Annual Report '09

الخليج الدولية للخدمات ش.م.ق

Gulf International Services QSC

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Gulf International Services QSC

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

"STEADY
GROWTH...
ASSURED
FUTURE"

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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 135.2 million ordinary shares and 1 special share.

The group head office is located at Qatar Petroleum Head Office, West Bay, P.O. 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.

GROUP OVERVIEW

INSURANCE AND REINSURANCE

Company History & Ownership

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, P.O. Box 24563, Doha, State of Qatar. Total headcount is 45, 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 3 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.

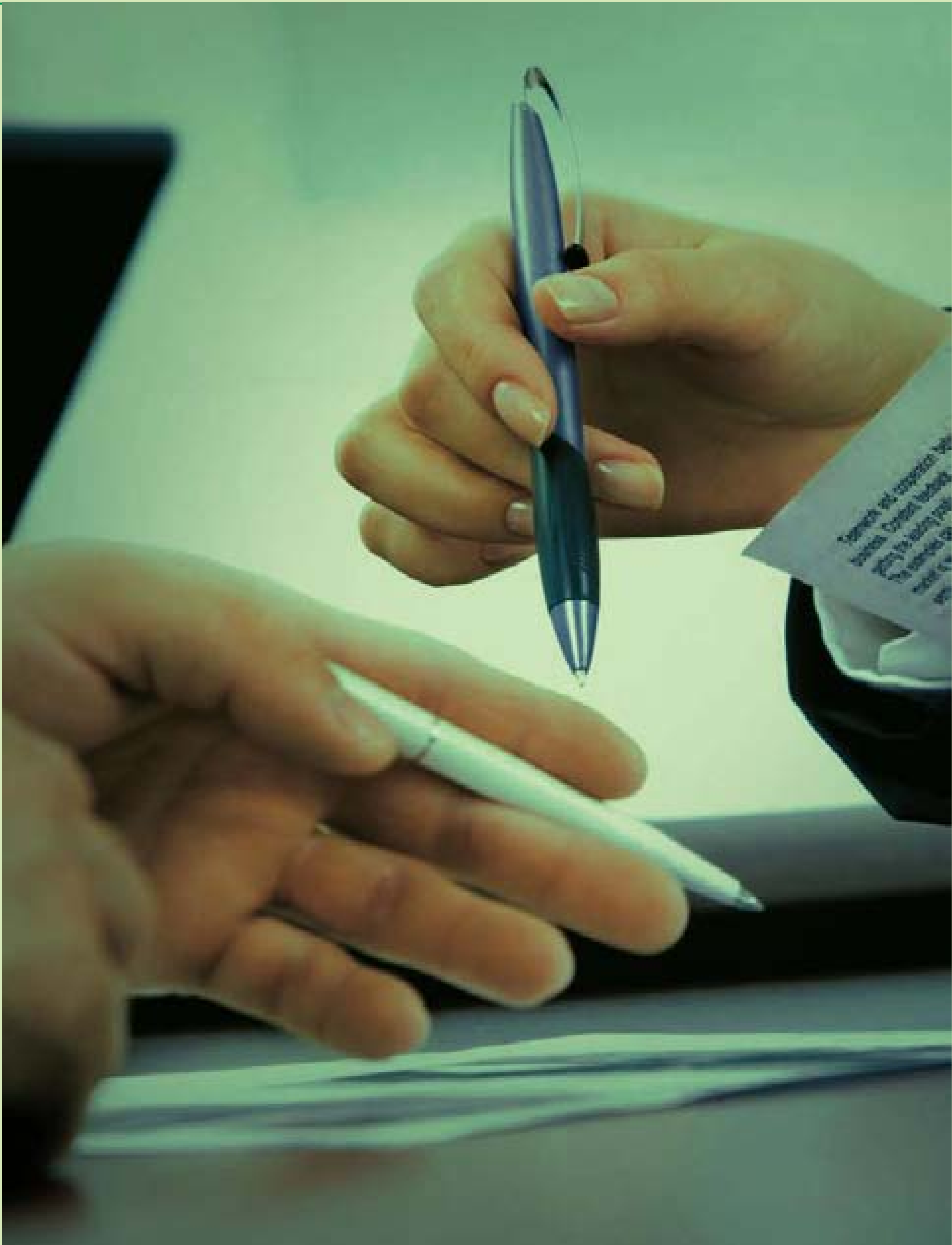
Reinsurance

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.



DRILLING SERVICES

Company History & Ownership

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, P.O. Box 9072, Doha, State of Qatar. Total headcount is 826, 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 wells suitable for oil and natural gas extraction. The drilling process typically consists of drilling boreholes to varying depths, sampling formation reservoir fluids to determine economic feasibility of production, and then installing pipes and instruments to produce reservoir fluids. GDI maintains a close relationship with Qatar Petroleum due to QP's indirect ownership; hence most of GDI's drilling rigs are currently contracted to QP or QP affiliates.

Offshore Rigs

GDI has 5 offshore 'jack-up' rigs of varying ages. Of them, Al-Wajbah (previously named "Gulf-3") was built in 1997 and underwent a complete refurbishment in 2006, while Al-Khor and Al-Zubarah are both brand new, state of the art rigs delivered within the last 3 years. Al-Doha (previously named "Gulf-1" and "Hakuryu-8"), was built in 1981 and modified in 1987. Gulf-2 (renamed "Al-Rayyan", previously named "Ensco 55") was built in 1982 and was purchased and refurbished by GDI in 2005. The older rigs have a maximum drilling depth of 6,000 meters, while the new rigs are rated for 9,000 meters.

Onshore Rigs

The company operates 4 onshore rigs. GDI-3 (workover rig) was purchased new in 2008 to replace a previously leased unit. GDI-4 was built and placed into service in 2006. GDI-1 and GDI-2 were built in the early 1980's and acquired by GDI from their previous owners. All of these rigs are rated to a maximum drilling depth of between 3,000 meters and 4,500 meters.

AL-ZUBARAH

HELICOPTER TRANSPORTATION SERVICES

Company History & Ownership

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, P.O. Box 811, Doha, State of Qatar. Total headcount is 355, split between operations, engineering and administration.

Licenses

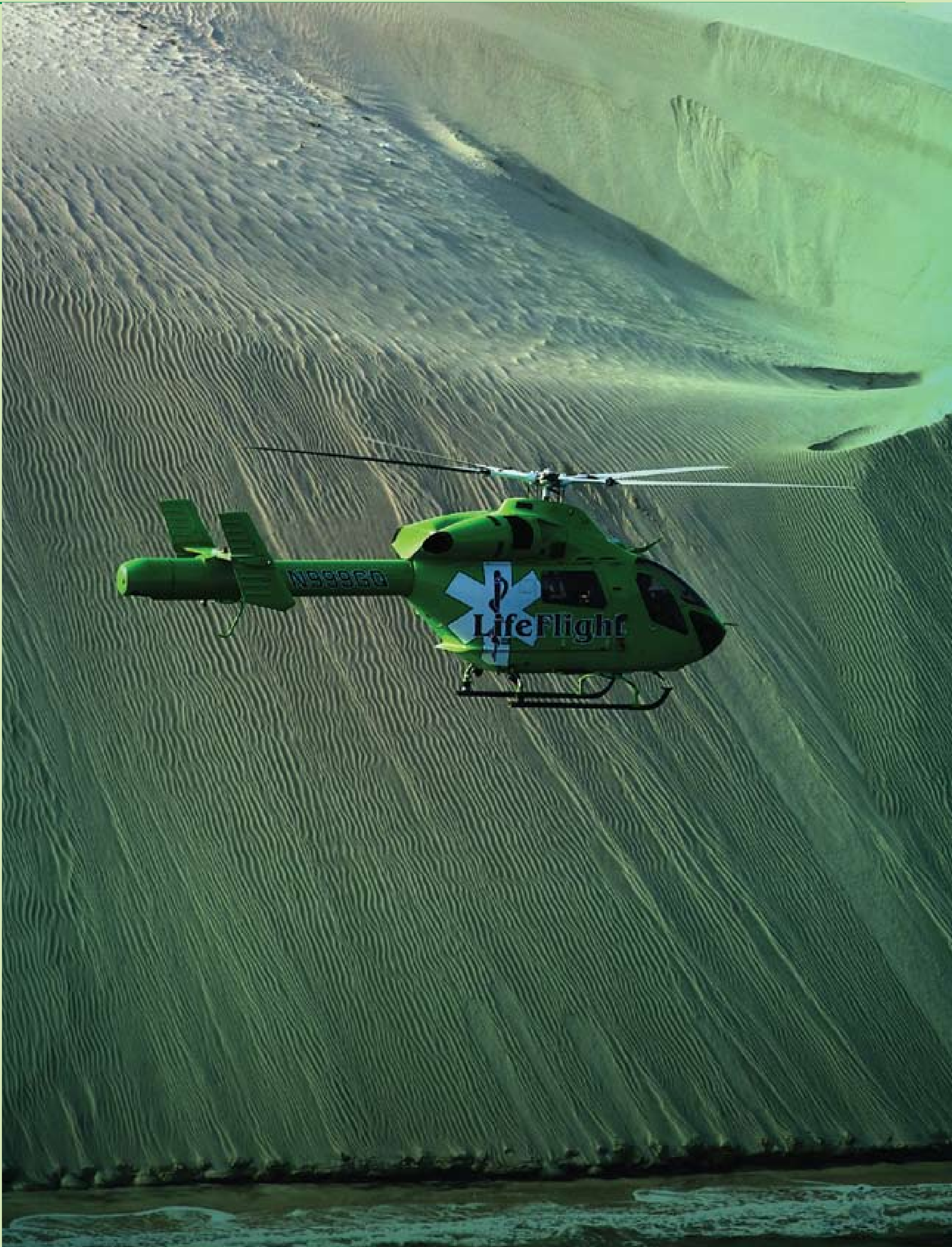
GHC holds an Air Operators Certificate issued by the Qatar Civil Aviation Authority. The company is recognised by the United States Federal Aviation Authority as an approved repair station and as a maintenance organization by both the European Aviation Safety Agency and the Qatar Civil Aviation Authority. GHC, through its Libyan subsidiary Al Maha, is registered with the Libyan Civil Aviation Authority and 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 offshore/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 31 helicopters and has under its registration 2 helicopters for the beneficial ownership of the Supreme Council of Health, State of Qatar. The majority of these helicopters are twin-engine Bell 412 or 212 class helicopters, with a seating capacity of 13 persons. The company also has 7 twin-engine Augusta Westland 139 helicopters, which can carry between 12 and 15 passengers, and 1 single-engine Augusta-Bell 206 that can seat 3 passengers.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BOARD OF DIRECTORS

H.E. Abdullah Bin Hamad Al-Attiyah

Deputy Premier, State of Qatar ¤ 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 Bin Hamad 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.

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 Rafee 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.

Ibrahim Jassim Al-Othman

Chief Executive Officer, Gulf-Drilling International

Member, Board of Directors

Mr. Al-Othman holds a BSc in Petroleum Engineering from University of Southern California and a MSc in Business Administration from the American University of Beirut. He has over 20 years of experience in the oil industry working in both the National and International oil Companies. He also represents QP on several Joint Venture Boards of Director.

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. He joined Gulf Helicopters Company in 1994, progressing through several management positions until 2003 when he was appointed General Manager (which was subsequently re-titled to Chief Executive Officer).

CHAIRMAN'S MESSAGE

Introduction

It is with great pleasure that I welcome you to the 2nd Annual General Assembly Meeting of Gulf International Services, Qatar's premier service group dedicated to the oil and gas industry.

GIS And The Global Recession

The past financial year marked the group's first full operational year since incorporation in February, 2008. The past year also witnessed the end of the worst global recession and financial crisis since 1929. Although exposed to international macroeconomic trends, GIS, like the State of Qatar, was also significantly insulated from the worst effects of the crisis:

- The drilling and insurance segments continued to serve the captive Qatar Petroleum group market, and the aviation segment benefited as the sole licensed aviation services operator in Qatar.
- Only one of the group companies was required to enter into new long-term debt obligations during the year, and so the average interest rate paid by the group slightly decreased during the year (weighted average of 1.9% versus 2.9% in 2008).
- Contract extensions until 2010 were granted to the 2 offshore drilling rigs that were due to become ex-contract, while all other rigs remained on contract at pre-recession daily rates.

Budget And Bussiness Plans

By the end of 2009, the group recorded revenue of QR 1.6 billion, an increase of 31.2% from 2008, and net profits of QR 565.0 million, an increase of QR 141.6 million on last year. Profitability also improved versus last year: 36.0% versus 35.4% in 2008. The group's strategic business plans for the coming 5 years envisage a wide range of projects and activities involving all group companies to support further growth:

- Current construction activity by Qatar Petroleum, notably QAPCO VI (due to commence in 2010), Barzan (2012) and QP / Exxon Mobil Petrochemical Project (2012), will benefit Al Koot in the short to medium term. Al Koot is also looking at a number of strategies to protect and grow the medical insurance line, which currently contributes circa 30% to insurance turnover.

- The critical challenge for the offshore drilling business is to drive further sustained profitability in a highly competitive environment; while for the onshore business, which is currently already dominated by Gulf Drilling International, the challenge is to identify new opportunities for growth. The business plan considers offering a range of new services and entering into a number of new joint ventures. The associated capital expenditure is expected to be significant; over the coming 5 years, a total of QR 1.5 billion will be spent (of which GIS' share is QR 1.0 billion), approximately half of which will be funded through internal funds.

- The future strategy for helicopter transportation services is built on 4 considerations: expanding current service offerings, modernisation of the local fleet, strengthening and expanding international services and providing new, innovative, related services. To support this vision, in 2010 Gulf Helicopters Company intends to purchase 5 new AW-139 helicopters and significantly increase its marketing spend.

- At the head office, further investments into investor affairs and public relations will be made to strengthen the level of service on offer to investors, both nationals and foreign.

Over the coming 5 years, group revenue is expected to grow by an average of 8.5% per annum, to QR 2.4 billion, with net profits of QR 662.0 million.

Conclusion

In conclusion, I would like to thank H.H. the Emir of the State of Qatar 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 & Industry
Chairman and Managing Director

Figures for 2008 represent the eleven month period from February 12, 2008 (date of GIS incorporation) to December 31, 2008 (GIS year end). References to future years refer to complete financial years.

BOARD OF DIRECTORS REPORT

Introduction

The Board of Directors is pleased to present their 2nd Report on the operations and finances of Gulf International Services, the largest service group in Qatar, with interests in a broad cross-section of industries, ranging from insurance, reinsurance, fund management, onshore and offshore drilling, helicopter transportation, aviation repair and maintenance and facilities management.

Impact Of The Global Recession

Although largely insulated from the worst effects of the global recession and financial crisis, the group's results for the financial year ended December 2009 were impacted, albeit in a less significant manner than expected:

- The economic downturn coupled with subdued drilling activity in the region increased the intensity of competition for the group's jack-up rigs, affecting daily rates.
- Borrowing for new helicopter acquisitions was at a premium, although this was partially mitigated by the low level of LIBOR.
- Depressed stock market activity and prices, and low interest rates affected both the net asset position and level of other income within the insurance business.

Profitability was also impacted by general, non-recession related factors: in the insurance segment, a number of large claims affected gross margins, and heightened competition following the introduction of new capacity put downward pressure on re-insurance rates. During the last financial year, the group also acquired 3 new AW 139 helicopters, disposed of 1 older helicopter at an attractive rate and booked a realised gain, increased share of market for aviation services in Libya and Yemen, and consolidated its medical insurance service.

Cost Control & Contingency Plans

Towards the end of 2008 and in anticipation of a protracted economic slowdown, senior management of all group companies were instructed to construct contingency plans to reduce unnecessary operational and head office expenses, defer non-essential capital expenditure and increase cash generation through more efficient management of working capital. The net impact of these measures was an improvement of gross profit margin against budget (39.5% versus 35.6%), significant general and administrative expense savings and a less than expected deterioration of working capital of QR 54.4 million.

Summary Results

The Board of Directors is pleased with the year end results: gross revenue of QR 1.6 billion exceeded the group budget target by QR 0.1 billion, and the net profit result of QR 565.0 million exceeded the target by QR 124.0 million. The net profit margin of 36.0% was not only an improvement on the previous year (35.4%), but also significantly better than budget (31.1%). With net assets growing by QR 397.1 million to QR 2.1 billion, a debt to equity ratio of 42.0% and substantial cash reserves (QR 716.8 million), the Board of Directors is confident that the group is well-positioned for a successful 2010.

Dividend Annoucement

The Board of Directors is pleased to recommend a total annual dividend distribution for the year ended December 31, 2009 of QR 229.8 million, equating to a dividend payout of QR 1.70 per share and representing 17.0% of our share capital.

Conclusion

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.

Figures for 2008 represent the eleven month period from February 12, 2008 (date of GIS incorporation) to December 31, 2008 (GIS year end). References to future years refer to complete financial years.

FINANCIAL REVIEW

Consolidated Statement Of Comprehensive Income

Revenue across the group grew by 31.2%, with all segments and geographical markets contributing positively. This overall growth was accompanied by prudent cost control measures, but depressed interest rates and stock market prices, and the imposition of the government's compulsory 2.5% contribution to the Social Fund, resulted in net profits for the year ended growing by 33.4% to QR 565.0 million. In addition, all group companies exceeded their 2009 full year budget targets.

Revenue

Of the Group's revenue growth of 31.2% or QR 373.0 million, QR 147.5 million of the growth can be attributed to the fact that the previous financial period was for the eleven month period from February (date of incorporation) to December, 2008 only.

Insurance

Despite weakness in the insurance sector which led to generally depressed insurance rates in 2009, gross insurance revenue nevertheless grew by 40.5% to QR 460.0 million. The increase can be primarily attributed to an increase in the share of AXA premiums and improvements in net commission income (management fee and reinsurance commission). The impact of the 11-month prior year comparative is estimated as QR 44.4 million.

Aviation Services

Driven by the acquisition in 2009 of 3 new helicopters, buoyant demand and resilient rates in the local Qatari market, more aggressive overseas marketing, and increases in market participation in Libya, Yemen and Oman, total revenue from regional operations increased year-on-year by 29.9% or QR 96.5 million. Unscheduled maintenance or downtime during the year did not have a material impact on revenue.

Drilling Services

High utilisation rates for all onshore and offshore drilling rigs offset the reduced daily rate on two new contract extensions negotiated in 2009, leading to total revenue of QR 692.0 million. The year-on-year growth of 26.8% was also aided by a weak prior year base, as

2009 was the first full operating year for 2 rigs: Gulf-3 and Al-Zubarah. The drilling business remains the single largest contributor to group revenue (2009: 44.1%; 2008: 45.6%;).

Operating Costs

Direct costs were affected by the weak operating environment, increasing by 36.1%. In the insurance segment, direct costs were adversely affected by increases in net reinsurance cessions and net claims paid. In aviation services, subdued demand for pilots and engineers was partially offset by increases in non-payroll related expenses, resulting in a marginal decrease in direct costs, as a percentage of aviation revenue, by 1.6%. Additional rig operating days and increases in manpower and base camp expenses were the principle drivers behind the year-on-year increase in the drilling segment; but, despite the subdued daily rates, direct costs expressed as a percentage of onshore and offshore drilling revenue, decreased marginally from 47.1% to 47.0%.

Despite the cost control programs instituted by the group companies, general and administrative costs increased across the group by 13.7%, due primarily to the incomplete prior year, with significant increases in the drilling and insurance businesses. Headcount across the group increased by 39 full-time employees to 1,226, with nationals representing 10.5% (2008: 10.8%).

Other Income And Expenses

Service fees received from QP, interest and dividend income, gains from the sale of securities, share of profits from associates and insurance claim proceeds were the principal sources of other income during the year. Collectively, they contributed QR 53.4 million to GIS' 2009 results, significantly more than 2008. Other than the incomplete prior financial year, this change can also be attributed to depressed LIBOR rates, poor returns from companies listed on the Qatar Exchange and poor investor sentiments in Qatar. Other income was also boosted by a realised gain on sale from the sale of 1 helicopter generated an additional QR 7.7 million. The year-on-year change in other income was also attributable to a significant write-down on available for sale investments in 2008, of QR 16.1 million.

Net Profit And Key Ratios

Group profits increased by 33.4% with a moderate improvement of margin profitability from 35.4% to 36.0%. Gross interest cover, a measure of the group's ability to honour debt

repayments and hence solvency, improved to a creditable 34 times, while return on equity, a measure of shareholder profitability, was 27.6% (2008: 25.6%). Basic and diluted earnings per share, another measure of shareholder returns, was QR 4.18 per share.

Consolidated Statement Of Financial Position

Spurred by the acquisition of 3 new helicopters and continued investment in capital works in progress, total assets grew to QR 3.7 billion, an increase of 11.3%. Driven by the group companies' cost rationalisation programs, working capital control initiatives limited the year-on-year increase in working capital to QR 54.4 million, mostly attributable to an increase in cash and cash equivalents (by QR 123.7 million), a decrease in creditor days (2009: 257.6 days; 2008: 312.0 days), and offset by decreases in debtor days (2009: 55.6 days; 2008: 83.5 days) and stock holding levels (2009: 16.1 days; 2008: 19.2 days). As at the end of 2008, GIS' acid test ratio (the ratio of current assets less inventory to current liabilities) was a commendable 1.71 (2008: 1.78). This ratio indicates the group's ability to manage short-term commitments versus working capital needs.

Group indebtedness decreased due to significant repayments during the year, including the full repayment of 2 short-term loans to fund helicopter purchases. Gearing, a measure of the group's solvency and exposure to indebtedness, decreased to 29.5%. With 1 exception, all loans are at favourable spreads to LIBOR (between +0.6% and +1.05%), and have maturities of between 1 and 7 years.

Consolidated Statement Of Cash Flows

The group continued to generate substantial cash flows from operating activities, net of investment needs, with free cash flows standing at QR 459.3 million by year end (2008: QR 323.1 million). Total cash and cash equivalents generated during the year was QR 128.3 million, with cash flows from financing activities adversely impacted by the repayment of the loan.

Figures for 2008 represent the eleven month period from February 12, 2008 (date of GIS incorporation) to December 31, 2008 (GIS year end). References to future years refer to complete financial years.

STRATEGIES FOR GROWTH

INSURANCE AND REINSURANCE SERVICES

Non-Medical Insurance And Reinsurance

Al Koot's core non-medical business covers construction and operations insurance, both onshore and offshore, and marine hull, machinery and cargo reinsurance, for Qatar Petroleum and its affiliated companies.

Industry trends over the coming 5 years will be heavily influenced by the macroeconomic environment, especially key commodity prices and their impact on construction projects, the level of natural and man-made disasters, and the risk appetite of the main international reinsurance players. Broadly speaking, however, expectations are that the industry will see an increase in capacity over the coming 3 years and a softening of rates, with sustained improvements only being realised towards the middle of the coming decade. Current construction activity by Qatar Petroleum, notably QAFCO VI (construction due to commence in 2010), Barzan (2012) and QP / Exxon Mobil Petrochemical Project (2012), will benefit Al Koot in the short to medium term.

There are currently no plans to enter into any strategic alliances or launch any new services in the non-medical field, or to change the current risk management strategy.

Medical Insurance

In 2007, the "Al Koot Global Care Plan" was launched with AXA, primarily targeting oil and gas companies within Qatar Petroleum. Since then, the scheme has attracted several non-oil and gas companies, like Qtel and Qatar National Bank. During 2008, Al Koot's market share increased to 70%. This share is likely to increase further to 80% in 2010 due to new non-QP business. Medical insurance is the single fastest-growing segment and currently contributes circa 30% to insurance turnover. Strategies to protect and grow this line of business are focused on better understanding customer needs, more effective monitoring of service providers through planned and unplanned audits, and identifying and responding to emergent trends, both from current and new competitors, and from within the industry itself.

DRILLING SERVICES

Offshore Jack-Up Drilling

The critical challenge for the offshore drilling business is to drive further sustained profitability in a highly competitive environment tending towards commoditisation.

Current / Core Business

In the short to medium term, the number of rigs available to provide fundamentally similar services is expected to continue increasing, while the macroeconomic environment, characterised by oil prices in the US$60 to US$90 range, may not be conducive to widespread increases in exploration. Against such a backdrop and as the rig fleet progressively becomes ex-contract, the core offshore drilling business, which currently accounts for over 90% of drilling revenue, could sustain falling utilisation and daily rates in the short term. While acknowledging that the oil exploration business is fundamentally cyclical, conventional wisdom suggests that the drilling business may not emerge into a sustained upward growth trend until the later part of the current 5 year planning period.

It is expected that gross margins might further drop, not only due to the above-mentioned decreases in utilisation and daily rates, but also because highly trained and key staff will be retained even during prolonged rig lay-offs, driving up the manpower element of direct costs. This approach, although potentially more expensive in the short term, is considered to be more prudent in the medium to long term, especially considering the difficulty of sourcing highly trained operators and the time and investment required to train them. Routine maintenance, consisting of overhauling equipment, upgrading of facilities, replacing of engines and the like, for all 5 offshore rigs has also been factored in.

New Ventures

Critical to growth will be diversifying into associated services and entering into new ventures with suitable regional partners. Senior management of Gulf Drilling International, GIS' 70% subsidiary, are actively considering a number of new activities that are complementary to the core offshore drilling competency. The largest of these opportunities maybe realised during 2010. In total, these opportunities are expected to contribute an additional 30% to 35% to revenue, over the current planning cycle.

Given the current state of the regional drilling industry, *viz.* heightened competition and reduced exploration activity and the recent commissioning of the new, state of the art rigs, Al-Zubarah, in 2008, and Al-Khor, in 2007 as well as the refurbishment of Gulf-3 that was

completed in 2006, there are no plans to purchase outright any new offshore jack-up rigs or fundamentally overhaul existing rigs. However, this does not preclude the possibility of acquiring discounted rigs from distressed operators, leasing rigs or entering into joint ventures with other entities, contingent on guarantees that either such rigs will be on contract and substantially utilised during their economic lives, or that business risks will be shared with the leasor or joint venturer. The current business plans provides for a shared interest in an additional rig, adding an additional 5% to 6% to existing revenues.

Onshore Drilling

For the onshore business, which is currently dominated by GDI, the key challenge is to identify new opportunities for growth.

Current / Core Business

Given the local market's current saturation and GDI's *de facto* monopoly position, attributable to limited demand and a single buyer (*i.e.* Qatar Petroleum) creating barriers to entry, further growth opportunities in the core business within Qatar are limited. There is capacity for possibly 1 additional land rig for use in Qatar. With steady daily rates and utilisation, gross margins are expected to remain consistent with current levels.

New Ventures

Growth opportunities within the GCC market are under discussion and are expected to be operational in the first quarter of 2011. If successful, they will add an incremental 5% to 6% to current onshore operations, at a consistent margin level.

Capital Expenditure And Financing

The total capital expenditure budgeted for the purchase of fixed assets, or interests in fixed assets, maintenance, investment in joint ventures, upgrading and consolidation of the base camp and central warehousing facilities, and ancillary capital works programs, is estimated at QR 1.5 billion, with GIS' share totalling QR 1.0 billion. Approximately 50% of these activities will be funded through internal funds, with the remainder through 7-year loans.

HELICOPTER TRANSPORTATION SERVICES

Due to regulatory restrictions, GIS enjoys monopoly status within the Qatari helicopter transportation services market. The challenge is to increase the current suite of services, identify new opportunities and expand the international offering.

Aviation

Current / Core Business

Over the coming 5 years, core transporting operations are expected to continue with the current client base, which includes most of the locally-based large oil and gas players like Qatar Petroleum, RasGas, Qatargas, Maersk Oil, Occidental, Oxy, Total and Dolphin Energy, continuing to provide the majority of demand. With minimal hourly rate inflation and flying hours expected to be broadly consistent with 2009, revenue growth within core operations is envisaged through replacing older Bell 412 helicopters with new, higher rate AW-139 units. Overall operating margins within the local core business are expected to be flat as the higher revenue earned is offset by operating cost increases due to salary inflation, insurance premiums and accelerated acquisition depreciation.

Further marginal growth opportunities have been identified by increasing the number of helicopters operating under the North African and Indian joint ventures.

New Ventures / Activities

In 2008, Gulf Helicopters Company launched a helicopter medical evacuation service with Qatar's National Health Authority. This service, called HEMS ("Helicopter Emergency Medical Service"), currently uses 2 specially adapted helicopters based at the main general hospital in Doha, Hamad Hospital. Expanding this service to include offshore rescue is currently under consideration, along with hoist and winch operations, like search and rescue. Opportunities in non-related operations, like aerial photography and tourism-related activities, are also being investigated. These services are expected to continue to command a premium operating margin.

It is expected that the number of helicopters available for international duty will increase to 8 by the end of 2010, and that the operations in Yemen as well as the current joint ventures in Libya and India will not be able to fully utilise this additional supply. Accordingly, new joint ventures are being actively investigated, principally in the GCC region, North Africa

and Asia. Significant marketing spend is likely to be incurred in the short to medium-term to support these new ventures.

Non-Aviation

Non-aviation revenue, like residential rental income, proceeds from the UK procurement office, engineering support to third parties and miscellaneous services, currently accounts for less than 2.3% of current revenue. No material change in these services is currently under consideration.

Capital Expenditure And Financing

Replacing older Bell 412 helicopters with new AW-139 helicopters is critical to revenue growth within Qatar and expanding the domain of services in Asia and North Africa. The newer units will be used within Qatar and the older ones marketed overseas. A total of 5 helicopters are expected to be purchased in 2010, at a cost to GIS of QR 197.0 million.

HEAD OFFICE

Qatar Petroleum, the controlling shareholder, provides all of the head office functions for GIS through a comprehensive services directive. In 2010, QP intends to invest further in many of the head office functions of GIS, like:

- Consolidation and Group Reporting, with the aim of shortening the reporting cycle and publishing financial results earlier.
- Investor Affairs, with the regular publication of detailed investor presentations, hosting of road shows and attendance at more investor conferences. Most importantly, the investor affairs team will remain accessible for queries from all investors, both nationals and non-nationals, potential or existing, Arabic or English-speaking.
- Public Relations, with regular maintenance of the GIS website and better utilising it as a portal to communicate with stakeholders. In addition, the PR team aims to increase the visibility of the group, both within Qatar and the wider region.
- Corporate Governance by ensuring the group as a whole is complying with relevant regulatory and statutory rules for listed companies.
- Human resources by identifying and developing suitable nationals for key posts.

The total budget for the GIS head office is approximately QR 11.0 million per annum.

INTERVIEW WITH THE CEO OF AL KOOT

MR. AHMAD AL-EMADI

Financial Results In 2009

Briefly comment on economic trends noted during the year which would have affected insurance and reinsurance markets in Qatar, and what were your expectations for 2009?

« The beginning of 2008 showed some signs of insurance market softening as a result of the introduction of new capacity in the markets and this followed into 2009 with rates continuing to drop. Further, the economic crisis reduced the ability of reinsurance markets to offer their clients as much capacity as before due to constraints on their own capital bases. »

What major changes have you witnessed within your industry in 2009?

« Most notably a reduction in reinsurance capacity as a result of the economic crisis.»

What impact did the recent global economic recession and credit crunch have on your 2009 financial results?

« We have not really had any adverse impact on our financials due to the credit crunch as we are dealing with the QP group, and as such are not directly exposed to the outside market. The only adverse impact we suffered during the year was the result of lower premiums. »

Did the slowdown affect your operational expenditure?

« The economic slow down did not materially affect our operational expenditure plans.»

And against budget, how well did you perform?

« In spite of a difficult year where we suffered unusually high level of claims we managed to perform better than budget.»

How did the global recession and liquidity crisis affect Al Koot? Briefly comment on your liquidity levels, credit worthiness and credit risk.

« We have no borrowing in our books. Our 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 regards to reinsurance contracts, the risk to us is the extent that reinsurers fail to meet claims obligations under the reinsurance agreements. This is taken care of by ensuring that our reinsurance business is placed with reinsurers who have acceptable international ratings from credit agencies such as S&P and Moody's. With respect to credit risk, as we deal only with local

and international companies of good repute and standing, our credit risk is minimal.»

Did falling interest rates have an impact?
« *Yes, this caused a lower return on our fixed cash deposits with the banks.* »

2010 And Beyond

Are there any plans to launch any new services in 2010?
« *Yes, we shall be insuring LNG vessels in addition to aluminium and steel projects.* »

Can you briefly comment on the competitive outlook for insurance and reinsurance in 2010, specifically with regards to severity of competition and emergence of new competitors?
« *The outlook for the insurance market greatly depends on available capacity, new capacity entering the market or major players exiting. It is a matter of supply and demand interactions. There is generally a great appetite for non-catastrophic risks, like Qatari energy risk, and we expect competition from underwriters for Qatari business to continue throughout 2010. The effects of this will be transcending to the local insurance markets boosting competition for such risks.*

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 footing as Al Koot in the near future. Al Koot is not competing directly with the local insurance market however, the market is shared (on the insurance level) between Al Koot and other national insurance companies in agreed percentages corresponding to QP's interest. At the moment, Al Koot has no plans to increase its market share. However, reinsurance capacity is increasing as the global recovery in stock markets leads to a recovery in reinsurers' balance sheets. »

What downward pressures on insurance and reinsurance margins are expected in 2010?
« *With regards to downward pressure on reinsurance margins, assuming that the issue here is reinsurance profitability, Al Koot's margins are unlikely to reduce should market trends continue. However, if the market softens dramatically, then Al Koot's returns are likely to be affected.*»

What is your growth strategy for the next 5 years? Do you expect to launch new services, enter into new markets, or the like?

« *We do not expect to launch any new services - new business shall be achieved through new QP projects commencing during the period. Likewise, we have no plans to enter into new markets, acquire other firms or form any alliances or joint ventures. However, we shall be intensifying our business development efforts within the QP group of companies and improving customer care.* »

General Questions

Briefly outline your risk management framework.

« Al Koot has in place a reinsurance facility protecting its full exposures arising out of the onshore and offshore operational risks accepted. The maximum retention under the facility is $40 million (100%) but never exceeds $20 million for its interest in any one accident or occurrence and in the aggregate for all interests combined. Al Koot's maximum acceptance is 50%. Therefore, irrespective of the number and magnitude of losses, Al Koot's share of total losses shall not exceed $20 million in the aggregate, during any one underwriting year, i.e. 1st April to 31st March. »

What would you consider to be Al Koot's main competitive advantages?

« Mostly, being a captive insurer, and not having to compete with local insurance companies. Secondly, being a subsidiary of Qatar Petroleum, and thirdly, the fact that we specialize and dominate the energy and medical insurance markets. »

“INTERVIEW WITH THE CEO OF GULF DRILLING INTERNATIONAL

MR. IBRAHIM JASSIM AL-OTHMAN

Operations And Finance In 2009

What major changes did you witness within your industry in 2009?

« The biggest change in the industry that has been witnessed over the course of 2009 has been the tightening of the jack-up drilling rig market with the supply of drilling rigs outpacing demand by as much as 30%, which has in turn led to declining rig utilization and falling day rates.»

Did you enter any new markets or experience any significant changes in market share in 2009?

« We did not enter any new markets in 2009. Our share of the Qatar offshore rig market increased from 21% to 29% in 2009. Although we had the same number of offshore rigs deployed throughout the year (i.e. 5), the total number of offshore rigs deployed in Qatar fell from 24 to 17. GDI has had 100% of the onshore rig market for the last few years.»

Were there any scheduled or unscheduled shut-downs during the year? If yes, did they materially affect operations?

« Yes. We had both scheduled and unscheduled shut-downs during the year which is common for any international drilling contractor. A total of 91 days were taken for scheduled maintenance in 2009 compared to an original budget of 52 days. However, unscheduled downtime was just 1.2% against a KPI target of 2% which effectively saved 25 days of lost revenue. Overall, net lost revenue did not materially affect GDI's operations.»

How did you perform against your budget and business plan?

« GDI performed favourably against its budget and business plan in 2009. Revenue and net profit both exceeded budget. In response to the international financial crisis, we implemented several cost optimization measures to reduce expenses and improve profitability, and defer and / or eliminate non-essential capital expenditure. As a result, we managed to significantly reduce controllable expenditure, thereby improving overall profitability, and capital expenditures were materially under the original budget for the year.»

What impact did the recent global economic recession and credit crunch have on your liquidity levels and creditworthiness?

« GDI's liquidity levels were not impacted in 2009 by the global economic recession and credit crunch. All of our rigs remained on contract throughout 2009, all of our clients continued to meet their contractual obligations, and we continued to settle all of our obligations to vendors and suppliers according to contractual terms. GDI did not require any long term or short term debt during the year, and hence did not feel the effects of the credit crunch first hand. We remained in contact with our bankers throughout the year and they reported to us that available credit was extremely tight and that the terms to borrow would be several times more costly than our existing US dollar LIBOR linked term loans. Also, there was no change in the company's credit worthiness.»

2010 And Beyond

Looking forward to 2010 and beyond, what new services are you currently considering?

« We are working to diversify into a new line of business involving lift boats and jack-up barges that would perform platform maintenance, well intervention, work over and accommodation services for possible clients in the region. We see these vessels as being viable investment opportunities for GDI in Qatar and are focusing our efforts on developing such businesses.»

How about alliances or joint ventures, are there any plans to enter into any strategic partnerships in 2010?

« The possibility is under active consideration. We have identified companies that own drilling rigs, lift boats and jack-up barges that we could become joint venture partners with. Such companies could provide GDI with an attractive asset acquisition price, immediate access to assets that are ready for operations and immediate access to trained crews with prior operating experience. GDI, in turn, could provide such partners with a long-term contract for their assets. It is important to stress, however, that we are not currently negotiating any such arrangement.»

In 2008 you added 1 new state of the art rig (Al-Zubarah), are there any plans to expand the rig fleet further in 2010?

« In general, we would need to have a specific contractual requirement to fill before adding more drilling rigs to our fleet. In the ultra-competitive market that presently exists, such an opportunity may not be likely. However, we are keen to expand the fleet whenever an opportunity arises, subject always to timing, client requirements, and acceptable terms and conditions. »

Will all of the rigs be on contract?

« Contracts for all 5 of jack-up rigs will be expiring in 2010. Currently, we expect the expiring contracts for 3 rigs to be renewed at current market rates. The contracts for the fourth and fifth rigs will not be renewed by the current clients upon completion of the work now in progress.

In order to have all of our rigs on contract throughout 2010, we will need to secure new work for these 3 rigs. Keeping all of our jack-up rigs on contract in 2010 will be a challenge for GDI, but the senior management team are confident that we will be successful in sourcing new work.»

Are there any planned maintenance shut-downs scheduled in 2010?

« Yes. Gulf-2 is scheduled to go to the shipyard for approximately 60 days of planned maintenance in early 2010, while Al-Doha is schedule to be off for 21 days in mid-year to undergo various repairs while on location.»

General Questions

How critical is safety to GDI?

« GDI has prioritized safety as being the most essential attribute required for GDI to realize its mission of being a world class drilling services provider. GDI's IMS (Integrated Management System) contains 5 levels of statement, protocols, manuals, procedures, instructions with more than 120 documents, which have been approved and certified by BV (Bureau Veritas) for ISO 9001(Quality), ISO14001(Environment) and OHSAS 18001 (Health & Safety).»

How are GDI's Qatarization plans progressing?

« GDI is 2 years into a 5 year Qatarizaton Plan that is geared toward filling a number of tartgetted positions in the compay with Qatari nationals. We are steadily increasing our ranks with Qatari citizens at both the management and working levels of the company. The total number of nationals employed as of 31 December 2009 stands at 69.»

What would you describe as the company's main strengths?

« In my opinion, GDI has a number of strengths that have helped build the company to its current status as a market leader in Qatar. Firstly, GDI's close affiliation to QP gives us a significant advantage over our competitors in Qatar, particularly in a down-market cycle. Our close working relationship with QP helps improve the lines of communication and brings timely information to our attention. This strong affiliation also gives us access to low cost financing. In combination, these distinctive attributes have served to create a strong foundation for growth while lowering GDI's financial risk in both the investments it has undertaken and the new investments it is considering.

Secondly, we believe it is advantageous that GDI is owned by a locally listed company, Gulf International Services. Thirdly, GDI is currently the only Qatari drilling contractor which facilitates and makes it easier for us to operate in Qatar and to understand and comply with government regulations. Fourthly, I firmly believe that our multi-cultural workforce enriches us. We currently have over 820 employees from many different countries. Fifthly, our excellent safety record and good downtime performance record. Lastly, in addition to our experienced senior management team, we have a joint venture partner, Japan Drilling Company, from whom we can draw upon over 40 years' of industry experience to provide technical and operational assistance.»

INTERVIEW WITH THE CEO OF GULF HELICOPTERS COMPANY

MR. MOHAMED AL-MOHANNADI

Operations And Finance In 2009

What effect did the recession and the accompanying oil price drop have on your operations?

« *Effects of recession and drop in oil price did not disrupt 2009 operations, although there is a suspicion that this could spill in to 2010. However, oil prices have since recovered and drilling and exploration activities on which helicopter services depend, may be sustained.* »

Did you enter any new markets or experience any significant changes in market share, in 2009?

« We increased market share in Libya and Yemen, and we briefly re-entered Oman. »

How has turmoil in the banking sector affected you, with respect to accessing credit?

« We have been able to borrow, but with the credit squeeze it has been difficult to do so at cost effective rates. The cost of funding has increased, but this has been offset somewhat by the low level of LIBOR. »

How has the global recession affected demand for helicopter services?

« Demand has not been appreciably affected. »

And operational expenditure?

« Our biggest expense is payroll, but this has been effectively contained with savings versus budget due to the recession affecting the demand for pilots and engineers. »

How much scheduled or unscheduled down time was noted during the year? Did this materially affect your financial results?

« Financial results were not materially affected by unscheduled downtime as other aircraft were used as substitutes. »

And, in 2010?

« We have planned 1 major check at the end of 2010. All other checks will be routine and will depend on flying hours (not counting any unplanned maintenance). »

Were there any significant changes in your marketing strategy?
« With modernization and consequent fleet expansion, part of the fleet is being marketed more aggressively overseas.»

2010 And Beyond

Are you planning to expand your fleet in 2010?
« Yes, we expect to acquire 5 AW139 helicopters.»

How severe do you expect competition to be in 2010?
« We do not have any direct competitors in Doha. Internationally though, competition is very tough. GHC keeps winning contracts, albeit to a lesser level in India through our joint venture where competition is fierce. Competition in international markets is a factor for consideration as GHC modernises its fleet and older aircraft have to be marketed in international markets.»

How do you expect to grow in the coming 5 years? Will you be offering new services or entering new markets?
« We intend to add to our repertoire by entering services such as search and rescue, aerial photography and tourism, and expand our emergency medical evacuation service. We also intend to expand into Africa, Asia and the Mediterranean region. The company's focus is currently on modernising the fleet, maintaining our excellent quality of service, continuing to emphasize safety, and only considering competitive pricing where absolutely necessary.»

How about acquiring other companies or entering into new alliances?
« We are currently studying the feasibility of setting up a MRO joint venture and acquiring a controlling stake in our Indian associate.»

General Questions

What would you consider to be your main competitive advantages?
« I believe we are a first class operator, that is highly safety oriented, highly trained and with experienced flight and ground crews. In addition, our monopoly of the local market and close proximity to Middle Eastern and African markets.»

Gulf International Services Q.S.C.

Consolidated Financial Statements

For the year ended 31 December 2009

Gulf International Services Q.S.C.

Consolidated Financial Statements

For the year ended 31 December 2009

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Independent auditors' 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 statement of financial position as at 31 December 2009, and consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Responsibility of the Directors for the 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.

Auditors' 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.

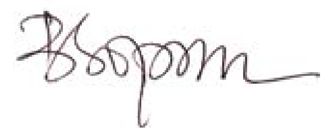
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2009, and its financial performance and its cash flows for the year 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 and we confirm that a physical count of the inventories was carried out in accordance with the established principles. We have reviewed the report of the Board of Directors and confirm that the financial information contained thereon is in agreement with the 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 year which might have had a material effect on the business of the Group or its financial position as of 31 December 2009. Satisfactory explanations and information have been provided to us by the management in response to all our requests.



21 February 2010
Doha
State of Qatar

Gopal Balasubramaniam
Qatar Auditor's Registry No. 251
KPMG

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2009 | In thousands of Qatari Riyals

	Note	2009	2008
Assets			
Property, plant and equipment	4	1,840,725	1,807,287
Investment properties	5	104,718	4,439
Investment in an associate	6	2,224	1,216
Available-for-sale investments	7(b)	82,480	45,946
Total non -current assets		**2,030,147**	1,858,888
Inventories	8	69,327	62,865
Due from related parties	21	264,082	262,530
Receivables and prepayments	9	239,095	273,830
Insurance receivables		217,388	187,256
Financial assets at fair value through profit or loss	7(a)	147,985	73,126
Cash and bank balances	10	716,807	593,063
Total current assets		**1,654,684**	1,452,670
Total assets		**3,684,831**	3,311,558
Equity			
Share capital	11.1	1,351,570	1,228,700
Legal reserve	11.3	94,713	54,899
General reserve	11.4	74,516	74,516
Fair value reserve		(31,059)	(22,932)
Retained earnings		560,497	317,920
Total equity		**2,050,237**	1,653,103
Liabilities			
Loans and borrowings-non current portion	12	695,308	869,621
Provision for employees' end of service benefits	13	10,255	7,408
Total non - current liabilities		**705,563**	877,029
Due to related parties	21	92,321	34,976
Accounts payable, insurance payables and accruals	14	670,384	596,404
Loans and borrowings – current portion	12	164,815	146,937
Bank overdrafts	10	1,511	3,109
Total current liabilities		**929,031**	781,426
Total liabilities		**1,634,594**	1,658,455
Total equity and liabilities		**3,684,831**	3,311,558

These consolidated financial statements were approved by the Board of Directors and were signed on its behalf by the following on 21 February 2010.

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 STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

In thousands of Qatari Riyals

	Note	2009	For the period from 12 February 2008 to 31 December 2008
Revenue from aviation and drilling businesses	15	1,111,720	869,077
Gross insurance revenue	16	457,782	327,464
Total revenue		**1,569,502**	1,196,541
Direct costs from aviation and drilling businesses	17	(555,212)	(440,004)
Gross insurance expense	16	(394,628)	(257,684)
Total cost		**(949,840)**	(697,688)
Gross profit		**619,662**	498,853
Other income	18	34,624	35,995
Impairment on available-for-sale investments	7.3	-	(16,135)
Net gain / (losses) on financial assets at fair value through profit or loss		786	(2,757)
General and administrative expenses	19	(93,586)	(82,278)
Results from operating activities		**561,486**	433,678
Finance income	20	33,655	18,988
Finance costs	20	(16,645)	(29,562)
Net finance income / (costs)		**17,010**	(10,574)
Share of profit from an associate		983	303
Profit for the year before contribution to social fund		**579,479**	423,407
Contribution to social fund		(14,487)	-
Profit for the year		**564,992**	423,407
Other comprehensive income			
Net change in available-for-sale financial assets transferred to profit or loss		(5,948)	(12,870)
Net change in fair value of available		(2,179)	(10,062)
Other comprehensive income for the year		**(8,127)**	(22,932)
Total comprehensive income for the year		**556,865**	400,475
Earnings per share			
Basic (Qatari Riyals)	22	**4.18**	3.13

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

In thousands of Qatari Riyals

2009	Share capital	Legal reserve	General reserve	Fair value reserve	Retained earnings	Total
Balance at 1 January 2009	1,228,700	54,899	74,516	(22,932)	317,920	1,653,103
Total comprehensive income for the year						
Profit for the year	-	-	-	-	564,992	564,992
Other comprehensive income						
Net change in available-for-sale financial assets transferred to profit or loss	-	-	-	(5,948)	-	(5,948)
Net change in fair value of available for-sale financial assets	-	-	-	(2,179)	-	(2,179)
Total other comprehensive income	-	-	-	(8,127)	-	(8,127)
Total comprehensive income for the year	-	-	-	(8,127)	564,992	556,865
Transfer to legal reserve (note 11.3)	-	39,814	-	-	(39,814)	-
Dividends to equity holders (note 11.2)	-	-	-	-	(159,731)	(159,731)
Bonus shares to equity holders (note 11.2)	122,870	-	-	-	(122,870)	-
Balance at 31 December 2009	1,351,570	94,713	74,516	(31,059)	560,497	2,050,237

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

In thousands of Qatari Riyals

2008	Share capital	Legal reserve	General reserve	Fair value reserve	Retained earnings	Total
Total comprehensive income for the period						
Profit for the period	-	-	-	-	423,407	423,407
Othercomprehensive income						
Transfers to profit or loss 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 availablefor-sale investments	-	-	-	6,073	-	6,073
Total other comprehensive income	-	-	-	(22,932)	-	(22,932)
Total comprehensive income for the period	-	-	-	(22,932)	423,407	400,475
Transfer to general reserve (note 11.4)	-	-	74,516	-	(74,516)	-
Transfer to legal reserve	-	30,971	-	-	(30,971)	-
Excess over issue costs transferred to legal reserve (note 11.3)	-	23,928	-		-	23,928
Issued share capital	1,228,700	-	-	-	-	1,228,700
Balance at 31 December 2008	1,228,700	54,899	74,516	(22,932)	317,920	1,653,103

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

In thousands of Qatari Riyals

	Note	2009	From 12 February 2008 to 31 December 2008
Cash flows from operating activities			
Profit for the year		564,992	423,407
Adjustments for:			
Share of profit of an associate	6	(983)	(303)
Depreciation and amortization	4 & 5	164,622	134,216
Finance cost	20	16,645	29,562
Finance income	20	(33,655)	(18,988)
Net (reversal) / impairment loss of due from related parties	21	(12,590)	3,547
Impairment loss on available-for sale investments		-	16,135
Net gain on sale of available-for sale investments	18	(5,948)	(12,870)
Net (gain) / losses on financial assets at fair value through profit or loss		(786)	2,757
Dividend income	18	(3,588)	(1,195)
Provision for employees' end of service benefits	13	5,636	5,229
Net (gain) / loss on sale of property, plant and equipments	18	(6,670)	1,507
Net impairment(reversal) / loss on receivables	9	(227)	2,669
Provision for social contribution fund		14,487	-
		701,935	585,673
Change in insurance receivables, other receivables, prepayments and due from related parties		19,424	(84,995)
Change in inventories		(6,462)	(12,931)
Change in accounts payables, insurance payables accruals and due to related parties		117,669	111,331
		832,566	599,078
End of service benefits paid	13	(3,247)	(2,954)
Net cash from operating activities		**829,319**	596,124
Investing activities			
Acquisition of investments in securities		(160,995)	(135,723)
Proceeds from sale of investments in securities		48,668	102,572
Acquisition of property, plant and equipment	4	(204,793)	(392,623)
Proceeds from disposal of property, plant and equipments		10,721	5,378
Cash and cash equivalents acquired from subsidiaries and joint venture		-	78,743
Acquisition of investment property	5	(102,010)	(3,234)
Deposits maturing after 90 days		2,968	50,163
Receipt of finance income		33,655	20,498
Receipt of dividend income		3,588	1,195
Net cash used in investing activities		**(368,198)**	(273,031)
Financing activities			
Issue of share capital in cash		-	5,000
Proceeds from loans and borrowings		32,782	65,700
Dividends paid		(159,731)	(14,000)
Repayment of loans and borrowings		(189,217)	(73,303)
Finance cost paid		(16,645)	(33,866)
Net cash used in financing activities		**(332,811)**	(50,469)
Increase in cash and cash equivalents for the year		**128,310**	272,624
Cash and cash equivalents at the beginning of the year		272,624	-
Cash and cash equivalents at the end of the year	10	**400,934**	272,624

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2009

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 as at and for the year ended 31 December 2009 comprise the Company and its two subsidiaries and a joint venture. The registered office of the Company is situated on the 3rd floor, Al Sadd 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 corporate.

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 Qatari Riyals has been rounded to the nearest thousands of Qatari 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 amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates 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.

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.

2. BASIS OF PREPARATION (CONTINUED)

d) Use of estimates and judgements (continued)

Significant areas of estimation and 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 consolidated statement of comprehensive income 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 consolidated statement of comprehensive income. Any difference between the amounts actually collected in the future periods and the amounts expected will be recognized in the consolidated statement of comprehensive income at the time of collection.

iii) Liability adequacy test
At each statement of financial position date, 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 consolidated statement of comprehensive income.

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.

vi) Fair valuation of investments
The determination of fair values for unquoted investments requires management to make estimates and assumptions that may affect the reported amount of assets at the date of financial statements.

Nonetheless, the actual amount that is realised in a future transaction may differ from the current estimate of fair value and may still be outside management estimates, given the inherent uncertainty surrounding valuation of unquoted investments (also refer note 27 for fair value hierarchy).

Critical judgements

i) Classification of investments 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.

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.

e) Standards, amendments and interpretations issued and adopted

Standards, amendments and interpretations issued and effective on or after 1 January 2009

The following standards, amendments and interpretations have been issued and are effective for financial years beginning on or after 1 January 2009 and therefore, these have been adopted and applied in the preparation if these consolidated financial statements:

i) Presentation of financial statements (IAS 1)

The Group applies revised IAS 1 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the Group presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. This presentation has been applied in these consolidated financial statements as at and for the year ended 31 December 2009. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since this change only impacts presentation aspects, there is no impact on the profit of the Group.

ii) Amendment to IFRS 7 Financial Instruments: Disclosures

The amendment to the standard requires an entity to provide a quantitative and qualitative analysis of those instruments recognised at fair value based on a three-level measurement hierarchy. Furthermore, for those instruments which have significant unobservable inputs (classified as Level 3), the amendment requires disclosures on the transfers into and out of Level 3, a reconciliation of the opening and closing balances, total gains and losses for the period split between those recognised in other comprehensive income, purchases, sales issues and settlements, and sensitivity analysis of reasonably possible changes in assumptions. In addition, disclosure is required of the movements between different levels of the fair value hierarchy and the reason for those movements. The standard also amends the previous liquidity risk disclosures as required under IFRS 7 for non-derivative and derivative financial liabilities.

Since the change in accounting policy only impacts presentation and disclosure aspects of fair value measurement and liquidity risk, there is no impact on the profit of the Group.

iii) Determination and presentation of operating segments (IFRS 8)

As of 1 January 2009, the Group determines and presents operating segments based on the information that internally is provided to the Group's chief operating decision maker. This change in accounting policy is due to the adoption of IFRS 8, "Operating Segments". Previously operating segments were determined and presented in accordance with IAS 14, "Segment Reporting". The new accounting policy in respect of segment operating disclosures is presented as follows.

Comparative segment information has been presented in conformity with the transitional requirements of IFRS 8. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

2. BASIS OF PREPARATION (CONTINUED)

e) Standards, amendments and interpretations issued (continued)

iii) Determination and presentation of operating segments (continued)
An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by Board of Directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly the Company's assets, related general and administrative expenses and certain due to related parties.

iv) IAS 23 – Borrowing costs
A revised version of IAS 23 was issued in March 2007. It eliminates the option of immediate recognition of borrowing costs as an expense for assets that require a substantial period of time to get ready for their intended use. The application of the IAS 23 amendment did not have a material impact on the result or items of the consolidated statement of financial position or retained earnings.

v) Improvements to IFRS (issued in May 2008)
Improvements to IFRS issued in May 2008 contained numerous amendments to IFRS that the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. These amendments are effective for annual periods beginning on or after 1 January 2009 and did not have any impact to the consolidated financial statements.

Standards, amendments and interpretations issued but not yet effective
A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2009, and have not been applied in preparing these consolidated financial statements. None of these are expected have an effect on the consolidated financial statements of the Group, with the exception of:

i) IFRS 9 Financial Instruments
IFRS 9 Financial Instruments, published on 12 November 2009 as part of phase I of the IASB>s comprehensive project to replace IAS 39, deals with classification and measurement of financial assets. The requirements of this standard represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset>s contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivables. For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognised in other comprehensive income would ever be reclassified to profit or loss at a later date.

However, dividends on such investments are recognised in profit or loss, rather than other comprehensive income unless they clearly represent a partial recovery of the cost of the investment. Investments in equity instruments in respect of which an entity does not elect to present fair value changes in other comprehensive income would be measured at fair value with changes in fair value recognised in profit or loss.

2. BASIS OF PREPARATION (CONTINUED)

e) Standards, amendments and interpretations issued (continued)

Standards, amendments and interpretations issued but not yet effective (continued)

i) IFRS 9 Financial Instruments (continued)

The standard requires that derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not separated: instead the hybrid financial instrument is assessed in its entirety as to whether it should be measured at amortised cost or fair value.

The standard is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. The Group is currently in the process of evaluating the potential effect of this standard.

ii) Improvements to IFRS (issued in April 2009)

Improvements to IFRS issued in April 2009 contained numerous amendments to IFRS that the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. The amendments are effective for annual periods beginning on or after 1 January 2010 with earlier adoption permitted. No material changes to accounting policies are expected as a result of these amendments.

3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies, which comply with International Financial Reporting Standards ("IFRS") have been applied in preparation of the Group's consolidated financial statements and have been applied consistently by the Group Companies.

a. Basis of consolidation

i. Subsidiaries

Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of a Company so as to obtain benefits from its activities. Subsidiaries are consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceases. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statement of comprehensive income as negative goodwill.

ii. Jointly controlled operation

A jointly controlled operation is a joint venture carried on by each venturer using its own assets in pursuit of the joint operations. The consolidated financial statements include the assets that the Group controls and the liabilities that it incurs in the course of pursuing the joint operations, and the expenses that the Group incurs and its share of the income that it earns from the joint operation.

iii. Transactions eliminated on consolidation

Intra-group balances, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

The consolidated financial statements of the Group include the financial statements of Gulf International Services Q.S.C. and the subsidiaries and a joint venture listed in the following table:

Name of Company	Percentage of shareholding	Status	Description of services
Al Koot Insurance and Reinsurance Company S.A..Q. ("Al Koot")	100%	Subsidiary	A Company providing a range of insurance and reinsurance services to Qatar Petroleum ("QP") and its subsidiaries and affiliates.
Gulf Helicopters Q.S.C. ("GHC")	100%	Subsidiary	A Company holding an air operator's certificate issued by the Qatar Civil Aviation Authority. It operates as a sole provider of helicopter transportation services in Qatar. It also operates as a provider of helicopter transportation services in Middle East and North Africa (MENA region).
Gulf Drilling International Limited Q.S.C. ("GDI")	69.99%	Joint Venture	A Company providing drilling and drilling – related services (together the "Drilling Services") to QP Group and its international co-ventures.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Investment in an associate

An investment in associate is an entity over which the Group exerts significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 to 50 percent of the voting power of the investee entity. Such investments are accounted for under the equity method of accounting. Where an investee is acquired and held exclusively for resale, it is accounted for as a non-current asset held for resale.

Under the equity method, the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of the investee's equity. The Group recognises in the consolidated statement of comprehensive income its share of the total recognised profit or loss of the investee from the date that significant influence effectively commenced until the date that it effectively ceases. Distributions received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's share in the associate arising from changes in the investee's equity. The Group's share of those changes is recognised directly in equity. Unrealised gains on transactions with investee are eliminated to the extent of the Group's share in the investee. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred.

c. Revenue recognition

Gross premiums

Gross premiums written comprise the total premiums receivable for the whole period of cover provided by the contracts entered into during the accounting periods and are recognised on the date on which the policy commences. Premiums include adjustments arising in the financial year to premiums receivable in respect of business written in previous financial years.

Premiums, net of reinsurance, are taken to income over the terms of the related contracts or policies. The portion of premium received on in-force contracts that relates to unexpired risks at the consolidated statement of financial position date is reported as the unearned premium liability. Unearned premiums are calculated principally on the basis of actual no of days method (daily pro rata basis).

Reinsurance arrangements

As part of managing its insurance risks, the Group enters into contracts with other reinsurers for compensation of losses on insurance contracts issued by the Group. A proportionate amount of the gross premiums, in proportion to the amount of risk reinsured on an individual policy basis are paid to the reinsurance companies according to the rates agreed in the reinsurance contracts, as reinsurance premiums.

In the ordinary course of business, the Group assumes and cedes reinsurance. 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 affected under treaty, facultative and excess-of-loss reinsurance contracts. The amount payable to reinsurance companies are accrued on the basis of reinsurance premium payable on individual policy basis.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the consolidated statement of financial position date and are deferred over the term of the underlying direct insurance policies.

Net commission income

Commission is received from the reinsurer for the reinsurance ceded during the year. Similarly, the commission is paid to the insurance companies for the reinsurance premium received. The excess of the commission income over the commission expenses is recognised as net commission income during the year.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. Revenue recognition (continued)

Interest income

Interest income is recognised on a time proportionate basis using the effective interest method, taking account of the principal amount invested and the interest rate applicable.

Dividend income

Dividend income is recognised when the right to receive the dividends is established.

Fee income

Initial and other front-end fees received for rendering investment management services are deferred and recognised as revenue when the related services are rendered.

Revenue from drilling services

Revenue represents the invoiced value of work done during the year as per the rate specified in the contracts. Mobilization fees received and costs incurred to mobilize a drilling unit from one place to another are recognised over the term of the related drilling contract. Costs incurred to relocate drilling units in which a contract has not been secured are expensed as incurred.

Aviation revenue

Contractual aviation revenues are recognised based on the monthly fixed fees on a time proportion basis and variable fees according to the number of flying hours. Non contractual aviation revenues are recognised based on variable fees according to the number of flying hours.

Procurement revenue

Procurement revenues are recognised at the time the services are provided.

Rent income

Rental income from investment properties is recognised as income on a straight line basis over the term of lease or rental period and the unearned portion of the rental income is recognised as a liability.

d. Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Buildings	20 years
Aircrafts	7 – 10 years
Ground and radio equipment and tools	4 – 6 years
Motor Vehicles	4 – 5 years
Office and house furniture, fixtures and equipments	4 – 7 years
Rigs	10 – 15 years
Plant and machinery	6 – 7 years
Computers	3 years

The depreciation methods and useful lives as well as residual values are reassessed annually. The carrying values of property, plant and equipment are reviewed for impairment on an annual basis for events or changes in circumstances which indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Property, plant and equipment (continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the consolidated statement of comprehensive income in the year the asset is derecognised.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The cost of day to day servicing of property, plant and equipment is recognised in the consolidated statement of comprehensive income as the expense is incurred.

e. Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business or use in the production or supply of goods and services or for administrative purposes. It includes property that is being constructed or developed for future use as investment property. Investments properties are measured by applying the cost model wherein investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are carried at cost less accumulated depreciation.

Property under development are considered as investment property and transferred to investment properties when the property is in a condition necessary for it to be capable of operating in a manner intended by the management.

The carrying value of investment property is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

f. Accounts payable and accruals

Liabilities are recognized at amortised cost, being the fair value for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

g. Borrowing costs

Borrowing costs attributable to acquisition or construction of property, plant and equipment are capitalised as part of cost of the asset up to the date of the asset being qualified for use. Other borrowing costs are recognised as expenses in the period in which they are incurred. For the purpose of determining interest available for capitalization, the costs related to these borrowings are reduced by any investment income on the temporary investment of the borrowing.

h. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the average cost method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Provision is made for obsolete and slow-moving items based on management>s judgement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i. Foreign currency transactions

Transactions in foreign currencies are recorded at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange prevailing at the reporting date. All differences are taken to the consolidated statement of comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies are translated into Qatari Riyals at the foreign exchange rates prevailing at the date of the transaction.

j. Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, current account balances and saving account balances with banks and deposits with a maturity of less than 90 days. Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position. For the purpose of cash flow statement, cash and cash equivalents is shown net of bank overdraft.

k. Impairment of assets

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. All impairment losses are recognised in the consolidated statement of comprehensive income.

- For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognized in the consolidated statement of comprehensive income.
- For assets carried at amortised cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the original effective rate of return.

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 at specific asset level basis.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

Non financial assets

The carrying amounts of the Group's non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k. Impairment of assets (continued)

Non financial assets

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised the consolidated statement of comprehensive income.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

l. Provisions

Provisions are recognised when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Claims reported but not settled (RBNS)
Provision for outstanding claims is recognized at the date the claims are known and covers the liability for loss and loss adjustment expenses based on loss reports from independent loss adjusters and management's best estimate.

Claims incurred but not reported (IBNR)
Claims provision also includes liability for claims incurred but not reported as at the consolidated statement of financial position date. The liability is calculated at the reporting date using a range of historic trends, empirical data and current assumptions that may include a margin for adverse deviations which is generally within the range of 20% of claims outstanding. The liability is not discounted for the time value of money.

m. Term loans

Interest bearing term loans are recognized initially at fair value of the amounts borrowed, less directly attributable transaction costs. Subsequent to initial recognition, interest bearing loans and borrowings are measured at amortised cost using the effective interest method, with any differences between the cost and final settlement values being recognized in the consolidated statement of comprehensive income over the period of borrowings. Installments due within one year at amortised cost are shown as a current liability.

n. Accounts receivables and other receivables

Accounts receivables and other receivables are stated at amortised cost being the fair value net of provision for uncollectible amounts. An estimate of doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

o. Insurance and reinsurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o. Insurance and reinsurance receivables (continued)

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provisions or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

p. Insurance contract liabilities

Amounts payable for insurance claims reported till the reporting year end and the amount payable to reinsurance companies are accrued as a liability payable. The insurance claims are accrued on the basis of the actual losses reported against the policies underwritten by the Group during the period. The reinsurance liability is computed according to the contractual liability agreed with the reinsurance company on individual policies.

Estimates have to be made for both expected ultimate cost of claims reported at the statement of financial position date and for the unexpected ultimate cost of claims incurred but not yet reported at the statement of financial position date ("IBNR"). It can take a significant period of time before ultimate claims cost can be established with certainty and for some types of policies, IBNR claims form the majority of the statement of financial position liability. The IBNR provision is based on information related to actual past experience of claims incurred but not reported. The IBNR provision also includes a further amount, subject to annual review by the management, to meet certain contingencies such as settlement of claims, which may take longer than expected, is resulting in actual payouts being higher than estimated.

Any difference between the provisions at the statement of financial position date and settlements and provisions in the following year is included in the consolidated statement of comprehensive income for the period.

q. Claims and related expenses

Gross claims paid

Claims and related expenses are accounted for based on reports received and subsequent review on an individual case basis. Provision is made to cover the estimated ultimate cost of settling claims arising out of events, which have occurred by the end of the financial year, including unreported losses, and claims handling expenses.

Reinsurance and other recoveries

Compensations receivable from reinsurers are estimated in a manner consistent with the corresponding claim liability. The obligations arising under reinsurance contracts are recognised in income and the related liabilities are recognised as accounts receivable. Hence, a portion of the reinsurance premium payable is provided as a reserve for future claims in order to provide additional liquidity for the Group, which is finally settled at the end of the reinsurance period.

r. Liability adequacy test

At each statement of financial position date, liability adequacy tests are performed to ensure the adequacy of the insurance liabilities. In performing these tests, current best estimates of future cash flows and claims handling and administration expenses are used. Any deficiency is immediately charged to the consolidated statement of comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s. Employees' end of service benefits

i) Defined contribution schemes - Qatari employees

With respect to the Qatar employees, the Company makes contributions to the respective local regulatory authorities as a percentage of the employees' salaries in accordance with the requirements of Law no. 24 of 2002 on Retirement and Pensions. The Group's share of contributions to these schemes, which are defined contribution schemes under International Accounting Standard (IAS) – 19 Employee Benefits are charged to the consolidated statement of comprehensive income in the year to which they relate.

ii) Expatriate employees (Defined benefit plan)

For the expatriate employees, the Group provides for employees' end of service benefits determined in accordance with the requirements of Qatar Labour Laws. These unfunded charges are made by the Group on the basis of employees' salaries and the number of years of service at the statement of financial position date. Applicable benefits are paid to employees on termination of employment with the Group. The Group has no expectation of setting its employees' end of service benefits obligation in the near future and hence have classified this as a non current liability.

iii) Short term benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

t. Financial instruments

Financial instruments represent the Group's financial assets and liabilities. Financial assets include cash and bank balances, insurance receivables, reinsurance receivables, accounts receivables, available for sale investments, financial assets at fair value through profit or loss and certain other assets. Financial liabilities include loans and borrowings, bank overdrafts, insurance payables and certain other liabilities.

i. Classification

Financial assets carried at fair value through the consolidated statement of comprehensive income are investments held for trading or such financial assets which, upon initial recognition, are designated at fair value through profit or loss including hybrid instruments where the Group is unable to separate the host contract from the derivative embedded in the contract.

Available for sale investments are financial assets that are not investments carried at fair value through the consolidated statement of comprehensive income or are held to maturity or are loans or receivables.

ii. Recognition

The Group initially recognizes all financial assets and liabilities on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

iii. Derecognition

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. The Group also derecognizes certain assets when it charges off balances pertaining to the assets deemed to be uncollectible. The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t. Financial instruments (continued)

iv. Measurement

Financial instruments are recognized initially at fair value plus, for instruments not at fair value through the consolidated statement of comprehensive income, any directly attributable transaction costs. Subsequent to initial recognition, available for sale investments and financial asset at fair value through profit or loss are measured at fair value. Gains and losses arising from a change in the fair value of available for sale investments are recognized in a separate fair value reserve in equity and when the investments are sold, impaired, collected or otherwise disposed of, the cumulative gain or loss previously recognized in the fair value reserve is transferred to the consolidated statement of comprehensive income. For financial assets at fair value through profit or loss, gain and losses on revaluation are directly taken to consolidated statement of comprehensive income.

v. Derivatives financial instruments

The Group does not hold any derivatives either for trading or for hedging purposes, except embedded derivatives which have been accounted for as 'designated as fair value through profit and loss' since the Group is unable to separate the same from the host contract. These instruments subsequent to initial recognition are stated at their fair value, with any resultant gain or loss transferred to the consolidated statement of comprehensive income.

vi. Fair value

The fair value of the marketable financial assets represents the quoted bid price at the statement of financial position date and in case of non availability of quoted prices for certain financial assets, fair value will be arrived at using suitable pricing models or using cost as a proxy. Estimation of fair values involves certain amount uncertainties as discussed in note 2.

u. Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic and diluted EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

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4. PROPERTY, PLANT AND EQUIPMENT

Description	Free hold land	Buildings	Aircrafts	House office equipments	Ground radio equipment tools	Capitalised maintenance expenditures	Rigs	Plant and machinery	Furniture and fixtures	Computers	Vehicles	Capital work in progress	**Total 2009**	Total 2008
Cost														
Balance at 1 January / Transfer in	44,008	37,130	651,555	12,298	5,442	83,994	1,247,914	109,397	12,693	43,747	1,718	7,241	2,257,137	1,904,642
Additions	-	2,516	122,972	743	79	24,253	16,745	10,757	1,575	4,806	326	20,021	204,793	392,623
Transfers	-	-	-	-	-	(12,622)	15,535	509	38	3,335	-	(19,686)	(12,891)	(11,577)
Disposals	-	-	(6,005)	-	-	(3,269)	(3,234)	(2,579)	(56)	(86)	-	-	(15,229)	(24,135)
Balance at 31 December	44,008	39,646	768,522	13,041	5,521	92,356	1,276,960	118,084	14,250	51,802	2,044	7,576	2,433,810	2,261,553
Depreciation														
Balance at 1 January / Transfer in	-	34,766	137,890	10,440	5,053	37,886	175,038	32,076	3,869	16,029	1,216	-	454,263	342,530
Depreciation for the year	-	930	31,233	1,359	211	14,031	88,047	15,569	1,831	9,461	219	-	162,891	134,188
Transfers	-	-	-	-	-	(12,891)	-	-	-	-	-	-	(12,891)	(11,778)
Disposals	-	-	(4,929)	-	-	(3,269)	(1,337)	(1,558)	(29)	(56)	-	-	(11,178)	(10,674)
Balance at 31 December	-	35,696	164,194	11,799	5,264	35,757	261,748	46,087	5,671	25,434	1,435	-	593,085	454,266
Net book value 31 December 2009	**44,008**	**3,950**	**604,328**	**1,242**	**257**	**56,599**	**1,015,212**	**71,997**	**8,579**	**26,368**	**609**	**7,576**	**1,840,725**	-
Net book value 31 December 2008	44,008	2,364	513,665	1,858	389	46,108	1,072,876	77,321	8,824	27,718	502	11,654	-	1,807,287

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Capital work in progress includes costs amounting to QR 1.067 million (2008: QR 269,358) relating to property, plant and equipment awaiting installation or in transit.
Aircrafts operating in India are registered on behalf of the Group under the name of Qatar General Petroleum Corporation ("QGPC"), which is the original name of Qatar Petroleum.
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 nil (2008: QR 8.296 million).
The encumbrances and liens on property, plant and equipments are set out in note 12.

5. INVESTMENT PROPERTIES

	Land	Building	Property under development	Total 2009	Total 2008
Cost					
Balance at 1 January / "Transfers in" on 12 February	1,125	3,287	3,234	7,646	5,148
Additions	-	66,211	35,799	102,010	3,234
Transfers	-	-	-	-	(736)
Balance at 31 December	1,125	69,498	39,033	109,656	7,646
Depreciation					
Balance at 1 January / "Transfers in" on 12 February	-	3,207	-	3,207	3,709
Depreciation charge for the year	-	1,731	-	1,731	28
Transfers	-	-	-	-	(530)
Balance at 31 December	-	4,938	-	4,938	3,207
Net book value at 31 December	**1,125**	**64,560**	**39,033**	**104,718**	-
Net book value at 31 December	1,125	80	3,234	-	4,439

The estimated fair market value of the land and certain buildings relating to Gulf Helicopters Company Q.S.C. based on an internal calculation completed in 2009 by the Group was QR 3.912 million (2008: QR 3.912 million).
During the year, one of the Group's indirect joint venture (Al Fareej Real Estate Company Q.S.C.) acquired a building in April 2009. Proportionate share in fair value of the investment property amounted to QR.69.300 million based on the valuation carried by an external independent valuer on 23 December 2009. The joint venture management believes that this approximated the fair value as at 31 December 2009.
The proportionate fair value of property under development amounted to QR 62.931 million based on the valuation carried by an external independent valuer on 23 December 2009. The Group's indirect joint venture's management believes that this approximated the fair value as at 31 December 2009.

6. INVESTMENT IN AN ASSOCIATE

The Group has the following investment in an associate:

	Total 2009	Total 2008
Balance at 1 January / "Transfers in" on 12 February	1,216	1,010
Share of profit from an associate	983	303
Foreign exchange translation loss on investment	25	(97)
Balance at 31 December	**2,224**	1,216

6.1 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 helicopters services.

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6. INVESTMENT IN AN ASSOCIATE (CONTINUED)

6.2 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 2009:

	31 December 2009	31 December 2008
Total assets	**34,597**	26,375
Total liabilities	**28,419**	23,167
Total revenue	**50,747**	50,936
Net profit for the year	**2,732**	842
Share of profit in an associate	**983**	303

7. INVESTMENT SECURITIES

	31 December 2009	31 December 2008
a. Financial assets at fair through profit or loss		
Held for trading (note 7.1)	56,521	45,025
Designated as fair value through profit or loss (note 7.2)	91,464	28,101
	147,985	73,126
b. Available-for-sale investments		
Qatari public shareholding companies	77,430	37,206
Funds	-	8,740
Unquoted securities	5,050	-
	82,480	45,946

Available-for-sale investments:		
At cost	88,073	43,413
Net movement in the fair values	(5,593)	2,533
	82,480	45,946

7.1 These represent financial assets held with banks which are acquired and incurred principally for the purpose of selling or repurchasing in the near term or to take advantage of short term market movements.

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

8. INVENTORIES

	31 December 2009	31 December 2008
Ancillary spares	54,006	43,002
Drilling materials, spare parts and consumables	32,889	32,365
Less:		
Provision for slow moving items	(17,568)	(12,502)
	69,327	62,865

Inventories include items with carrying values of QR 484,625 (2008: QR 636,422) held on behalf of the Group by the lessee of the Group's aircrafts, United Helicharters Private Limited in India, QR 1.448 million (2008: QR 798,151) held in Yemen, and QR 5.582 million (2008: QR 977,861) held in Libya.

Movement in provision for slow moving items is as follows:

	Total 2009	Total 2008
Balance at 1 January / "Transfers in" on 12 February	12,502	13,632
Charge for the year	5,066	-
Reversals made (netted in aircraft maintenance cost)	-	(1,130)
Balance at 31 December	**17,568**	12,502

9. RECEIVABLES AND PREPAYMENTS

	Note	**31 December 2009**	31 December 2008
Trade receivables (from aviation business)		90,030	84,370
Trade receivables (from drilling business)		12,394	17,777
Less: provision for impairment of receivables	9.1	(8,675)	(8,902)
		93,749	93,245
Reinsurance share of outstanding claims	9.2	75,941	91,704
Accrued interest income		11,497	4,951
Advances to suppliers		1,967	10,447
Staff advances		3,675	3,232
Advance for purchase of helicopters		38,489	51,076
Accrued revenues		736	330
Prepayments		11,418	16,843
Refundable deposits and other receivables		1,623	2,002
		239,095	273,830

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9. RECEIVABLES AND PREPAYMENTS (CONTINUED)

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

	2009	2008
Balance at 1 January / "Transfers in" on 12 February	8,902	6,233
Provision for receivables impairment during the year / period	-	4,271
Reversals made	(227)	(1,602)
Balance at 31 December	**8,675**	8,902

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

	2009			2008		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
At 12 February						
Reported claims	144,615	(91,704)	52,911	65,148	(16,667)	48,481
IBNR	73,113	-	73,113	23,703	-	23,703
Total	217,728	(91,704)	126,024	88,851	(16,667)	72,184
Movement during the period						
Reported claims	14,385	15,762	30,147	79,467	(75,037)	4,430
IBNR	(3,848)	-	(3,848)	49,410	-	49,410
Total	10,537	15,762	26,299	128,877	(75,037)	53,840
At 31 December						
Reported claims	159,000	(75,941)	83,059	144,615	(91,704)	52,911
IBNR	69,265	-	69,265	73,113	-	73,113
Total	**228,265**	**(75,941)**	**152,324**	217,728	(91,704)	126,024

10. CASH AND BANK BALANCES

	31 December 2009	31 December 2008
Cash in hand	215	123
Cash at banks		
- Current & call accounts	131,734	74,491
- Other fixed deposits	270,496	201,119
- Time deposits with maturities in excess of 3 months	314,362	317,330
Total cash and bank balances	**716,807**	593,063
Bank overdrafts	(1,511)	(3,109)
Less: Time deposits with maturities in excess of 3 months	(314,362)	(317,330)
Cash and bank as per cash flow statement	**400,934**	272,624

Included in bank balances and cash is Debt Service Reserve amounting to QR 28.103 million equivalent to USD 7.720 million(2008: QR 14.209 million equivalent to USD 3.904 million) which is restricted in use, in accordance with the provisions of the syndicated loan agreement entered into by the joint venture with the lenders.

Bank overdraft facility is unsecured with effective interest rate amounts to 1.69% (2008: 5.50%).

11. EQUITY

11.1 Share capital

	31 December 2009	31 December 2008
Issued and paid up capital		
135,157,000 (2008: 122,870,000) ordinary shares of QR 10	**1,351,570**	1,228,700

11.2 Proposed Dividend

The Board of directors have proposed a cash dividend of QR 1.7 per share (2008: QR 1.3 per share) for the year ended 31 December 2009, which will be submitted for formal approval at the Annual General Meeting.

11.3 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 does 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, included for consolidated financial statements purposes.

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.

11.4 General reserve

The amended Articles of Association of one of the subsidiary 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 150,000,000. 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.

12. LOANS AND BORROWINGS (CONTINUED)

	31 December 2009	31 December 2008
Syndicated borrowings		
- Loan 1	65,333	78,401
- Loan 2	188,001	223,811
- Loan 3	269,133	310,538
- Loan 4	81,536	91,728
- Loan 5	46,577	46,577
	650,580	751,055
Various borrowings	211,921	268,088
	862,501	1,019,143
Less: Unamortised financecost associated with raising finance	(2,378)	(2,585)
	860,123	1,016,558
Classified in the consolidated statement of financial position as follows:		
- Non-current portion	695,308	869,621
- Current portion	164,815	146,937
	860,123	1,016,558

12. LOANS AND BORROWINGS (CONTINUED)

The finance costs associated with raising finance represent arrangement fees.

(i) Loan 1: The Joint Venture entity in the Group ("JV") 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 JV 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 JV 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 JV. 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 JV 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 credit balances of other accounts of the JV maintained with the lender.

(v) Loan 5: The JV has entered into a loan agreement ("The bridge loan") with a commercial bank for a project facility of USD 20 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 bridge loan will be replaced by a credit facility when the loan agreement currently under progress is executed.

(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 16.4 million bear interest rate at LIBOR plus 6% plus market premium.
Moreover, various borrowings includes also the share of Ijarah loan of an indirect joint venture of Group to be repaid in 5 equal instalments starting from 2010 till 2014, carrying an interest rate of 2.45%.

The maturity profiles of the loans are as follows:

			As at 31 December 2009				
	Nominal interest rate	**Year of maturity**	**Less than 1 year**	**1 – 2 years**	**2 – 5 years**	**5 years and above**	**Total**
Loan 1	LIB OR + 0.7%	2014	13,067	13,067	39,199	-	65,333
Loan 2	LIB OR + 0.7%	2015	35,810	35,810	107,430	8,951	188,001
Loan 3	LIB OR + 0.8%	2017	41,405	41,405	124,215	62,108	269,133
Loan 4	LIB OR + 0.55%	2017	10,192	10,192	30,576	30,576	81,536
Loan 5	LIB OR + 1.05%	2011	7,763	15,526	23,288	-	46,577
Various borrowings	LIB OR + 0.6% - 0.45% - 2.45%		56,578	37,467	82,653	35,223	211,921
			164,815	**153,467**	**407,361**	**136,858**	**862,501**

12. LOANS AND BORROWINGS (CONTINUED)

	Nominal interest rate	Year of maturity	Less than 1 year	1 – 2 years	2 – 5 years	5 years and above	Total
			As at 31 December 2008				
Loan 1	LIB OR + 0.7%	2014	13,067	13,067	39,200	13,067	78,401
Loan 2	LIB OR + 0.7%	2015	35,810	35,810	107,429	44,762	223,811
Loan 3	LIB OR + 0.8%	2017	41,405	41,405	124,215	103,513	310,538
Loan 4	LIB OR + 0.55%	2017	10,192	10,192	30,576	40,768	91,728
Loan 5	LIB OR + 1.05%	2011	-	-	46,577	-	46,577
Various borrowings	LIB OR + 0.6% - 0.45% - 1.75%		46,463	46,737	116,123	58,765	268,088
			146,937	147,211	464,120	260,875	1,019,143

13. PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

	Total 2009	Total 2008
Balance at 1 January / "Transfers in" on 12 February	7,408	5,133
Provision transfer from QP	458	-
Charge for the year	5,636	5,229
Paymentsmadeduringtheyear	(3,247)	(2,954)
Balance at 31 December	**10,255**	7,408

14. ACCOUNTS PAYABLE, INSURANCE PAYABLES AND ACCRUALS

	Note	**Total 2009**	Total 2008
Trade payables		49,336	55,781
Unearned premium	14.1	129,690	115,917
Outstanding claims	9.2	228,265	217,728
Payables to insurance and reinsurance companies			
Reinsurance premiums payable		129,999	96,183
Advance managementfees		7,17 6	5,852
Advance reinsurance commissions received		23,891	13,262
Accrued expenses		62,295	65,373
Dividends payable		7,504	
Other payables		5,001	13,568
Provision for contractor compensations		12,740	12,740
Provision for social contribution fund		14,487	
		670,384	596,404

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14. ACCOUNTS PAYABLE, INSURANCE PAYABLES AND ACCRUALS (CONTINUED)

14.1 The movement of unearned premium during the year is as follows:

	Total 2009	Total 2008
Balance at 1 January /" Transfers in" on 12 February	115,917	78,984
Increase during the year	125,606	96,294
Release during the year	(111,833)	(59,361)
Balance at 31 December	**129,690**	115,917

15. REVENUE FROM AVIATION AND DRILLING BUSINESSES

	Total 2009	Total 2008
Revenue from drilling business	691,981	545,859
Revenue from aviation business		
- Aviation revenue	417,504	320,952
- Other operating revenue	2,235	2,266
	1,111,720	869,077

16. NET INSURANCE REVENUE

	Note	**Total 2009**	Total 2008
Gross premiums	16.1	413,849	321,473
Net commission income		34,053	15,128
Movementin unearned premium	16.1	18,259	(1,192)
Brokerage cost		(8,379)	(7,945)
Gross insurance revenue		457,782	327,464
Premium ceded to reinsurers	16.1	(216,449)	(145,636)
Net claims incurred	16.2	(143,120)	(76,307)
Movementin unearned premium	16.1	(32,032)	(35,741)
Brokerage cost		(3,027)	-
Gross insurance expense		(394,628)	(257,684)
Net insurance revenue		**63,154**	69,780

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

	2009			2008		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
Written premiums	413,849	(216,449)	197,400	321,473	(145,636)	175,837
Unearned premiums Adjustment	18,259	(32,032)	(13,773)	(1,192)	(35,741)	(36,933)
At 31 December	432,108	(248,481)	183,627	320,281	(181,377)	138,904

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

	2009			2008		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
Claims settled	**(155,590)**	**38,769**	**(116,821)**	(29,461)	6,994	(22,467)
*Outstanding claims adjustment	(14,385)	(15,762)	(30,147)	(65,566)	61,136	(4,430)
IBNR	3,848	-	3,848	(49,410)	-	(49,410)
At 31 December	**(166,127)**	**23,007**	**(143,120)**	(144,437)	68,130	(76,307)

16. NET INSURANCE REVENUE (CONTINUED)

* The above outstanding claims include provision of QR 250,000 made against third party liability claim by a QP employee based on legal opinion of QP legal department while the third party claimed for an amount of QR 15 million.

17. DIRECT COSTS

	Total 2009	Total 2008
Drilling business	324,894	257,161
Aviation business	230,318	182,843
	555,212	440,004

18. OTHER INCOME

	Total 2009	Total 2008
Service fees	15,783	15,373
Dividend income	3,588	1,195
Gain on sale of available-for-sale investments	5,948	12,870
Net gain / (loss) disposal of property, plant and equipments	6,670	(1,507)
Rental income	2,054	
Insurance claim received	-	7,884
Miscellaneous Income	581	180
	34,624	35,995

19. GENERAL AND ADMINISTRATIVE EXPENSES

	Total 2009	Total 2008
Salaries and other benefits	53,636	44, 210
Training expenses	252	1,272
Boardmembersitting fees	5,351	3,639
Aviation related administrative expenses	10,470	9,000
Rent	8,033	6,644
Depreciation	5,451	3,249
Travel expenses	2,238	1,900
Recharges from QatarPetroleum	-	4,742
Printing and stationary	664	625
Recruitment costs	688	5,966
Communication expenses	1,558	748
Advertising expenses	1,794	866
Legal and professional expenses	578	1,711
Repairs and maintenance	179	157
Entertainment expenses	31	65
Qatar Exchange listing fees	3,378	2,295
Other expenses	13,812	4,725
Net impairmentloss on duefrom relatedparties	-	3,457
Recovery of management expensesfrom QatarPetroleum	(14,527)	(12,993)
	93,586	82,278

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20. NET FINANCE INCOME / (COST)

	Total 2009	Total 2008
Finance cost		
- Loans and borrowings	16,625	31,027
- Bank overdrafts	20	15
Gross finance cost	16,645	31,042
Less: amounts included in the cost of qualifying assets	-	(1,480)
Net finance cost	16,645	29,562
Finance income (on short term bank deposits)	33,655	18,988
Finance income / (cost) – net	**17,010**	(10,574)

21. 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 year are as follows:

	31 December 2009	31 December 2008
Due from related parties		
Qatar Petroleum (Associate investor)	238,116	230,192
Qatar Liquefied Gas(Affiliate)	6,998	4,598
Ras Laffan Natural Gas (Affiliate)	8,756	11,901
United Helicharters Private Limited (Associate)	10,015	10,832
Others (Affiliate)	1,154	18,554
Less: Provision for doubtful debts	(957)	(13,547)
	264,082	262,530

	Total 2009	Total 2008
Movement of provision for doubtful debts is as follows:		
Balance at 1 January / "Transfer in" on 12 February	13,547	10,000
Charge for the year	-	3,547
Reversals made	(12,590)	-
Balance at 31 December	**957**	13,547

	31 December 2009	31 December 2008
Due to related parties		
United Helicharters Private Limited (Associate)	796	796
Qatar Petroleum (Associate investor)	80,292	26,692
Qatar Fuel (Waqood)(Affiliate)	592	277
Japan Drilling Company(Affiliate)	3,671	2,074
Amwaj Catering (Affiliate)	3,002	3,175
Al Shaheen Well Services Company(Affiliate)	3,287	-
Other related parties	681	1,962
	92,321	34,976

	Total 2009	Total 2008
Compensation of key management personnel		
Salaries and other benefits	**10,703**	6,686
Directors fees	**4,157**	3,639

22. EARNINGS PER SHARE

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

	Total 2009	Total 2008 (Restated)
Profit for the year /period	564,992	423,407
Weighted average number of equity shares	135,157	135,157
Basic earnings per share	**4.18**	3.13

23. CONTINGENCIES AND COMMITTMENTS

	Total 2009	Total 2008
Contingent liabilities		
Guarantees against performance bonds	**13,329**	6,673
Letters of credit	**71**	5,962

It is not anticipatedthat any materialliabilities will arise from abovewhich were issued in the normal course of the business

Commitments		
Capital commitments	**182,455**	232,360
Authorised future investment commitments	**-**	5,050

24. OPERATING SEGMENTS

The Group has 3 reportable segments, as described below. The segments offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the segments, the chief operating decision maker reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable 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.

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24. OPERATING SEGMENTS (CONTINUED)

31 December 2009	Insurance	Dri lling	Aviation	Total
Total external revenue	459,955	691,981	419,762	**1,571,698**
Inter-segment revenue	(2,173)	-	(23)	**(2,196)**
Net profit (after inter-segment eliminations)	99,403	305,343	181,045	**585,791**
Total assets	1,136,343	1,604,374	910,609	**3,651,326**
Total liabilities	615,542	712,033	248,572	**1,576,147**
Depreciation and amortisation	3,152	113,469	48,001	**164,622**
Capital expenditures (including investment properties)	102,345	52,502	151,956	**306,803**
Finance income	25,669	5,130	772	**31,571**
Finance cost	-	9,624	6,660	**16,284**

31 December 2008	Insurance	Drilling	Aviation	Total
Total external revenue	327,464	545,859	323,218	1,196,541
Inter-segment revenue	-	-	-	-
Net profit (after inter-segment eliminations)	82,795	222,132	124,045	428,972
Total assets	940,868	1,492,720	851,696	3,285,284
Total liabilities	464,773	834,029	331,999	1,630,801
Depreciation and amortisation	1,719	97,420	35,077	134,216
Capital expenditures (including investment properties)	52,424	116,128	227,305	395,857
Finance income	16,691	596	1,036	18,323
Finance cost	-	22,101	7,461	29,562

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24. OPERATING SEGMENTS (CONTINUED)

Reconciliation of reportable segments profit or loss	**Total 2009**	Total 2008
Total profit for reportable segments	585,791	428,972
Other un-allocable profit or loss (represents profit or loss of parent Company including dividends from the subsidiaries and joint venture and contribution to social fund)	139,299	(5,565)
Elimination of dividends paid to parent company by subsidiaries and joint venture	(160,098)	-
Consolidated profit for the year	**564,992**	423,407
Reconciliation of reportable segments total assets		
Total assets for reportable segments	3,651,326	3,285,284
Other un-allocable assets	1,282,775	1,274,717
Elimination of investments in subsidiaries and joint venture	(1,248,443)	(1,248,443)
Elimination of inter-segments assets	(827)	-
Consolidated total assets for the year	**3,684,831**	3,311,558
Reconciliation of reportable segments total liabilities		
Total liabilities for reportable segments	1,576,147	1,630,801
Other un-allocable liabilities	59,274	27,654
Elimination of inter-segments liabilities	(827)	-
Consolidated total liabilities for the year	**1,634,594**	1,658,455

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24. OPERATING SEGMENTS (CONTINUED)

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

Other material items	**2009**		
	Reportable segment totals	**Adjustments**	**Consolidated totals**
Depreciation and amortisation	164,622	-	164,622
Capital expenditures (including investment properties)	306,803	-	306,803
Finance income	31,571	2,084	33,655
Finance cost	16,284	361	16,645

Other material items	2008		
	Reportable segment totals	Adjustments	Consolidated totals
Depreciation and amortisation	134,216	-	134,216
Capital expenditures(including investment properties)	395,857	-	395,857
Finance income	18,323	665	18,988
Finance cost	29,562	-	29,562

25. FINANCIAL INFORMATION OF THE JOINT VENTURES

	Gulf Drilling International Q.S.C.	**Al Fareej* Real Estate Company Q.S.C.**	**31 December 2009**	Gulf Drilling International Q.S.C.	Al Fareej * Real Estate Company Q.S.C.	31 December 2008
Share of joint venture's statement of financial position						
Current assets	478,679	61,730	540,409	303,093	119,899	422,992
Non-current assets	1,125,695	151,877	1,277,572	1,189,627	46,866	1,236,493
Current liabilities	(169,600)	(22,526)	(192,126)	(184,489)	(1,786)	(186,275)
Non-current liabilities	(542,433)	(26,231)	(568,664)	(649,540)	-	(649,540)
Share of net assets	**892,341**	**164,850**	**1,057,191**	658,691	164,979	823,670
			Total 2009			Total 2008
Share of joint venture's comprehensive income						
Share of net profit / (loss) for the period	**303,748**	**902**	**304,650**	222,132	(20)	222,112

26. 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.

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Overview (continued)

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 risk under any insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The insurance contracts issued by the Group for various risks are homogeneous.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques. 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.

Risks are accepted based on an evaluation of pricing and prior underwriting experience in accordance with underwriting guidelines that have been laid out for each line of business. Underwriting guidelines are constantly reviewed and updated to take account of market developments, performance and opportunities. Accumulation limits are set to control exposures to natural hazards and catastrophes. Various underwriting and approval limits are specified for accepting risks. The reinsurance strategy of the Group is designed to protect exposures to individual and event risks based on current risk exposures through cost effective reinsurance arrangements. The recoverable amounts from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts.

Even though the Group has reinsurance arrangements, the direct obligation to its policy holders are shown a liability and thus to the extent the reinsurer is not able to meet its obligations under the reinsurance arrangement, a credit exposure exists. The management ensures that the Group's reinsurance placement is diversified within a range of reinsurers and is not concentrated or dependent on any single reinsurer.

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

a) Insurance risk (continued)

Frequency and severity of claims

The frequency and severity of claims can be determined after consideration of several factors as follows:

- Past experience of the claims;
- Economic level;
- Laws and regulations; and
- Public awareness

The Group manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Group has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. The Group has the right to re-price the risk on renewal. Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs (for example, subrogation). The reinsurance arrangements include proportional, non-proportional and catastrophic coverage. The effect of such reinsurance arrangements is that the Group should not suffer major insurance losses. The Group has specialised claims units dealing with the mitigation of risks surrounding general insurance claims. This unit investigates and adjusts all general insurance claims. The general insurance claims are reviewed individually monthly and adjusted to reflect the latest information on the underlying facts, current law, jurisdiction, contractual terms and conditions, and other factors. The Group actively manages settlements of general insurance claims to reduce its exposure to unpredictable developments.

Sources of uncertainty in the estimation of future claim payments

Claims on general insurance contracts are payable on a claims-occurrence basis. The Group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, a larger element of the claims provision relates to incurred but not reported claims (IBNR) which are settled over a short to medium term period.

There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures adopted. The compensation paid on these contracts is the monetary awards granted for the loss suffered by the policy holders or third parties (for third party liability covers).

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation values and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprise a provision for IBNR, a provision for reported claims not yet paid and a provision for unexpired risks as at the statement of financial position date. In calculating the estimated cost of unpaid claims (both reported and not), the Group's estimation techniques are a combination of loss-ratio-based estimates (where the loss ratio is defined as the ratio between the ultimate cost of insurance claims and insurance premiums earned in a particular financial year in relation to such claims) and an estimate based upon actual claims experience using predetermined formula where greater weight is given to actual claims experience as time passes.

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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.

Sensitivity Analysis

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.

	31 December 2009			31 December 2008	
	Change in assumptions	**Impact on Liabilities**	**Impact on Net Profit**	Impact on Liabilities	Impact on Net Profit
Loss ratio	+10%	14,312	(14,312)	8,623	(8,623)
	-10 %	(14,312)	14,312	(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 2009	31 December 2008
Cash and bank balances (including time deposits)	716,807	593,063
Insurance and reinsurance related receivables	293,329	278,960
Other receivables	107,605	103,760
Investment securities	230,465	119,072
Due from relatedparties	264,082	262,530
	1,612,288	**1,357,385**

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)
b) Credit risk (continued)

Cash and bank balances and time deposits
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 statement of financial position. All receivables are relating to receivables within GCC countries. Moreover, to minimise its exposure to significant losses from reinsure insolvencies, the Group employs the services of a top rated international broker.

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 statement of financial position. 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 statement of financial position. 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 2009	**Neither past due nor impaired**	**Past due but not impaired**					**Past due and impaired**	**Total**
		<30 days	**31 to 60 days**	**61 to 90 days**	**91 to 120 days**	**Above 121days**		
Cash and bank balances	716,807	-	-	-	-	-	-	716,807
Insurance receivables	109,775	111,402	16,484	38,181	9,914	7,573	-	293,329
Other receivables	66,301	-	-	18,041	-	14,588	8,675	107,605
Investment securities	230,465	-	-	-	-	-	-	230,465
Due from relatedparties	198,027	3,252	36,008	13,613	3,637	8,588	957	264,082
Total	**1,321,375**	**114,654**	**52,492**	**69,835**	**13,551**	**30,749**	**9,632**	**1,612,288**

31 December 2008	Neither past due nor impaired	Past due but not impaired					Past due and impaired	Total
		<30 days	31 to 60 days	61 to 90 days	91 to 120 days	Above 121days		
Cash and bank balances	593,063	-	-	-	-	-	-	593,063
Insurance receivables	102,416	72,898	12,488	7,773	2,791	80,594	-	278,960
Other receivables	66,169	-	8,796	9,654	4,328	5,911	8,902	103,760
Investment securities	119,072	-	-	-	-	-	-	119,072
Due from related parties	167,984	55,863	15,864	5,643	3,629	-	13,547	262,530
Total	1,048,704	128,761	37,148	23,070	10,748	86,505	22,449	1,357,385

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

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 consolidated statement of financial position date, the top 3 insurance companies account for 99% (2008: 94%) of the total insurance receivables, the top 3 investments account for 60% (2008: 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 State of Qatar only. In respect of reinsurance arrangements, the Company deals with reinsurers through an internationally reputed insurance broker and 85% (2008: 90%) of total reinsurance arrangements are with reinsurers located in Europe and United States of America.

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 statement of financial position 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.

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26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

c) Liquidity risk

Maturity profile

The maturity profile of the Group>s financial liabilities as at 31 December 2009 is as follows:

31 December 2009	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
Liabilities							
Loans and borrowings	-	39,942	39,942	79,885	440,466	259,888	860,123
Due to related parties	-	92,321	-	-	-	-	92,321
Insurance and other payables	-	376,172	74,937	44,121	14,397	-	509,627
Bank overdrafts	-	1,511	-	-	-	-	1,511
	-	**509,946**	**114,879**	**124,006**	**454,863**	**259,888**	**1,463,582**

31 December 2008	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
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

d) Market risk

Market risk is the risk of losses in both on and off statement of financial position 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.

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

d) Market risk

(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 2009:

31 December 2009	Effective profit rates	1 – 3 Months	3 – 12 Months	1 – 5 Years	Over 5 Years	Non interest based	Total
Assets							
Cash and bank balances	7.54%	131,949	314,362	-	-	270,496	716,807
Insurance and reinsurance related receivables		-	-	-	-	293,329	293,329
Other receivables		-	-	-	-	107,605	107,605
Due from relatedparties		-	-	-	-	264,082	264,082
Available-for-sale investments		-	-	-	-	82,480	82,480
Financial assets at fair value through profit or loss		-	-	-	-	147,985	147,985
		131,949	314,362	-	-	1,165,977	**1,612,288**
Liabilities							
Loans and borrowings	2%	39,942	124,917	695,264	-	-	860,123
Due to related parties		-	-	-	-	92,321	92,321
Insurance payables and other payables		-	-	-	-	509,627	509,627
Bank overdrafts	4.5%	1,511	-	-	-	-	1,511
		41,453	124,917	695,254	-	601,948	**1,463,582**

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

d) Market risk

(ii) Interest rate risk (continued)

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 and reinsurance related receivables		-	-	-	-	278,960	278,960
Other receivables		-	-	-	-	103,760	103,760
Due from relatedparties		-	-	-	-	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	-	-	1,01 6,558
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

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 statement of comprehensive income 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 2009				
Loans and borrowings	(8,601)	8,601	(8,601)	8,601
Cash flow sensitivity (net)	**(8,601)**	**8,601**	**(8,601)**	**8,601**

	Profit or loss		Equity	
	100 bps increase	100 bps decrease	100 bps increase	100 bps decrease
31 December 2008				
Loans and borrowings	(10,165)	10,165	(10,165)	10,165
Cash flow sensitivity (net)	(10,165)	10,165	(10,165)	10,165

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

d) Market risk

(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 2009	
		Financial assets through P&L	Available for sale Investments
	Change in variable	Impact on net profit	Impact on equity
Qatar Market	+10%	14,798	8,248
Qatar Market	-10%	(14,798)	(8,248)

		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.

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26. 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

	2009	200
Loans and borrowings	860,123	1,016,55
Bank overdrafts	1,511	3,10
Total debt	861,634	1,019,66
Total equity	2,050,237	1,653,10
Equity and debt	0.42:1	0.62
Gearing ratio	**42%**	62

27. 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.

31 December 2009	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	-	716,807	-	-	716,807	716,807
Insurance and reinsurance receivables	-	293,329	-	-	293,329	293,329
Other receivables	-	107,605	-	-	107,605	107,605
Due from relatedparties	-	264,082	-	-	264,082	264,082
Available-for-sale investments	-	-	82,480	-	82,480	82,480
Financial assets at fair value through profit or loss	147,985	-	-	-	147,985	147,985
	147,985	**1,381,823**	**82,480**	**-**	**1,612,288**	**1,612,288**
Liabilities						
Loans and borrowings	-	-	-	860,123	860,123	860,123
Due to related parties	-	-	-	92,321	92,321	92,321
Insurance payables and other payables	-	-	-	509,627	509,627	509,627
Bank overdrafts	-	-	-	1,511	1,511	1,511
	-	**-**	**-**	**1,463,582**	**1,463,582**	**1,463,582**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

In thousands of Qatari Riyals

27. FAIR VALUES AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)

31 December 2008	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 relatedparties	-	262,530	-	-	262,530	262,530
Availablefor-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**

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

27. FAIR VALUES AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)

	Level 1	Level 2	Level 3	Total
As at 31 December 2009				
Available for sale	77,430	-	5,050	82,480
Financial assets at fair value through profit or loss	-	102,985	45,000	147,985
	77,430	**102,985**	**50,050**	**230,465**
As at 31 December 2008				
Available for sale	37,206	8,740	-	45,946
Financial assets at fair value through profit or loss	-	73,126	-	73,126
	37,206	81,866	-	119,072

28. RECLASSIFICATION OF COMPARATIVE FIGURES

Certain corresponding figures for 2008 have been reclassified where necessary, to preserve comparability with the current year presentation.