of service industries - insurance, reinsurance, fund management, onshore and offshore drilling, helicopter transportation, aviation repair and maintenance, aviation procurement and facilities management, with activities in a number of Middle Eastern and North African countries, and the United Kingdom.

In its first period of operation which ended on December 31, 2008, the group generated total revenue of QR 946.8 million and net profits of QR 423.4 million. Total assets, consisting mostly of fixed assets like drilling rigs and helicopters, as well as cash and cash equivalents, stood at QR 3.3 billion. Driving the revenue and profits were the group's expansion into a new insurance segment - medical insurance, and a new aviation service - helicopter emergency medical services. And supporting the total assets balance was the group's acquisition of 2 new drilling rigs and 6 helicopters. These significant asset purchases indicate the group's commitment to maintaining a modern and varied fleet of helicopters and ensuring that drilling rigs employ the latest technological advances. To support these purchases and the new markets exploited during the year, the group's headcount grew by 138 employees. These summary financial and operational results point to the sound footing the group is currently on and the foundations to long-term prosperity being built.

In 2009, the group intends to further the strategy of organic growth by, firstly, consolidating its position in the new markets and services entered into in 2008 and, secondly, by identifying suitable acquisition targets that complement and accentuate the group's strengths.

The group is in a strong financial position due to its controlled levels of debt, adequate cash and cash equivalents balances, optimisation of asset utilisation rates and policy of ensuring assets employed are modern and state of the art.

Due to the embryonic nature of the group and the paramount importance the Board of Directors places on maintaining an adequate balance between investment, indebtedness and liquidity, a dividend of QR 1.30 per share and 10% bonus shares for the period ended December 31, 2008 has been proposed.

In conclusion, I would like to thank H.H. the Emir for his support and strategic vision, and the senior management teams and staff of the group companies for their hard work and dedication.

Thank you.

Abdullah bin Hamad Al-Attiyah
Deputy Premier
Minister of Energy and Industry
Chairman and Managing Director

BOARD OF DIRECTORS REPORT

The Board of Directors is pleased to present the first annual report for Gulf International Services for the period ended December 31, 2008. It is with a great sense of achievement and satisfaction that we present these first results for Qatar's premier service group dedicated to the oil and gas industry.

FINANCIAL & OPERATIONAL REVIEW

As at the year end, the group recorded total revenue of QR 946.8 million and net profits of QR 423.4 million. The net profit margin of 44.7% was creditable and the cash flow generated from operating activities of QR 485.6 million allowed the group to minimise external borrowings while ensuring liquidity was constantly maintained at satisfactory levels. In addition, the group's minimal capital commitments points both to the successful completion of the first phase of asset acquisitions and the decision to focus on consolidating current operational activities before embarking on further significant capital expansion projects.

Insurance and Reinsurance

Net insurance revenue totaled QR 77.7 million, spurred by the move into the Qatari medical insurance market in 2008 and marginal growth in the de facto Qatar Petroleum captive market. As at the year end, Al Koot held large cash and cash equivalent deposits as well as available for sale investments. These assets, in conjunction with fund management fees earned, generated significant other income of QR 27.7 million, and a net profit margin of 106.5%.
Al Koot does not have any debts or material capital expenditure works in progress.

Drilling

GDI's contribution to group revenue was 57.7%, totaling QR 545.8 million. Revenue for the period was driven not only by the full deployment of all nine rigs by the fourth quarter, including 1 new rig delivered during the year, but also by increased rates for the onshore rigs, retroactively enforced for the entire calendar year, and improved daily rates for the offshore rig, Al-Khor. Excluding new rigs delivered during the year, utilisation for the period under review was 96.8%. The net profit margin attained on this revenue was a creditable 40.7%, despite expected operational inefficiencies associated with the launch and familiarisation period required for the new rigs, and the group's share of net profit reached QR 222.1 million, or 52.4% of group profits.

GDI's total assets, principally drilling rigs, stand at QR 1.5 billion, 50.1% of which is funded through debt, giving a gearing ratio of 52.4%. All term loans are LIBOR-linked, an arrangement that to date has benefitted the company as LIBOR rates have decreased due to the economic downturn and credit crunch. There are no plans to secure further funding and liquidity is expected to remain positive. The company does not currently have any significant capital expenditure projects.

Helicopter Transportation Services

Total revenue from GHC's aviation and procurement services was QR 323.2 million, accounting for 34.1% of group revenue. An additional QR 0.89 million of income was generated from non-core operational services and interest income. During the year, the company finalised its contract with the Qatar National Health Authority for the provision of a nationwide helicopter emergency medical service, and also experienced some growth in its Libyan operations. The current global economic crisis did not materially affect its results or operations, as demand remained robust, fuel costs decreased, borrowing costs were reasonable and the availability of technically-adept manpower remained high.

Net assets increased during the year due to the purchase of 4 twin-engine Augusta Westland 139 helicopters. In addition, the company has capital commitments related to the purchase of 6 Augusta Westland 139 helicopters. Total liabilities ended at QR 332.0 million with a gearing ratio of 34.1%, reflecting the helicopter purchasing activity pursued during the year.

In closing, the Board of Directors would like to thank the Chairman and Managing Director for his vision and leadership, and the senior management and staff of our subsidiaries and joint venture for their hard work, commitment and dedication.

All figures in this report have been rounded to QR millions for reasons of presentation and figures for 2008 represent the eleven month period from February 12, 2008 (date of GIS incorporation) to December 31, 2008 (GIS year end).

QUOTES FROM MR. SAAD SHERIDA AL-KAABI VICE-CHAIRMAN OF THE BOARD OF DIRECTORS OF GULF DRILLING INTERNATIONAL

On the current economic crisis and its impact on the drilling industry:

" We foresee an oversupply of new rigs in the market this year and a general reduction in exploration activity across the board. Utilization may be impacted since competition has intensified. The combination of the two might cause downward pressure on rig rates. GDI is fortunate to be in a market where old projects remain on track. We therefore see a downward pressure on rig rates but expect our utilization to remain as high as last year. We anticipate that with our reputation and aggressive marketing, we will be successful in keeping all of our rigs on contract.

The industry is still in a wait and see mode but there is no question that the sharp reduction in oil prices, brought about in part by the global economic downturn, has reduced the demand for drilling rigs worldwide. Projects that were viable at higher prices have been postponed or cancelled which in turn has increased the number of rigs out of work. A decline in operating day rates is a natural consequence in an environment where more rigs are looking for less work. Offsetting this global trend, however, is the relatively strong demand for drilling services in the Middle East. Still, the competition for new work in the Middle East is getting stiffer and as a result, rates have already started to decline in the region.

GDI has 2 contracts that may expire in 2009, if options are not exercised. While GDI may need to find new work for one of its rigs, the other expiring contract is expected to be extended for another year. There are several tender opportunities currently in process and GDI is hopeful of success to keep all of its assets fully utilised.

On the focus for 2009:

Last year we were looking at increasing our market share in Qatar and expanding to overseas markets. With the downward trend in activity, we are now concentrating on our core market (i.e. Qatar) to ensure that all of our assets remain fully employed. As a secondary focus, we are open to additional opportunities such as the 'jack-up' accommodation barge market, acquiring new rigs in shipyards on favorable terms, acquiring companies that can add value to our revenue stream without compromising our core business and cutting costs and improving efficiency. "

QUOTES FROM MR. YOUSIF RASHID AL-KHATER
CHIEF EXECUTIVE OFFICER
OF GULF DRILLING INTERNATIONAL

On cost saving initiatives:

" We eliminated costly rental arrangements by purchasing replacements resulting in significant cost savings for GDI operations. A Central Warehousing strategy has been implemented to minimize the amount of inventory carried by GDI and promote inventory optimization. Supply chain processes are similarly being optimized.

On liquidity, cash management and credit worthiness:

GDI's liquidity has been steadily improving since July 2008 when all nine rigs went on contract. A cash surplus is now being generated monthly after satisfying all operating and capital expenditure requirements and servicing debt. Cash surpluses are forecast to continue in 2009 and beyond, provided GDI is able to maintain a high utilization rate for its drilling rigs.

GDI concluded favorable arrangements for a new credit facility in 2008 prior to the global economic downturn. The cost of GDI's long and short term credit is tied to LIBOR. While the margin on its short term overdraft facility was increased as a result of the credit crunch, GDI's overall interest expense was greatly reduced due to the fall in LIBOR rates brought about by the global economic downturn.

With Qatar Petroleum as an affiliate, GDI is judged to be extremely credit worthy by its banks, the proof of which is demonstrated by the borrowing terms that it enjoys which are extremely competitive compared to other international drilling contractors. Credit risk is viewed by its banks to be low.

On capital expenditure in 2009:

There are no new capital investment projects envisioned for 2009. Capital expenditure projected in 2009 is essentially in support of ongoing operations. "

"A cash **surplus** is now being **generated** monthly after **satisfying** all **operating** and capital **expenditure** requirements and **servicing** debt."

QUOTES FROM MR. AHMAD RAFI'A AL-EMADI
CHIEF EXECUTIVE OFFICER
OF AL KOOT INSURANCE AND REINSURANCE

On the local and international insurance industry:

" The beginning of 2008 showed some signs of insurance market softening as a result of the introduction of new capacity. Rates started to drop for major Qatari accounts with reductions experienced ranging from 10 to 15 percent. However, towards the third quarter of 2008, the market witnessed major Hurricane claims (Ike and Gustav) which started to have its toll on insurance market trends. The problems faced by AIG revealed the seriousness of the grim economic backdrop and its effects on investments. The effects may be compounded if underwriter capacity shrinks globally, as insurers will have to rely on one source of income, i.e. underwriting income. At the moment, the situation is uncertain and markets are showing some signs of hardening in different classes of insurance business.

On the emergence of new competitors:

With regards to the possibility of new competitors for Al Koot, we are not aware of any plans to set up a captive insurance company for the energy industry on the same footings as Al Koot in the near future.

On plans for 2009:

In 2009, Al Koot will continue to promote its core lines of business, namely Energy, Construction and Marine. Al Koot is also targeting new projects and following up on QP international investments. In addition, Al Koot will endeavor to also promote the Healthcare scheme by increasing membership in different sectors in Qatar.

On significant initiatives completed during 2008:

We successfully completed the seamless integration of an Oracle E-Business Suite and an Insurance ERP Solution, which is the first of its kind in the GCC. Also, the successful introduction of the Medical Scheme. Work on the Al Koot website has also commenced and is expected to be completed by the end of the first quarter of 2009.

“Liquidity is **excellent** and is **closely** monitored on a **regular basis** to **ensure** that sufficient funds are **available** to meet **commitments** as they arise.”

On cash and risk management:
Liquidity is excellent and is closely monitored on a regular basis to ensure that sufficient funds are available to meet commitments as they arise. As we only deal with local and international companies of good repute and standing, our credit risk is minimal.

On operational expenditure prudence:
As a young company still at the bottom of its growth ladder, we shall continue to recruit for essential positions that are critical for enabling us to maintain our operational effectiveness. While every effort shall be made to ensure that we remain cost-efficient, we are at the same time wary of taking any rash measures that might be counter productive in the long-run.

On significant capital expenditure in 2009:
We may be spending up to QR 2 million towards IT infrastructure and new IT services in order to meet our operational requirements. ”

QUOTES FROM MR. MOHAMMED AL-MOHANNADI CHIEF EXECUTIVE OFFICER OF GULF HELICOPTERS COMPANY

On plans for 2009:

" We are actively trying to enter other aviation related services including ground handling and fixed wing servicing, which will be an added advantage to our existing operations. We are also pursuing more international contracts due to our fleet expanding. In addition, the older helicopters are becoming less in demand and hence we are trying to sell them. The IT Department also aims to go green / paperless wherever possible in the year 2009.

On measures undertaken due to the economic downturn:

As stated, the company is reactive to customer demand, which has not decreased, but rather increased slightly. Aside from normal strategies of pricing, market expansion and cost control required by business prudence, no extraordinary measures are being considered. "

“We are **actively** trying to enter other **aviation** related **services**, which will be an **added advantage** to our existing operations.”


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GULF INTERNATIONAL SERVICES Q.S.C.

CONSOLIDATED FINANCIAL STATEMENTS
For the period ended 31 December 2008

GULF INTERNATIONAL SERVICES Q.S.C.

CONSOLIDATED FINANCIAL STATEMENTS
For the period ended 31 December 2008

CONTENT

INDEPENDENT AUDITOR'S REPORT

To:
The Shareholders
Gulf International Services Q.S.C.
Doha
State of Qatar

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Gulf International Services Q.S.C. (the "Company") and its subsidiaries and a joint venture (together referred to as the "Group"), which comprise the consolidated balance sheet as at 31 December 2008, consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the period from 12 February 2008 to 31 December 2008 (the "period") and a summary of significant accounting policies and other explanatory notes.

RESPONSIBILITY OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of the Group are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2008, and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition, in our opinion, the Group has maintained proper accounting records and the consolidated financial statements are in agreement therewith. We have reviewed the report of the Board of Directors and confirm that the financial information contained thereon is in agreement with the consolidated financial statements and book and records of the Group. We are not aware of any violations of the provisions of Qatar Commercial Companies Law No 5 of 2002, to the extent applicable, or the terms of Articles of Association having occurred during the period which might have had a material effect on the business of the Group or its financial position as of 31 December 2008. Satisfactory explanations and information have been provided to us by the management in response to all our requests.

25 February 2009
Doha

Ahmed Hussain
Qatar Auditor's Registry No. 197
KPMG

CONSOLIDATED BALANCE SHEET

As at 31 December 2008 — in thousands of Qatari Riyals

	Note	31 December 2008
Assets		
Property, plant and equipment	5	1,810,521
Investment properties	6	1,205
Investment in an associate	7	1,216
Available-for-sale investments	8(b)	45,946
Total non-current assets		**1,858,888**
Inventories	9	62,865
Due to related parties	22	262,530
Receivables and prepayments	10	273,830
Insurance receivables		187,256
Financial assets at fair value through profit or loss	8(a)	73,126
Cash and Cash Equivalents	11	593,063
Total current assets		**1,452,670**
Total assets		**3,311,558**
Equity (page 7)		
Share capital	12	1,228,700
Legal reserve		55,205
General reserve		74,516
Fair value reserve		(22,932)
Retained earnings		317,614
Total equity		**1,653,103**
Liabilities		
Loans and borrowings – non-current portion	13	869,621
Provision for employees' end of service benefits	14	7,408
Total non-current liabilities		**877,029**
Due to related parties	22	34,976
Accounts payable, insurance payable and accruals	15	596,404
Loans and borrowings – current portion	13	146,937
Bank overdrafts	11	3,109
Total current liabilities		**781,426**
Total liabilities		**1,658,455**
Total equity and liabilities		**3,311,558**

These consolidated financial statements were approved by the Board of Directors and were signed on their behalf by the following on 25 February 2009.

Abdullah Bin Hamad Al-Attiyah
Chairman

Saeed Mubarak Al-Muhanadi
Vice-Chairman

The accompanying notes 1 to 28 form an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the period ended 31 December 2008 | in thousands of Qatari Riyals

	Note	For the period from 12 February 2008 to 31 December 2008
Revenue from aviation and drilling businesses	16	869,077
Net insurance revenue	17	77,725
Total revenue		**946,802**
Direct costs	18	(440,004)
Gross profit		**506,798**
Other income	19	35,995
Impairment on available-for-sale investments	8.4	(16,135)
Net losses on financial assets at fair value through profit or loss		(2,757)
General and administrative expenses	20	(90,223)
Results from operating activities		**433,678**
Finance income	21	18,988
Finance expenses	21	(29,562)
Share of profit from an associate		303
Net profit for the period		**423,407**
Earnings per share		
Basic and diluted earnings per share (Qatari Riyals)	23	**3.44**

The accompanying notes 1 to 28 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2008 | in thousands of Qatari Riyals

	Share capital	Legal reserve	General Reserve	Fair value reserve	Retained earnings	Total
Transfers to income statement on account of disposal of available-for-sale investments	-	-	-	(12,870)	-	(12,870)
Impairment on available-for-sale investments	-	-	-	(16,135)	-	(16,135)
Other changes in fair value of available-for-sale investments	-	-	-	6,073	-	6,073
Total income and expense recognised directly in equity (note 8.3)	-	-	-	(22,932)	-	(22,932)
Net profit for the period	-	-	-	-	423,407	423,407
Total recognised income and expense for the period	-	-	-	(22,932)	423,407	400,475
Transfer to general reserve	-	-	74,516	-	(74,516)	-
Transfer to legal reserve	-	31,277	-	-	(31,277)	-
Excess over issue costs transferred to legal reserve	-	23,928	-	-	-	23,928
Issued share capital	1,228,700	-	-	-	-	1,228,700
Balance at 31 December 2008	**1,228,700**	**55,205**	**74,516**	**(22,932)**	**317,614**	**1,653,103**

LEGAL RESERVE

Gulf International Services Q.S.C. was formed in accordance with Article 68 of Qatar Commercial Companies Law No. 5 of 2002, which stipulates that the Company is exempt from the provision of the said law.

Since the Articles of Association of the Company do not provide for legal reserve, the legal reserve detailed above represents the sum of the subsidiaries and share of the joint venture's legal reserve, including consolidated financial statements purposes.

GENERAL RESERVE

The Articles of Association of one of the subsidiaries requires that balance of profit available after the above mentioned transfer to legal reserve, should be appropriated to a general reserve until the balance therein equals QR 365,500,000. For another subsidiary, the management's rational for maintaining such reserve is to allow the Company to meet any unforeseen future events. The balance under this reserve is not available for distribution, except in the circumstances specified in the Articles of Association of the respective subsidiaries.

EXCESS OVER ISSUE COSTS TRANSFERRED TO LEGAL RESERVE

This represents the excess of funds raised from the public issue of shares over and above the issue costs incurred by the Group. In accordance with the term of prospectus issued, the amount has been transferred to legal reserve.

PROPOSED DIVIDEND AND BONUS ISSUE

The Board of Directors have proposed a cash dividend of QR 1.3 per share and a bonus issue of 10% of the issued share capital for the period ended 31 December 2008, which will be submitted for formal approval at the Annual General Meeting.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 31 December 2008 | in thousands of Qatari Riyals

	From 12 February 2008 to 31 December 2008
Cash flows from operating activities	
Net profit for the period	423,407
Adjustments for:	
Share of profit of an associate	(303)
Depreciation and amortization	134,216
Finance expenses	29,562
Finance income	(18,988)
Net impairment loss of due from related parties	3,547
Impairment loss on available-for-sale investments	16,135
Net gain on sale of available-for-sale investments	(12,870)
Net losses on financial assets at fair value through profit or loss	2,757
Dividend income	(1,195)
Provision for employees' end of service benefits	5,229
Net loss on sale of property, plant and equipments	1,507
Net impairment loss on receivables	2,669
Net operating profit before working capital changes	585,673
Changes in working capital:	
Increase in insurance receivables	(61,580)
Increase in receivables and prepayments	(116,704)
Increase in inventories	(12,931)
Increase in due from related parties	(17,277)
Increase in accounts payables, insurance payables and accruals	109,544
Increase in due to related parties	1,787
Net cash from operations	488,512
End of service benefits paid	(2,954)
Net cash from operating activities	**485,558**
Investing activities	
Acquisition of investments in securities	(135,723)
Proceeds from sale of investments in securities	102,572
Acquisition of property, plant and equipment	(310,045)
Proceeds from disposal of property, plant and equipments	5,378
Cash and cash equivalents acquired from subsidiaries and joint venture	470,990
Receipt of interest income	20,498
Receipt of dividend income	1,195
Net cash from investing activities	**154,865**
Financing activities	
Issue of share capital in cash	5,000
Proceeds from loans and borrowings	65,700
Dividends paid	(14,000)
Repayment of loans and borrowings	(73,303)
Finance cost paid	(33,866)
Net cash used in financing activities	**(50,469)**
Increase in cash and cash equivalents for the period	**589,954**
Cash and cash equivalents at the beginning of the period	-
Cash and cash equivalents at the end of the period (Note 11)	**589,954**

The accompanying notes 1 to 28 form an integral part of these consolidated financial statements.

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

Gulf International Services Q.S.C. (the "Company" or together with its subsidiaries and a joint venture referred to as the "Group") is a Company incorporated in the State of Qatar under commercial registration number 38200 as a Qatari Shareholding Company on 12 February 2008. The principal activity of the Company is to operate as a holding company. The consolidated financial statements of the Group for the period ended 31 December 2008 comprise the Company and its two subsidiaries and a joint venture. The registered office of the Company is situated on the 3rd floor, Al Saad Plaza Building, Doha, State of Qatar.

The Company was incorporated by Qatar Petroleum ("QP") as a sole shareholder with an initial capital of QR 5 million on 12 February 2008 which is the date of incorporation of the Company.

The Group is 30% owned by QP and remaining 70% by other individuals and corporations.

These consolidated financial statements relate to the period from the date of incorporation, 12 February 2008 to 31 December 2008.

Until 24 February 2008, the equity interests in the portfolio companies (Gulf Helicopters Q.S.C. ("GHC"), Gulf Drilling International Q.S.C. ("GDI") and Al Koot Insurance and Reinsurance Company S.A.Q. ("Al Koot")) were held directly by QP and Japan Drilling Company ("JDC") (only in case of GDI – 30.01% is owned by JDC) and these equity interests were transferred to the Company on 24 February 2008.

However, the management concluded that the effective date of transfer of interest from QP to the Company was 12 February 2008, being the date on which control as well as joint control, over these portfolio companies, was transferred by QP to the Company and hence from this date the results of operations of these portfolio companies are consolidated with the results of operations of the Company.

2. BASIS OF PREPARATION

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS') as issued by the International Accounting Standards Board ("IASB").

b) Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except for available-for-sale investments and financial assets through profit or loss measured at fair value.

c) Functional and presentation currency

These consolidated financial statements are presented in Qatari Riyals, which is the Company's functional currency. All financial information presented in Qatar Riyals has been rounded to the nearest thousands of Qatar Riyal.

d) Use of estimates and judgements

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

2. BASIS OF PREPARATION (CONTINUED)

d) Use of estimates and judgements (continued)

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements are described below.

Significant areas of estimation uncertainty

i) Claims made under insurance contracts

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and management estimations for the claims incurred but not reported. The method for making such estimates and for establishing the resulting liability is continually reviewed. Any difference between the actual claims and the provisions made are included in the income statement in the year of settlement.

ii) Impairment of Insurance and other receivables

An estimate of the collectible amount of insurance and other receivables is made when collection of the full amount is no longer probable. This determination of whether these insurance and other receivables are impaired entails the Group evaluating, the credit and liquidity position of the policy holders and the insurance companies, historical recovery rates and feedback received from their legal department. The difference between the estimated collectible amount and the book amount is recognized as an expense in the income statement. Any difference between the amounts actually collected in the future periods and the amounts expected will be recognized in the income statement at the time of collection.

iii) Liability adequacy test

At each balance sheet, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities. The Group makes use of the best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities in evaluating the adequacy of the liability. Any deficiency is immediately charged to the income statements.

iv) Useful lives, residual values and related depreciation charges of property, plant and equipment

The Group's management determines the estimated useful lives, residual values and related depreciation charges of its property, plant and equipment. These estimates are determined after considering the expected usage of the asset, physical wear and tear, technical or commercial obsolescence.

v) Provision for slow moving spare parts

The Group's management determines a provision against inventory based in the estimated amount of slow moving spare parts. This is based on the age of items in inventories. This provision is subject to change as a result of technical innovations and the usage of items.

Critical judgements

i) Classification of investments in securities

Quoted Securities could be classified either as available-for-sale or at fair value through profit or loss account. The Group invests substantially on quoted securities either locally or overseas and management has primarily decided to account for them on their potential for long term growth rather than the short term profit basis. Consequently, such investments are recognized as available for sale rather than at fair value through profit or loss.

Financial assets are classified as fair value through profit or loss where the assets are either held for trading or designated as at fair value through profit or loss. The Group invests in managed funds for trading purpose.

For the period ended 31 December 2008 in thousands of Qatari Riyals

2. BASIS OF PREPARATION (CONTINUED)

d) Use of estimates and judgements (continued)

Critical judgements (continued)

ii) Impairment of available-for-sale equity securities

The Group determines that available-for-sale equity investments are impaired when there has been a 'significant' or 'prolonged' decline in the fair value below its cost. This determination of what is 'significant' or 'prolonged' requires judgment and is assessed based on qualitative and quantitative factors, for each available for sale investment separately. In making a judgment of impairment, the Group evaluates among other factors, evidence of deterioration in the financial health of the entity, impact of delay in execution, industry and sector performance, changes in technology and operational and financing cash flows.

3. SIGNIFICANT ACCOUNTING POLICIES

For the detailed note on basis of preparation and accounting policies, please refer to the financial statements on the GIS website www.gis.com.qa

4. BUSINESS COMBINATIONS

On 12 February 2008, the Group acquired the assets and liabilities of Al Koot Insurance and Reinsurance Company S.A.Q., Gulf Drilling International Limited Q.S.C. and Gulf Helicopters Company Q.S.C., Qatar-registered companies, engaged in various activities as detailed in note 3(a).

The details of business combinations at 12 February 2008 were as follows:

	Al Koot Insurance and Reinsurance Company S.A.Q.	Gulf Drilling International Limited Q.S.C.	Gulf Helicopters Company Q.S.C.	Total
Fair value of net assets at 12 February 2008	416,233	436,558	395,652	1,248,443
Consideration paid in the form of shares at par value of QR 10 per share based on the net assets value of portfolio companies as of 31 December 2007	(401,798)	(436,857)	(385,045)	(1,223,700)
Excess of fair value of net assets over consideration paid	**14,435**	**(299)**	**10,607**	***24,743**

*This represents the net profit generated during the period from 1 January 2008 to 11 February 2008 by portfolio companies and hence payable to their previous owner i.e. Qatar Petroleum.

For the period ended 31 December 2008 in thousands of Qatari Riyals

5. PROPERTY, PLANT AND EQUIPMENT

Description	Free hold land	Buildings	Aircraft	House office equipment	Ground radio equipment tools	Capitalised maintenance expenditures	Rigs	Plant and machinery	Furniture and fixtures	Computers	Vehicles	Capital work in progress	Total 2008
Cost													
"Transfers in" on 12 February	188	35,827	449,937	12,336	5,194	75,050	829,575	92,912	8,957	27,590	1,417	365,659	1,904,642
Additions	43,632	755	205,566	5,567	273	19,549	7,528	24,034	970	3,631	301	84,051	395,857
Transfers	188	548	4,988	-	-	(10,605)	412,736	5,351	2,794	7,245	-	(434,822)	(11,577)
Disposals	-	-	(8,936)	(118)	(25)	-	(1,925)	(12,900)	(28)	(203)	-	-	(24,135)
Balance at 31 December	**44,008**	**37,130**	**651,555**	**17,785**	**5,442**	**83,994**	**1,247,914**	**109,397**	**12,693**	**38,263**	**1,718**	**14,888**	**2,264,787**
Depreciation													
"Transfers in" on 12 February	-	33,836	118,644	9,262	4,884	38,937	103,255	22,409	1,975	8,281	1,047	-	342,530
Depreciation for the year	-	400	21,743	2,722	194	11,257	73,491	15,974	1,894	6,344	169	-	134,188
Transfers	-	530	-	-	-	(12,308)	-	-	-	-	-	-	(11,778)
Disposals	-	-	(2,497)	(118)	(25)	-	(1,708)	(6,307)	-	(19)	-	-	(10,674)
Balance at 31 December 2008	-	34,766	137,890	11,866	5,053	37,886	175,038	32,076	3,869	14,606	1,216	-	454,266
Net book value 31 Dec 2008	**44,008**	**2,364**	**513,665**	**5,919**	**389**	**46,108**	**1,072,876**	**77,321**	**8,824**	**23,657**	**502**	**14,888**	**1,810,521**

For the period ended 31 December 2008 in thousands of Qatari Riyals

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Capital work in progress includes costs amounting to QR 4.682 million relating to property, plant and equipment awaiting installation or in transit. This also includes properties under development located in State of Qatar and the same is in progress as at 31 December 2008.

Aircraft operating in India are registered on behalf of the Company under the name of Qatar General Petroleum Corporation ("QGPC").

The Group has assisted National Health Authority of Qatar ("NHA") in acquiring two helicopters on their behalf. These helicopters are registered in the name of the group company for the benefit of NHA.

Borrowing cost capitalized during the year amounted to QR 1.780 million.

The encumbrances and liens on property, plant and equipments are set out in note 13.

6. INVESTMENT PROPERTIES

	Land	Building	Total 2008
Cost			
"Transfers in" on 12 February	1,313	3,835	5,148
Additions	-	-	-
Transfers	(188)	(548)	(736)
Disposals	-	-	-
Balance at 31 December	1,125	3,287	4,412
Depreciation			
"Transfers in" on 12 February	-	3,709	3,709
Depreciation charge for the period	-	28	28
Impairment loss for the period	-	-	-
Transfers	-	(530)	(530)
Disposals	-	-	-
Balance at 31 December	-	3,207	3,207
Net book value at 31 December	**1,125**	**80**	**1,205**

The Group owns a housing compound comprising forty-eight villas of which 6 are used to earn rental income as at the consolidated balance sheet date.

The estimated fair market value of land and buildings based on an internal calculation completed in 2008 by the Group was QR 3.912 million.

For the period ended 31 December 2008 in thousands of Qatari Riyals

7. INVESTMENT IN AN ASSOCIATE

The Group has the following investment in an associate:

	Total 2008
"Transfers in" on 12 February	1,010
Share of profit from an associate	303
Foreign exchange translation loss on investment	(97)
Balance at 31 December	**1,216**

7.1 The investment in an associate represents a 36% investment made by Gulf Helicopters Company Q.S.C. in shares of United Helicharters Private Limited (incorporated in India) whose principal activity is the provision of helicopter services.

7.2 The summarised results of United Helicharters Private Limited are as follows and are based on the management accounts of the Company for the year ended 31 December 2008:

	31 December 2008
Total assets	26,375
Total liabilities	23,167
Total revenue	50,936
Net profit for the year	842
Share of profit in an associate	303

8. INVESTMENT IN SECURITIES

	31 December 2008
a. Financial assets at fair value through profit or loss	
Held for trading (note 8.1)	45,025
Designated as fair value through profit or loss (note 8.2)	28,101
Balance at 31 December	**73,126**
b. Available-for-sale investments	
Qatari public shareholding companies	37,206
Funds	8,740
Balance at 31 December	**45,946**
Available-for-sale investments:	
At cost	43,413
Net movement in the fair values (note 8.3)	2,533
Balance at 31 December	**45,946**

For the period ended 31 December 2008 in thousands of Qatari Riyals

8. INVESTMENT IN SECURITIES (CONTINUED)

8.1 These represent equity investments which are acquired principally for the purpose of selling or repurchasing in the near term or to take advantage of short term market movements.

8.2 The Group invested in bonds linked to equity index and currency linked deposits and these have been designated as financial assets through profit and loss because of inability to separate the embedded derivative from the host contract either at acquisition date or at a subsequent financial reporting date, hence the entire combined contract classified as financial asset at fair value through profit or loss.

8.3 Movement in fair value reserve is as follows:

	Total 2008
"Transfers in" on 12 February	25,465
Transfers to income statement on account of disposal of available-for-sale investments	(12,870)
Impairment on available-for-sale investments	(16,135)
Changes in fair value of available-for-sale investments as the period end	6,073
	2,533
Less: Elimination of pre-acquisition of reserve	(25,465)
Balance at 31 December	**(22,932)**

8.4 Movement in provision for impairment is as follows:

	Total 2008
"Transfers in" on 12 February	-
Impairment on available-for-sale investments	(16,135)
Balance at 31 December	**(16,135)**

9. INVENTORIES

	31 December 2008
Ancillary spares	43,002
Drilling materials, spare parts and consumables	32,365
Less:	
Provision for slow moving items	(12,502)
Balance at 31 December	**62,865**

Ancillary spares includes items with carrying values of QR 0.636 million held on behalf of the Group by the lessee of the Group's aircraft, United Helicharters Private Limited in India, QR 0.798 million held in Yemen, and QR 0.978 million held in Libya.

For the period ended 31 December 2008 in thousands of Qatari Riyals

9. INVENTORIES (CONTINUED)

Movement in provision for slow moving items is as follows:

	Total 2008
"Transfers in" on 12 February	13,632
Reversals made (netted in aircraft maintenance cost)	(1,130)
Balance at 31 December	**12,502**

10. RECEIVABLES AND PREPAYMENTS

	Note	31 December 2008
Trade receivables (from aviation business)		84,370
Less: provision for impairment of receivables	10.1	(8,902)
		75,468
Reinsurance share of outstanding claims	10.2	91,704
Accrued interest income		4,951
Advances to suppliers		10,447
Staff advances		3,232
Advance for purchase of helicopters		51,076
Accrued revenues		330
Prepayments		16,843
Refundable deposits and other receivables		19,779
Balance at 31 December		**273,830**

10.1 Movement in provision for impairment of receivables is as follows:

	Total 2008
" Transfers in " on 12 February	6,233
Provision for receivables impairment during the period	4,271
Reversals made	(1,602)
Balance at 31 December	**8,902**

For the period ended 31 December 2008 in thousands of Qatari Riyals

10. RECEIVABLES AND PREPAYMENTS (CONTINUED)

10.2 Movement in reinsurance share of outstanding claims is as follows:

		2008	
	Gross	Reinsurance	Net
At 12 February			
Reported claims	65,148	(16,667)	48,481
IBNR	23,703	-	23,703
Total	**88,851**	**(16,667)**	**72,184**
Movement during the period			
Reported claims	79,467	(75,037)	4,430
IBNR	49,410	-	49,410
Total	**128,877**	**(75,037)**	**53,840**
At 31 December			
Reported claims	144,615	(91,704)	52,911
IBNR	73,113	-	73,113
Total	**217,728**	**(91,704)**	**126,024**

11. CASH AND CASH EQUIVALENTS

	31 December 2008
Cash in hand	123
Cash at banks	
- Current & call accounts	74,491
- Demand deposits	142,870
- Fixed deposits maturing within 3 months	375,579
Total cash and bank balances	593,063
Bank overdrafts	(3,109)
	589,954

Included in bank balances and cash is Debt Service Reserve amounting to QR 14,209 million (USD 3.904 million) which is restricted in use, in accordance with the provisions of syndicated loan agreement entered into with the lenders.

Bank overdraft facilities is unsecured with effective interest rate amounts to 5.50%.

12. SHARE CAPITAL

	31 December 2008
Issued and paid up capital	
122,870,000 ordinary shares of QR 10	**1,228,700**

For the period ended 31 December 2008 in thousands of Qatari Riyals

13. LOANS AND BORROWINGS

	31 December 2008
Syndicated borrowings	
- Loan 1	78,401
- Loan 2	223,811
- Loan 3	310,538
- Loan 4	91,728
- Loan 5	46,577
	751,055
Various borrowings	268,088
	1,019,143
Less: Unamortised finance cost associated with raising finance	(2,585)
	1,016,558
Classified in the consolidated balance sheet as follows:	
- Non-current portion	869,621
- Current portion	146,937
	1,016,558

The finance costs associated with raising finance represent arrangement fees.

(i) Loan 1: The Joint Venture entity in the Group has entered into a loan agreement with a consortium of bankers for a project facility of USD 50 million to finance the construction, upgrading and refurbishment of rigs and purchase of other related assets. The effective interest is LIBOR plus 0.7% and the loan is repayable in 39 equal quarterly instalments of USD 1,282,051 commencing from 24 May 2005. The loan is secured over the proceeds from Rig Gulf – 1.

(ii) Loan 2: The Joint Venture entity in the Group has entered into a loan agreement with a consortium of bankers for a project facility of USD 130 million to finance the purchase, upgrading and refurbishment works of drilling rigs. The effective interest is LIBOR plus 0.7% and the loan is repayable in 37 equal quarterly instalments of USD 3,513,514 commencing from 31 March 2006. The loan has been drawn-down to finance the construction and or purchase of rigs, Gulf 3, Al Khor, Al Zubarah, and GDI 4. The loan is secured by creating a first preferred mortgage on rig Gulf – 2 in favour of the lenders. The proceeds from rigs GDI - 1 and Gulf - 2 have also been assigned in favour of the lenders.

(iii) Loan 3: The Joint Venture entity in the Group has entered into a loan agreement with a consortium of bankers for a project facility of USD 130 million to finance the construction and purchase of drilling rig, Al Zubarah and the upgrade and refurbishment works on existing drilling rigs owned by the Company. The effective interest rate is LIBOR plus 0.80% and the loan is repayable in 32 equal quarterly instalments of USD 4,062,500 each commencing from 31 July 2008. The loan is secured by creating a first preferred mortgage on rig Gulf – 3 in favour of the lenders.

(iv) Loan 4: The Joint Venture entity in the Group has entered into a loan agreement with a commercial bank for a project facility of USD 40 million to finance the purchase of offshore rig Al Khor. The effective interest is LIBOR plus 0.55% and the loan is repayable in 40 equal quarterly instalments of USD 1 million each commencing from 31 March 2008. The loan is secured by way of granting the lender a right of set-off against the balance of every account of the Company in any branch of the lender

For the period ended 31 December 2008 in thousands of Qatari Riyals

13. LOANS AND BORROWINGS (CONTINUED)

(v) Loan 5: The Joint Venture entity in the Group has entered into a new loan agreement with a consortium of bankers for a project facility of USD 40 million to finance the final payment for Al Zubarah rig and also acquire a new onshore drilling rig. The effective interest is LIBOR plus 1.05%. The project facility agreement is yet to be signed.

(vi) Various borrowings: Gulf Helicopters Company Q.S.C., the subsidiary company has entered into various borrowing arrangements with a consortium of bankers in relation to its aviation business. All facilities in this regard bear interest rates varying between LIBOR plus 0.6% and LIBOR plus 0.45%. Borrowings are repriced quarterly at LIBOR rates. One of the Bridge finance amounting to QR 65.7 million bear interest rate at LIBOR plus 1.75% plus market premium. All the facilities are unsecured.

The maturity profiles of the loans are as follows:

	Nominal interest rate	Year of maturity	Less than 1 year	1 – 2 years	2 – 5 years	5 years and above	Total
Loan 1	LIBOR + 0.7%	2014	13,067	13,067	39,200	13,067	78,401
Loan 2	LIBOR + 0.7%	2015	35,810	35,810	107,429	44,762	223,811
Loan 3	LIBOR + 0.8%	2017	41,405	41,405	124,215	103,513	310,538
Loan 4	LIBOR + 0.55%	2017	10,192	10,192	30,576	40,768	91,728
Loan 5	LIBOR + 1.05%	2011	-	-	46,577	-	46,577
Various borrowings	LIBOR + 0.6% - 0.45% - 1.75%		46,462	46,738	116,123	58,765	268,088
			146,936	**147,212**	**464,120**	**260,875**	**1,019,143**

14. PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

	Total 2008
"Transfers in" on 12 February	5,133
Charge for the period	5,229
Payments made during the period	(2,954)
Balance at 31 December	**7,408**

For the period ended 31 December 2008 in thousands of Qatari Riyals

15. ACCOUNTS PAYABLE, INSURANCE PAYABLE AND ACCRUALS

	Note	Total 2008
Trades payable		55,781
Unearned premium	15.1	115,917
Outstanding claims	10.2	217,728
Payables to insurance and reinsurance companies		
Reinsurance premiums payable		96,183
Advance management fees		5,852
Advance reinsurance commissions		13,262
Accrued expenses		65,373
Other payables		13,568
Provision for contractor compensation		12,740
		596,404

15.1 The movement of unearned premium during the period is as follows:

	Total 2008
Balance transfer in at 12 February	78,984
Increase during the period	96,294
Release during the period	(59,361)
Closing balance for the period	**115,917**

15.2 The amount recognised for the year ended 31 December 2008 as an expense for the pension liability for Qatari employees is QR 221,916 (USD 60,966) and the amount yet to be remitted to the Retirement and Pension Authority amounts to QR 76,774 (USD 21,092) is included in 'accrued expenses'.

16. REVENUE FROM AVIATION AND DRILLING BUSINESSES

	Total 2008
Revenue from drilling business	545,859
Revenue from aviation business	
- Aviation revenue	320,952
- Other operating revenue	2,266
	869,077

For the period ended 31 December 2008 in thousands of Qatari Riyals

17. NET INSURANCE REVENUE

	Note	Total 2008
Gross premiums		321,473
Reinsurance cessions		(145,636)
Retained premiums		175,837
Movement in unearned premium		(36,933)
Net earned premiums	17.1	138,904
Net commission income		15,128
Underwriting revenue		**154,032**
Gross claims paid		(29,461)
Reinsurance shares in claims incurred		6,994
Outstanding claims adjustment - net		(53,840)
Net claims incurred	17.2	(76,307)
Net underwriting revenue		**77,725**

17.1 The details of retained premiums and earned premiums are as follows:

	2008		
	Gross	Reinsurance	Net
Written premiums	321,473	(145,636)	175,837
Unearned premiums Adjustment	(1,192)	(35,741)	(36,933)
At 31 December	320,281	(181,377)	138,904

17.2 The details of net claims incurred are as follows:

	2008		
	Gross	Reinsurance	Net
Claims settled	(29,461)	6,994	(22,467)
Outstanding claims adjustment	(65,566)	61,136	(4,430)
IBNR	(49,410)	-	(49,410)
At 31 December	**(144,437)**	**68,130**	**(76,307)**

For the period ended 31 December 2008 in thousands of Qatari Riyals

18. DIRECT COSTS

	Total 2008
Drilling business	257,161
Aviation business	182,843
	440,004

19. OTHER INCOME

	Note	Total 2008
Service fees		15,373
Dividend income		1,195
Gain on sale of available-for-sale investments		12,870
Net loss disposal of property, plant and equipment		(1,507)
Insurance claim received	19.1	7,884
Miscellaneous Income		180
		35,995

19.1 This represents the proceeds of insurance claim received by Gulf Drilling International in respect of a claim made in 2006 for damages incurred on Gulf 3 rig during the transportation.

20. GENERAL AND ADMINISTRATIVE EXPENSES

	Total 2008
Salaries and other benefits	44,210
Training expenses	1,272
Board member sitting fees	3,639
Aviation related administrative expenses	9,000
Rent	6,644
Depreciation	3,249
Travel expenses	1,900
Recharges from Qatar Petroleum	4,742
Printing and stationery	625
Recruitment costs	5,966
Communication expenses	748
Advertising expenses	866
Legal and professional expenses	1,711
Repairs and maintenance	157
Entertainment expenses	65
Other expenses	7,020
Net impairment loss on due from related parties	3,457
Brokerage costs	7,945
Recovery of management expenses from Qatar Petroleum	(12,993)
	90,223

For the period ended 31 December 2008 in thousands of Qatari Riyals

21. NET FINANCE EXPENSES

	Total 2008
Interest expense	
- Loans and borrowings	31,027
- Bank overdrafts	15
Gross interest expense	30,821
Less: amounts included in the cost of qualifying assets	(1,480)
Net interest expense	29,562
Finance income (on short term bank deposits)	18,988
Finance expenses – net	**(10,574)**

22. TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties

In the normal course of business, the Group enters into transactions with the associated companies, joint ventures, affiliates, shareholders and key management personnel. The details of transactions and the balances with related parties during the period are as follows:

	31 December 2008
Due from related parties	
Qatar Petroleum (Associate investor)	230,192
Qatar Liquefied Gas (Affiliate)	4,598
Ras Laffan Natural Gas (Affiliate)	11,901
United Helicharters Private Limited (Associate)	10,832
Fareej Real Estate Q.S.C. (Affiliate)	18,554
Less: Provision for doubtful debts	(13,547)
	262,530

	Total 2008
Movement of provision for doubtful debts is as follows:	
"Transfer in" on 12 February	10,000
Charge for the period	3,547
Balance at 31 December 2008	**13,547**

	31 December 2008
Due to related parties	
United Helicharters Private Limited (Associate)	796
Qatar Petroleum (Associate investor)	26,692
Qatar Fuel (Waqood) (Affiliate)	277
Japan Drilling Company (Affiliate)	2,074
Amwaj Catering (Affiliate)	3,175
Other related parties	1,962
	34,976

	Total 2008
Compensation of key management personnel	
Salaries and other benefits	**6,806**
Directors fees	**3,639**

For the period ended 31 December 2008 in thousands of Qatari Riyals

23. EARNINGS PER SHARE

Basic and diluted earnings per share have been calculated by dividing the profit for the period attributable to equity holders by the weighted average number of equity shares outstanding during the period:

	Total 2008
Profit for the period	423,407
Weighted average number of equity shares	122,870
Basic and diluted earnings per share	**3.44**

24. CONTINGENCIES AND COMMITMENTS

	Total 2008
Contingent liabilities	
Guarantees against performance bonds	**2,178**

It is not anticipated that any material liabilities will arise from the contingent liabilities which were issued in the normal course of the business.

Commitments	
Capital commitments	**212,931**
Authorised future investment commitments	**5,050**

Operating leases
The Group has entered into property leases consisting of the office buildings. Future minimum lease rentals payable under operating leases as at 31 December 2008 are as follows:

Within one year	4,276
After one year not more than five years	17,103
	21,379

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25. SEGMENT REPORTING

The Group comprises the following main business segments:
• Insurance: providing a range of insurance and reinsurance services to Qatar Petroleum ("QP") and its subsidiaries.
• Aviation: provider of helicopter transportation services in Qatar. Also operating as a provider of helicopter transportation services in Middle East and North Africa (MENA region).
• Drilling: drilling and drilling–related services to the QP Group and its international co- ventures.

	Insurance	Drilling	Aviation	Un-allocable portion	Total
Total revenue	77,725	545,859	323,218	-	**946,802**
Direct costs	-	(257,161)	(182,843)	-	**(440,004)**
Gross profit	77,725	288,698	140,375	-	506,798
Other income	29,436	6,424	135	-	**35,995**
Impairment on available-for-sale investments	(16,135)	-	-	-	**(16,135)**
Net losses on financial assets at fair value through profit or loss	(2,757)	-	-	-	**(2,757)**
General and administrative expenses	(22,165)	(51,485)	(10,343)	(6,230)	**(90,223)**
Results from operating activities	66,104	243,637	130,167	(6,230)	**433,678**
Finance income	16,691	596	1,036	665	**18,988**
Finance expenses	-	(22,101)	(7,461)	-	**(29,562)**
Share of profit from an associate	-	-	303	-	**303**
Net profit for the period	**82,795**	**222,132**	**124,045**	**(5,565)**	**423,407**

	Insurance	Drilling	Aviation	Un-allocable portion	Total
Assets					
Property, plant and equipment	50,967	1,189,627	569,927	-	**1,810,521**
Investment properties	-	-	1,205	-	**1,205**
Investment in an associate	-	-	1,216	-	**1,216**
Available-for-sale investments	45,946	-	-	-	**45,946**
Total non-current assets	96,913	189,627	572,348	-	1,858,888
Inventories	-	32,365	30,500	-	**62,865**
Due from related parties	27,568	181,276	53,686	-	**262,530**
Receivables and prepayments	107,669	32,635	133,112	414	**273,830**
Insurance receivables	187,256	-	-	-	**187,256**
Financial assets at fair value through profit or loss	73,126	-	-	-	**73,126**
Cash and bank balances	448,336	56,817	62,050	25,860	**593,063**
Total current assets	843,955	303,093	279,348	26,274	1,452,670
Total assets	**940,868**	**1,492,720**	**851,696**	**26,274**	**3,311,558**

For the period ended 31 December 2008 in thousands of Qatari Riyals

25. SEGMENT REPORTING (CONTINUED)

	Insurance	Drilling	Aviation	Un-allocable portion	Total
Liabilities					
Loans and borrowings – long term portion	-	647,995	221,626	-	869,621
Provision for employees' end of service benefits	210	1,545	5,653	-	7,408
Total non-current liabilities	**210**	**649,540**	**227,279**	**-**	**877,029**
Due to related parties	1,786	7,044	796	25,350	34,976
Accounts payable, insurance payables and accruals	462,777	75,388	55,935	2,304	596,404
Loans and borrowings – current portion	-	100,473	46,464	-	146,937
Bank overdrafts	-	1,584	1,525	-	3,109
Total current liabilities	**464,563**	**184,489**	**104,720**	**27,654**	**781,426**
Total liabilities	**464,773**	**834,029**	**331,999**	**27,654**	**1,658,455**
Capital expenditure	52,424	116,128	227,305	-	**395,857**
Depreciation	1,719	97,420	35,049	-	**134,188**

26. FINANCIAL INFORMATION OF THE JOINT VENTURES

The following table is the summarised financial information of the Group's investment in joint ventures:

	Gulf Drilling International Q.S.C.	Al Fareej Real Estate Company Q.S.C.*	31 December 2008
Share of joint venture's balance sheet			
Current assets	303,093	119,899	422,992
Non-current assets	1,189,627	46,866	1,236,493
Current liabilities	(164,977)	(1,786)	(166,763)
Non-current liabilities	(649,540)	-	(649,540)
Share of net assets	**678,203**	**164,979**	**843,182**
			Total 2008
Share of joint venture's income statement			
Share of net profit / (loss) for the period	**248,933**	**(20)**	**248,913**

* Al Fareej Real Estate Company Q.S.C. is a joint venture of Al Koot Insurance and Reinsurance Company Q.S.C., a subsidiary of Gulf International Services Q.S.C.

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Overview
Financial instruments of the Group represent the Group's financial assets and liabilities. Financial assets include cash and bank balances, insurance receivables, investment in securities and certain other assets. Financial liabilities include loans and borrowings, bank overdrafts and certain other liabilities. Accounting policies for financial instruments are set out in note 3.

The Group has exposure to various risks from its use of financial instruments. These risks can be broadly classified as:
• insurance risk
• credit risk
• liquidity risk
• market risk, and
• operational risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management & governance framework of the Group

The primary objective of the Group's risk and financial management framework is to protect the Group's shareholders from events that hinder the sustainable achievement of the set financial performance objectives. Key management recognizes the critical importance of having efficient and effective risk management systems in place.

Regulatory framework
The operations of the Group are subject to regulatory requirements within the State of Qatar.

a) Insurance risk
The principal risk the Group faces under insurance contracts is that the actual claims and benefit payments, or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

The Group manages the insurance risk through the careful selection and implementation of its underwriting strategy guidelines together with adequate reinsurance arrangements.

The Group, in the normal course of business, in order to minimise financial exposure arising from large claims, enters into contracts with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is effected under facultative and excess-of-loss reinsurance contracts.

Key assumptions
The principal assumption underlying the estimates is the Group's past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example once-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Other key assumptions include variation in interest rates and delays in settlement.

For the period ended 31 December 2008 in thousands of Qatari Riyals

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Sensitivities

The general insurance claims provision is sensitive to the above key assumptions. The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant showing the impact on liabilities and net profit.

	Change in assumptions	Impact on Liabilities	31 December 2008 Impact on Net Profit
Incurred claims	+10%	8,623	(8,623)
	-10 %	(8,623)	8,623

Claims Development

The Group maintains strong reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The uncertainties about the amount and timing of claim payments are normally resolved within one year.

b) Credit risk

Credit risk is the risk that an obligor or counterparty will fail to meet its obligations in accordance with agreed terms. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and economic sector risk).

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each counter party. The demographics of the counter parties, including the default risk of the industry and country, in which a counter party operate, has less of an influence on credit risk.

Management has established a credit policy under which each new counter party is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases Bank references. Purchase limits are established for each counter party, which represents the maximum open amount without requiring approval from the senior management; these limits are reviewed quarterly.

Exposure to credit risk

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

	Carrying amounts 31 December 2008
Cash and bank balances	593,063
Insurance receivables	187,256
Other receivables	195,464
Due from related parties	262,530
	1,238,313

For the period ended 31 December 2008 in thousands of Qatari Riyals

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

Cash and bank balances

Credit risk on bank balances is limited as they are placed with local and foreign banks having good credit ratings assigned by international credit rating agencies.

Insurance receivables

The maximum exposure to credit risk for insurance receivables at the reporting date was equal to the receivables amount disclosed in the balance sheet. All receivables are relating to receivables within GCC countries.

Other receivables

The maximum exposure to credit risk for certain other receivables at the reporting date was equal to the receivables amount disclosed in the balance sheet. All receivables are relating to receivables within the country.

Due from related parties

The maximum exposure to credit risk for certain due to related parties at the reporting date was equal to the receivables amount disclosed in the balance sheet. All receivables are relating to due from related parties within the country, except for certain insignificant due from related parties located in India.

Age analysis of financial assets is as follows:

31 December 2008	Neither past due nor impaired	Past due but not impaired <30 days	31 to 60 days	61 to 90 days	91 to 120 days	Above 121days	Past due and impaired	Total
Cash and bank balances	593,063	-	-	-	-	-	-	593,063
Insurance receivables	68,748	48,934	8,383	5,218	1,874	54,099	-	187,256
Other receivables	146,976	10,897	8,796	9,654	4,328	5,911	8,902	195,464
Due from related parties	167,984	55,863	15,864	5,643	3,629	-	13,547	262,530
Total	**976,771**	**115,694**	**33,043**	**20,515**	**9,831**	**60,010**	**22,449**	**1,238,313**

Concentration risk

Concentration risk is any single exposure or group of exposures with the potential to produce losses large enough to threaten the Group's health or ability to maintain its core operations. Such concentrations include:

• Significant exposures to an individual counterparty or group of related counterparties
• Credit exposures to counterparties in the same economic sector or geographical region
• Credit exposures to counterparties whose financial performance is dependent on the same activity or commodity
• Indirect credit exposures arising from the Group's credit risk mitigation activities (e.g. exposure to a single collateral type or to credit protection provided by a single counterparty).

As at the balance sheet date, the top 3 insurance companies account for 94%
of the total insurance receivables, the top 3 investments account for 73% of total available-for-sale investments.

Except for reinsurance share of outstanding claims, in respect of all other financial assets the counter parties are located in the State of Qatar only.
In respect of reinsurance arrangements, the Company deals with reinsurers through an internationally reputed insurance broker and 90% of total reinsurance arrangements are with reinsurers located in Europe and United States of America.

For the period ended 31 December 2008 in thousands of Qatari Riyals

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

c) Liquidity risk
Liquidity risk is the potential loss for the Group arising from its inability either to meet its obligations or fund the assets without incurring unacceptable costs or losses.
Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted such as natural disasters.

Residual contractual maturities of financial assets and liabilities
The following table sets out the maturity profile of the Group's financial assets and financial liabilities. The contractual maturities of financial assets and financial liabilities have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date. Management monitors the maturity profile to ensure that adequate liquidity is maintained. The Group's expected cash flows on these instruments do not vary significantly from this analysis.

Maturity profile
The maturity profile of the Group's financial assets and financial liabilities as at 31 December 2008 is as follows:

GROSS UNDISCOUNTED CASHFLOWS

	On Demand	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	Over 3 years	Total
Assets							
Cash and bank balances	217,484	-	375,579	-	-	-	593,063
Insurance receivables	22,916	71,850	71,850	10,467	10,173		187,256
Other receivables	66,139	80,837	13,601	34,887	-	-	195,464
Due from related parties	117,589	50,395	85,274	9,272	-	-	262,530
Available-for-sale investments	-	45,946	-	-	-	-	45,946
Financial assets at fair value through profit or loss	-	73,126	-	-	-	-	73,126
	424,128	**322,154**	**546,304**	**54,626**	**10,173**	**-**	**1,357,385**
Liabilities							
Loans and borrowings	-	36,734	36,734	73,468	376,687	492,935	1,016,558
Due to related parties	-	34,976	-	-	-	-	34,976
Insurance and other payables	-	287,077	86,473	-	9,608	19,216	402,374
Bank overdrafts	-	3,109	-	-	-	-	3,109
	-	361,896	123,207	73,468	386,295	512,151	1,457,017
Maturity gap	**424,128**	**(39,742)**	**423,097**	**(18,842)**	**(376,122)**	**(512,151)**	**(99,632)**

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27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

d) Market risk
Market risk is the risk of losses in both on and off balance sheet positions arising from movements in market prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Market risk has three main components:
• Foreign exchange risk
• Interest rate risk, and
• Other price risk.

(i) Foreign exchange risk
The Group does not hedge its currency exposure. However, management is of the opinion that the Group's exposure to currency risk is minimal as there are no significant items of financial assets and liabilities that are denominated in foreign currencies other than US Dollar which is pegged to the Qatar Riyal.

(ii)Interest rate risk
Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risk profile
The following table sets out the profit rate risk profile of the Group's financial assets and liabilities as at 31 December 2008:

	Effective profit rates	1 – 3 Months	3 – 12 Months	1 – 5 Years	Over 5 Years	Non interest based	Total
Assets							
Cash and bank balances	4.17%	142,870	375,579	-	-	74,614	593,063
Insurance receivables		-	-	-	-	87,256	187,256
Other receivables		-	-	-	-	195,464	195,464
Due from related parties		-	-	-	-	262,530	262,530
Available-for-sale investments		-	-	-	-	45,946	45,946
Financial assets at fair value through profit or loss		-	-	-	-	73,126	73,126
		142,870	**375,579**	**-**	**-**	**838,936**	**1,357,385**
Liabilities							
Loans and borrowings	3.99%	36,734	110,202	869,622	-	-	1,016,558
Due to related parties		-	-	-	-	34,976	34,976
Insurance payables and other payables		-	-	-	-	402,374	402,374
Bank overdrafts	5.5%	3,109	-	-	-	-	3,109
		39,843	110,202	869,622	-	437,350	1,457,017
Maturity gap		**103,027**	**265,377**	**(869,622)**	**-**	**401,586**	**(99,632)**

For the period ended 31 December 2008 in thousands of Qatari Riyals

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

d) Market risk (continued)

(ii) Interest rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and income statement by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss		Equity	
	100 bps increase	100 bps decrease	100 bps increase	100 bps decrease
31 December 2008				
Loans and borrowings	1,017	1,017	1,017	1,017
Cash flow sensitivity (net)	1,017	1,017	1,017	1,017

(iii) Equity price risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities.

The Group's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each sector. The Group has no significant concentration of price risk.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on net profit and equity.

		31 December 2008	
		Financial assets through P&L	**Available for sale Investments**
	Change in variable	Impact on net profit	Impact on equity
Qatar Market	+10%	7,313	4,594
Qatar Market	-10%	(7,313)	(4,594)

e) Operational Risk

Operational risk is the risk of loss arising from systems and control failures, fraud and human errors, which can result in financial and reputation loss, and legal and regulatory consequences. The Group manages operational risk through appropriate controls, instituting segregation of duties and internal checks and balances, including internal audit and compliance.

For the period ended 31 December 2008 in thousands of Qatari Riyals

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

f) Capital management

The Group's policy is to maintain a strong capital base so as to maintain shareholder, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net profit or loss divided by total shareholders' equity.

The Group's objectives when managing capital are:

to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

Gearing ratio

	2008
Loans and borrowings	1,016,558
Bank overdrafts	3,109
Total debt	1,019,667
Total equity	1,653,103
Debt : Equity	0.62:1

28. FAIR VALUES AND CLASSIFICATION OF FINANCIAL INSTRUMENTS

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The estimated fair values of the Group's financial instruments are provided in the tables below.

	Fair value through profit or loss	Loans and receivables	Available for sale	Other amortized cost	Total carrying value	Fair value
Assets						
Cash and bank balances	-	593,063	-	-	593,063	593,063
Insurance receivables	-	187,256	-	-	187,256	187,256
Other receivables	-	195,464	-	-	195,464	195,464
Due from related parties	-	262,530	-	-	262,530	262,530
Available-for-sale investments	-	-	45,946	-	45,946	45,946
Financial assets at fair value through profit or loss	73,126	-	-	-	73,126	73,126
	73,126	**1,238,313**	**45,946**	**-**	**1,357,385**	**1,357,385**
Liabilities						
Loans and borrowings	-	-	-	1,016,558	1,016,558	1,016,558
Due to related parties	-	-	-	34,976	34,976	34,976
Insurance payables and other payables	-	-	-	402,374	402,374	402,374
Bank overdrafts	-	-	-	3,109	3,109	3,109
	-	**-**	**-**	**1,457,017**	**1,457,017**	**1,457,017**