

**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, 2014**

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, 2014

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QR. 82543

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 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, 2014 and the related interim 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

Without modifying our review report, we draw your attention to note 3 (c) of the interim condensed consolidated financial statements, whereby the Company has not yet finalized the Purchase Price Allocation (PPA) in respect of its additional 30% acquisition of Gulf Drilling International Limited Q.S.C. (GDI) and accordingly accounted for the business combination using the book values as provisional fair values as, allowed by IFRS "Business Combinations". To perform the PPA the Company must conduct an assessment for the fair value of the acquired stake which might result in certain intangible assets, goodwill or gain from the purchase bargain.

Doha - Qatar
July 22, 2014

For Deloitte & Touche
Qatar Branch



Midhat Salha
Partner
License No. 257

GULF INTERNATIONAL SERVICES Q.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2014

	Notes	June 30, 2014 QR '000 (Reviewed)	December 31, 2013 QR '000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	5	5,719,155	963,184
Goodwill	4	312,990	303,559
Investment properties	6	1,125	1,125
Investment in joint ventures	7	619	1,379,565
Held-to-maturity investments	8	85,466	85,448
Available-for-sale investments	9	229,541	169,985
		<u>6,348,896</u>	<u>2,902,866</u>
Current assets			
Inventories		177,789	79,542
Due from related parties	18	519,138	242,722
Accounts receivable and prepayments	10	731,070	622,081
Insurance receivables		314,955	363,099
Financial assets at fair value through profit or loss	11	195,965	260,656
Bank balances and cash		<u>1,112,919</u>	<u>893,200</u>
		<u>3,051,836</u>	<u>2,461,300</u>
TOTAL ASSETS		<u><u>9,400,732</u></u>	<u><u>5,364,166</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital	13	1,858,408	1,486,727
Legal reserve		196,985	75,474
General reserve		74,516	74,516
Foreign currency translation reserve		(316)	(337)
Fair value reserve		29,177	16,857
Retained earnings		<u>1,105,666</u>	<u>1,432,486</u>
Total equity		<u>3,264,436</u>	<u>3,085,723</u>
Non-current liabilities			
Employees' end of service benefits		55,745	40,413
Loans and borrowings	15	<u>3,598,720</u>	<u>468,731</u>
		<u>3,654,465</u>	<u>509,144</u>
Current liabilities			
Due to related parties	18	71,742	531
Accounts payable, insurance payables and accruals		<u>1,812,041</u>	<u>1,629,343</u>
Loans and borrowings	15	<u>598,048</u>	<u>139,425</u>
		<u>2,481,831</u>	<u>1,769,299</u>
Total liabilities		<u>6,136,296</u>	<u>2,278,443</u>
TOTAL EQUITY AND LIABILITIES		<u><u>9,400,732</u></u>	<u><u>5,364,166</u></u>

Dr. Mohamed Saleh Al-Sada
Minister of Energy and Industry
Chairman & Managing Director

Saeed Mubarak Al-Muhanadi
Vice-Chairman

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, 2014

	Notes	For the six month period ended June 30,	
		2014	2013
		QR '000 (Reviewed)	QR '000 (Reviewed)
Revenue	16	1,595,274	1,119,231
Direct costs	17	(1,226,737)	(892,516)
GROSS PROFIT		368,537	226,715
Finance income		10,971	10,617
Net gains (losses) on financial assets at fair value through profit or loss		13,541	(1,215)
Other income		67,174	16,111
Share of profit from investment in joint ventures		100,405	91,310
Finance costs		(13,308)	(8,311)
General and administrative expenses		(83,602)	(42,152)
NET PROFIT FOR THE PERIOD		463,718	293,075
Other comprehensive income		12,320	4,546
Unrealized gain on available-for-sale investments			
Net foreign exchange difference on translation of foreign operations		21	(136)
Other comprehensive income for the period		12,341	4,410
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		476,059	297,485
Earnings per share			
Basic and diluted earnings per share	20	2.50	1.58

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, 2014

	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, 2013 (Audited) (Restated)	1,486,727	64,667	74,516	(161)	4,763	1,006,245	2,636,757
Total comprehensive income for the period	-	-	-	(136)	4,546	293,075	297,485
Net movement in reserves	-	(4,583)	-	-	-	4,583	-
Dividends paid (Note 14)	-	-	-	-	-	(223,009)	(223,009)
Balance at June 30, 2013 (Reviewed)	<u>1,486,727</u>	<u>60,084</u>	<u>74,516</u>	<u>(297)</u>	<u>9,309</u>	<u>1,080,894</u>	<u>2,711,233</u>
Balance at January 1, 2014 (Audited)	1,486,727	75,474	74,516	(337)	16,857	1,432,486	3,085,723
Total comprehensive income for the period	-	-	-	21	12,320	463,718	476,059
Net movement in reserves**	-	121,511	-	-	-	(121,511)	-
Issuance of bonus shares	371,681	-	-	-	-	(371,681)	-
Dividends paid (Note 14)	-	-	-	-	-	(297,346)	(297,346)
Balance at June 30, 2014 (Reviewed)	<u>1,858,408</u>	<u>196,985</u>	<u>74,516</u>	<u>(316)</u>	<u>29,177</u>	<u>1,105,666</u>	<u>3,264,436</u>

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

** The additions on the legal reserve during 2014 resulted from the acquisition of the remaining 30% of Gulf Drilling International Limited Q.S.C. (GDI), which became a 100% subsidiary of the Company during the current period (Note 3).

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

GULF INTERNATIONAL SERVICES Q.S.C.
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
For the six month period ended June 30, 2014

	For the six month period ended June 30	
	2014 QR '000 (Reviewed)	2013 QR '000 (Reviewed)
OPERATING ACTIVITIES		
Net profit for the period	463,718	293,075
Adjustments for:		
Depreciation	99,668	44,679
Employees' end of service benefits	7,503	5,845
Finance costs	13,308	8,311
Gain on disposal of property, plant and equipment	(675)	(54)
Share of profit from investment in joint ventures	(100,384)	(91,312)
Net (gains) losses from disposal of financial investments	(37,019)	2,485
Finance income	(10,971)	(10,617)
Operating profit before changes in working capital:	435,148	252,412
Inventories	(13,951)	(9,310)
Accounts receivable, insurance receivables and prepayments	(16,638)	42,219
Accounts payable, insurance payables and accruals	33,143	65,314
Cash from operations	437,702	350,635
Employees' end of service benefits paid	(2,951)	(1,741)
Finance costs paid	(13,308)	(8,311)
Net cash from operating activities	421,443	340,583
INVESTING ACTIVITIES		
Proceeds from disposal of financial investments	96,017	105,213
Receipt of finance income	10,971	10,617
Receipt of dividends income from joint ventures	140,140	101,920
Proceeds from disposal of property, plant and equipment	695	146
Acquisition of financial investments	(41,561)	(146,608)
Net movement in term deposits with maturities in excess of three months	(75,023)	312,393
Investment in joint ventures	--	(127,400)
Acquisition of subsidiaries	(438,390)	--
Acquisition of property, plant and equipment	(458,190)	(60,943)
Net cash (used in)/from investing activities	(765,341)	195,338
FINANCING ACTIVITIES		
Proceeds from loans and borrowings	877,425	--
Repayments of loans and borrowings	(91,485)	(97,474)
Dividends paid	(297,346)	(223,009)
Net cash from/(used in) financing activities	488,594	(320,483)
Net increase in cash and cash equivalents	144,696	215,438
Cash and cash equivalents at beginning of period	508,586	391,995
CASH AND CASH EQUIVALENTS END OF PERIOD (Note 12)	653,282	607,433

GULF INTERNATIONAL SERVICES Q.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended June 30, 2014

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.

Until February 24, 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% was owned by JDC) and the equity interests of QP were transferred to the Company on February 24, 2008.

However, the management concluded that the effective date of transfer of interest from QP to the Company was February 12, 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 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 GIS to the GRSIA.

On April 30, 2014, the Company acquired additional 30% of the voting shares of Gulf Drilling International Limited Q.S.C, a company incorporated in the State of Qatar that resulted to 100% ownership. The Group has obtained control over the company, therefore, the company became a subsidiary of Gulf International Services Q.S.C., in accordance with the sale and purchase agreement, effective from date of additional acquisition.

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, 2014	Percentage Of Holding December 31 2013
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. (formerly a joint venture)	Subsidiary	Qatar	100%	70%

GULF INTERNATIONAL SERVICES Q.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended June 30, 2014

1. CORPORATE INFORMATION (CONTINUED)

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

		Country of Incorporation	Percentage of Holding
United Helicharters Private Limited	Joint venture	India	36%

The interim condensed consolidated financial statements of the Group for the six month period ended June 30, 2014 were authorised for issue by the Board of Directors on July 22, 2014.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim condensed consolidated financial statements for the six month ended June 30, 2014 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, 2013. In addition, results for the six month period ended June 30, 2014 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2014.

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, 2013 except for the adoption of new standards and interpretations effective as of January 1, 2014.

In the current financial year, the Group has adopted certain amendments, new and revised standards and interpretations, which are mainly:

IAS 39	Amendments to Financial Instruments: recognition and measurement relating to novation
IFRS 10, 11 and 12	Amendments to IFRS 10, 11, 12 and IAS 27 relating to Investment Entities
IAS 27	Amendment relating to Investment Entities
IAS 32	Amendments to IAS 32: Financial Instruments: Presentation relating to offsetting financial assets and financial liabilities
IFRIC 21 Levies	

The adoption of these new / revised standards and interpretations did not have any impact on the financial position or financial performance of the Group as at and for the six month period ended June 30, 2014.

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

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

For the six month period ended June 30, 2014

3. BUSINESS COMBINATION**Acquisition of Gulf Drilling International Limited Q.S.C. ("GDI")**

On April 30, 2014, the Company (acquirer) acquired an additional 30% of the voting shares of Gulf Drilling International Limited Q.S.C (acquiree) that resulted to 100% ownership. The objectives of the Company are to own or charter offshore jack up drilling rigs, land rigs, work over rigs, liftboats and accommodation barges and to provide drilling related services to oil and gas companies in Qatar and other countries in the region. The acquisition has been accounted for as a preliminary basis using the acquisition method of accounting.

The provisional fair values of the identifiable assets and liabilities of Gulf Drilling International Limited Q.S.C. immediately prior to the acquisition were as follows:

	Provisional fair values at the acquisition date <u>QR'000</u>
Assets	
Property, plant and equipment	1,319,100
Inventories	25,289
Due from related parties	48,509
Accounts receivable and prepayments	47,677
Bank balances and cash	43,662
	<u>1,484,237</u>
Liabilities	
Loans	840,802
Employees' end of service benefits	3,233
Due to related parties	7,910
Accounts payable and accruals	58,320
	<u>910,265</u>
Total identifiable net assets at provisional fair values	<u>573,972</u>
Less: Cost of business combination	<u>573,972</u>
(Goodwill)/ Gain from the purchase bargain on acquisition	<u>--</u>
 Net cash outflow on acquisition:	
Net cash acquired with subsidiary	43,662
Cash paid	(573,972)
	<u>(530,310)</u>

Notes:

- (a) The share of pre-acquisition profit for the period until April 30, 2014 amounted to QR. 100 million.
- (b) From the date of acquisition, Gulf Drilling International Limited Q.S.C. contributed QR. 132 million to the profit of the Group for the period ended June 30, 2014.

GULF INTERNATIONAL SERVICES Q.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended June 30, 2014

3. BUSINESS COMBINATION (CONTINUED)

- (c) The Company accounted for the business combination in the interim condensed consolidated financial statement for the six month period ended June 30, 2014 using the book values as provisional fair values, as allowed by IFRS 3 "Business Combinations". As at June 30, 2014 the Company has not finalized the Purchase Price Allocation (PPA) for the business combination, given it is allowed to be finalized within one year period from the date of the business combination to reflect the facts and circumstances that existed as of the acquisition date. To perform the PPA the Company must conduct an assessment for the fair value of the acquired stake which might result in certain intangible assets, goodwill or gain from the purchase bargain.

4. GOODWILL

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. The allocations of the carrying amounts of goodwill to the Group's CGU's (the subsidiary companies) are as follows:

	June 30, 2014	December 31, 2013
	QR '000 (Reviewed)	QR '000 (Audited)
Amwaj Catering Services Company Ltd. Q.S.C.	303,559	303,559
Subsidiary of Gulf Helicopters Company Q.S.C.	9,431	--
	<u>312,990</u>	<u>303,559</u>

- (a) During the period ended June 30, 2014, Gulf Helicopters company Q.S.C. (The Company's subsidiary) has acquired an equity stake in a non-resident entity for an amount of QR. 10 million, which resulted in recognition of a goodwill.

5. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2014	December 31, 2013
	QR '000 (Reviewed)	QR '000 (Audited)
As at January 1, (Net book value)	963,184	940,312
Acquisition through business combination	4,397,469	--
Additions	458,190	113,848
Disposals / write-offs	(20)	(1,307)
Depreciation during the period / year	<u>(99,668)</u>	<u>(89,669)</u>
As at June 30 / December 31, (Net book value)	<u>5,719,155</u>	<u>963,184</u>

GULF INTERNATIONAL SERVICES Q.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended June 30, 2014

6. INVESTMENT PROPERTIES

	Land QR '000	Buildings QR '000	Total QR '000
Cost			
At June 30, 2014	<u>1,125</u>	<u>3,286</u>	<u>4,411</u>
Accumulated depreciation:			
At June 30, 2014	<u>--</u>	<u>3,286</u>	<u>3,286</u>
Net carrying amounts at June 30, 2014 (Reviewed)	<u>1,125</u>	<u>--</u>	<u>1,125</u>
Net carrying amounts at December 31, 2013 (Audited)	<u>1,125</u>	<u>--</u>	<u>1,125</u>

The management is of the view that the fair value of the land as at June 30, 2014, relating to Gulf Helicopters Company Q.S.C. approximates its fair value.

7. INVESTMENT IN JOINT VENTURES

The following are the joint ventures of the Group:

	Country of incorporation	Ownership	June 30, 2014 QR'000 (Reviewed)	December 31, 2013 QR'000 (Audited)
Gulf Drilling International Limited Q.S.C. (a)	Qatar	70%	--	1,378,769
United Helicharters Private Limited	India	36%	<u>619</u>	<u>796</u>
			<u>619</u>	<u>1,379,565</u>

- (a) During the current period, the Company acquired an additional 30% of the voting shares of Gulf Drilling International Limited Q.S.C that resulted to 100% ownership, which became no longer a joint venture as at June 30, 2014.

GULF INTERNATIONAL SERVICES Q.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended June 30, 2014

7. INVESTMENT IN JOINT VENTURES (CONTINUED)

The summarised financial information below represents the amounts shown in the joint ventures' financial statements prepared in accordance with IFRS.

	June 30, 2014 QR '000 (Reviewed)	December 31, 2013 QR '000 (Audited)
Cash and bank balances	5,247	81,048
Other current assets	11,689	496,171
Non-current assets	3,531	3,984,724
Total assets	<u>20,467</u>	<u>4,561,943</u>
Debts due within one year	--	428,296
Other current liabilities	18,636	182,290
Debts due after one year	--	1,969,240
Other non-current liabilities	111	21,419
Total liabilities	<u>18,747</u>	<u>2,601,245</u>
Shareholder's equity	<u>1,720</u>	<u>1,960,698</u>

The Group's share of the net profit for the six month period ended June 30, 2014 and June 30, 2013 is as follows:

Net profit*	<u>100,405</u>	<u>91,310</u>
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* Included in the net profit an amount of QR. 100 million which is related to GDI (former joint venture) for the period from January 1, 2014 to April 30, 2014.

GULF INTERNATIONAL SERVICES Q.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended June 30, 2014

8. HELD-TO-MATURITY INVESTMENTS

	June 30, 2014	December 31, 2013
	QR '000 (Reviewed)	QR '000 (Audited)
Debt securities	85,466	85,448

At June 30, 2014, the fair value of held-to-maturity investments amounted to QR. 90.2 million (December 31, 2013: QR. 89.6 million).

9. AVAILABLE-FOR-SALE INVESTMENTS

	June 30, 2014	December 31, 2013
	QR '000 (Reviewed)	QR '000 (Audited)
Quoted equity investments in Qatari public shareholding companies	229,539	169,983
Unquoted securities	2	2
	229,541	169,985
At cost	200,364	153,128
Net movement in fair value of investments	29,177	16,857
	229,541	169,985

10. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	June 30, 2014	December 31, 2013
	QR '000 (Reviewed)	QR '000 (Audited)
Accounts receivable	580,189	551,263
Prepayments and other debit balances	150,881	70,818
	731,070	622,081

GULF INTERNATIONAL SERVICES Q.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended June 30, 2014

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2014 QR '000 (Reviewed)	December 31, 2013 QR '000 (Audited)
Held for trading (i)	162,199	215,098
Designated as fair value through profit or loss (ii)	33,766	45,558
	<u>195,965</u>	<u>260,656</u>

(i) 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.

(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 or loss.

12. CASH AND CASH EQUIVALENTS

	June 30, 2014 QR '000 (Reviewed)	December 31, 2013 QR '000 (Audited)
Bank balances and cash	<u>1,112,919</u>	<u>893,200</u>

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

	For the six month period ended June 30,	
	2014 QR '000 (Reviewed)	2013 QR '000 (Reviewed)
Bank balances and cash	1,112,919	659,549
Less: Fixed deposits maturing after 90 days	<u>(459,637)</u>	<u>(52,116)</u>
	<u>653,282</u>	<u>607,433</u>

GULF INTERNATIONAL SERVICES Q.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended June 30, 2014

13. SHARE CAPITAL

	June 30, 2014 QR '000 (Reviewed)	December 31, 2013 QR '000 (Audited)
<i>Authorised, issued and paid up capital</i>		
185,840,868 ordinary shares of QR. 10 each (December 31, 2013: 148,672,695 ordinary shares of QR. 10 each)	<u>1,858,408</u>	<u>1,486,727</u>
	June 30, 2014 (Reviewed) No of shares	December 31, 2013 (Audited) No of shares
Balance at the beginning of the period	148,672,695	148,672,695
Bonus share issue (i)	<u>37,168,173</u>	<u>--</u>
Balance at the end of the period	<u>185,840,868</u>	<u>148,672,695</u>

- (i) A 25% bonus share issue was approved by the shareholders at the AGAM on March 11, 2014.

14. DIVIDENDS

The Annual General Assembly meeting held on March 11, 2014 approved cash dividends in respect of the year ended December 31, 2013 of QR. 2 per share (2012: QR. 1.50 per share), amounting to a total of QR. 297.3 million (2012: QR. 223 million).

15. LOANS AND BORROWINGS

	June 30, 2014 QR '000 (Reviewed)	December 31, 2013 QR '000 (Audited)
Various borrowings (i)	3,451,755	113,089
Islamic Financing (ii)	453,813	495,067
Islamic Financing (iii)	<u>291,200</u>	<u>--</u>
	<u>4,196,768</u>	<u>608,156</u>
Presented in the interim consolidated statement of financial position as follows:		
Non-current portion	3,598,720	468,731
Current portion	<u>598,048</u>	<u>139,425</u>
	<u>4,196,768</u>	<u>608,156</u>

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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15. LOANS AND BORROWINGS (CONTINUED)

Notes:

- (i) On June 30, 2014 the borrowings were related to the Company and its subsidiaries companies, Gulf Helicopters Company Q.S.C. and Gulf Drilling International Q.S.C., which became a fully owned subsidiary (Note 3). 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% and LIBOR plus 1.75%. The loans are to be repaid in quarterly installments and are unsecured.
- (ii) On May 23, 2012, the Group obtained a syndicated Murabaha facility of US\$ 170 million from a consortium of lenders to finance the acquisition of Amwaj Catering Services. The effective profit rate is LIBOR plus 1.75%. The loan is repayable in 15 semi-annual installments and is unsecured.
- (iii) On April 20, 2014, the Group 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 which was included in the various borrowings above (paragraph (i)), to finance the acquisition of the additional 30% of Gulf Drilling International Q.S.C. The effective profit rate is LIBOR plus 1.45%. The loan is repayable in 15 semi-annual installments and is unsecured.

16. REVENUES

	For the six month period ended June 30,	
	2014	2013
	QR '000	QR '000
	(Reviewed)	(Reviewed)
Gross insurance revenue (a)	380,325	336,801
Revenue from aviation	320,040	308,306
Revenue from catering services	548,439	474,124
Revenue from drilling *	346,470	--
	<u>1,595,274</u>	<u>1,119,231</u>

* This includes the revenue from GDI for the period from April 30, 2014 (date of obtaining control) to June 30, 2014.

Note (a):

	For the six month period ended June 30,	
	2014	2013
	QR '000	QR '000
	(Reviewed)	(Reviewed)
Gross premium	330,092	263,737
Movement in unearned premium, gross	20,015	46,367
Net commission income	30,218	26,697
Gross insurance revenue	<u>380,325</u>	<u>336,801</u>

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For the six month period ended June 30, 2014

17. DIRECT COSTS

	For the six month period ended June 30,	
	2014 QR '000 (Reviewed)	2013 QR '000 (Reviewed)
Gross insurance expense (a)	386,230	299,633
Direct cost from aviation	197,218	174,877
Direct cost from catering services	460,752	418,006
Direct cost from drilling	182,537	--
	<u>1,226,737</u>	<u>892,516</u>

Note (a):

	For the six month period ended June 30,	
	2014 QR '000 (Reviewed)	2013 QR '000 (Reviewed)
Reinsurance cession	147,625	146,329
Movement in unearned premium, reinsurance	3,080	3,542
Net claims incurred	233,328	147,866
Brokerage cost	2,197	1,896
Gross insurance expense	<u>386,230</u>	<u>299,633</u>

18. 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 profit or loss are as follows:

	For the six month period ended June 30,	
	2014 QR '000 (Reviewed)	2013 QR '000 (Reviewed)
Revenue	<u>658,377</u>	<u>271,528</u>
Direct and other operating expenses	<u>130,662</u>	<u>55,267</u>
Other income	<u>34,423</u>	<u>30,609</u>

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended June 30, 2014

18. RELATED PARTY DISCLOSURES (CONTINUED)

	June 30, 2014 (Reviewed)		December 31, 2013 (Audited)	
	Receivables QR'000	Payables QR'000	Receivables QR'000	Payables QR'000
Qatar Petroleum and other related parties	<u>519,138</u>	<u>71,742</u>	<u>242,722</u>	<u>531</u>
			For the six month period ended June 30,	
			2014 QR'000 (Reviewed)	2013 QR'000 (Reviewed)
Compensation of key management personnel Salaries and other benefits (including director's fees)			<u>20,125</u>	<u>15,368</u>

19. CONTINGENCIES AND COMMITMENTS

	June 30, 2014 QR'000 (Reviewed)	December 31, 2013 QR'000 (Audited)
<i>Contingent liabilities:</i>		
Guarantees against performance bonds	<u>101,640</u>	<u>108,028</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, 2014 QR'000 (Reviewed)	December 31, 2013 QR'000 (Audited)
<i>Commitments:</i>		
Capital commitments	<u>1,218,309</u>	<u>1,085,790</u>

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20. 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,	
	2014 (Reviewed)	2013 (Reviewed)
Profit for the period (QR'000)	<u>463,718</u>	<u>293,075</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>2.50</u>	<u>1.58</u>

Basic earnings per share for the prior year is stated after adjusting the weighted average number of shares for the effect of bonus issue during the period.

21. 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 venture "United Helicharters Private Limited" and its subsidiary.
- 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, 2014

21. OPERATING SEGMENTS (CONTINUED)

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

For the six month period ended and as at June 30, 2014
(Reviewed)

	Insurance QR'000	Aviation QR'000	Catering QR'000	Drilling QR'000	Total QR'000
Total external revenue	381,101	320,040	548,750	697,581	1,947,472
Inter-segment revenue	(776)	—	(311)	—	(1,087)
Net revenue	380,325	320,040	548,439	697,581	1,946,385
Net profit	56,862	121,497	67,708	241,164	487,231
Total assets	1,742,894	1,445,451	591,369	5,148,279	8,927,993

For the six month period ended and as at June 30, 2013
(Reviewed)

	Insurance QR'000	Aviation QR'000	Catering QR'000	Drilling QR'000	Total QR'000
Total external revenue	336,853	312,485	474,408	381,131	1,504,877
Inter-segment revenue	(52)	—	(284)	—	(336)
Net revenue	336,801	312,485	474,124	381,131	1,504,541
Net profit	51,688	125,815	35,850	92,108	305,461
Total assets (At December 31, 2013) (Audited)	1,773,872	1,325,458	561,624	3,180,517	6,841,471

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For the six month period ended June 30, 2014

21. OPERATING SEGMENTS (CONTINUED)

Reconciliation of reportable segments profit or loss

	For the six month period ended June 30,	
	2014	2013
	QR'000	QR'000
	(Reviewed)	(Reviewed)
Total profit for reportable segments	487,231	305,461
Other un-allocable profit or loss (represents profit or loss of parent company including dividends from the subsidiaries and joint ventures)	415,409	293,754
Elimination of dividends paid to parent company by subsidiaries	(431,058)	(306,140)
Other adjustments	(7,864)	—
Consolidated profit for the period	463,718	293,075

	June 30, 2014	June 30, 2014
	QR'000	QR'000
	(Reviewed)	(Reviewed)

Reconciliation of reportable segments total assets

Total assets for reportable segments	8,927,992	6,500,928
Other un-allocable assets	2,743,580	2,459,175
Recognition of investment in joint ventures using equity method of accounting	—	533,520
Elimination of investments in subsidiaries	(2,270,840)	(1,309,068)
Elimination of inter-segment assets	—	(75,000)
Assets relating to joint ventures	—	(2,804,590)
Consolidated total assets for the period/year	9,400,732	5,304,965

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, 2013.

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For the six month period ended June 30, 2014

22. FINANCIAL INSTRUMENTS AT FAIR VALUE

The fair value of financial instruments approximates their carrying values.

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

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.

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
	<u>QR'000</u>	<u>QR'000</u>	<u>QR'000</u>	<u>QR'000</u>
<i>As at June 30, 2013 (Reviewed)</i>				
Assets measured at fair value				
Available-for-sale investments	229,541	229,539	--	2
Financial assets at fair value through profit or loss	195,965	162,199	33,766	--
<i>As at December 31, 2013 (Audited)</i>				
Assets measured at fair value				
Available-for-sale investments	169,985	169,983	--	2
Financial assets at fair value through profit or loss	260,656	215,098	45,558	--

During the reporting period/year ended June 30, 2014 and December 31, 2013, 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.