

Gulf International Services Q.S.C.
Condensed Consolidated Interim Financial Information
For the six-month period ended 30 June 2010

Gulf International Services Q.S.C.

**Condensed Consolidated Interim Financial Information
For the six-month period ended 30 June 2010**

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Independent auditors' report on review of condensed consolidated interim financial information

To
The Board of Directors
Gulf International Services Q.S.C.
Doha
State of Qatar

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Gulf International Services Q.S.C. (the "Company") and its subsidiaries (together referred to as the "Group") as at 30 June 2010 and the condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and the related notes (together referred to as "condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 30 June 2010 is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting".

25 July 2010
Doha
State of Qatar


Gopal Balasubramaniam
KPMG
Qatar Auditors Registry Number 251

Condensed consolidated interim statement of financial position
As at 30 June 2010

In thousands of Qatari Riyals

	Note	30 June 2010 (Reviewed)	31 December 2009 (Audited)
Assets			
Property, plant and equipment	6	1,880,097	1,797,092
Properties under development	7	93,616	82,666
Investment properties	8	64,391	65,685
Investment in an associate		2,445	2,224
Available-for-sale investments	9.b	77,468	82,480
Total non-current assets		2,118,017	2,030,147
Inventories		67,927	69,327
Due from related parties	12	259,724	264,082
Receivables and prepayments		310,474	239,095
Insurance receivables		262,021	217,388
Financial assets at fair value through profit or loss	9.a	139,899	147,985
Cash and bank balances	10	782,398	716,807
Total current assets		1,822,443	1,654,684
Total assets		3,940,460	3,684,831
Equity (page 6)			
Share capital		1,351,570	1,351,570
Legal reserve		94,713	94,713
General reserve		74,516	74,516
Fair value reserve		(31,544)	(31,059)
Retained earnings		580,669	560,497
Total equity		2,069,924	2,050,237
Liabilities			
Loans and borrowings – non current portion	11	759,808	695,308
Provision for employees' end of service benefits		11,701	10,255
Total non-current liabilities		771,509	705,563
Due to related parties	12	60,356	92,321
Accounts payable, insurance payables and accruals		858,069	670,384
Loans and borrowings – current portion	11	179,221	164,815
Bank overdrafts	10	1,381	1,511
Total current liabilities		1,099,027	929,031
Total liabilities		1,870,536	1,634,594
Total equity and liabilities		3,940,460	3,684,831

This condensed consolidated interim financial information is approved by the Board of Directors and were signed on their behalf by the following on

Abdullah Bin Hamad Al-Attiyah
Chairman

Saeed Mubarak Al-Muhanadi
Vice-Chairman

Gulf International Services Q.S.C.

Condensed consolidated interim statement of comprehensive income
For the period ended 30 June 2010

In thousands of Qatari Riyals

	Note	Six months to 30 June 2010 (Reviewed)	Six months to 30 June 2009
Revenue from aviation and drilling businesses		523,207	541,816
Gross insurance revenue		235,990	228,340
Total revenue		759,197	770,156
Direct costs from aviation and drilling businesses		(259,388)	(279,832)
Gross insurance expense		(219,848)	(194,560)
Total cost		(479,236)	(474,392)
Gross profit		279,961	295,764
Other income		10,379	24,164
Net (losses) on financial assets at fair value through profit or loss		(249)	(351)
General and administrative expenses		(49,027)	(42,543)
Results from operating activities		241,064	277,034
Finance income		16,108	15,011
Finance expenses		(7,454)	(9,441)
Share of profit from an associate		221	1,109
Profit for the period		249,939	283,713
Other comprehensive income			
Net change in fair value of available-for-sale financial assets		49	5,424
Net change in available-for-sale financial assets transferred to profit or loss		(534)	(5,048)
Other comprehensive income for the period		(485)	376
Total comprehensive income for the period		249,454	284,089
Earnings per share			
Basic and diluted earnings per share (Qatari Riyals)	14	1.85	2.10

The accompanying notes 1 to 15 form an integral part of this condensed consolidated interim financial information.

Condensed consolidated interim statement of changes in equity
For the period ended 30 June 2010

In thousands of Qatari Riyals

	Share capital	Legal reserve	General Reserve	Fair value reserve	Retained earnings	Total
						(Reviewed)
Balance at 1 January 2009	1,228,700	54,899	74,516	(22,932)	317,920	1,653,103
Comprehensive income for the period						
Profit for the period	-	-	-	-	283,713	283,713
<u>Other comprehensive income</u>						
Net change in fair value of available-for-sale financial assets	-	-	-	5,424	-	5,424
Net change in available-for-sale financial assets transferred to profit or loss	-	-	-	(5,048)	-	(5,048)
Total other comprehensive income for the period	-	-	-	376	-	376
Total comprehensive income for the period	-	-	-	376	283,713	284,089
<u>Transactions with owners, recorded directly in equity</u>						
Dividends to equity holders	-	-	-	-	(159,731)	(159,731)
Bonus shares to equity holders	122,870	-	-	-	(122,870)	-
Balance at 30 June 2009	1,351,570	54,899	74,516	(22,556)	319,032	1,777,461
Balance at 1 January 2010	1,351,570	94,713	74,516	(31,059)	560,497	2,050,237
Comprehensive income for the period						
Profit for the period	-	-	-	-	249,939	249,939
<i>Other comprehensive income</i>						
Net change in fair value of available-for-sale financial assets	-	-	-	49	-	49
Net change in available-for-sale financial assets transferred to profit or loss	-	-	-	(534)	-	(534)
Total other comprehensive income for the period	-	-	-	(485)	-	(485)
Total comprehensive income for the period	-	-	-	(485)	249,939	249,454
Transactions with owners, recorded directly in equity						
Dividends to equity holders	-	-	-	-	(229,767)	(229,767)
Balance at 30 June 2010	1,351,570	94,713	74,516	(31,544)	580,669	2,069,924

Dividends paid

The cash dividend in respect of the year ended 31 December 2009 of QR 1.7 per share, amounting to a total of QR 229.8 million and was approved at the annual general meeting held on 7 April 2010 and paid during the period.

Gulf International Services Q.S.C.

Condensed consolidated interim statement of cash flows
For the period ended 30 June 2010

In thousands of Qatari Riyals

	For the six month period ended 30 June 2010	For the six month period ended 30 June 2009
Cash flows from operating activities		
Profit for the period	249,939	283,713
Adjustments for:		
Share of profit of an associate	(221)	(1,109)
Depreciation and amortization	80,312	79,431
Finance expenses	7,454	9,441
Finance income	(16,108)	(15,011)
Net gain on sale of available-for-sale investments	(534)	(5,048)
Net losses on financial assets at fair value through profit or loss	249	351
Dividend income	(975)	(3,588)
Provision for employees' end of service benefits	2,928	2,400
Net loss / (gain) on sale of property, plant and equipment	103	(7,678)
Net operating profit before working capital changes	323,147	342,902
Change in insurance, receivables and prepayments and due from related parties	(109,640)	(6,457)
Change in inventories	1,400	(6,590)
Change in accounts payables, insurance payables, accruals and due to related parties	157,623	144,382
Net cash from operations	372,530	474,237
End of service benefits paid	(1,482)	(1,808)
Net cash from operating activities	371,048	472,429
Investing activities		
Acquisition of investment in securities	(10,000)	(97,681)
Proceeds from sale of investment in securities	23,081	38,684
Acquisition of property, plant and equipment and properties under development	(173,178)	(199,202)
Proceeds from disposal of property, plant and equipment	103	8,760
Acquisition of investment property	-	(66,183)
Movement in time deposits maturing after 90 days	57,892	(34,902)
Receipt of finance income	14,770	15,011
Receipt of dividend income	975	3,588
Net cash used in investing activities	(86,357)	(331,925)
Financing activities		
Proceeds from loans and borrowings	200,750	32,753
Dividends paid	(229,767)	(159,731)
Repayment of loans and borrowings	(121,845)	(70,004)
Finance expenses paid	(7,454)	(9,441)
Net cash used in financing activities	(158,316)	(206,423)
Increase / (decrease) in cash and cash equivalents for the period	126,375	(65,919)
Cash and cash equivalents at the beginning of the period	400,934	272,624
Cash and cash equivalents at the end of the period (Note 10)	527,309	206,705

The accompanying notes 1 to 15 form an integral part of this condensed consolidated interim financial information.

1. REPORTING ENTITY

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 condensed consolidated interim financial information of the Group as at and for the six-month period ended 30 June 2010 comprise the Company and its two subsidiaries and a joint venture. The registered office of the Company is situated on the 3rd floor, Al Saad Plaza Building, Doha, State of Qatar.

2. STATEMENT OF COMPLIANCE

This condensed consolidated interim financial information has been prepared in accordance with IAS 34, "Interim Financial Reporting". They do not include all of the information required for full annual consolidated financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2009. In addition, results of the six-month period ended 30 June 2010 is not necessarily indicative of the results that may be expected for the financial year ended 31 December 2010.

This condensed consolidated interim financial information incorporate the financial statements of the Company, subsidiary companies and a joint venture. All significant inter company transactions and balances are eliminated on consolidation.

The condensed consolidated interim financial information is prepared in Qatari Riyals ("QR") and all values are rounded to the nearest thousands (QR '000), except when otherwise indicated.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in these condensed consolidated interim financial information are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2009.

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted:

1) *IFRS 9, 'Financial instruments'*, issued in December 2009. This addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess IFRS 9's full impact.

However, initial indications are that it may affect the Group's accounting for its available-for-sale financial assets, as IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. The Group has not yet decided when to adopt IFRS 9.

2) *Revised IAS 24, 'Related party disclosures'*, issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised IAS 24 is required to be applied from 1 January 2011. Earlier application, in whole or in part, is permitted.

Notes to the condensed consolidated interim financial information
For the period ended 30 June 2010

4. ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2009.

5. FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2009.

International Services Q.S.C.

the condensed consolidated interim financial information
period ended 30 June 2010

In thousands of Qatari Riyals

PROPERTY, PLANT AND EQUIPMENT

Item	Freehold land	Buildings	Rigs	Plant and machinery	Furniture and fixtures	Computers	Aircrafts	House and office equipments	Ground radio equipment tools	Capitalised maintenance expenditures	Motor vehicles	Capital Work In progress	Total 2010	Total 2009
at 1 January	375	39,646	1,276,960	118,084	14,250	51,802	768,522	13,041	5,521	92,356	2,044	7,576	2,390,177	2,213,504
Increases	-	-	6,407	4,349	126	663	103,067	-	43	14,622	243	32,708	162,228	204,793
Decreases	-	-	-	-	-	-	-	-	-	(2,814)	-	(1,067)	(3,881)	(12,891)
at 30 June 2010	-	-	(165)	(182)	-	(11)	-	-	-	-	(254)	-	(612)	(15,229)
at 30 June 2010	375	39,646	1,283,202	122,251	14,376	52,454	871,589	13,041	5,564	104,164	2,033	39,217	2,547,912	2,390,177
at 1 January	-	35,696	261,748	46,087	5,671	25,434	164,194	11,799	5,264	35,757	1,435	-	593,085	454,263
Increases	-	537	39,433	8,664	1,040	4,852	17,992	581	72	5,721	126	-	79,018	162,891
Decreases	-	-	-	-	-	-	-	-	-	(3,882)	-	-	(3,882)	(12,891)
at 30 June 2010	-	36,233	301,157	54,633	6,711	30,276	182,186	12,380	5,336	37,596	1,307	-	667,815	593,085
at 1 January	375	3,413	982,045	67,618	7,665	22,178	689,403	661	228	66,568	726	39,217	1,880,097	-
at 30 June 2010	375	3,950	1,015,212	71,997	8,579	26,368	604,328	1,242	257	56,599	609	7,576	-	1,797,092

Notes to the condensed consolidated interim financial information

For the period ended 30 June 2010

In thousands of Qatari Riyals

7. PROPERTIES UNDER DEVELOPMENT

	Land	Construction work in progress	2010 Total (Reviewed)
Balance at 1 January	43,632	39,034	82,666
Acquisitions	-	10,950	10,950
Balance at 30 June	43,632	49,984	93,616

	Land	Construction work in progress	2009 Total (Audited)
Balance at 1 January	43,632	3,235	46,867
Acquisitions	-	35,799	35,799
Balance at 31 December	43,632	39,034	82,666

The Group's indirect joint venture (Al Fareej Real Estate Company Q.S.C.) has undertaken development of properties in State of Qatar and the same is under progress as at 30 June 2010. The proportional fair value of land and property under development amounted to QR 33.96 million and QR 62.9 million respectively are based on the valuation carried by an external independent valuer on 15 June 2010. The management of the joint venture believes that this approximated the fair values as at 30 June 2010.

8. INVESTMENT PROPERTIES

	Land	Building	Total 2010	Total 2009
Cost				
Balance at 1 January	1,125	69,498	70,623	7,646
Additions	-	-	-	62,977
Transfers	-	-	-	-
Balance at 30 June / 31 December	1,125	69,498	70,623	70,623
Depreciation				
Balance at 1 January	-	4,938	4,938	3,207
Depreciation charge for the period / year	-	1,294	1,294	1,731
Transfers	-	-	-	-
Balance at 30 June / 31 December	-	6,232	6,232	4,938
Net book value at 30 June	1,125	63,266	64,391	-
Net book value at 31 December	1,125	64,560	-	65,685

The management is of the view that estimated fair market value of the land and certain buildings as at 30 June 2010, relating to Gulf Helicopters Company Q.S.C., is assumed to approximate the fair value of the properties disclosed as at 31 December 2009 amounting to QR 3.9 million.

During the period, one of the Group's indirect joint venture (Al Fareej Real Estate Company Q.S.C.) carried out a valuation (via an external independent valuer) of a building classified in 'Buildings', on 15 June 2010 amounting to a proportionate value of QR 66 million. The management of the joint venture believes that this approximated the fair value of the property as at 30 June 2010.

Notes to the condensed consolidated interim financial information
For the period ended 30 June 2010

In thousands of Qatari Riyals

9. INVESTMENT IN SECURITIES

	30 June 2010	31 December 2009
a. Financial assets at fair through profit or loss		
Held for trading (note 9.1)	56,135	56,521
Designated as fair value through profit or loss (note 9.2)	83,764	91,464
	<u>139,899</u>	<u>147,985</u>
b. Available-for-sale investments		
Qatari public shareholding companies	77,468	77,430
Unquoted securities	-	5,050
	<u>77,468</u>	<u>82,480</u>

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

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

10. CASH AND CASH EQUIVALENTS

	30 June 2010	31 December 2009
Cash in hand	219	215
Cash at banks		
- Current & call accounts	516,709	131,734
- Demand and other fixed deposits	9,000	270,496
- Time deposits with maturities in excess of 3 months	256,470	314,362
Total cash and bank balances	<u>782,398</u>	<u>716,807</u>
Bank overdrafts	1,381	(1,511)
Less: Time deposits with maturities in excess of 3 months	(256,470)	(314,362)
Cash and bank as per cash flow statement	<u>527,309</u>	<u>400,934</u>

11. LOANS AND BORROWINGS

	30 June 2010	31 December 2009
<i>Syndicated borrowings</i>		
- Loan 1	58,800	65,333
- Loan 2	170,096	188,001
- Loan 3	248,430	269,133
- Loan 4	76,440	81,536
- Loan 5	46,577	46,577
	<u>600,343</u>	<u>650,580</u>
Various other borrowings	340,653	211,921
	<u>940,996</u>	<u>862,501</u>
Less: Unamortised finance cost associated with raising finance	(1,967)	(2,378)
	<u>939,029</u>	<u>860,123</u>
Classified in the condensed consolidated interim financial position as follows:		
- Non-current portion	759,808	695,308
- Current portion	179,221	164,815
	<u>939,029</u>	<u>860,123</u>

Notes to the condensed consolidated interim financial information
For the period ended 30 June 2010

In thousands of Qatari Riyals

12. TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties

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

	30 June 2010	31 December 2009
<i>Due from related parties</i>		
Qatar Petroleum (Associate investor)	210,552	238,116
Qatar Liquefied Gas (Affiliate)	6,990	6,998
Ras Laffan Natural Gas (Affiliate)	9,171	8,756
United Helicharters Private Limited (Associate)	13,472	10,015
Qatar Gas Company (Affiliate)	19,539	-
Others	-	1,154
Less: Provision for doubtful debts	-	(957)
	<u>259,724</u>	<u>264,082</u>
	30 June 2010	31 December 2009
<i>Due to related parties</i>		
Al Shaheen Well Services (Affiliate)	2,740	3,287
United Helicharters Private Limited (Associate)	796	796
Qatar Petroleum (Associate investor)	48,606	80,292
Qatar Fuel (Waqood) (Affiliate)	643	592
Japan Drilling Company (Affiliate)	3,267	3,671
Amwaj Catering (Affiliate)	4,304	3,002
Other related parties	-	681
	<u>60,356</u>	<u>92,321</u>
	Total 2010	Total 2009
<i>Compensation of key management personnel</i>		
Salaries and other benefits (including directors' fee)	<u>5,072</u>	<u>6,039</u>

Notes to the condensed consolidated interim financial information
For the period ended 30 June 2010

In thousands of Qatari Riyals

13. CONTINGENCIES AND COMMITMENTS

	Total 2010	Total 2009
<i>Contingent liabilities</i>		
Guarantees against performance bonds	9,356	9,564
Letter of credits	966	71

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

Commitments

Capital commitments	74,718	128,939
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14. EARNINGS PER SHARE

Basic earnings per share have been calculated by dividing the profit for the period attributable to equity holders by the weighted average number of equity shares outstanding at the interim financial position date.

The basic and diluted earnings per share are the same as there were no dilutive effects on earnings.

	Total 2010	Total 2009
Profit for the period	249,939	283,713
Weighted average number of equity shares	135,157	135,157
Basic and diluted earnings per share	1.85	2.10

15. SEGMENT REPORTING

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 and its affiliates.
- 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.

the condensed consolidated interim financial information
period ended 30 June 2010

In thousands of Qatari Riyals

SEGMENT REPORTING (CONTINUED)

2010

	Insurance	Drilling	Aviation	Total
external revenue	236,890	304,563	218,644	760,097
segment revenue	(900)	-	-	(900)
profit before income tax for the period after inter-segment eliminations	24,968	143,662	84,295	252,925
assets	1,217,039	1,545,669	1,105,672	3,868,380

2009 / 31 December 2009

	Insurance	Drilling	Aviation	Total
external revenue	229,386	343,872	197,944	771,202
segment revenue	(1,046)	-	-	(1,046)
profit before income tax for the period after inter-segment eliminations	54,424	147,744	84,485	286,653
assets	1,136,343	1,604,374	910,609	3,651,326

Reconciliation of reportable segments profit or loss

Profit for reportable segments
Non-allocable profit or loss (represents profit or loss of parent Company including dividends to subsidiaries and joint venture)
Elimination of dividends paid to parent company by subsidiaries and joint venture dated profit for the period

Total 2010	Total 2009
252,925	286,653
282,894	157,158
(285,880)	(160,098)
249,939	283,713

Reconciliation of reportable segments total assets

Assets for reportable segments
Non-allocable assets
Elimination of investments in subsidiaries and joint venture
Elimination of inter-segment assets
Total assets for the period
There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss or total assets since 31 December 2009.

3,868,380	3,651,326
1,320,783	1,282,775
(1,248,443)	(1,248,443)
(260)	(827)
3,940,460	3,684,831