

**GULF INTERNATIONAL SERVICES Q.S.C.
DOHA - QATAR**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE SIX MONTH PERIOD ENDED
JUNE 30, 2017**

GULF INTERNATIONAL SERVICES Q.S.C.

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REVIEW REPORT**

For the six month period ended June 30, 2017

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QR. 82543

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INDEPENDENT AUDITOR'S REVIEW REPORT

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Gulf International Services Q.S.C. (the "Company"), and its subsidiaries (together referred to as the "Group") as of June 30, 2017 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six month period then ended, and certain explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard No. 34 "Interim Financial Reporting"- (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated 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 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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard No. 34 "Interim Financial Reporting".

INDEPENDENT AUDITOR'S REVIEW REPORT (CONTINUED)

Emphasis of matter

As explained in Note 2 to the interim condensed consolidated financial statements, a new Qatar Commercial Companies' Law is issued on July 7, 2015. The Company is in process of updating its Articles of Association to comply with the provisions of the new Qatar Commercial Companies' Law which is effective from August 7, 2017, and assessing the impact of those provisions on the interim condensed consolidated financial statements.

Doha - Qatar
July 31, 2017

For Deloitte & Touché
Qatar Branch



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

GULF INTERNATIONAL SERVICES Q.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2017

	Notes	June 30, 2017 QR '000 (Reviewed)	December 31, 2016 QR '000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	4	7,171,040	7,338,859
Goodwill	3	303,559	303,559
Intangible asset	5	1,668	2,224
Held-to-maturity financial assets	6	3,587	85,468
Available-for-sale financial assets	7	344,139	321,930
		<u>7,823,993</u>	<u>8,052,040</u>
Current assets			
Inventories		206,296	218,614
Due from related parties	16	381,400	309,533
Accounts receivable and prepayments	8	634,869	720,377
Insurance receivables		203,214	266,999
Financial assets at fair value through profit or loss	9	205,558	214,149
Bank balances and cash	10	1,051,927	1,335,724
		<u>2,683,264</u>	<u>3,065,396</u>
TOTAL ASSETS		<u>10,507,257</u>	<u>11,117,436</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	11	1,858,409	1,858,409
Legal reserve		352,294	352,294
General reserve		74,516	74,516
Foreign currency translation reserve		3,458	1,325
Fair value reserve		(1,511)	12,239
Retained earnings		1,329,969	1,499,985
Total equity		<u>3,617,135</u>	<u>3,798,768</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

GULF INTERNATIONAL SERVICES Q.S.C.**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**

As at June 30, 2017

	Notes	June 30, 2017 QR '000 (Reviewed)	December 31, 2016 QR '000 (Audited)
Liabilities			
Non-current liabilities			
Employees' end of service benefits		74,296	70,794
Provision for decommissioning costs		92,088	92,088
Loans and borrowings	13	4,211,324	4,629,862
		<u>4,377,708</u>	<u>4,792,744</u>
Current liabilities			
Accounts payable, insurance payables and accruals		1,469,191	1,483,030
Dividends payable		107,635	100,210
Due to related parties	16	4,797	2,712
Loans and borrowings	13	930,791	939,972
		<u>2,512,414</u>	<u>2,525,924</u>
Total liabilities		<u>6,890,122</u>	<u>7,318,668</u>
TOTAL EQUITY AND LIABILITIES		<u>10,507,257</u>	<u>11,117,436</u>

These interim condensed consolidated financial statements were approved by the Board of Directors and signed on its behalf on July 31, 2017 by:



Khalid Bin Khalifa Al - Thani
Chairman



Suleiman Haidar Al-Haider
Vice-Chairman



Ebrahim Ahmad Al-Mannai
Managing Director

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

GULF INTERNATIONAL SERVICES Q.S.C.**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the six month period ended June 30, 2017

	Notes	For the six month period ended June 30,	
		2017	2016
		QR '000 (Reviewed)	QR '000 (Reviewed)
Revenue	14	1,255,575	1,602,634
Direct costs	15	(1,059,756)	(1,301,352)
GROSS PROFIT		195,819	301,282
Finance income		15,143	12,040
Net gain on financial assets at fair value through profit or loss		8,749	528
Other income (expenses), net		11,612	14,074
Impairment of property, plant and equipment		(10,920)	--
Finance cost		(76,073)	(54,834)
General and administrative expenses		(128,505)	(112,379)
NET PROFIT FOR THE PERIOD		15,825	160,711
Other comprehensive income (loss)			
Items that may be reclassified subsequently to profit or loss			
Net fair value loss on available-for-sale financial assets		(13,750)	(7,500)
Net foreign exchange difference on translation of foreign operations		2,133	(74)
Other comprehensive loss for the period		(11,617)	(7,574)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		4,208	153,137
Earnings per share			
Basic and diluted earnings per share	18	0.09	0.86

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

GULF INTERNATIONAL SERVICES Q.S.C.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six month period ended June 30, 2017

	Share capital QR'000	Legal reserve* QR'000	General reserve QR'000	Foreign currency translation reserve QR'000	Fair value reserve QR'000	Retained earnings QR'000	Total QR'000
Balance at January 1, 2016 (Audited)	1,858,409	340,893	74,516	871	21,200	1,631,940	3,927,829
Total comprehensive income for the period	--	--	--	(74)	(7,500)	160,711	153,137
Dividends declared (Note 12)	--	--	--	--	--	(185,841)	(185,841)
Balance at June 30, 2016 (Reviewed)	<u>1,858,409</u>	<u>340,893</u>	<u>74,516</u>	<u>797</u>	<u>13,700</u>	<u>1,606,810</u>	<u>3,895,125</u>
Balance at January 1, 2017 (Audited)	1,858,409	352,294	74,516	1,325	12,239	1,499,985	3,798,768
Total comprehensive income for the period	--	--	--	2,133	(13,750)	15,825	4,208
Dividends declared (Note 12)	--	--	--	--	--	(185,841)	(185,841)
Balance at June 30, 2017 (Reviewed)	<u>1,858,409</u>	<u>352,294</u>	<u>74,516</u>	<u>3,458</u>	<u>(1,511)</u>	<u>1,329,969</u>	<u>3,617,135</u>

* Legal reserve will be accounted for at the year-end.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

GULF INTERNATIONAL SERVICES Q.S.C.**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the six month period ended June 30, 2017

		For the six month period ended June 30	
	Notes	2017	2016
		QR '000 (Reviewed)	QR '000 (Reviewed)
OPERATING ACTIVITIES			
Net profit for the period		15,825	160,711
Adjustments for:			
Depreciation and amortization	4 & 5	274,068	272,289
Impairment of property, plant and equipment		10,920	--
Finance costs		76,073	54,834
Employees' end of service benefits		8,565	9,844
Change in foreign currency translation reserve		2,133	(74)
Loss on disposal of property, plant and equipment		945	183
Interest income		(15,143)	(12,040)
Net movement of financial assets at fair value through FVTPL		(8,749)	(528)
Net gain from disposal of financial investments		(3,476)	--
Amortisation of discount of held to maturity financial assets		(19)	(19)
Operating profit before changes in working capital:		361,142	485,200
Inventories		12,318	1,896
Accounts and insurance receivables, prepayments and due from related parties		77,426	164,642
Accounts and insurance payables, accruals and due to related parties		(11,755)	(233,121)
Cash generated from operations		439,131	418,617
Employees' end of service benefits paid		(5,063)	(13,127)
Net cash generated from operating activities		434,068	405,490
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	4	(117,630)	(549,238)
Acquisition of financial investments		(99,321)	(5,207)
Net movement in term deposits with maturities in excess of three months		39,503	(91,208)
Interest income		15,143	12,040
Proceeds from disposal and maturity of financial assets		166,079	4,048
Proceeds from disposal of property, plant and equipment		72	461
Net cash generated from / (used in) investing activities		3,846	(629,104)
FINANCING ACTIVITIES			
Proceeds from loans and borrowings		134,775	1,565,200
Repayments of loans and borrowings		(562,494)	(1,016,376)
Dividends paid	12	(178,416)	(180,342)
Finance costs paid		(76,073)	(54,834)
Net movement in cash at banks – dividends		(7,425)	(5,499)
Net cash (used in) / generated from financing activities		(689,633)	308,149
Net (decrease) / increase in cash and cash equivalents		(251,719)	84,535
Cash and cash equivalents at beginning of period		697,544	394,480
CASH AND CASH EQUIVALENTS END OF PERIOD	10	445,825	479,015

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

GULF INTERNATIONAL SERVICES Q.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended June 30, 2017

1. CORPORATE INFORMATION

Gulf International Services Q.S.C. (the "Company" or together with its subsidiaries 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 February 12, 2008. The principal activity of the Company is to operate as a holding company. The registered office of the Company is situated in 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 February 12, 2008 which is the date of incorporation of the Company.

On May 26, 2008, QP listed 70% of the Company's issued share capital on Qatar Exchange. An extraordinary general assembly held on November 4, 2012 approved the amendments to the Articles of Association in which it increased the ownership limit of General Retirement and Social Insurance Authority (GRSIA). Subsequently, as per the instructions of the Supreme Council of Economic Affairs, QP divested 20% of its stake in the Company to the GRSIA.

The interim condensed consolidated financial statements incorporate the interim condensed financial statements of the below stated direct subsidiaries as at the end of the reporting date:

		Country of incorporation	Percentage of holding June 30, 2017	Percentage of holding December 31, 2016
Al Koot Insurance & Reinsurance Company S.A.Q.	Subsidiary	Qatar	100%	100%
Amwaj Catering Services Company Ltd. Q.S.C.	Subsidiary	Qatar	100%	100%
Gulf Helicopters Company Q.S.C.	Subsidiary	Qatar	100%	100%
Gulf Drilling International Limited Q.S.C.	Subsidiary	Qatar	100%	100%

Also, included in the interim condensed consolidated financial statements are the share of profit (loss) and other comprehensive income (loss) of the below joint ventures, using equity accounting:

		Country of incorporation	Percentage of Holding June 30, 2017	Percentage of Holding December 31, 2016
United Helicharters Private Limited	Joint venture	India	36%	36%
Gulf Med Aviation Services Limited	Joint venture	Malta	49%	49%

The interim condensed consolidated financial statements of the Group for the six month period ended June 30, 2017 were authorised for issue by the Board of Directors on July 31, 2017.

GULF INTERNATIONAL SERVICES Q.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended June 30, 2017

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim condensed consolidated financial statements for the six month period ended June 30, 2017 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" under the historical cost convention except for certain financial instruments which have been stated at fair value.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2016. In addition, the results for the six month period ended June 30, 2017 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2017.

The Emir HH Sheikh Tamim bin Hamad Al Thani issued Emiri decision No. 11 of 2015, replacing Law No. 5 of 2002. On July 7, 2015 the new Qatar commercial companies' law was included in the official Gazette for effective use and application. The new law came into effect 30 days from the date of its official publication in the Gazette. All entities were granted extensions to comply with the provisions of the law until August 7, 2017. The Company is in the process of updating its Articles of Association to comply with the provisions of the new Qatar Commercial Companies' Law and assessing the impact of those provisions on the interim condensed consolidated financial statements.

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 December 31, 2016.

(i) Revised Standards:

Effective for annual periods beginning on or after 1 January 2017

- | | |
|---------------------------------------|---|
| • IAS 7 (Revised) | <i>Amendments to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities</i> |
| • IAS 12 (Revised) | <i>Amendments relating to the recognition of deferred tax assets for unrealised losses</i> |
| • Annual Improvements 2014-2016 Cycle | <i>Amendments to IFRS 12</i> |

(ii) New and revised standards and interpretation issued but not yet effective

Effective for annual periods beginning on or after 1 January 2018

- | | |
|--------------------|--|
| • IFRS 2 (Revised) | <i>Amendments regarding classification and measurement of share based payment transactions</i> |
| • IFRS 7 (Revised) | <i>Amendments relating to disclosures about the initial application of IFRS 9</i> |
| • IFRS 9 | <i>Financial Instruments</i> |
| • IFRS 15 | <i>Revenue from Contracts with Customers</i> |
| • IAS 40 (Revised) | <i>Investment Property – Amendments to paragraph 57</i> |

GULF INTERNATIONAL SERVICES Q.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended June 30, 2017

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iii) New and revised standards and interpretation issued but not yet effective (continued)

Effective for annual periods beginning on or after 1 January 2018

- Annual Improvements 2014-2016 Cycle *Amendments to IFRS 1 and IAS 28*
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

Effective for annual periods beginning on or after 1 January 2019

- IFRS 16 *Leases*

IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective, from 1 January 2018. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The application of IFRS 15 may have significant impact on amounts reported in the interim condensed consolidated financial statements and will result in more extensive disclosures in the interim condensed consolidated financial statements on initial application. However, the Group is currently in the process of evaluating and implementing the required changes in its systems, policies and processes to comply with IFRS 15 requirements, and hence it is not practical to disclose a reliable quantitative impact until the implementation programme is further advanced.

Management have not yet performed a detailed analysis of the impact of the application of these standards and hence have not yet quantified the extent of the impact.

The significant judgement made by the management in applying the Group's accounting policies and the key sources of estimation were the same as those that applied to the consolidated financial statements for the year ended December 31, 2016.

The interim condensed consolidated financial statements are prepared in Qatari Riyal and all values are rounded to the nearest thousands (QR '000) except when otherwise indicated.

3. GOODWILL

	June 30, 2017	December 31, 2016
	QR '000 (Reviewed)	QR '000 (Audited)
Cost	303,559	303,559
Accumulated impairment losses	--	--
	303,559	303,559

GULF INTERNATIONAL SERVICES Q.S.C.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

For the six month period ended June 30, 2017

3. GOODWILL (CONTINUED)

The goodwill arose in May 2012 when the Group acquired 100% shares of Amwaj Catering Services Limited Q.S.C., a company incorporated in the state of Qatar.

The recoverable amount of the goodwill is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period, and a pre-tax discount rate at 10% per annum (2016: 10%).

The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed the recoverable amount.

4. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2017	December 31, 2016
	QR '000	QR '000
	(Reviewed)	(Audited)
As at January 1, (Net book value)	7,338,859	7,364,128
Additions	117,630	693,295
Provision for impairment	(10,920)	--
Disposals / write-offs	(1,017)	(141,681)
Depreciation during the period / year	(273,512)	(576,883)
As at June 30 / December 31, (Net book value)	7,171,040	7,338,859

During the period, the Group has carried out an assessment for impairment of certain property, plant and equipment in light of the current economic conditions surrounding oil prices and market rates globally. The assessment resulted in a provision for impairment of QR. 10.92 million.

5. INTANGIBLE ASSETS

	June 30, 2017	December 31, 2016
	QR '000	QR '000
	(Reviewed)	(Audited)
As at January 1, (Net book value)	2,224	3,336
Amortization during the period / year	(556)	(1,112)
As at June 30 / December 31, (Net book value)	1,668	2,224

The intangible asset represents an air operating license in Turkey that has a definite useful life of 5 years.

6. HELD-TO-MATURITY FINANCIAL ASSETS

	June 30, 2017	December 31, 2016
	QR '000	QR '000
	(Reviewed)	(Audited)
Debt securities	3,587	85,468

At June 30, 2017, the fair value of held-to-maturity financial assets amounted to QR. 3.98 million (December 31, 2016: QR. 86.06 million). QR.81.9, millions of held-to-maturity assets matured during the period.

GULF INTERNATIONAL SERVICES Q.S.C.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

For the six month period ended June 30, 2017

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	June 30, 2017	December 31, 2016
	QR '000 (Reviewed)	QR '000 (Audited)
Quoted equity investments in Qatari public shareholding companies	93,022	94,770
Quoted debt securities	150,619	132,446
Managed investment funds	100,496	94,712
Unquoted securities	2	2
	344,139	321,930
At cost	345,650	309,691
Cumulative movement in fair value of investments	(1,511)	12,239
	344,139	321,930

8. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	June 30, 2017	December 31, 2016
	QR '000 (Reviewed)	QR '000 (Audited)
Accounts receivable (net)	245,536	335,683
Less: Provision for doubtful accounts	(59,326)	(44,971)
Net accounts receivables	186,210	290,712
Prepayments and other debit balances	448,659	429,665
	634,869	720,377

Movement in the provision for doubtful accounts is as follows:

	June 30, 2017	December 31, 2016
	QR '000 (Reviewed)	QR '000 (Audited)
Balance at January 1	44,971	44,384
Provision during the period / year	18,033	10,827
Reversal during the period / year	(3,678)	(10,240)
	59,326	44,971

GULF INTERNATIONAL SERVICES Q.S.C.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

For the six month period ended June 30, 2017

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2017	December 31, 2016
	QR '000 (Reviewed)	QR '000 (Audited)
Held for trading	<u>205,558</u>	<u>214,149</u>

These represent financial assets held, acquired and incurred principally for the purpose of selling or repurchasing them in the near term or to take advantage of short term market movements.

10. CASH AND CASH EQUIVALENTS

For the purpose of the interim condensed consolidated statement of cash flows, cash and cash equivalents comprised the following:

	June 30, 2017	December 31, 2016	June 30, 2016
	QR'000 (Reviewed)	QR'000 (Audited)	QR'000 (Reviewed)
Cash at banks and in hand	378,012	408,224	509,552
Fixed deposits – less than three months	175,448	389,530	79,077
Fixed deposits – more than three months	498,467	537,970	553,820
Bank balances and cash as per interim condensed consolidated statement of financial position	<u>1,051,927</u>	<u>1,335,724</u>	<u>1,142,449</u>
Less: Fixed deposits – more than three months	(498,467)	(537,970)	(553,820)
Less: Cash at banks – dividends	(107,635)	(100,210)	(109,614)
	<u>(606,102)</u>	<u>(638,180)</u>	<u>(663,434)</u>
Cash and cash equivalents per interim condensed consolidated statement of cash flows	<u>445,825</u>	<u>697,544</u>	<u>479,015</u>

11. SHARE CAPITAL

	June 30, 2017	December 31, 2016
	QR '000 (Reviewed)	QR '000 (Audited)
<i>Issued and paid up capital</i>		
185,840,868 ordinary shares of QR. 10 each (December 31, 2016: 185,840,868 ordinary shares of QR. 10 each)	<u>1,858,409</u>	<u>1,858,409</u>
	June 30, 2017	December 31, 2016
	(Reviewed)	(Audited)
	No. of shares	No. of shares
Balance at the end of period/ year	<u>185,840,868</u>	<u>185,840,868</u>

GULF INTERNATIONAL SERVICES Q.S.C.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

For the six month period ended June 30, 2017

12. DIVIDENDS

The Annual General Assembly meeting held on February 26, 2017 approved cash dividends in respect of the year ended December 31, 2016 of QR. 1 per share (2015: QR. 1 per share), amounting to a total of QR. 185.8 million (2015: QR. 185.8 million).

Below is the movement in dividends payable balance during the period/year:

	June 30, 2017	December 31, 2016
	QR '000s	QR '000s
	(Reviewed)	(Audited)
At January 1	100,210	104,115
Dividends declared during the period/year	185,841	185,841
Dividends paid during the period/year	(178,416)	(189,746)
At June 30/December 31	107,635	100,210

13. LOANS AND BORROWINGS

	June 30, 2017	December 31, 2016
	QR '000	QR '000
	(Reviewed)	(Audited)
Various commercial borrowings (i)	4,554,516	4,900,767
Islamic Financing (ii)	400,399	461,067
Borrowings (iii)	187,200	208,000
	5,142,115	5,569,834
Presented in the interim condensed consolidated statement of financial position as follows:		
Non-current portion	4,211,324	4,629,862
Current portion	930,791	939,972
	5,142,115	5,569,834

Notes:

- (i) The borrowings are related to the Company and its subsidiaries, Gulf Helicopters Company Q.S.C. ("GHC") and Gulf Drilling International Q.S.C. ("GDI"). These companies have entered into various borrowing arrangements with different banks. All facilities in this regard bear interest rates varying between LIBOR plus 0.45% - 2.70% (2016: LIBOR plus 0.60% - 2.27%). The loans are to be repaid in quarterly installments.

The loans of GDI were composed of secured and unsecured loans. Secured loans with a carrying value of QR. 1,196 million as at June 30, 2017 (2016: QR. 1,368.04 million), included various collateral such as creating first preferred mortgages on rigs and offshore assets in favour of the lenders and granting the lender a right of set-off against the credit balances in other accounts of the subsidiary maintained with the lender. GHC has not provided any collateral against its loans.

GULF INTERNATIONAL SERVICES Q.S.C.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

For the six month period ended June 30, 2017

13. LOANS AND BORROWINGS (CONTINUED)

In May 2017, GDI has entered into a Master Murabaha facility of US\$ 925 million with an Islamic Bank. The proceeds of the facility will be utilized for corporate purposes and the settlement or refinancing of maturing existing loan facilities. The facility is unsecured and has an effective profit of LIBOR plus 2.70%, and repayable in lump sum upon maturity on December 31, 2023. As of June 30, 2017, GDI has drawn down US\$ 15 million from this facility.

- (ii) On May 23, 2012, the Company obtained a syndicated Murabaha facility of US\$ 170 million from a consortium of lenders to finance the acquisition of Amwaj Catering Services Company Ltd. Q.S.C. The effective profit rate is LIBOR plus 1.75% (2016: LIBOR plus 1.75%). The loan is repayable in 15 semi-annual installments and is unsecured.

On April 20, 2014, the Company obtained a syndicated Murabaha facility of US\$ 80 million from an Islamic Bank located in Qatar, along with the additional amount of US\$ 80 million, details in (iii) below, to finance the acquisition of the additional 30% of Gulf Drilling International Q.S.C. The effective profit rate is LIBOR plus 1.45% (2016: LIBOR plus 1.45%). The loan is repayable in 15 semi-annual instalments and is unsecured.

- (iii) On April 20, 2014, the Company obtained a loan of US\$ 80 million from a commercial bank located in Qatar to finance the acquisition of the additional 30% of Gulf Drilling International Q.S.C. The effective interest rate is LIBOR plus 1.45% (2016: LIBOR plus 1.45%). The loan is repayable in 14 semi-annual instalments and is unsecured.

14. REVENUE

	For the six month period ended June 30,	
	2017 QR '000 (Reviewed)	2016 QR '000 (Reviewed)
Gross insurance revenue (a)	155,007	259,586
Revenue from aviation	277,850	266,067
Revenue from catering services	251,573	458,270
Revenue from drilling	571,145	618,711
	<u>1,255,575</u>	<u>1,602,634</u>

Note (a):

	For the six month period ended June 30,	
	2017 QR '000 (Reviewed)	2016 QR '000 (Reviewed)
Gross premium	159,368	176,070
Movement in unearned premium, gross	(15,678)	65,655
Net commission income	11,317	17,861
Gross insurance revenue	<u>155,007</u>	<u>259,586</u>

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15. DIRECT COSTS

	For the six month period ended June 30,	
	2017	2016
	QR '000	QR '000
	(Reviewed)	(Reviewed)
Gross insurance expense (a)	121,816	207,001
Direct aviation cost	172,140	174,653
Direct cost of catering services	228,372	383,980
Direct cost of drilling	537,428	535,718
	<u>1,059,756</u>	<u>1,301,352</u>

Note (a):

	For the six month period ended June 30,	
	2017	2016
	QR '000	QR '000
	(Reviewed)	(Reviewed)
Reinsurance cession	51,900	91,745
Movement in unearned premium, reinsurance	4,515	30,519
Net claims incurred	61,501	78,373
Brokerage cost	3,900	6,364
Gross insurance expense	<u>121,816</u>	<u>207,001</u>

16. 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 condensed consolidated statement of profit or loss are as follows:

	For the six month period ended June 30,	
	2017	2016
	QR '000	QR '000
	(Reviewed)	(Reviewed)
Revenue	<u>632,796</u>	<u>662,780</u>
Direct and other operating expenses	<u>41,013</u>	<u>111,140</u>
Other income	<u>--</u>	<u>14,074</u>

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For the six month period ended June 30, 2017

16. RELATED PARTY DISCLOSURES (CONTINUED)

	June 30, 2017 (Reviewed)		December 31, 2016 (Audited)	
	Receivables QR'000	Payables QR'000	Receivables QR'000	Payables QR'000
Qatar Petroleum and other related parties	<u>381,400</u>	<u>4,797</u>	<u>309,533</u>	<u>2,712</u>

	For the six month period ended June 30,	
	2017 QR'000 (Reviewed)	2016 QR'000 (Reviewed)
<i>Compensation of key management personnel</i>		
Salaries and other benefits (including directors' fees)	<u>23,169</u>	<u>20,014</u>

17. CONTINGENCIES AND COMMITMENTS

	June 30, 2017 QR'000 (Reviewed)	December 31, 2016 QR'000 (Audited)
<i>Contingent liabilities:</i>		
Guarantees against performance bonds	<u>293,259</u>	<u>309,060</u>

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

	June 30, 2017 QR'000 (Reviewed)	December 31, 2016 QR'000 (Audited)
<i>Commitments:</i>		
Capital commitments	<u>629,304</u>	<u>621,422</u>

The Group has entered into lease agreements for the lease of the various properties. The rental costs in respect of these properties are accounted for as operating leases.

The future undiscounted lease commitments in respect of the above lease agreements are as follows:

	June 30, 2017 QR'000 (Reviewed)	December 31, 2016 QR'000 (Audited)
Not later than 1 year	34,162	35,290
Later than 1 year and not longer than 5 years	55,311	62,858
Later than 5 years	25,181	34,022
	<u>114,654</u>	<u>132,170</u>

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18. EARNINGS PER SHARE

Basic earnings per share have been calculated by dividing the profit for the period by the adjusted weighted average number of equity shares outstanding at the end of the reporting period.

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

	For the six month period ended June 30,	
	2017 (Reviewed)	2016 (Reviewed)
Profit for the period (QR'000)	<u>15,825</u>	<u>160,711</u>
Adjusted weighted average number of equity shares	<u>185,840,868</u>	<u>185,840,868</u>
Basic and diluted earnings per share (QR)	<u>0.09</u>	<u>0.86</u>

19. OPERATING SEGMENTS

The Group has four (4) 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 and India. Also operating as a provider of helicopter transportation services in Middle East and North Africa (MENA region). The aviation segment includes the information relating to Gulf Helicopters Company's joint ventures and its subsidiaries.
- Catering; provides catering services to QP and its subsidiaries and affiliates as well as to other third parties.
- Drilling; related services to the QP Group and its international co-ventures.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended June 30, 2017

19. OPERATING SEGMENTS (CONTINUED)

The following table presents the information regarding the Group's operating segments including its subsidiaries:

For the six month period ended and as at June 30, 2017

	Insurance QR'000	Aviation QR'000	Catering QR'000	Drilling QR'000	Total QR'000
Total external revenue	156,519	277,960	267,894	571,145	1,273,518
Inter-segment revenue	(1,512)	(110)	(16,321)	--	(17,943)
Net revenue	155,007	277,850	251,573	571,145	1,255,575
Net profit / (loss)	41,000	79,326	3,384	(84,457)	39,253
Total assets	1,675,219	1,555,341	445,076	6,303,930	9,979,567

For the six month period ended and as at June 30, 2016 (Reviewed)

	Insurance QR'000	Aviation QR'000	Catering QR'000	Drilling QR'000	Total QR'000
Total external revenue	259,586	266,067	473,892	618,711	1,618,256
Inter-segment revenue	--	--	(15,622)	--	(15,622)
Net revenue	259,586	266,067	458,270	618,711	1,602,634
Net profit/ (loss)	57,127	76,740	69,742	(14,800)	188,809
Total assets (At December 31, 2016) (Audited)	1,712,851	1,602,405	558,800	6,732,228	10,606,284

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended June 30, 2017

19. OPERATING SEGMENTS (CONTINUED)

Reconciliation of reportable segments profit or loss

	For the six month period ended June 30,	
	2017	2016
	QR'000	QR'000
	(Reviewed)	(Reviewed)
Total profit for reportable segments	39,253	188,809
Other un-allocable profit or loss (represents profit or loss of parent company including dividends from the subsidiaries and joint venture)	260,990	286,366
Elimination of dividends paid to parent company by subsidiaries	(275,039)	(302,584)
Other adjustments	(9,379)	(11,880)
Consolidated profit for the period	15,825	160,711

	June 30, 2017	December 31, 2016
	QR'000	QR'000
	(Reviewed)	(Audited)

Reconciliation of reportable segments total assets

Total assets for reportable segments	9,979,567	10,606,284
Other un-allocable assets	2,756,776	2,705,624
Elimination of investments in subsidiaries	(2,270,839)	(2,270,839)
Assets relating to purchase price allocation	163,153	172,519
Elimination of inter-segment assets	(121,400)	(96,152)
Consolidated total assets for the period/year	10,507,257	11,117,436

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss or total assets since December 31, 2016.

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For the six month period ended June 30, 2017

20. FINANCIAL INSTRUMENTS AT FAIR VALUE

The fair value of financial instruments approximates their carrying values.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that is not based on observable market data.

At the end of the period/year, the Group held the following financial instruments measured at fair value.

	Level 1	Level 2	Level 3	Total
	QR'000	QR'000	QR'000	QR'000
<i>As at June 30, 2017 (Reviewed)</i>				
Assets measured at fair value				
Available-for-sale financial assets	344,137	--	2	344,139
Financial assets at fair value through profit or loss	205,558	--	--	205,558
	<u>549,695</u>	<u>--</u>	<u>2</u>	<u>549,697</u>
<i>As at December 31, 2016 (Audited)</i>				
Assets measured at fair value				
Available-for-sale financial assets	321,928	--	2	321,930
Financial assets at fair value through profit or loss	214,149	--	--	214,149
	<u>536,077</u>	<u>--</u>	<u>2</u>	<u>536,079</u>

During the reporting period/year ended June 30, 2017 and December 31, 2016, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.