

Gulf International Services Q.S.C.

**UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

30 JUNE 2011

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF GULF INTERNATIONAL SERVICES Q.S.C.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Gulf International Services Q.S.C. (the "Company") and its subsidiaries and a jointly controlled entity (together referred to as the "Group") as at 30 June 2011, comprising of the interim consolidated statement of financial position as at 30 June 2011 and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

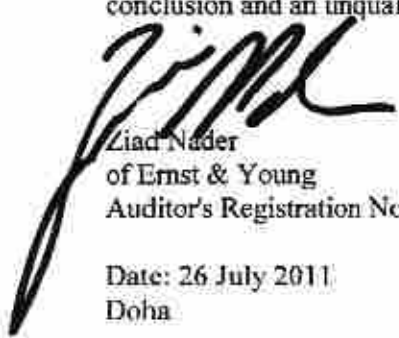
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial 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. Consequently, it 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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Other matter

The interim condensed consolidated financial statements of the Group as of 30 June 2010 were reviewed and the consolidated financial statements as of 31 December 2010 were audited by another auditor, whose reports dated 25 July 2010 and 24 February 2011, respectively, expressed an unqualified review conclusion and an unqualified audit opinion on those consolidated financial statements.



Ziad Nader
of Ernst & Young
Auditor's Registration No. 258

Date: 26 July 2011
Doha



Gulf International Services Q.S.C.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Notes	Six months ended	
		30 June	
		2011 (Unaudited) QR '000	2010 (Unaudited) QR '000
Revenue	3	760,791	759,197
Direct costs	4	(577,359)	(479,236)
GROSS PROFIT		183,432	279,961
Finance income		8,611	16,108
Net gains (losses) on financial assets at fair value through profit or loss		1,679	(249)
Other income		22,259	10,379
Share of (loss) profit of an associate		(334)	221
Finance expenses		(6,702)	(7,454)
Impairment loss on available-for-sale investments		(13,683)	-
General and administrative expenses		(54,595)	(49,027)
PROFIT FOR THE PERIOD		140,667	249,939
Other comprehensive income			
Net movement in the fair value of available-for-sale investments		(2,751)	(485)
Loss on available-for-sale investments		13,683	-
Exchange difference on translation of foreign operations		(8)	-
		10,924	(485)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		151,591	249,454
Earnings per share			
Basic and diluted earnings per share (Qatari Riyals)	14	1.04	1.85

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

Gulf International Services Q.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

		30 June 2011 (Unaudited)	31 December 2010 (Audited) (Restated)
	Notes	QR '000	QR '000
ASSETS			
Non-current assets			
Property, plant and equipment	5	2,114,544	1,944,528
Investment properties	6	62,093	63,242
Properties under development	7	92,829	93,616
Investment in an associate		1,046	1,388
Available-for-sale investments	8	48,834	82,735
		<u>2,319,346</u>	<u>2,185,509</u>
Current assets			
Inventories		68,078	61,856
Due from related parties	12	195,809	301,134
Accounts receivable and prepayments		403,007	413,270
Insurance receivables		289,549	290,134
Financial assets at fair value through profit or loss	9	144,391	142,712
Cash and bank balances	10	969,479	826,794
		<u>2,070,313</u>	<u>2,035,900</u>
		<u>4,389,659</u>	<u>4,221,409</u>
TOTAL ASSETS			
EQUITY AND LIABILITIES			
Equity			
Share capital		1,351,570	1,351,570
Legal reserve		120,090	120,090
General reserve		74,516	74,516
Foreign currency translation reserve		(8)	-
Fair value reserve		(47)	(10,979)
Retained earnings		673,038	708,075
		<u>2,219,159</u>	<u>2,243,272</u>
Total equity			
Non-current liabilities			
Loans and borrowings	11	809,620	677,783
Employees' end of service benefits		14,440	13,005
		<u>824,060</u>	<u>690,788</u>
Current liabilities			
Due to related parties	12	101,300	61,732
Accounts payable, insurance payables and accruals		1,070,807	1,045,703
Loans and borrowings	11	173,852	179,914
Bank overdrafts	10	481	-
		<u>1,346,440</u>	<u>1,287,349</u>
		<u>2,170,500</u>	<u>1,978,137</u>
Total liabilities			
		<u>4,389,659</u>	<u>4,221,409</u>
TOTAL EQUITY AND LIABILITIES			


 Dr. Mohamed Saleh Al-Sada
 Chairman & Managing Director


 Saeed Mubarak Al-Muhanadi
 Vice-Chairman

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

Gulf International Services Q.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Restated)

For the six months ended 30 June 2011

	Share capital QR '000	Legal reserve QR '000	General reserve QR '000	Foreign currency translation reserve QR '000	Fair value reserve QR '000	Retained earnings QR '000	Total QR '000
Balance at 1 January 2011, as previously reported	1,351,570	120,090	74,516	-	(36,444)	733,540	2,243,272
Prior period adjustment (Note 16)	-	-	-	-	25,465	(25,465)	-
Balance at 1 January 2011, as restated	1,351,570	120,090	74,516	-	(10,979)	708,075	2,243,272
Profit for the period	-	-	-	-	-	140,667	140,667
Other comprehensive income for the period	-	-	-	(8)	10,932	-	10,924
Total comprehensive income for the period	-	-	-	(8)	10,932	140,667	151,591
Dividends paid	-	-	-	-	-	(175,704)	(175,704)
Balance at 30 June 2011 (Unaudited)	1,351,570	120,090	74,516	(8)	(47)	673,038	2,219,159

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

Gulf International Services Q.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Restated) (CONTINUED)

For the six months ended 30 June 2011

	Share capital QR '000	Legal reserve QR '000	General reserve QR '000	Foreign currency translation reserve QR '000	Fair value reserve QR '000	Retained earnings QR '000	Total QR '000
Balance at 1 January 2010, as previously reported	1,351,570	94,713	74,516	-	(31,059)	560,497	2,050,237
Prior period adjustment (Note 16)	-	-	-	-	25,465	(25,465)	-
Balance at 1 January 2010, as restated	1,351,570	94,713	74,516	-	(5,594)	535,032	2,050,237
Profit for the period	-	-	-	-	-	249,939	249,939
Other comprehensive income for the period	-	-	-	-	(485)	-	(485)
Total comprehensive income for the period	-	-	-	-	(485)	249,939	249,454
Dividends paid	-	-	-	-	-	(229,767)	(229,767)
Balance at 30 June 2010 (Unaudited)	1,351,570	94,713	74,516	-	(6,079)	555,204	2,069,924

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

Gulf International Services Q.S.C.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	<i>Six months ended</i>	
	<i>30 June</i>	
	<i>2011</i>	<i>2010</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>QR '000</i>	<i>QR '000</i>
OPERATING ACTIVITIES		
Profit for the period	140,667	249,939
Adjustments for:		
Depreciation	86,299	80,312
Impairment loss on available-for-sale investments	13,683	-
Provision for employees' end of service benefits	2,749	2,928
Finance expenses	6,702	7,454
Loss on sale of property, plant and equipment	2,217	103
Share of loss (profit) of an associate	334	(221)
Net (gains) losses on financial assets at fair value through profit or loss	(1,679)	249
Finance income	(8,611)	(16,108)
Net gain on sale of available-for-sale investments	(911)	(534)
Dividend income	-	(975)
Net operating profit before working capital changes	241,450	323,147
Inventories	(6,222)	1,400
Accounts receivable, insurance receivables and prepayments	116,173	(109,640)
Accounts payable, insurance payables and accruals	65,459	157,623
Cash from operations	416,860	372,530
End of service benefits paid	(1,312)	(1,482)
Net cash from operating activities	415,548	371,048
INVESTING ACTIVITIES		
Proceeds from sale of available-for-sale investments	36,911	23,081
Receipt of finance income	8,611	14,770
Proceeds from sale of property, plant and equipment	2,093	103
Acquisition of available-for-sale investments	(4,852)	(10,000)
Time deposits with maturities in excess of three months	(66,314)	57,892
Acquisition of property, plant and equipment and properties under development	(259,476)	(173,178)
Receipt of dividend income	-	975
Net cash used in investing activities	(283,027)	(86,357)
FINANCING ACTIVITIES		
Net movement in loans and borrowings	125,775	78,905
Dividends paid	(175,704)	(229,767)
Finance expenses paid	(6,702)	(7,454)
Net cash used in financing activities	(56,631)	(158,316)
INCREASE IN CASH AND CASH EQUIVALENTS	75,890	126,375
Cash and cash equivalents at 1 January	463,900	400,934
CASH AND CASH EQUIVALENTS AT 30 JUNE	539,790	527,309

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

Gulf International Services Q.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2011

1 CORPORATE INFORMATION

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 registered office of the Company is situated on the 3rd floor, Al Saad Plaza Building, Doha, State of Qatar.

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

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") (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.

On 26 May 2008, QP listed 70% of the Company's issued share capital in the Doha Securities Market. Accordingly, the shareholding of the Company is currently 30% owned by QP and remaining 70% by other individuals and corporate.

The interim condensed consolidated financial statements of the Group as at and for the six-month period ended 30 June 2011 comprise the Company, the interim condensed consolidated financial information of its two subsidiaries and proportionate share of the interim condensed financial information of its joint venture.

The interim condensed consolidated financial statements of the Group were authorised for issue by the Board of Directors on 26 July 2011.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2011 have been prepared in accordance with IAS 34 "Interim Financial Reporting" ("IAS 34") and have been presented in Qatar Riyals, which is the Group's functional and presentation currency and all values are rounded to the nearest thousands (QR '000), except when otherwise indicated.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2010. In addition, results for the six months ended 30 June 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011.

2.2 Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2010, except for the adoption of new standards and interpretations as of 1 January 2011, as noted below:

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.2 Significant accounting policies (continued)

New standards, interpretations and amendments thereof, adopted by the Group

IAS 24 Related Party Transactions (Amendment)

The IASB has issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships as well as clarifying in which circumstances persons and key management personnel affect related party relationships of an entity.

New standards, interpretations and amendments thereof, adopted by the Group (continued)

Secondly, the amendment introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

New standards, interpretations and amendments thereof, issued and effective but not relevant

The following new standards, interpretations and amendments effective as of 1 January 2011 have been issued but are not relevant to the Group's operations, as follows:

- IAS 32 Financial Instruments: Presentation (Amendment)
- IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)

Improvements to IFRSs (issued May 2010)

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following relevant amendments resulted in changes to accounting policies, but did not have any impact on the financial position or performance of the Group:

- *IAS 1 Presentation of Financial Statements*: The amendment clarifies that an option to present an analysis of each component of other comprehensive income may be included either in the statement of changes in equity or in the notes to the financial statements.
- *IAS 34 Interim Financial Statements*: The amendment requires additional disclosures for fair values and changes in classification of financial assets, as well as changes to contingent assets and liabilities in interim condensed financial statements.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- *IFRS 3 Business Combinations*
- *IAS 27 Consolidated and Separate Financial Statements*
- *IFRS 7 Financial Instruments*

New standards issued and but not yet effective

The Group is currently considering the implications of the following new IFRS which are effective from 1 January 2013:

- *IFRS 10 Consolidated Financial Statements*
- *IFRS 11 Joint Arrangements*
- *IFRS 12 Disclosure of Interests in Other Entities*

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Gulf International Services Q.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2011

3 REVENUE

	<i>Six months ended</i>	
	<i>30 June</i>	
	<i>2011</i>	<i>2010</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>QR '000</i>	<i>QR '000</i>
Revenue from operation and drilling services	474,736	523,207
Gross insurance revenue	286,055	235,990
	<u>760,791</u>	<u>759,197</u>

4 DIRECT COSTS

	<i>Six months ended</i>	
	<i>30 June</i>	
	<i>2011</i>	<i>2010</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>QR '000</i>	<i>QR '000</i>
Direct cost from aviation and drilling services	296,507	259,388
Gross insurance expense	280,852	219,848
	<u>577,359</u>	<u>479,236</u>

Gulf International Services Q.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AE30 June 2011

5 PROPERTY, PLANT AND EQUIPMENT

	Freehold land QR '000	Buildings QR '000	Rigs QR '000	Plant and machinery QR '000	Furniture and fixtures QR '000	Computers QR '000	Aircrafts QR '000	House and office equipment QR '000	Ground radio equipment tools QR '000	Capitalised maintenance expenditures QR '000	Motor vehicles QR '000	Capital work in progress QR '000	Total QR '000
Cost:													
At 1 January 2011	375	40,546	1,290,795	122,718	14,884	63,484	939,942	14,198	5,780	108,838	2,162	82,918	2,686,660
Additions	-	-	53,270	13,475	2,889	460	-	92	-	1,681	-	187,609	259,476
Transfers	-	-	7,456	27,194	-	(34,650)	-	-	-	(1,780)	-	-	(1,780)
Disposals	-	-	(7,226)	(986)	(57)	-	-	-	-	-	-	-	(8,269)
At 30 June 2011	375	40,546	1,344,295	162,401	17,716	29,294	939,942	14,290	5,780	108,759	2,162	270,527	2,936,087
Accumulated depreciation:													
At 1 January 2011	-	36,829	340,225	63,065	7,850	35,477	196,780	12,648	5,409	42,403	1,446	-	742,132
Charge for the period	-	641	41,303	11,317	1,259	2,893	21,559	292	78	5,682	126	-	85,150
Transfers	-	-	3,306	19,521	-	(22,827)	-	-	-	(1,780)	-	-	(1,780)
Disposals	-	-	(3,188)	(733)	(38)	-	-	-	-	-	-	-	(3,959)
At 30 June 2011	-	37,470	381,646	93,170	9,071	15,543	218,339	12,940	5,487	46,305	1,572	-	821,543
Net carrying amounts at													
At 30 June 2011	375	3,076	962,649	69,231	8,645	13,751	721,603	1,350	293	62,454	590	270,527	2,114,544
(Unaudited)													

Gulf International Services Q.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2011

5 PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land QR '000	Buildings QR '000	Rigs QR '000	Plant and machinery QR '000	Furniture and fixtures QR '000	Computers QR '000	Aircrafts QR '000	House and office equipment QR '000	Ground radio equipment tools QR '000	Capitalised maintenance expenditures QR '000	Motor vehicles QR '000	Capital work in progress QR '000	Total QR '000
Cost:													
At 1 January 2010	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
Additions	-	900	14,246	5,549	282	3,273	184,223	1,157	259	22,612	372	85,928	318,801
Transfers	-	-	1,279	133	378	8,486	-	-	-	(6,110)	-	(10,586)	(6,420)
Disposals	-	-	(1,690)	(1,048)	(26)	(77)	(12,803)	-	-	-	(254)	-	(15,898)
At 31 December 2010	375	40,546	1,290,795	122,718	14,884	63,484	939,942	14,198	5,780	108,858	2,162	82,918	2,686,660
Accumulated Depreciation:													
At 1 January 2010	-	35,696	261,748	46,087	5,671	25,434	164,194	11,799	5,264	35,757	1,435	-	593,085
Charge for the year	-	1,133	78,706	17,595	2,179	10,136	38,987	849	145	13,066	265	-	163,061
Transfers	-	-	-	-	-	(17)	-	-	-	(6,420)	-	-	(6,437)
Disposals	-	-	(229)	(617)	-	(76)	(6,401)	-	-	-	(254)	-	(7,577)
At 31 December 2010	-	36,829	340,225	63,065	7,850	35,477	196,780	12,648	5,409	42,403	1,446	-	742,132
Net carrying amounts at													
At 31 December 2010	375	3,717	950,570	59,653	7,034	28,007	743,162	1,550	371	66,455	716	82,918	1,944,528
(Audited)													

Gulf International Services Q.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2011

6 INVESTMENT PROPERTIES

	<i>Land</i> <i>QR '000</i>	<i>Buildings</i> <i>QR '000</i>	<i>Total</i> <i>2011</i> <i>QR '000</i>
Cost			
At 30 June 2011	1,125	69,352	70,477
Depreciation:			
At 1 January 2011	-	7,235	7,235
Depreciation charge for the period	-	1,149	1,149
At 30 June 2011	-	8,384	8,384
Net carrying amounts at 30 June 2011 (Unaudited)	1,125	60,968	62,093
Net carrying amounts at 31 December 2010 (Audited)	1,125	62,117	63,242

Notes:

- (i) The management is of the view that the fair value of the land and buildings as at 30 June 2011, relating to Gulf Helicopters Company Q.S.C. approximates its fair value as at 31 December 2010.
- (ii) The proportionate share in the fair value of the building in the Group's indirect joint venture (Al Fareej Real Estate Company Q.S.C.) amounting to QR 67.65 million are based on the valuation carried by an external independent valuer as of 31 December 2010. The management believes that this approximated the fair value as at 30 June 2011.

7 PROPERTIES UNDER DEVELOPMENT

	<i>Land</i> <i>QR '000</i>	<i>Construction</i> <i>work in</i> <i>progress</i> <i>QR '000</i>	<i>Total</i> <i>2011</i> <i>QR '000</i>
At 1 January 2011	43,632	49,984	93,616
Reversal due to contract variations	-	(787)	(787)
Net carrying amounts at 30 June 2011 (Unaudited)	43,632	49,197	92,829
Net carrying amounts at 31 December 2010 (Audited)	43,632	49,984	93,616

The Group's indirect joint venture (Al Fareej Real Estate Company Q.S.C.) has undertaken development of properties in the State of Qatar and the same is under progress as at 30 June 2011. The proportionate share in the fair values of the land and building under construction amounting to QR 41.50 million and QR 62.93 million, respectively, are based on the valuation carried by an external independent valuer on 31 December 2010. The management of the joint venture believes that this approximated the fair values as at 30 June 2011.

Gulf International Services Q.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2011

8 AVAILABLE-FOR-SALE INVESTMENTS

	<i>30 June 2011 (Unaudited) QR '000</i>	<i>31 December 2010 (Audited) QR '000</i>
Qatari public shareholding companies	48,834	46,735
Unquoted securities	-	36,000
	<u>48,834</u>	<u>82,735</u>

9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>30 June 2011 (Unaudited) QR '000</i>	<i>31 December 2010 (Audited) QR '000</i>
Held for trading (i)	60,454	58,832
Designated as fair value through profit or loss (ii)	83,937	83,880
	<u>144,391</u>	<u>142,712</u>

- (i) 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.
- (ii) 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 has been classified as financial asset through profit and loss.

10 CASH AND CASH EQUIVALENTS

	<i>30 June 2011 (Unaudited) QR '000</i>	<i>31 December 2010 (Audited) QR '000</i>
Cash in hand	293	246
Cash at banks		
- Current and call accounts	439,978	77,874
- Demand and other fixed deposits	100,000	385,780
- Time deposits with maturities in excess of three months	429,208	362,894
Cash and bank balances	969,479	826,794
Less: Bank overdrafts	(481)	-
Less: Time deposits with maturities in excess of 3 months	(429,208)	(362,894)
Cash and bank as per interim consolidated statement of cash flows	<u>539,790</u>	<u>463,900</u>

Gulf International Services Q.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2011

11 LOANS AND BORROWINGS

	<i>30 June 2011 (Unaudited) QR '000</i>	<i>31 December 2010 (Audited) QR '000</i>
<i>Syndicated borrowings</i>		
Loan 1	45,733	52,267
Loan 2	134,287	152,191
Loan 3	207,025	227,728
Loan 4	66,248	71,344
Loan 5	46,577	46,577
Loan 6	<u>221,676</u>	<u>-</u>
	721,546	550,107
Various other borrowings	<u>274,843</u>	<u>310,485</u>
	996,389	860,592
Less: Unamortised finance cost associated with raising finance	<u>(12,917)</u>	<u>(2,895)</u>
	<u>983,472</u>	<u>857,697</u>
Presented in the interim consolidated statement of financial position as follows:		
Non-current portion	809,620	677,783
Current portion	<u>173,852</u>	<u>179,914</u>
	<u>983,472</u>	<u>857,697</u>

12 RELATED PARTY DISCLOSURES

Related parties represent major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

Transactions with related parties included in the interim consolidated statement of comprehensive income are as follows:

	<i>Six months ended 30 June</i>	
	<i>2011 (Unaudited) QR '000</i>	<i>2010 (Unaudited) QR '000</i>
Revenue	250,709	561,763
Direct and other operating expenses	60,696	37,652
Other income	10,591	9,459

Gulf International Services Q.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2011

12 RELATED PARTY DISCLOSURES (continued)

	<i>30 June 2011</i> <i>(Unaudited)</i>		<i>31 December 2010</i> <i>(Audited)</i>	
	<i>Receivables</i> <i>QR'000</i>	<i>Payables</i> <i>QR'000</i>	<i>Receivables</i> <i>QR'000</i>	<i>Payables</i> <i>QR'000</i>
Qatar Petroleum and other related parties	<u>195,809</u>	<u>101,300</u>	<u>301,134</u>	<u>61,732</u>
			<i>30 June</i> <i>2011</i> <i>(Unaudited)</i> <i>QR'000</i>	<i>30 June</i> <i>2010</i> <i>(Audited)</i> <i>QR'000</i>
<i>Compensation of key management personnel</i>				
Salaries and other benefits (including directors' fee)			<u>8,695</u>	<u>5,072</u>

13 CONTINGENCIES AND COMMITMENTS

	<i>30 June</i> <i>2011</i> <i>(Unaudited)</i> <i>QR'000</i>	<i>31 December</i> <i>2010</i> <i>(Audited)</i> <i>QR'000</i>
<i>Contingent liabilities</i>		
Guarantees against performance bonds	<u>8,200</u>	<u>3,949</u>
Letter of credits	<u>-</u>	<u>2,074</u>
It is not anticipated that any material liabilities will arise from the contingent liabilities which were issued in the normal course of the business.		
	<i>30 June</i> <i>2011</i> <i>(Unaudited)</i> <i>QR'000</i>	<i>31 December</i> <i>2010</i> <i>(Audited)</i> <i>QR'000</i>
<i>Commitments</i>		
Capital commitments	<u>1,273,547</u>	<u>65,451</u>

Gulf International Services Q.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2011

14 EARNINGS PER SHARE

Basic earnings per share have been calculated by dividing the profit for the period 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.

	<i>Six months ended</i>	
	<i>30 June</i>	
	<i>2011</i>	<i>2010</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit for the period (QR'000)	<u>140,667</u>	<u>249,939</u>
Weighted average number of equity shares	<u>135,157,000</u>	<u>135,157,000</u>
Basic and diluted earnings per share (QR)	<u>1.04</u>	<u>1.85</u>

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.

Gulf International Services Q.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2011

15 SEGMENT REPORTING (continued)

30 June 2011 (Unaudited)

	<i>Insurance QR '000</i>	<i>Drilling QR '000</i>	<i>Aviation QR '000</i>	<i>Total QR '000</i>
Total external revenue	287,697	240,706	234,030	762,433
Inter-segment revenue	(1,642)	-	-	(1,642)
Net profit before income tax for the period and after inter-segment eliminations	6,246	59,650	83,985	149,881
Total assets	1,458,827	1,635,871	1,146,490	4,241,188

30 June 2010 (Unaudited)/31 December 2010 (Audited)

	<i>Insurance QR '000</i>	<i>Drilling QR '000</i>	<i>Aviation QR '000</i>	<i>Total QR '000</i>
Total external revenue	236,890	304,563	218,644	760,097
Inter-segment revenue	(900)	-	-	(900)
Net profit before income tax for the period and after inter-segment eliminations	24,968	143,662	84,295	252,925
Total assets (At 31 December 2010)	1,404,556	1,592,598	1,180,077	4,177,231

Gulf International Services Q.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2011

15 SEGMENT REPORTING (continued)

Reconciliation of reportable segments profit or loss

	Six months ended	
	30 June	30 June
	2011	2010
	(Unaudited)	(Unaudited)
	QR '000	QR '000
Total profit for reportable segments	149,881	252,925
Other un-allocable profit or loss (represents profit or loss of parent Company including dividends from the subsidiaries and joint venture)	271,666	282,894
Elimination of dividends paid to parent company by subsidiaries and joint venture	<u>(280,980)</u>	<u>(285,880)</u>
Consolidated profit for the period	<u>140,667</u>	<u>249,939</u>

	31 December	
	2011	2010
	(Unaudited)	(Audited)
	QR '000	QR '000
Reconciliation of reportable segments total assets		
Total assets for reportable segments	4,241,188	4,177,231
Other un-allocable assets	1,397,043	1,293,258
Elimination of investments in subsidiaries and joint venture	(1,248,443)	(1,248,443)
Elimination of inter-segment assets	<u>(129)</u>	<u>(637)</u>
Consolidated total assets for the period	<u>4,389,659</u>	<u>4,221,409</u>

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 2010.

16 RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2010 have been restated. In the previous years, the Group erroneously did not transfer the realised part of the fair value reserve relating to available-for-sale investments to the income statement when those investments were sold. Accordingly, the fair value reserve was understated by QR 25,465 thousand and the retained earnings were overstated by the same amount. The effect of the prior period adjustment on the financial statements was as follows:

	<i>31 December 2010 QR'000 Before re- statement</i>	<i>31 December 2010 QR'000 After re- statement</i>
<u>Consolidated statement of comprehensive income</u>	Nil	Nil
<u>Consolidated statement of financial position</u>		
Retained earnings	733,540	708,075
Fair value reserve	(36,444)	(10,979)