

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

**CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2017**

GULF INTERNATIONAL SERVICES Q.S.C.

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the year ended December 31, 2017

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QR. 82543

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INDEPENDENT AUDITOR'S REPORT

The Shareholders
Gulf International Services Q.S.C.
Doha - Qatar

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Gulf International Services Q.S.C. ("the Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Group's consolidated financial statements in the state of Qatar, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters.
<p>The Group has QR. 303.56 million of goodwill at December 31, 2017 arising from past acquisition (Note 5). There is a risk regarding the potential impairment of the carrying value of the goodwill given the judgments management are required to make in respect of the assumptions used to determine the recoverable amount. The key judgements include identification of cash generating units, growth rates in future cash flow forecasts both short term and longer term, discount rates applied to these forecasts and determining the impact of reasonably possible changes in these assumptions.</p>	<p>Our audit work assessed the adequacy of the design and implementation of controls over monitoring the carrying value of goodwill. Independently we identified and challenged management's assessment of the cash generating units within the Group based on a review of the cash flows internally reported by management, and our understanding of the Group structure. We challenged the assumptions used by management in their impairment assessment by using valuation specialists within the audit team to benchmark the discount rate against independently available data, together with peer group analysis, our understanding of the assumptions underpinning the Group's cash flow forecasts, and the historical performance of the businesses. Having audited the assumptions, we checked that the impairment model had been prepared on the basis of management's assumptions and was arithmetically accurate. We challenged the appropriateness of management's sensitivities based on our work performed on the key assumptions, and recalculated these sensitised scenarios.</p> <p>Further, we assessed whether the related disclosures were in accordance with the requirements of International Financial Reporting Standards.</p>
<p>As at December 31, 2017, one of the Group's subsidiary, Gulf Drilling International Limited Q.S.C. (GDI), has drilling rigs included in property, plant and equipment amounting to QR. 5,322 million which account for 82% of the total assets of the component.</p> <p>During past few years, the oil prices decreased significantly and some contracts with customers were amended to decrease the operating hours and day rates of some of the Group's rigs.</p> <p>As required by IAS 36 (Impairment of Assets), management conducts impairment tests to assess the recoverability of the carrying value of the property, plant and</p>	<p>Our audit procedures included a review of management's impairment assessment of each rig performed at year end. We engaged our internal specialists to assist with:</p> <ul style="list-style-type: none"> • Critically evaluating whether the discounted cash flow model used by management to calculate the value in use of the individual rigs complies with the requirements of IAS 36 (Impairment of Assets). • Validating the assumptions used to calculate the discount rates and recalculating these rates. • Analyzing the future projected cash flows used in the models to determine whether they are reasonable and supportable given the current macroeconomic climate and expected future

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key audit matters	How our audit addressed the key audit matters.
<p>equipment whenever impairment indicators exist.</p> <p>The assessment is performed using discounted cash flow models. A number of key judgments and assumptions made in determining the inputs into these models include:</p> <ul style="list-style-type: none"> • Revenue growth • Operating margins • The discount rates applied to the projected future cash flows. • Refer to (note 3). 	<p>performance of the individual rigs.</p> <ul style="list-style-type: none"> • Subjecting the key assumptions to sensitivity analyses. • Comparing the projected cash flows, including the assumptions relating to revenue growth rates and operating margins, against historical performance, budgets and external data when available, to assess the reasonableness of management's projections. <p>Further, we assessed whether the related disclosures were in accordance with the requirements of International Financial Reporting Standards.</p>
<p>One of the Group's subsidiaries, Al Koot Insurance and Reinsurance Company S.A.Q. (Al Koot) has two insurance business segments, namely, medical and non-medical insurance.</p> <p>Al Koot maintained three main types of insurance contract liability to account for the claims incurred during the normal course of its insurance business, as follows:</p> <ol style="list-style-type: none"> 1. Insurance claims outstanding (QR 462.6 million) as of December 31, 2017 (Note 11.4): <p>For non-medical claims, the claim is estimated based on interim loss adjusters' reports, and for claims for which no loss recommendation is given by loss adjusters, interim provision is set up in accordance with the Group's policy. For medical claims, the provision is determined based on monthly statement provided by the Group's medical insurance partner.</p> 2. Incurred But Not Reported ("IBNR") (QR 148.5 million) as of December 31, 2017 (Note 11.4): <p>IBNR reserve for both medical and non-medical business had been estimated using actuarial assumptions, and internal assessment on adequacy of reserves</p> 	<p>We performed our audit procedures which were a combination of internal control reliance strategy and specific substantive procedures focusing on the significant risk. Such procedures, include, but are not limited to:</p> <ul style="list-style-type: none"> • Assessing the appropriateness and consistency of reserving methodologies used in the computation of reserves held by the Group, including sensitivity of such reserves to changes in key assumptions and judgements; • Assessing the development of Outstanding Claims and IBNR by performing a review of retrospective historical performance of the estimates and judgements made by Al Koot; and • Engaging an actuarial specialist to evaluate the actuarial estimates performed by management's expert for IBNR on medical and non-medical underwriting reinsurance business. <p>Further, we assessed whether the related disclosures were in accordance with the requirements of International Financial Reporting Standards.</p>

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key audit matters	How our audit addressed the key audit matters.
<p>recommended by an independent actuary.</p> <p>3. Unearned Premium Reserve ("UPR") (QR 126.58 million) as of December 31, 2017 (Note 22):</p> <p>For both medical and non-medical, UPR is determined based on 1/365 method or the duration of the policy, whichever is longer.</p> <p>The computation of claims outstanding, IBNR and UPR are subject to assumptions and key judgments which include a range of historic trend analysis, empirical data and standard actuarial claim projection techniques.</p>	
<p>The Group has available-for-sale (AFS) financial assets amounting to QR 387.37 million as at December 31, 2017 (Note 9).</p> <p>The valuation and impairment assessment of AFS financial assets involve the use of key judgements.</p>	<p>We reviewed the reasonableness of valuation of AFS financial assets by test checking the following:</p> <ul style="list-style-type: none"> • The revaluation rates available from established market sources as at December 31, 2017; and • Management assessment of significant or prolonged decline in value of available for sale investments and other indicators of potential impairment. <p>Further, we assessed whether the related disclosures were in accordance with the requirements of International Financial Reporting Standards.</p>

Other Information

Management is responsible for the other information. The other information comprises the Directors' Report, which we obtained prior to the date of this auditors' report and annual report, which is expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, the Company's Article of associations and applicable provisions of Qatar Commercial Companies' Law, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also;

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosure in the consolidated financial statements or, if such disclosure are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law and regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Further, as required by the Qatar Commercial Companies' Law, we report the following:

- We are also in the opinion that proper books of account were maintained by the Group, physical inventory verification has been duly carried out.
- We obtained all the information and explanations which we considered necessary for our audit.
- We further confirm that the financial information included in the Director's report addressed to the General Assembly is in agreement with the books and records of the Group.
- To the best of our knowledge and belief and according to the information given to us, no contraventions of the applicable provisions of Qatar Commercial Companies' Law and the Company's Articles of Associations were committed during the year which would materially affect the Group's consolidated financial position and performance.

Doha – Qatar
February 7, 2018

For Deloitte & Touche
Qatar Branch



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

GULF INTERNATIONAL SERVICES Q.S.C.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2017

	Notes	December 31, 2017 QR '000	December 31, 2016 QR '000
ASSETS			
Non-current assets			
Property, plant and equipment	6	7,219,761	7,338,859
Goodwill	5	303,559	303,559
Intangible assets	7	1,112	2,224
Held-to-maturity financial assets	8	3,583	85,468
Available-for-sale financial assets	9	387,370	321,930
Total non-current assets		7,915,385	8,052,040
Current assets			
Inventories	10	202,116	218,614
Due from related parties	28 (ii)	462,841	309,533
Accounts receivable, prepayments and other debit balances	11	507,028	720,377
Insurance contract receivables		188,360	266,999
Financial assets at fair value through profit or loss	12	201,029	214,149
Short-term investments	13	20,263	--
Cash and bank balances	14	931,454	1,335,724
Total current assets		2,513,091	3,065,396
Total assets		10,428,476	11,117,436
EQUITY AND LIABILITIES			
Equity			
Share capital	15	1,858,409	1,858,409
Legal reserve	16	359,410	352,294
General reserve	17	74,516	74,516
Foreign currency translation reserve		36	1,325
Fair value reserve	9	(3,692)	12,239
Retained earnings		1,389,884	1,499,985
Total equity		3,678,563	3,798,768
LIABILITIES			
Non-current liabilities			
Employees' end of service benefits	20	76,757	70,794
Provision for decommissioning costs	21	25,954	92,088
Loans and borrowings	19	4,247,662	4,629,862
Total non-current liabilities		4,350,373	4,792,744

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

GULF INTERNATIONAL SERVICES Q.S.C.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

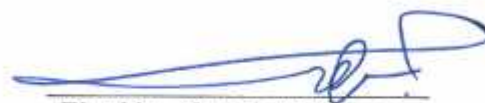
As at December 31, 2017

	Notes	December 31, 2017 QR '000	December 31, 2016 QR '000
Current liabilities			
Accounts payable, insurance payables and accruals	22	1,355,182	1,483,030
Provision for decommissioning costs	21	42,897	-
Dividends payable	18	95,346	100,210
Due to related parties	28 (iii)	8,312	2,712
Loans and borrowings	19	897,803	939,972
Total current liabilities		2,399,540	2,525,924
Total liabilities		6,749,913	7,318,668
Total equity and liabilities		10,428,476	11,117,436

These consolidated financial statements were approved by the Board of Directors and signed on its behalf on February 7, 2018 by:



Khalid Bin Khalifa Al-Thani
Chairman



Ebrahim Ahmad Al-Mannai
Managing Director

GULF INTERNATIONAL SERVICES Q.S.C.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

As at December 31, 2017

	Notes	December 31, 2017 QR '000	December 31, 2016 QR '000
Revenue	23	2,485,897	2,988,798
Direct costs	24	(2,035,073)	(2,458,960)
Gross profit		450,824	529,838
Finance income	25	27,514	28,260
Net gains/(losses) on financial assets at fair value through profit or loss		4,219	7,732
Impairment losses on available-for-sale financial assets	9	--	(2,701)
Other income (expenses), net	26	19,191	(122,280)
Share on loss of joint venture		--	(191)
Finance cost		(172,389)	(125,163)
General and administrative expenses	27	(244,379)	(248,534)
Profit for the year		84,980	66,961
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss:			
<i>Available-for-sale financial assets:</i>			
Net fair value loss during the year		(15,931)	(11,662)
Net amount of impairment transferred to profit or loss		--	2,701
		(15,931)	(8,961)
<i>Net foreign exchange difference on translation of foreign operations</i>		(1,289)	454
Other comprehensive loss for the year		(17,220)	(8,507)
Total comprehensive income for the year		67,760	58,454
<i>Earnings per share</i>			
Basic and diluted earnings per share (Qatari Riyal)	29	0.46	0.36

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

GULF INTERNATIONAL SERVICES Q.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 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	1,858,409	340,893	74,516	871	21,200	1,631,940	3,927,829
Total comprehensive income for the year	--	--	--	454	(8,961)	66,961	58,454
Net movement in legal reserve (Note 16)	--	11,401	--	--	--	(11,401)	--
Dividends declared (Note 18)	--	--	--	--	--	(185,841)	(185,841)
Provision for social and sports fund (Note 22)	--	--	--	--	--	(1,674)	(1,674)
Balance at December 31, 2016	1,858,409	352,294	74,516	1,325	12,239	1,499,985	3,798,768
Balance at January 1, 2017	1,858,409	352,294	74,516	1,325	12,239	1,499,985	3,798,768
Total comprehensive income for the year	--	--	--	(1,289)	(15,931)	84,980	67,760
Net movement in legal reserve (Note 16)	--	7,116	--	--	--	(7,116)	--
Dividends declared (Note 18)	--	--	--	--	--	(185,841)	(185,841)
Provision for social and sports fund (Note 22)	--	--	--	--	--	(2,124)	(2,124)
Balance at December 31, 2017	1,858,409	359,410	74,516	36	(3,692)	1,389,884	3,678,563

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

GULF INTERNATIONAL SERVICES Q.S.C.
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended December 31, 2017

	Note s	December 31, 2017 QR '000	December 31, 2016 QR '000
OPERATING ACTIVITIES			
Profit for the year		84,980	66,961
<i>Adjustments for:</i>			
Depreciation	6	498,197	576,883
(Gain)/loss on disposal/write off of property, plant and equipment		(2,567)	133,711
Finance cost		172,388	125,163
Finance income	25	(27,514)	(28,260)
Provision for employees' end of service benefits	20	16,406	18,961
Provision for slow moving and obsolete items	10	7,705	14,254
Provision for doubtful debts, net		16,823	587
Provision for other debts, net		7,162	--
Net gain on financial assets at fair value through profit or loss		(4,219)	(7,732)
Additional provision for decommissioning costs	21	18,743	6,628
Reversal of provision for decommissioning costs	21	(41,980)	--
Net gain on sale of available-for-sale financial assets	26	(3,702)	(3,962)
Impairment losses on available-for-sale financial assets		--	2,701
Amortization of intangible assets	7	1,112	1,112
Change in foreign currency translation reserve		(1,289)	454
Amortization of premium of held-to-maturity financial assets		--	53
		<u>742,245</u>	<u>907,514</u>
Working capital changes:			
Inventories		8,793	(10,884)
Accounts receivable, due from related parties, insurance contract receivables, prepayments and other debit balances		114,695	470,682
Accounts payable, due to related parties, insurance payables and accruals		(124,372)	(395,601)
Cash generated from operating activities		<u>741,361</u>	<u>971,711</u>
Employees' end of service benefits paid	20	(10,443)	(22,798)
Net cash generated from operating activities		<u>730,918</u>	<u>948,913</u>
INVESTING ACTIVITIES			
Proceeds from disposal of available-for-sale financial assets		187,414	73,276
Finance income		27,514	28,260
Acquisition of property, plant and equipment	6	(380,701)	(693,295)
Acquisition of available-for-sale financial assets	9	(165,859)	(88,487)
Time deposits with original maturities in excess of three months		200,293	(75,358)
Time deposits maturing beyond 180 days		(20,263)	--
Cash at banks – restricted for dividends		4,864	3,905
Proceeds from disposal of property, plant and equipment		4,169	7,970
Net cash used in investing activities		<u>(142,569)</u>	<u>(743,729)</u>

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

GULF INTERNATIONAL SERVICES Q.S.C.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended December 31, 2017

	Notes	December 31, 2017 QR '000	December 31, 2016 QR '000
FINANCING ACTIVITIES			
Proceeds from loans and borrowings	19	629,840	1,838,200
Repayment of loans and borrowings	19	(1,054,209)	(1,425,411)
Dividends paid	18	(190,705)	(189,746)
Finance costs paid		(172,388)	(125,163)
Net cash (used in)/generated from financing activities		(787,462)	97,880
(Decrease)/increase in cash and cash equivalents		(199,113)	303,064
Cash and cash equivalents at the beginning of the year		697,544	394,480
Cash and cash equivalents at the end of the year	14	498,431	697,544

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

GULF INTERNATIONAL SERVICES Q.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

1. CORPORATE INFORMATION

Gulf International Services Q.S.C. (the "Company") is a Qatari Shareholding Company incorporated in the State of Qatar under commercial registration number 38200 on February 12, 2008.

The consolidated financial statements for the year ended December 31, 2017 and 2016 comprise the assets, liabilities, and results of operations of the Company and its subsidiaries (together referred to as the "Group").

The principal activity of the Company is to operate as a holding company. The registered office of the Company is 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.

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 – 30.01% was owned by JDC) and the equity interests of QP were transferred to the Company on February 24, 2008.

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 May 31, 2012, the Group acquired 100% shares of Amwaj Catering Services Limited Q.P.S.C., a company incorporated in the State of Qatar. The Group has obtained control over the Subsidiary in accordance with the sale and purchase agreement effective from June 1, 2012.

On April 30, 2014, the Group acquired additional 30% of the 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 May 1, 2014.

The consolidated financial statements incorporate the financial statements of the below stated direct subsidiaries:

		Country of incorporation	Percentage of holding December 31, 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.P.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%

1. CORPORATE INFORMATION (CONTINUED)

Also, included in the consolidated financial statements of one of the Group's subsidiaries the below joint ventures and subsidiaries:

				Country of incorporation	Percentage Of Holding December 31, 2017	Percentage Of Holding December 31, 2016
United Helicharters Private Joint	Limited		venture	India	36%	36%
Gulf Med Aviation Services Joint	Limited		venture	Malta	49%	49%
Al Maha Aviation Company ("Al Maha")			Subsidiary	Libya	92%	92%
Gulf Helicopters Company LLC, Oman ("GHC Oman")			Subsidiary	Oman	70%	70%
Redstar Havacılık Hizmetleri A.Ş.			Subsidiary	Turkey	49%	49%

The consolidated financial statements of the Group for the year ended December 31, 2017 were approved by the Board of Directors and were authorised for issue on its behalf by the Chairman, Vice Chairman and the Managing Director on February 7, 2018.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)**2.1 New and revised IFRSs that are mandatorily effective**

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2017, have been adopted in these consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years, but may affect the accounting for future transactions or arrangements.

Amendments to IAS 12 Income Taxes Recognition of Deferred Tax Assets for Unrealised Losses

The Group has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference.

The application of these amendments has had no impact on the Group's financial statements as the Group is not imposed to income taxes.

Amendments to IAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The Group's liabilities arising from financing activities consist of borrowings (note 10). A reconciliation between the opening and closing balances of these items is provided in note 10. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior period. Apart from the additional disclosure in note 10, the application of these amendments has had no impact on the Group's financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)**2.1 New and revised IFRSs that are mandatorily effective (continued)****Annual Improvements to IFRS Standards 2014–2016 Cycle – Amendments to IFRS 12**

The Group has applied the amendments to IFRS 12 included in the Annual Improvements to IFRSs 2014-2016 Cycle for the first time in the current year. The other amendments included in this package are not yet mandatorily effective and they have not been early adopted by the Group (see note 2.2).

IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

The application of these amendments has had no effect on the Group's financial statements as none of the Group's interests in these entities are classified, or included in a disposal group that is classified, as held for sale.

2.2 New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 and IAS 28.	January 1, 2018
Annual Improvements to IFRS Standards 2015–2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23.	January 1, 2019
IFRIC 22 <i>Foreign Currency Transactions and Advance Consideration</i>	January 1, 2018

The interpretation addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- the prepayment asset or deferred income liability is non-monetary.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)**2.2 New and revised IFRSs in issue but not yet effective (continued)**

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
<p>IFRIC 23 <i>Uncertainty over Income Tax Treatments</i></p> <p>The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:</p> <ul style="list-style-type: none"> • Whether tax treatments should be considered collectively; • Assumptions for taxation authorities' examinations; • The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and • The effect of changes in facts and circumstances. 	January 1, 2019
<p>Amendments to IFRS 2 <i>Share Based Payment</i> regarding classification and measurement of share based payment transactions.</p>	January 1, 2018
<p>Amendments to IFRS 4 <i>Insurance Contracts</i>: Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.</p>	January 1, 2018
<p>Amendments to IAS 40 <i>Investment Property</i>: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in directors' intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.</p>	January 1, 2018

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

2.2 New and revised IFRSs in issue but not yet effective (continued)

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
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IFRS 9 <i>Financial Instruments</i> (revised versions in 2009, 2010, 2013 and 2014) (a)	January 1, 2018
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IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment:** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised
- **Hedge accounting:** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk directors activities when hedging financial and non-financial risk exposures.
- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

2.2 New and revised IFRSs in issue but not yet effective (continued)

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
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Amendments to IFRS 9 *Financial Instruments*: Relating to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

January 1, 2019

Impact assessment of IFRS 9 *Financial Instruments*

Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the directors of the Group have assessed the impact of IFRS 9 to the Group's financial statements as follows:

Classification and measurement:

Financial assets:

As at December 31, 2017, the Group's financial investment amounting to QR 591.982 million consisted of available-for-sale investments (AFS), financial assets at fair value through profit or loss and held to maturity investments of QR 387.37 million, QR 201.029 million and QR 3.58 million, respectively. The Company does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. Quoted equity shares currently held as available-for-sale (AFS) valuing QR 360.27 million with gains and losses recorded in OCI will, instead, be measured at fair value through profit or loss, which will increase volatility in recorded profit or loss. The corresponding portion of AFS unrealised loss reserve of QR 5.26 million, related to those securities, which is currently presented as accumulated OCI, will be reclassified to retained earnings. Debt securities are expected to be measured at fair value through OCI under IFRS 9 as the Group expects not only to hold the assets to collect contractual cash flows, but also to sell a significant amount on a relatively frequent basis.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

2.2 New and revised IFRSs in issue but not yet effective (continued)

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
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Amendments to IFRS 9 Financial Instruments: (continued)

The equity shares in a non-listed company are intended to be held for the foreseeable future. No impairment losses were recognised in profit or loss during prior periods for this investment. The Company will apply the option to present fair value changes in OCI, and, therefore, the application of IFRS 9 will not have a significant impact.

Debt instruments classified as AFS and HTM - Applying Expected Credit Loss Model on Debt instruments may not result in material impairment losses to be accounted as at Date of Initial Application ("DIA") due to absence of any losses/credit rating deterioration since purchase of debt instruments. Historically, the Company has not recognized any impairment losses on AFS Debt instruments and nothing to be reversed on DIA.

Equity instruments classified as AFS - Impairment assessment as per IAS 39 will not be required to be made under IFRS 9, however the FVTOCI classification is irrevocable. Any gain or loss or fair value reserve recognized on equity will not be recycled to the profit or loss on sale of investment. Further, impairment losses previously recognized in these investments are reversed to Retained earnings by reducing the relevant fair value reserve in the equity as at Jan 1, 2018.

Reinsurance receivables will continue to be assessed for impairment as per IFRS 4 and the Company does not hold any hedge instruments.

Financial liabilities:

The Group did not have any financial liabilities classified as "FVTPL" and did not assess to classify any liability as FVTPL on DIA of IFRS 9. Hence there is no indication of any impact on Financial liabilities at January 1, 2018.

All other financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under IAS 39.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

2.2 New and revised IFRSs in issue but not yet effective (continued)

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
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Amendments to IFRS 9 Financial Instruments: (continued)

Impairment:

Financial assets measured at amortised cost, finance lease receivables and amounts due from customer under construction contracts will be subject to the impairment provisions of IFRS 9.

The Group expects to apply the simplified approach to recognise lifetime expected credit losses for its trade receivables, finance lease receivables and amounts due from customer under long-term contracts as required or permitted by IFRS 9. Accordingly, the directors expect to recognise lifetime and 12-month expected credit losses for these items respectively.

In general, the directors anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for the respective items and will increase the amount of loss allowance recognised for these items.

Hedge accounting:

The Group does not have any hedged relationships with any party as at December 31, 2017. Accordingly, there will not be any impact on the financial position and/or financial performance of the Group.

Disclosures:

IFRS 9 also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company's disclosures about its financial instruments particularly in the year of the adoption of IFRS 9.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

2.2 New and revised IFRSs in issue but not yet effective (continued)

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
IFRS 15 <i>Revenue from Contracts with Customers</i>	January 1, 2018

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.

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. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

2.2 New and revised IFRSs in issue but not yet effective (continued)

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
IFRS 15 <i>Revenue from Contracts with Customers</i> (continued)	January 1, 2018

Impact assessment of IFRS 15 *Revenue from Contracts with Customers*

The application of IFRS 15 from the annual period beginning January 1, 2018 will have an impact on the Group's financial statements in respect of revenue from contracts with customers. Based on analysis of the Group's revenues from contracts with customers as at December 31, directors of the Group have assessed the impact of IFRS 15 to the Group's financial statements as follows:

Drilling

The directors have preliminarily assessed that revenue from the rendering of drilling services and supply of related ancillary services represents multiple performance obligations and accordingly, revenue will be recognised for each of these performance obligations when control over the corresponding services is transferred to the customer, either at a point in time or over a period of time. The transaction price will be allocated to these different performance obligations based on the relative stand-alone selling price of the services as agreed with the customer in accordance with the terms of the contract. Revenue from drilling mobilization and drilling services is recognized as a single performance obligation due to significant integration of each individual service. Drilling mobilization service is a relevant input as it facilitates the performance of the drilling services promised to the customer. Revenue from drilling mobilization and drilling services is recognized over time.

Aviation business

All customer contracts of the Group in respect of helicopter services are billed currently at contracted fixed rates i.e., monthly and hourly, wherein the Group has the right to invoice the customer for the amount that corresponds directly with the value of the Group's performance completed to date of the respective contracts in accordance with IFRS 15: B16. Consequently, no impact is assessed for the applicability of IFRS 15 on the group with respect to aviation revenue.

Catering services

The application of this standard will have no impact on the revenue from catering services.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

2.2 New and revised IFRSs in issue but not yet effective (continued)

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
IFRS 15 <i>Revenue from Contracts with Customers</i> (continued)	January 1, 2018

Directors intend to use the modified transition approach of transition to IFRS 15.

The directors anticipate that the application of IFRS 15 will have an impact on the financial position and financial performance of the Group related to the accounting of revenue from drilling mobilization services. Drilling mobilization services revenue is currently recognized upfront upon acceptance by the customer. With the application of IFRS 15, the directors assessed that drilling mobilization service only facilitates the performance of the obligation (i.e. drilling services) and does not provide a distinct service to the customer on its own and revenue should be recognized over the term of the contract.

The cost incurred related to the drilling mobilization qualifies to be recognized as an asset in accordance with IFRS 15 requirements. The asset recognized shall be amortized on a systematic basis that is consistent with the transfer of the services to the customer (i.e. over the term of contract).

Upon adoption of IFRS 15, revenue from drilling mobilization service will be deferred over the term of the contract resulting in recognition of contract liability (deferred revenue) in the statement of financial position. Drilling mobilization cost incurred prior to fulfilling the performance obligation will be capitalized as contract asset in the statement of financial position and amortized over the period of the performance of the obligation. Furthermore, the directors anticipate that the cumulative effect of deferral in recognition of drilling mobilization revenue and cost is expected to have an impact on the retained earnings.

Amendments to IFRS 15 Revenue from Contracts with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.	January 1, 2018
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2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

2.2 New and revised IFRSs in issue but not yet effective (continued)

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
IFRS 16 <i>Leases</i>	January 1, 2019

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

Impact assessment of IFRS 16 *Leases*

As at December 31, 2017, the Group has certain non-cancellable operating lease commitments of QR. 86.23 million. IAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments in Note 30. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. The new requirement to recognise a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognised in the Group's financial statements and the directors are currently assessing its potential impact. It is not practicable to provide a reasonable estimate of the financial effect until the directors complete the review.

Amendments to IAS 28 Investment in Associates and Joint Ventures: Relating to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	January 1, 2019
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2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

2.2 New and revised IFRSs in issue but not yet effective (continued)

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to IFRS 7 <i>Financial Instruments: Disclosures</i> relating to disclosures about the initial application of IFRS 9.	When IFRS 9 is first applied
IFRS 7 <i>Financial Instruments: Disclosures</i> relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.	When IFRS 9 is first applied
IFRS 17 <i>Insurance Contracts</i>	January 1, 2021
IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 <i>Insurance Contracts</i> as of 1 January 2021.	
Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, IFRS 15 and IFRS 16, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

Management anticipates that IFRS 15 and IFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning January 1, 2018 and that IFRS 16 will be adopted in the Group's financial statements for the annual period beginning January 1, 2019. The application of IFRS 15 and IFRS 9 may have significant impact on amounts reported and disclosures made in the Group's consolidated financial statements in respect of revenue from contracts with customers and the Group's financial assets and financial liabilities and the application of IFRS 16 may have significant impact on amounts reported and disclosures made in the Group's consolidated financial statements in respect of its leases.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs), its Articles of Association and applicable provisions of the Qatar Commercial Companies' Law.

Basis of preparation

The consolidated financial statements have been prepared under the historical cost basis except for available-for-sale financial assets and financial assets at fair value through profit and loss which have been measured at fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique (Note 33).

In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- (i) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- (ii) Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- (iii) Level 3 inputs are unobservable inputs for the asset or liability.

These consolidated financial statements are presented in Qatari Riyals (QR), 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 principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Gulf International Services Q.S.C. and entities controlled by the Company and its subsidiaries (hereinafter referred to as "the Group"). Control is achieved when the investor:

- has the power over investee
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of three elements of control listed above.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding or voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time the decisions need to be made, including voting patterns at previous shareholders' meeting.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expense of the subsidiary acquired or disposed of during the year are included in consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit and loss and each component of other comprehensive income are attributed to the owners of the Company and to non-controlling interests. Total profit or loss of the subsidiaries is attributed to the owners of the Company and to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Company's accounting policies.

Changes in Company's ownership interest in existing subsidiaries

Changes in the Company's ownership interest in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's interest and the non-controlling interest are adjusted to reflect the changes in their relative interest in the subsidiaries. Any difference between the amount by which the non-controlling interest are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Company loses control of a subsidiary, a gain or loss is recognised in profit and loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interests and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Company had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit and loss or transferred to another category of equity as specified / permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when the control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

Transactions eliminated on consolidation

All material inter-group balances and transactions, and any unrealised gains from intra-group transactions are eliminated in preparing the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Goodwill

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in the consolidated statement of profit or loss and other comprehensive income as a bargain purchase gain.

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated statement of profit or loss and other comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under equity method of accounting, an investment in joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of joint venture exceeds Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

A joint venture is accounted for using equity method from the date on which the investee becomes a joint venture. On the acquisition of investment in a joint venture, any excess over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of identifiable assets and liabilities over the cost of investment, after reassessment, is recognised immediately in consolidated profit or loss in the period in which investment was acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying value. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment increases subsequently.

The Group discontinues the use of equity method of accounting from the date when the investment ceases to be a joint venture.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have the rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in joint operation:

- Its assets, including its share of assets held jointly.
- Its liabilities, including its share of liabilities incurred jointly.
- Its revenue from the sale of its share of the output arising from joint operation
- Its share of the revenue from the sale of the output by joint operation
- Its expenses, including its share of any expenses incurred jointly.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Premiums earned

Premiums and reinsurance premiums are taken into income over the terms of the policies to which they relate. Gross insurance and reinsurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. They are recognised on the date on which the policy commences.

Unearned premiums represent the portion of net premiums written relating to the unexpired period of coverage calculated at actual number of days method (daily pro rata basis). The change in the provision for unearned premium is taken to the consolidated statement of profit or loss in order that revenue is recognised over the period of risk.

Net commission income and expenses

Commission income is earned from the reinsurer for the premium ceded during the year. Similarly, the commission expense is incurred for the insurance companies for the reinsurance premium written. The excess of the commission income over the commission expense is recognized as net commission income during the year.

Interest income

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

Dividend income

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

Fee income

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

Revenue from drilling services

Revenue represents rig rental and supply of related ancillary services income earned and invoiced during the year, in accordance with the terms of the contracts entered into with customers. Rig mobilisation fees received to mobilise a drilling unit at the commencement of a contract are recognised as income in the period it is received and associated costs are expensed as incurred. Costs incurred to relocate drilling units for which a contract has not been secured are expensed as incurred.

Aviation revenue

Contractual aviation revenues are recognised based on the following:

Monthly fixed fees on a time proportion basis, and; variable fees according to the number of flying hours.

Non contractual aviation revenues are recognised based on variable fees according to the number of flying hours.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from catering

Revenue arising from provision of catering services, manpower, function sales for events and other services is recognised when the related services are rendered to the customers. The amount of revenue recognised for the supply of services are based on the terms of catering and other related service agreements with counterparties.

Claims and expense recognition

Claims

Claims incurred consist of amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries and are charged to income as incurred.

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the end of the reporting period, whether reported or not. Provisions for reported claims, but not settled as at the end of the reporting period, are made on the individual case estimates. In addition, a provision based on a range of historical trends, empirical data and current assumptions is maintained for the cost of settling claims incurred but not reported at the end of the reporting period.

Reinsurers' share of claims

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Reinsurance

The Group enters into agreements with other parties for reinsurance purposes, in order to minimize financial exposure from large claims, in the normal course of business for all of its business classes. Reinsurance contract assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

Premiums and claims on assumed reinsurance are recognised as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsurance business.

Reinsurance assets are reviewed for impairment at the end of each reporting period or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measureable impact on the amounts that the Group will receive from the reinsurance companies. The impairment loss is recorded in the consolidated statement of profit or loss.

Reinsurance contract liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Reinsurance (continued)***Deferred acquisition costs (DAC)*

DAC are amortised over the period in which the related revenues are earned. The reinsurers' share of deferred acquisition costs is amortised in the same manner as the underlying asset amortisation is recorded in the consolidated statement of profit or loss.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the consolidated statement of profit or loss. DAC are also considered in the liability adequacy test for each reporting period.

DAC are derecognised when the related contracts are either settled or disposed of.

Earnings per share

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

Property, plant and equipment

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

Depreciation is charged to the consolidated statement of profit or loss on a straight line basis over the estimated useful lives of items of property, plant and equipment. Land is not depreciated.

The depreciation methods and useful lives as well as residual values are reassessed annually.

Capitalised maintenance expenditures represent major overhaul and inspections to aircrafts. The expenditures are depreciated over the estimated flying hours based on the nature of the overhaul and type of aircraft.

The estimated useful lives are as follows:

Buildings	10 - 20 years
Aircrafts	5 - 10 years
Plant and machinery	2 - 7 years
Rigs	15 - 30 years
<i>Other property and equipment:</i>	
Ground and radio equipment and tools	4 - 6 years
Motor vehicles	4 - 5 years
Furniture, fixtures and office equipment	3 - 7 years
Computers	3 years

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (continued)

The carrying values of property, plant and equipment are reviewed for impairment on an annual basis for events or changes in circumstances which indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. This review indicated that the revised expected actual use of rigs was longer than the previously estimated useful lives used for depreciation purposes in the Group's financial statements. As a result, effective January 1, 2017, the Group changed its estimates of the useful lives to better reflect the estimated periods during which these assets will remain in service. The estimated useful lives of the rigs that previously from 10 to 25 years were increased to 15 to 30 years. The effect of this change in estimate will reduce 2017 depreciation expense by QR 53,801,795, and increase net income in 2017 by the same value.

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

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

Inventories

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

Borrowing costs

Borrowing costs attributable to acquisition or construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are capitalised as part of cost of the asset up to the date of the asset being qualified for use. Other borrowing costs are recognised as expenses in the period in which they are incurred. For the purpose of determining interest available for capitalization, the costs related to these borrowings are reduced by any investment income on the temporary investment of the borrowing.

Intangible assets

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, if any. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (continued)

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from its use. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in consolidated statement of profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Financial Instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value.

Financial assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), available-for-sale investments, held to maturity investments and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Effective interest rate method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or where appropriate, a shorter period to the net carrying amount on initial recognition.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- (i) it has been acquired principally for the purpose of selling in the near future;
- (ii) on initial recognition it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- (iii) it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- (i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- (ii) the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- (iii) it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in the consolidated statement of profit or loss. The net gain or loss recognised in the consolidated statement of profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 17.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Available for sale (AFS) financial assets

AFS investments are non-derivative financial assets that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Listed redeemable notes held by the Group that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets. Gains and losses arising from changes in fair value are recognised directly in equity in the fair value reserve, with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in the consolidated statement of profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the fair value reserve is taken to the consolidated statement of profit or loss.

Dividends on AFS equity instruments are recognised in the consolidated statement of profit or loss when the Group's right to receive the dividends is established.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The losses arising from impairment are recognised in the consolidated statement of profit or loss.

Accounts receivables

Accounts receivables are stated at original invoice amount less a provision for any uncollectible amounts. A provision for doubtful debts is made when collection of the full amount is no longer probable. Impaired debts are written-off when there is no possibility of recovery.

Insurance contract receivables

Insurance contract receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance contract receivables are measured at amortised cost. The carrying value of insurance contract receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the consolidated statement of profit or loss.

Insurance contract receivables are derecognised when the derecognition criteria for financial assets have been met.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise of cash at banks and on hand, and short term deposits with original maturity of three months or less, net of outstanding bank overdrafts, if any and cash restricted for dividends at banks.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in consolidated statement of profit or loss and other comprehensive income.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For other financial assets, objective evidence of impairment could include:

- (i) significant financial difficulty of the issuer or counterparty; or
- (ii) default or delinquency in interest or principal payments; or
- (iii) it is becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- (iv) the disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to consolidated statement of profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised; the previously recognised impairment loss is reversed through the consolidated statement of profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

In respect of available for sale equity securities, impairment losses previously recognised through the consolidated statement of profit or loss are not reversed through the consolidated statement of profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of available for sale debt securities, impairment losses are subsequently reversed through consolidated statement of profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Interest bearing loans and borrowings

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

Gains or losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised.

Other payables and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Insurance payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost.

Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provision for decommissioning costs

Provision for decommissioning costs is recognized for the future renovation costs, costs of dismantling installations and restoring leased labour camps.

Liabilities for decommissioning costs are recognised when the Company has an obligation to restore the site to its original condition and when a reliable estimate of that liability can be made. The amount recognised is the estimated cost of decommissioning, discounted to its net present value and expected outflow of economic resources to settle this obligation upon expiration of the lease agreement.

The timing of recognition requires the application of judgment to existing facts and circumstances, which can be subject to change. The carrying amount of the provision is reviewed annually to take account of such changes.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

Employees' end of service benefits

Defined contribution schemes - Qatari employees

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

Expatriate employees

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

Short term benefits

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of profit or loss.

Non-monetary items measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to the consolidated statement of profit or loss except when it relates to items where gains or losses are recognised directly in equity, where the gain or loss is then recognised net of the exchange component in equity.

Foreign currency translation

The assets and liabilities of foreign operations are translated into Qatari Riyal at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign operation, the cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated statement of profit or loss.

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's results are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available (see Note 31).

Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly the Parent Company other assets and, related general and administrative expenses.

Dividend distributions

Dividend distributions are at the discretion of the Group. A dividend distribution to the Group's shareholders is accounted for as a deduction from retained earnings. A declared dividend is recognised as a liability in the period in which it is approved in the meeting of the Board of Directors.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contribution to Qatar Sports and Social Fund

Pursuant to the Qatar Law No. 13 of 2008 and the related clarifications issued in 2011, which is applicable for all Qatari listed shareholding companies with publicly traded shares, the Group has made an appropriation of 2.5% of its net profit to a state social fund.

4. SIGNIFICANT ASSUMPTIONS, ACCOUNTING JUDGEMENTS AND ESTIMATES

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in consolidated financial statements:

Classification of investments

Management decides on the acquisition of an investment whether to classify it as available for sale or financial assets at fair value through profit or loss. The Group classifies investments as financial assets at fair value through profit or loss if the investment is classified as held for trading and upon initial recognition it is designated by the Group as at fair value through profit or loss. All other investments are classified as available for sale.

Classification of investments in components as subsidiary

Whilst the Group may own less than 51% of interest in certain components, based on the contractual agreement between the Group and other investors, the Group has the assignment to direct the relevant activities of components. Therefore, the management concluded that these components are subsidiaries.

Operating segments aggregation

The Group has disclosed the information of operating segments based on the economic indicators, technology and marketing strategies with considerations to the economic characteristics of each segment. The Group aggregates each segment with similar economic characteristics using the appropriate judgement.

4. SIGNIFICANT ASSUMPTIONS, ACCOUNTING JUDGEMENTS AND ESTIMATES

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Impairment of tangible assets

The Group's management tests annually whether tangible assets have suffered impairment in accordance with accounting policies stated in note 3. The recoverable amount of an asset is determined based on value-in-use method. This method uses estimated cash flow projections over the estimated useful life of the asset discounted using market rates.

Tangible assets useful lives

The Group's management determines the useful lives and related depreciation or amortization charge. The depreciation or amortization charge for the year will change significantly if actual life is different from the estimated useful life of the asset.

Residual values of property and equipment

The Group's management determines the estimated residual values of its property and equipment for calculating depreciation. This estimate is determined after considering the expected value which the entity will receive at the end of the asset's useful lives.

Impairment of receivables

The Group's management reviews periodically items classified as receivables to assess whether a provision for doubtful debts should be recorded in the consolidated statement of profit or loss. Management estimates the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty.

Impairment of available for sale financial assets

The Group follows the guidance of IAS 39 "Financial Instruments: Recognition and measurement" to determine when an available for sale investment is impaired. This determination requires significant judgment. In making this judgement, the Group assesses, among other factors, whether objective evidence of impairment exists.

Claims made under insurance contracts

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and management estimations for the claims incurred but not reported. The method for making such estimates and for establishing the resulting liability is continually reviewed. Any difference between the actual claims and the provisions made are included in the consolidated statement of profit or loss in the year of settlement.

Provision for outstanding claims

Considerable judgement by management is required in the estimation of amounts due to contract holders and third parties arising from claims made under insurance contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

4. SIGNIFICANT ASSUMPTIONS, ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Key sources of estimation uncertainty (continued)

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the end of the reporting period and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the end of the reporting period. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported (IBNR), on a quarterly basis.

Unearned premiums

The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognized when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract. Unearned premiums are calculated on a daily pro rata basis.

Reinsurance contract

The Group is exposed to disputes with, and possibility of defaults by, its reinsurance companies. The Group monitors on a quarterly basis the evolution of disputes with and the strength of its reinsurance companies.

Liability adequacy test

At the end of each reporting period, the Group assesses whether its recognized insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of estimated future claims flows, the entire deficiency is immediately recognized in the consolidated statement of profit or loss.

Accrued income

Accrued income includes cost of services plus profit margin based on the rates approved in the service contracts. These estimates are based on the service performed in the normal course of business and best information available to management at that point in time.

Provision for slow moving inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision is applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

At the end of reporting date, gross inventories were QR 264,855 thousand (2016: QR 273,648 thousand) against which a provision for slow moving and obsolete inventories amounting QR 62,739 thousand (2016: QR 55,034 thousand) has been made. Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the consolidated statement of profit or loss.

4. SIGNIFICANT ASSUMPTIONS, ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Key sources of estimation uncertainty (continued)

Provision for decommissioning costs

Management estimates decommissioning costs of labour camps based on its best estimate of the substantial costs for renovation, costs of dismantling installations and restoring these leased facilities into its original condition at the end of the lease term. These obligations were estimated taking into account the risks and uncertainties that surrounded the leased facilities and based on current market conditions and industry experience. While it is believed that the assumptions used in the estimation of such costs are reasonable, significant changes in these assumptions may materially affect the recorded expense or obligations in the future periods.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Management believes that goodwill is not impaired as of the reporting date.

Tax liability on foreign operations

The Group has recognized certain accruals for estimated liability for taxation for its operations in Libya. The management prepared such accruals based on deemed profit and at a certain rate of tax applicable in Libya.

Retirement of rig

The Group's management determines retirement of rigs based on the internal assessment of the rigs. This assessment considers other factors such capability, sustainability and marketability, current stacked position and significant capital expenditures required to upgrade the rig to some reasonable conditions.

Operating lease commitments - the Group as lessee

The Group has entered into contract of lease for some of the office space it occupies. The Group has determined that all significant risks and benefits of ownership on these properties will be retained by the lessor. In determining significant risks and benefits of ownership, the Group considered, among others, the significance of the lease term as compared with the EUL of the related asset. The Group accordingly accounted for these as operating leases.

Operating lease commitments - the Group as lessor

The Group has entered into commercial contract on its rigs for drilling services. The Group has determined that it retains all significant risks and rewards of ownership of these rigs as the Group considered among others the length of the lease term as compared with the EUL of the assets.

Fair valuation of investments

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

Nonetheless, the actual amount that is realised in a future transaction may differ from the current estimate of fair value and may still be outside management estimates, given the inherent uncertainty surrounding valuation of unquoted investments (also refer Note 33 for fair value hierarchy).

5. GOODWILL

	December 31, 2017	December 31, 2016
	QR '000	QR '000
Cost	303,559	303,559
	303,559	303,559

On May 31, 2012, the Group acquired 100% shares of Amwaj Catering Services Limited Q.P.S.C. (the "Acquiree"), a company incorporated in the State of Qatar. The Acquiree is engaged in catering activities inside the State of Qatar. The Group has obtained control over the subsidiary in accordance with the Sale and Purchase Agreement effective from June 1, 2012.

Goodwill related to the acquisition has been allocated to the catering segment and their cash generating units (CGUs). The recoverable amount of the Catering Segment has been determined based on a value in use calculation using cash flow projections from financial budgets approved by the Board of Directors covering a five-year period. The pre-tax discount rate applied to cash flow projections is 10% and cash flows beyond the five-year period are extrapolated using a 3% growth rate that is the same as the long-term average growth rate for the catering industry. It was concluded that the recoverable amount exceeded the carrying value of goodwill. As a result of this analysis, management has not recognised any impairment charge against goodwill.

Key assumptions used in value in use calculations:

The calculation of value in use for the catering segment is most sensitive to the following assumptions:

- Free cash flow for the firm (FCFF).
- Discount rates.
- Growth rates used to extrapolate cash flows beyond the forecast period.

Free cash flow for the firm- FCFF represents the net amount of cash that is generated for the company, consisting of expenses and changes in net working capital and investments.

Discount rates – Discount rates represent the current market assessment of the risks specific to the catering segment, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

Growth rate estimates – Rates are based on published industry research.

Sensitivity to changes in assumptions

Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

GULF INTERNATIONAL SERVICES Q.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

6. PROPERTY, PLANT AND EQUIPMENT

	Freehold land QR '000	Buildings QR '000	Plant and machinery QR '000	Other property and equipment QR '000	Capital work-in- progress QR '000	Total QR '000
Cost:						
Balance at January 1, 2016	2,296	93,827	8,167,796	488,356	1,208,201	9,960,476
Additions	--	3,533	123,919	28,912	536,931	693,295
Transfers	--	19,520	1,449,122	78,196	(1,546,838)	--
Disposals/write-offs	--	--	(419,489)	(22,441)	(19,560)	(461,490)
Balance at January 1, 2017	2,296	116,880	9,321,348	573,023	178,734	10,192,281
Additions	88,530	41,795	93,504	7,918	148,954	380,701
Transfers	--	85	70,968	196	(71,395)	(146)
Disposals/write-offs	--	--	(27,254)	(902)	--	(28,156)
Balance at December 31, 2017	90,826	158,760	9,458,566	580,235	256,293	10,544,680
Accumulated depreciation:						
Balance at January 1, 2016	--	63,782	2,270,092	262,474	--	2,596,348
Charge for the year	--	7,943	494,274	74,666	--	576,883
Relating to disposals/write-offs	--	--	(298,605)	(21,204)	--	(319,809)
Balance at January 1, 2017	--	71,725	2,465,761	315,936	--	2,853,422
Charge for the year	--	8,353	411,821	78,023	--	498,197
Relating to disposals/write-offs	--	--	(25,802)	(898)	--	(26,700)
Balance at December 31, 2017	--	80,078	2,851,780	393,061	--	3,324,919
Net book value:						
At December 31, 2017	90,826	78,682	6,606,786	187,174	256,293	7,219,761
At December 31, 2016	2,296	45,155	6,855,587	257,087	178,734	7,338,859

GULF INTERNATIONAL SERVICES Q.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes:

- 6.1 The depreciation charge has been allocated in the consolidated statement of profit or loss as follows:

	December 31, 2017 QR '000	December 31, 2016 QR '000
Direct costs	490,593	566,680
General and administrative expenses (Note 27)	7,604	10,203
	<u>498,197</u>	<u>576,883</u>

- 6.2 The encumbrances and liens on property, plant and equipment, if any are outlined in Note 19.

- 6.3 During the year 2016, one of the Group's subsidiaries, Gulf Drilling International Limited Q.S.C., had written off Al Rayyan rig with a net book value amounting QR. 132.93 million. The rig has been off contract with Occidental Petroleum since March 15, 2015 and the Company was unable to market the rig since it does not meet any customer specifications.

7. INTANGIBLE ASSETS

	December 31, 2017 QR '000	December 31, 2016 QR '000
As at January 1, (Net book value)	2,224	3,336
Addition	--	--
Amortization during the year	(1,112)	(1,112)
As at December 31, (Net book value)	<u>1,112</u>	<u>2,224</u>

Intangible assets represent an air operating license in Turkey that has a definite useful life of 5 years.

8. HELD-TO-MATURITY FINANCIAL ASSETS

The Group's held-to-maturity investments consist of State of Qatar and other corporate bonds. At December 31, 2017, the market value of these investments amounted to QR. 3.58 million (2016: QR. 85.47 million). During the year, an amount of QR 81.89 million matured and was liquidated.

GULF INTERNATIONAL SERVICES Q.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31, 2017 QR '000	December 31, 2016 QR '000
Qatari public shareholding companies	387,368	321,928
Unquoted securities	2	2
	<u>387,370</u>	<u>321,930</u>
Cost at January 1,	309,691	293,219
Additions	165,859	88,487
Disposals	(84,488)	(69,314)
Impairment	--	(2,701)
Cost at December 31,	391,062	309,691
Cumulative fair value (loss)/gain	(3,692)	12,239
	<u>387,370</u>	<u>321,930</u>

All available-for-sale financial assets are denominated in Qatari Riyals.

10. INVENTORIES

	December 31, 2017 QR '000	December 31, 2016 QR '000
Ancillary spares	248,747	257,214
Catering inventories	16,108	16,434
	<u>264,855</u>	<u>273,648</u>
Less: Provision for slow moving and obsolete items	(62,739)	(55,034)
	<u>202,116</u>	<u>218,614</u>

Movement in provision for slow moving and obsolete items was as follows:

	December 31, 2017 QR '000	December 31, 2016 QR '000
Balance at January 1,	55,034	40,780
Charge for the year	7,705	14,254
Balance at December 31,	<u>62,739</u>	<u>55,034</u>

GULF INTERNATIONAL SERVICES Q.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

11. ACCOUNTS RECEIVABLE, PREPAYMENTS AND OTHER DEBIT BALANCES

	December 31, 2017 QR '000	December 31, 2016 QR '000
Trade receivables (from drilling business)	53,262	82,680
Trade receivables (from catering business)	61,600	101,882
Trade receivables (from aviation business)	114,765	151,121
	229,627	335,683
Less: Provision for doubtful debts	(61,794)	(44,971)
Net trade receivables	167,833	290,712
Reinsurance share of outstanding claims (Note 11.4)	257,386	333,782
Advance to suppliers	19,053	19,046
Accrued interest income	4,229	14,246
Refundable deposits and other receivables	6,273	--
Prepayments	9,895	15,536
Staff advances	7,713	7,753
Other debit balances	34,646	39,302
	507,028	720,377

Notes:

- 11.1 The aging of the trade receivables is presented in note 32 under the section of credit risk.
 11.2 Movement in the provision for doubtful debts was as follows:

	December 31, 2017 QR '000	December 31, 2016 QR '000
Balance at January 1,	44,971	44,384
Provision during the year	23,090	10,827
Reversals made during the year	(6,267)	(10,240)
Balance at December 31,	61,794	44,971

- 11.3 The average credit period given to customers is between 30 to 45 days. No interest is charged on overdue receivables from customers. The Group provides for doubtful debts that are past due for over one year.

- 11.4 Reinsurance share of outstanding claims was as follows:

	2017 QR '000			2016 QR '000		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
At January 1,						
Reported claims	561,381	(333,782)	227,599	609,036	(325,864)	283,172
IBNR	164,549	-	164,549	230,093	--	230,093
Total	725,930	(333,782)	392,148	839,129	(325,864)	513,265

GULF INTERNATIONAL SERVICES Q.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

11. ACCOUNTS RECEIVABLE, PREPAYMENTS AND OTHER DEBIT BALANCES (CONTINUED)

Movement during the year was as follows:

	2017			2016		
	Gross	QR '000 Reinsurance	Net	Gross	QR '000 Reinsurance	Net
Reported claims	(98,745)	76,395	(22,350)	(47,655)	(7,918)	(55,573)
IBNR	(16,000)	-	(16,000)	(65,544)	--	(65,544)
Total	<u>(114,745)</u>	<u>76,395</u>	<u>(38,350)</u>	<u>(113,199)</u>	<u>(7,918)</u>	<u>(121,117)</u>
	2017			2016		
	Gross	QR '000 Reinsurance	Net	Gross	QR '000 Reinsurance	Net
At 31 December						
Reported claims	462,637	(257,386)	205,251	561,381	(333,782)	227,599
IBNR	148,549	-	148,549	164,549	--	164,549
Total	<u>611,186</u>	<u>(257,386)</u>	<u>353,800</u>	<u>725,930</u>	<u>(333,782)</u>	<u>392,148</u>

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2017 QR '000	December 31, 2016 QR '000
Held for trading (Note 12.1)	<u>201,029</u>	<u>214,149</u>

Notes:

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

13. SHORT-TERM INVESTMENTS

As at December 31, 2017, the Company has a fixed deposit with a local commercial bank with original maturity of one year with an interest of 3%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated statement of cash flows comprise of the following consolidated statement of financial position amounts:

	December 31, 2017	December 31, 2016
	QR '000	QR '000
Cash on hand	1,858	761
<i>Cash at banks</i>		
- Current and call accounts	405,559	407,463
- Fixed deposits	186,360	389,530
- Time deposits with original maturities in excess of three months	337,677	537,970
Cash and bank balances as per consolidated statement of financial position	931,454	1,335,724
Less: Time deposits with original maturities in excess of three months	(337,677)	(537,970)
Less: Cash at banks – restricted for dividends	(95,346)	(100,210)
	(433,023)	(638,180)
Cash and cash equivalents as per consolidated statement of cash flows	498,431	697,544

Notes:

Cash at banks earn interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between one day and six months depending on the immediate cash requirements of the respective subsidiaries at interest of 3.30% (2016: 2.85%).

15. SHARE CAPITAL

	December 31, 2017	December 31, 2016
	QR '000	QR '000
Issued and paid up		
185,840,868 ordinary shares of QR 10	1,858,409	1,858,409

During the year ended December 31, 2017, the Company amended its Articles of Association to comply with the new commercial law whereby Authorised capital of the Company was changed from QR 10,000 million to QR 2,000 million.

16. LEGAL RESERVE

As required by Qatar Commercial Companies Law and the Company's Articles of Association, 10% of the profit for the year is to be transferred to the legal reserve until the reserve reaches a minimum of 50% of the paid up share capital. This reserve is not available for distribution.

GULF INTERNATIONAL SERVICES Q.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

17. GENERAL RESERVE

In two of the subsidiaries, Al Koot Insurance & Reinsurance Company S.A.Q. and Gulf Helicopters Company Q.S.C, the general reserve is maintained in accordance with the provisions of their Articles of Association to meet any unforeseen future events. The balance under this reserve is not available for distribution, except in the circumstances specified in the Articles of Association of the respective subsidiaries.

18. DIVIDENDS

The Board of Directors has proposed no cash dividend for the year ended December 31, 2017 (2016: QR. 1 per share amounting to QR. 185.8 million). The cash dividend for 2016 amounting to QR. 185.8 million was approved by the shareholders at the Annual General Meeting held on **February 26, 2017**.

The cash at bank restricted for dividends is presented as follows:

	December 31, 2017 QR '000	December 31, 2016 QR '000
Balance at January 1,	100,210	104,115
Dividends declared during the year	185,841	185,841
Dividends paid during the year	(190,705)	(189,746)
Balance at December 31,	95,346	100,210

19. LOANS AND BORROWINGS

	December 31, 2017 QR '000	December 31, 2016 QR '000
Various commercial borrowings (i)	4,639,330	4,900,767
Islamic Financing (ii)(iv)	339,735	461,067
Borrowings (iii)	166,400	208,000
	5,145,465	5,569,834

Classified in the consolidated statement of financial position as follows:

Non-current portion	4,247,662	4,629,862
Current portion	897,803	939,972
	5,145,465	5,569,834

Notes:

- (i) The borrowings are related to the Company and its subsidiaries companies, 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 0.60% - 2.75% (2016: LIBOR plus 0.60% - 2.27%). The loans are to be repaid in quarterly installments.

19. LOANS AND BORROWINGS (CONTINUED)

The loans of GDI comprise of secured and unsecured loans. Secured loans with a carrying value of QR. 1,040.67 million as at December 31, 2017 (2016: QR. 1,368.04 million), included various collaterals 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 component maintained with the lender. GHC has not provided any collateral against its loans.

- (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.P.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 a local Islamic Bank, 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 local commercial bank 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.

- (iv) In May 2017, the Company has entered into a Master Murabaha facility of US\$ 925 million with an Islamic Bank. The proceeds of the facility will be utilized on the Company's general corporate purposes and the settlement or refinancing of the outstanding loan facilities. The loan is unsecured and has an effective interest of LIBOR plus 2.70%, and repayable in lump sum upon maturity on December 31, 2023. The Company has drawn down from the Facility US\$ 151 million.

Reconciliation of liabilities arising from financing activities

The table below details changes in the Company's liabilities arising from financing activities, including cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Company's statement of cash flows as cash flows from financing activities.

	As at January 1, 2017	Financing cash flows	As at December 31, 2017
	QR '000	QR '000	QR '000
Various borrowings	4,900,767	(261,437)	4,639,330
Islamic borrowings	461,067	(121,332)	339,735
Non-Islamic borrowings	208,000	(41,600)	166,400
	5,569,834	(424,369)	5,145,465

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

For the year ended December 31, 2017

20. EMPLOYEES' END OF SERVICE BENEFITS

	<u>December 31, 2017</u> QR '000	<u>December 31, 2016</u> QR '000
Balance at January 1,	70,794	74,631
Charge for the year	16,406	18,961
Payments made during the year	<u>(10,443)</u>	<u>(22,798)</u>
Balance at December 31,	<u>76,757</u>	<u>70,794</u>

21. PROVISION FOR DECOMMISSIONING COSTS

	<u>December 31, 2017</u> QR '000	<u>December 31, 2016</u> QR '000
Balance at beginning of the year	92,088	85,460
Provisions during the year	18,743	6,628
Reversals made during the year	<u>(41,980)</u>	<u>--</u>
	<u>68,851</u>	<u>92,088</u>

Presented in the consolidated statement of financial position as follows:

	<u>December 31, 2017</u> QR '000	<u>December 31, 2016</u> QR '000
Current	42,897	--
Non-current	<u>25,954</u>	<u>92,088</u>
	<u>68,851</u>	<u>92,088</u>

As per the contractual agreement with Qatar Petroleum, one of the Group's subsidiary, Amwaj Catering Services Company Ltd. Q.P.S.C., has to return the leased facilities in original condition at the end of the lease term. The Group provided provisions for the future renovation costs, costs of dismantling, installations and restoring leased labour camps. The labour camps mainly consists of land, accommodation and common areas including offices, mess halls and other associated facilities.

The obligation was estimated using prices current at the time of estimation. Allowances for project and design team fees, other development and project costs, risk allowances, tender inflation and construction inflation are excluded from the estimation. The assumptions and exclusions are in accordance with Royal Institution of Chartered Surveyors cost estimating guide as a Works Cost Estimate.

During the year, the Group has reversed QR. 41.98 million of provisions relating to the demobilised three camps in Ras Laffan namely RLC Camp 1, LGV Camp and LGV Village. The sites have been handed over to Qatar Petroleum and the Company has not spent any material decommissioning costs as a result of Qatar Petroleum's use of the facilities and infrastructures. The reversal is due to Qatar Petroleum effectively discharging the liability of the Group. Site clearance for the three camps has been received, thus relieving Amwaj from any liabilities. Additional provision of QR. 18.74 million (2016: QR. 6.62 million) has been provided on the remaining camps.

The provisions made during the year are reflected in direct costs as disclosed in Note 24.

GULF INTERNATIONAL SERVICES Q.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

22. ACCOUNTS PAYABLE, INSURANCE PAYABLES AND ACCRUALS

	December 31, 2017 QR '000	December 31, 2016 QR '000
Trade payables	142,445	117,350
Unearned premium (Note 22.1)	126,581	60,032
Outstanding claims (Note 11.4)	611,185	725,930
	<u>880,211</u>	<u>903,312</u>
<i>Payables to insurance and reinsurance companies:</i>		
Reinsurance premiums payable	125,398	140,590
Advance management fees	526	1,793
Advance reinsurance commissions received	28,329	41,470
	<u>154,253</u>	<u>183,853</u>
Accrued expenses	252,597	323,459
Provision for social and sports fund	2,125	1,674
Other payables	65,996	70,732
	<u>320,718</u>	<u>395,865</u>
	<u>1,355,182</u>	<u>1,483,030</u>

22.1 The movement of unearned premium during the year was as follows:

	December 31, 2017 QR '000	December 31, 2016 QR '000
Balance at January 1,	60,032	119,329
Increased during the year	115,544	58,026
Released during the year	(48,995)	(117,323)
Balance at December 31,	<u>126,581</u>	<u>60,032</u>

23. REVENUE

	December 31, 2017 QR '000	December 31, 2016 QR '000
Revenue from drilling	1,175,481	1,178,373
Revenue from catering services	452,926	837,244
Revenue from aviation business	531,550	533,722
Gross insurance revenue (Note 23.1)	325,940	439,459
	<u>2,485,897</u>	<u>2,988,798</u>

GULF INTERNATIONAL SERVICES Q.S.C.

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For the year ended December 31, 2017

23. REVENUE

23.1 The details of gross insurance revenue are as follows:

	December 31, 2017 QR '000	December 31, 2016 QR '000
Gross premiums (Note 23.2)	389,031	280,186
Net commission income	8,954	40,929
Change in unearned premiums (Note 23.2)	(72,045)	118,344
	<u>325,940</u>	<u>439,459</u>

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

	December 31, 2017			December 31, 2016		
	Gross	QR '000 Reinsurance	Net	Gross	QR '000 Reinsurance	Net
Written premiums	389,031	(125,118)	263,913	280,186	(127,016)	153,170
Change in unearned premiums	(72,045)	5,497	(66,548)	118,344	(59,047)	59,297
	<u>316,986</u>	<u>(119,621)</u>	<u>197,365</u>	<u>398,530</u>	<u>(186,063)</u>	<u>212,467</u>

24. DIRECT COSTS

	December 31, 2017 QR '000	December 31, 2016 QR '000
Drilling business	1,056,243	1,066,263
Catering business	398,634	743,911
Aviation business	340,136	330,127
Gross insurance expense (Note 24.1)	240,060	318,659
	<u>2,035,073</u>	<u>2,458,960</u>

24.1 The details of gross insurance expense were as follows:

	December 31, 2017 QR '000	December 31, 2016 QR '000
Premium ceded to reinsurers (Note 23.2)	125,118	127,016
Net claims incurred (Note 24.2)	119,821	122,521
Brokerage cost	618	10,075
Change in unearned premiums (Note 23.2)	(5,497)	59,047
	<u>240,060</u>	<u>318,659</u>

GULF INTERNATIONAL SERVICES Q.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017

24. DIRECT COSTS

24.2 The details of net claims incurred are as follows:

	December 31, 2017			December 31, 2016		
	Gross	QR '000 Reinsurance	Net	Gross	QR '000 Reinsurance	Net
Claims settled	199,808	(41,638)	158,170	328,118	(84,480)	243,638
Outstanding claims adjustment	(98,745)	76,396	(22,349)	(47,655)	(7,918)	(55,573)
IBNR	(16,000)	--	(16,000)	(65,544)	--	(65,544)
	<u>85,063</u>	<u>34,758</u>	<u>119,821</u>	<u>214,919</u>	<u>(92,398)</u>	<u>122,521</u>

25. FINANCE INCOME

	December 31, 2017 QR '000	December 31, 2016 QR '000
Interest on deposits from Non-Islamic banks	<u>27,514</u>	<u>28,260</u>

26. OTHER INCOME (EXPENSES), NET

	December 31, 2017 QR '000	December 31, 2016 QR '000
Loss from written off/damaged rig (Note 6.3)	--	(132,934)
Net gain on sale of available-for-sale financial assets	3,702	3,962
Foreign exchange losses	(610)	--
Service fees	5,722	3,522
Dividend income	2,040	2,029
Net gain/(loss) on disposal of property, plant and equipment	2,567	(777)
Miscellaneous income	5,770	1,918
	<u>19,191</u>	<u>(122,280)</u>

GULF INTERNATIONAL SERVICES Q.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27. GENERAL AND ADMINISTRATIVE EXPENSES

	December 31, 2017	December 31, 2016
	QR '000	QR '000
Salaries and other benefits	138,664	155,056
Aviation related administrative expenses	26,472	29,660
Rent	18,849	19,549
Depreciation (Note 6.1)	7,604	10,203
Recovery of management expenses from Qatar Petroleum	(2,000)	(8,707)
Qatar Petroleum annual fee	7,766	8,448
Board member sitting fees	7,030	7,120
Communication	6,467	5,953
Legal and professional fees	2,863	3,185
Public relations and advertisement expense	2,460	2,521
Travel	1,442	1,143
Qatar Exchange listing fees	1,009	953
Repairs and maintenance	613	899
Printing and stationery	651	571
Provision for doubtful debts, net	9,904	587
Other expenses	14,585	11,393
	<u>244,379</u>	<u>248,534</u>

28. RELATED PARTY DISCLOSURES

Related parties represent associated entities, 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.

- (i) Transactions with related parties included in the consolidated statement of profit or loss were as follows:

	December 31, 2017		December 31, 2016	
	QR '000		QR '000	
	Revenue	Expenses	Revenue	Expenses
Qatar Petroleum (Associate investor)	952,509	82,926	1,077,058	164,490
Rasgas Company Limited (Affiliate)	205,469	—	103,694	1,154
Qatar Gas Upstream (Affiliate)	50,705	418	59,103	456
Qatar Gas Operating Company (Affiliate)	26,322	—	27,701	—
QAPCO (Affiliate)	9,869	7,158	10,930	—
Occidental Petroleum (Affiliate)	—	—	5,987	—
Oryx GTL (Affiliate)	11,908	—	4,728	—
QAFCO (Affiliate)	20,158	—	4,678	—
Qatalum (Affiliate)	10,510	—	4,526	—
Q-Chem (Affiliate)	2,041	—	1,975	—
Al Shaheen Services (Affiliate)	14	12,596	—	2,621
Qatar Fuel (Woqod) (Affiliate)	20,698	43,637	—	45,927
Seef Limited (Affiliate)	3,563	—	—	—
Others (Affiliate)	206,770	—	4,690	6,928
	<u>1,520,536</u>	<u>146,735</u>	<u>1,305,070</u>	<u>221,576</u>

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28. RELATED PARTY DISCLOSURES (CONTINUED)

(ii) Included in the amounts due from related parties are the following balances:

	December 31, 2017 QR '000	December 31, 2016 QR '000
<i>Due from related parties</i>		
Qatar Petroleum	312,427	256,803
Rasgas Company Limited	67,455	18,441
Qatargas Operating Company	14,298	15,062
QAPCO	3,014	3,534
QATALUM	441	145
Oryx GTL	10,982	692
QAFCO	20,060	233
Muntajat	45	94
QCHEM	--	18
Others	34,119	14,511
	<u>462,841</u>	<u>309,533</u>

There was no movement in the provision for doubtful debts on due from related parties (2016: Nil).

(iii) Included in the amounts due to related parties are the following balances:

	December 31, 2017 QR '000	December 31, 2016 QR '000
<i>Due to related parties</i>		
Qatar Fuel (Woqod)	3,701	2,712
Al Shaheen Holding Q.S.C.	1,247	--
Others	3,364	--
	<u>8,312</u>	<u>2,712</u>
	December 31, 2017 QR '000	December 31, 2016 QR '000
<i>Compensation of key management personnel</i>		
Salaries and other benefits*	<u>46,048</u>	<u>58,963</u>

*This includes the amounts charged by Qatar Petroleum for management services rendered (Note 27).

(iv) The receivables from related parties arise mainly from sale transactions. The receivables are unsecured in nature and bear no interest. The payables to related parties arise mainly from purchase transactions. The payables bear no interest.

29. EARNINGS PER SHARE

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

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29. EARNINGS PER SHARE (CONTINUED)

There were no potentially dilutive shares outstanding at any time during the year; therefore, the diluted earnings per share are equal to the basic earnings per share.

	December 31, 2017	December 31, 2016
Profit for the year (QR '000)	84,980	66,961
Weighted average number of equity shares (thousand shares)	185,841	185,841
Basic and diluted earnings per share (QR)	0.46	0.36

30. CONTINGENCIES AND COMMITMENTS

	December 31, 2017 QR '000	December 31, 2016 QR '000
<i>Contingent liabilities</i>		
Guarantees against performance bonds	312,767	309,060
Claim under dispute	3,449	--

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

Commitments

Capital commitments	267,290	621,422
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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:

	2017 QR '000	2016 QR '000
Not later than 1 year	27,080	35,290
Later than 1 year and not longer than 5 years	46,099	62,858
Later than 5 years	13,057	34,022
	86,236	132,170

31. OPERATING SEGMENTS

The Group has four reportable segments, as described below, by which the Group exercised the appropriate judgement in applying the aggregation criteria to operating segments. The segments offer different products and services with different economic indicators, and are managed separately because they require different technology and marketing strategies. For each of the segments with similar economic characteristics, the Board of Directors reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

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31. OPERATING SEGMENTS (CONTINUED)

- Insurance; provider of a range of insurance and reinsurance services to QP and its subsidiaries and other companies.
- 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(s) and subsidiaries.
- Drilling; related services to the QP Group and its international co-ventures.
- Catering; Catering and manpower services to the QP Group and its affiliates as well as to other third parties.

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31. OPERATING SEGMENTS (CONTINUED)

December 31, 2017	Insurance QR '000	Drilling QR '000	Aviation QR '000	Catering QR '000	Total QR '000
Total external revenue	332,392	1,175,482	531,772	487,166	2,526,812
Inter-segment revenue	(6,452)	--	(222)	(34,241)	(40,915)
Net revenue	325,940	1,175,482	531,550	452,925	2,485,897
Direct costs (Note 31.1)	(246,512)	(1,043,034)	(340,358)	(432,875)	(2,062,779)
Net profit (after inter-segment eliminations) (Note 31.2)	71,144	(101,703)	144,659	17,037	131,137
Cash and bank balances (Note 31.4)	345,241	146,968	205,260	92,551	790,020
Other current assets	720,089	499,662	224,268	225,432	1,669,451
Non-current assets (Note 31.6)	496,660	5,778,829	1,116,283	47,173	7,438,945
Total assets (Note 31.3)	1,561,990	6,425,459	1,545,811	365,156	9,898,416
Debts due within one year	--	672,091	62,779	--	734,870
Other current liabilities	935,713	227,141	82,685	179,252	1,424,791
Debts due after one year	--	3,778,941	125,521	--	3,904,462
Other non-current liabilities	5,334	11,255	34,903	51,219	102,711
Total liabilities (Note 31.5)	941,047	4,689,428	305,888	230,471	6,166,834
Depreciation (Note 31.6)	(1,477)	(378,973)	(88,776)	(15,761)	(484,987)
Finance income (Note 31.6)	16,807	1,871	2,088	3,652	24,418
Finance cost (Note 31.6)	--	(148,310)	(6,907)	(127)	(155,344)

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31. OPERATING SEGMENTS (CONTINUED)

December 31, 2016	Insurance QR '000	Drilling QR '000	Aviation QR '000	Catering QR '000	Total QR '000
Total external revenue	442,900	1,178,373	534,312	869,424	3,025,009
Inter-segment revenue	(3,441)	--	(591)	(32,179)	(36,211)
Net revenue	439,459	1,178,373	533,721	837,245	2,988,798
Direct costs (Note 31.1)	(319,264)	(1,074,696)	(333,477)	(744,002)	(2,471,439)
Net profit (after inter-segment eliminations) (Note 31.2)	111,179	(179,325)	167,691	56,335	155,880
Cash and bank balances (Note 31.4)	439,045	410,541	104,848	265,934	1,220,368
Other current assets	896,320	388,828	307,508	233,124	1,825,780
Non-current assets (Note 31.6)	377,486	5,932,859	1,190,049	59,742	7,560,136
Total assets (Note 31.3)	1,712,851	6,732,228	1,602,405	558,800	10,606,284
Debts due within one year	--	704,477	72,562	--	777,039
Other current liabilities	1,044,333	170,470	80,855	266,528	1,562,186
Debts due after one year	--	3,936,718	187,010	--	4,123,728
Other non-current liabilities	4,738	10,798	31,144	116,202	162,882
Total liabilities (Note 31.5)	1,049,071	4,822,463	371,571	382,730	6,625,835
Depreciation (Note 31.6)	(2,034)	(440,752)	(92,918)	(17,447)	(553,151)
Finance income (Note 31.6)	19,803	2,116	848	3,687	26,454
Finance cost (Note 31.6)	--	(101,530)	(5,779)	(375)	(107,684)

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31. OPERATING SEGMENTS (CONTINUED)

31.1 Reconciliation of reportable segments direct costs	December 31, 2017	December 31, 2016
Total direct costs for reportable segments	2,062,779	2,471,439
Elimination of inter-segments direct costs	(46,437)	(36,211)
Depreciation associated to purchase price allocation	18,731	23,732
Consolidated total direct costs for the year	<u>2,035,073</u>	<u>2,458,960</u>
31.2 Reconciliation of reportable segments profit or loss	December 31, 2017	December 31, 2016
	QR '000	QR '000
Total profit for reportable segments	131,137	155,880
Other un-allocable profit or loss represents profit or loss of Parent Company including dividends from the subsidiaries	332,092	371,062
Profit on bargain purchase price and related additional depreciation	(13,210)	(57,397)
Elimination of dividends paid to parent company by subsidiaries	(365,039)	(402,584)
Consolidated profit for the year	<u>84,980</u>	<u>66,961</u>
31.3 Reconciliation of reportable segments total assets	December 31, 2017	December 31, 2016
	QR '000	QR '000
Total assets for reportable segments	9,898,416	10,606,284
Other un-allocable assets	2,729,560	2,705,624
Elimination of investments in subsidiaries	(2,270,840)	(2,270,839)
Assets relating to purchase price allocation	159,340	172,519
Elimination of inter-segments assets	(88,000)	(96,152)
Consolidated total assets for the year	<u>10,428,476</u>	<u>11,117,436</u>
31.4 Reconciliation of reportable segments cash and bank balances	December 31, 2017	December 31, 2016
	QR '000	QR '000
Cash and bank balances for reportable segments	790,020	1,220,368
Other un-allocable assets	141,434	115,356
Consolidated cash and bank balances for the year	<u>931,454</u>	<u>1,335,724</u>
31.5 Reconciliation of reportable segments total liabilities	December 31, 2017	December 31, 2016
	QR '000	QR '000
Total liabilities for reportable segments	6,166,834	6,625,835
Other un-allocable liabilities	671,079	788,985
Elimination of inter-segments liabilities	(88,000)	(96,152)
Consolidated total liabilities for the year	<u>6,749,913</u>	<u>7,318,668</u>

31. OPERATING SEGMENTS (CONTINUED)

31.6 Other material items	December 31, 2017		
	Reportable segment totals	Adjustments	Consolidated Totals
	QR '000	QR '000	QR '000
Depreciation	484,987	13,210	498,197
Non-current assets	7,438,945	476,440	7,915,385
Finance income	24,418	3,096	27,514
Finance cost	(155,344)	(17,045)	(172,389)

	December 31, 2016		
	Reportable segment totals	Adjustments	Consolidated Totals
	QR '000	QR '000	QR '000
Depreciation	553,151	23,732	576,883
Non-current assets	7,560,136	491,904	8,052,040
Finance income	26,454	1,806	28,260
Finance expenses	(107,684)	(17,479)	(125,163)

32. FINANCIAL RISK MANAGEMENT**Objective and policies****Overview**

Financial instruments of the Group represent the Group's financial assets and liabilities. Financial assets include cash and bank balances, accounts and insurance contract receivables, due from related parties, investment in securities and certain other assets. Financial liabilities include loans and borrowings, accounts and insurance payables, due to related parties and other certain payables. Accounting policies for financial instruments are set out in Note 3.

The Group has exposure to various risks from its use of financial instruments. These risks can be broadly classified as:

- insurance risk;
- credit risk;
- liquidity risk;
- market risk; and
- operational risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk management and governance framework of the Group

The primary objective of the Group's risk and financial management framework is to protect the Group's shareholders from events that hinder the sustainable achievement of the set financial performance objectives. Key management recognizes the critical importance of having efficient and effective risk management systems in place.

Regulatory framework

The operations of the Group are subject to regulatory requirements within the State of Qatar.

Insurance risk

The principal risk the Group faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

Regulatory framework risk

Regulators are primarily interested in protecting the rights of the policyholders and monitor these rights closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic disasters.

The operations of the Company are also subject to regulatory requirements within the jurisdictions where it operates. Such regulations not only prescribe approval and monitor the activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimize the risk of default and insolvency on the part of the reinsurance companies to meet unforeseen liabilities as these arise.

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Group underwrites mainly energy, fire and general accident, marine and medical risks. These are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

Fire and general accident - Property

Property insurance is designed to compensate contract holders for damage suffered to properties or for the value of property lost. Contract holders could also receive compensation for the loss of earnings caused by the inability to use the insured properties.

For property insurance contracts, the main risks are fire and business interruption.

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

Regulatory framework (continued)

These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims.

Marine

Marine insurance is designed to compensate contract holders for damage and liability arising through loss or damage to marine craft and accidents at sea resulting in total or partial loss of cargoes.

For marine insurance the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes.

The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of vessels and shipping routes covered.

Health

Health insurances is insurance against the risk of incurring medical expenses among individuals or the employees of corporate bodies. The strategy for the health class of business is to ensure that policies are written within the group and by proper cession.

Reinsurance risk

In common with other insurance companies, in order to minimize financial exposure arising from large claims, the Group, in the normal course of business, enters into agreements with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is effected under treaty, facultative and excess-of-loss reinsurance contracts.

To minimize its exposure to significant losses from reinsurance insolvencies, the Group evaluates the financial condition of its reinsurance companies and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurance companies.

Reinsurance ceded contracts do not relieve the Group from its obligations to policyholders and as a result the Group remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements.

Concentration of risks

The Group's insurance risk relates to policies written in the State of Qatar only.

Sources of uncertainty in the estimation of future claim payments

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

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

Regulatory framework (continued)

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

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation values and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The liability for these contracts comprise a provision for IBNR, a provision for reported claims not yet paid and a provision for unexpired risks as at the reporting date. In calculating the estimated cost of unpaid claims (both reported and not), the Group's estimation techniques are a combination of loss-ratio-based estimates (where the loss ratio is defined as the ratio between the ultimate cost of insurance claims and insurance premiums earned in a particular financial year in relation to such claims) and an estimate based upon actual claims experience using predetermined formula where greater weight is given to actual claims experience as time passes.

Sensitivity of changes in assumption

The Group does not have any single insurance contract or a small number of related contracts that cover low frequency, high-severity risks such as earthquakes, or insurance contracts covering risks for single incidents that expose the Group to multiple insurance risks. The Group has adequately reinsured for insurance risks that may involve significant litigation. A 10% change in the general insurance claims provision will have a decrease of QR. 11.98 million on the consolidated statement of profit or loss (2016: QR 12.25 million).

Claims development

The Group maintains strong reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The uncertainties about the amount and timing of claim payments are normally resolved within one year.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's exposure to credit risk is indicated by the carrying amount of its financial assets, which consist principally of accounts and insurance contract receivables, amounts due from related parties and bank balances.

Management has established a credit policy under which each new counter party is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each counter party, which represents the maximum open amount without requiring approval from the senior management. These limits are reviewed quarterly.

32. FINANCIAL RISK MANAGEMENT (CONTINUED)**Credit risk (continued)**

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each counter party. The demographics of the counter parties, including the default risk of the industry and country, in which a counter party operate, has less of an influence on credit risk. The Group's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of the instruments as follows:

	December 31, 2017	December 31, 2016
	QR '000	QR '000
Cash and bank balances (including time deposits)	951,717	1,335,724
Insurance and reinsurance related receivables*	445,746	600,781
Net trade receivables (Note 11)	167,833	290,712
Financial investments	591,982	621,547
Due from related parties (Note 28)	462,841	309,533

*This includes the insurance contract receivables and reinsurance share of outstanding claims.

Cash and bank balances and time deposits

Credit risk on bank balances is limited as they are placed with local and foreign banks having good credit ratings assigned by international credit rating agencies.

Insurance and reinsurance related receivables

The maximum exposure to credit risk for insurance and reinsurance related receivables at the reporting date was equal to the receivables amount disclosed in the consolidated statement of financial position. All receivables are related to receivables within GCC countries. Moreover, to minimise its exposure to significant losses from reinsurance insolvencies, the Group employs the services of a top rated international broker.

Net trade receivables

The maximum exposure to credit risk for certain other receivables at the reporting date was equal to the receivables amount disclosed in the consolidated statement of financial position.

Due from related parties

The maximum exposure to credit risk for certain amounts due from related parties at the reporting date was equal to the receivables amount disclosed in the consolidated statement of financial position. All receivables are relating to due from related parties within the country, except for certain insignificant due from related parties located in India.

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32. FINANCIAL RISK MANAGEMENT (CONTINUED)

Aging analysis of major financial assets is as follows:

December 31, 2017	Neither past due nor impaired	Past due but not impaired						Past due and impaired	Total
		<30 days	31 to 60 days	61 to 90 days	91 to 120 days	Above 121 days			
	QR '000	QR '000	QR '000	QR '000	QR '000	QR '000		QR '000	QR '000
Cash and bank balances	931,454	-	-	-	-	20,263	-	-	951,717
Insurance contract receivables	82,783	4,416	4,606	2,322	27,683	66,550	-	-	188,360
Trade receivables	102,772	20,347	29,929	8,434	11,656	56,487	61,794	61,794	229,625
Reinsurance share of outstanding claims	257,386	-	-	-	-	-	-	-	257,386
Investment in securities (i)	591,982	-	-	-	-	-	-	-	591,982
Due from related parties	365,089	28,864	15,585	13,035	5,990	34,278	10,279	10,279	462,841
Total	2,331,466	53,626	50,120	23,791	45,329	177,578	72,073	72,073	2,743,705
December 31, 2016	Neither past due nor impaired	Past due but not impaired						Past due and impaired	Total
		<30 days	31 to 60 days	61 to 90 days	91 to 120 days	Above 121 days			
	QR '000	QR '000	QR '000	QR '000	QR '000	QR '000		QR '000	QR '000
Cash and bank balances	1,335,724	-	-	-	-	-	-	-	1,335,724
Insurance contract receivables	-	31,636	15,884	-	-	219,479	-	-	266,999
Trade receivables	128,117	32,455	46,595	19,771	15,196	59,596	42,956	42,956	301,730
Reinsurance share of outstanding claims	333,782	-	-	-	-	-	-	-	333,782
Investment in securities (i)	621,547	-	-	-	-	-	-	-	621,547
Due from related parties	161,898	24,405	34,635	24,861	7,389	56,345	-	-	309,533
Total	2,581,068	88,496	97,114	44,632	22,585	335,420	42,956	42,956	3,203,268

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

Objective and policies (continued)

- (i) This includes held-to-maturity financial assets, available-for-sale financial assets and financial assets at fair value through profit and loss.

Concentration risk

Concentration risk is any single exposure or group of exposures with the potential to produce losses large enough to threaten the Group's health or ability to maintain its core operations. Such concentrations include:

- Significant exposures to an individual counterparty or group of related counterparties;
- Credit exposures to counterparties whose financial performance is dependent on the same activity or commodity; and
- Indirect credit exposures arising from the Group's credit risk mitigation activities (e.g. exposure to a single collateral type or to credit protection provided by a single counterparty).

The Group's insurance risk relates to policies written in the State of Qatar.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation and is to maintain a balance between continuity of funding and flexibility through the use of interest bearing loans and borrowings.

Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted such as natural disasters.

Residual contractual maturities of financial liabilities

The following table sets out the maturity profile of the Group's financial liabilities. The contractual maturities of financial liabilities have been determined on the basis of the remaining period at the reporting date to the contractual maturity date. Management monitors the maturity profile to ensure that adequate liquidity is maintained. The Group's expected cash flows on these instruments do not vary significantly from this analysis.

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32. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

Maturity profile

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

December 31, 2017	GROSS UNDISCOUNTED CASH FLOWS					
	On demand QR '000	Up to 3 months QR '000	3 to 6 months QR '000	6 months to 1 year QR '000		Over 3 years QR '000
				1 year	1 to 3 years	
Loans and borrowings	-	183,718	183,718	530,369	1,686,928	2,560,732
Due to related parties	412	4,781	3,119	-	-	-
Trade payables	16,035	126,272	138	-	-	-
Outstanding claims	-	-	-	-	-	611,185
Reinsurance premium payable	-	43,372	12,267	69,759	-	-
	16,447	358,142	199,242	600,128	1,686,928	3,171,917
						6,032,805

December 31, 2016	GROSS UNDISCOUNTED CASH FLOWS					
	On demand QR '000	Up to 3 months QR '000	3 to 6 months QR '000	6 months to 1 year QR '000		Over 3 years QR '000
				1 year	1 to 3 years	
Loans and borrowings	-	194,260	275,726	469,986	1,895,976	2,733,886
Due to related parties	282	2,430	-	-	-	-
Trade payables	-	116,420	16	914	-	-
Outstanding claims	725,930	-	-	-	-	-
Reinsurance premium payable	-	48,101	1,458	91,031	-	-
	726,212	361,211	277,200	561,931	1,895,976	2,733,886
						6,556,416

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign currency exchange rates will affect the Group's profit, equity or value of its holding of financial instruments. The objective of market risk management is to manage and control the market risk exposure within acceptable parameters, while optimising returns.

Market risk has three main components:

- Foreign exchange risk;
- Interest rate risk; and
- Equity price risk.

Foreign exchange risk

The Group does not hedge its currency exposure. However, management is of the opinion that the Group's exposure to currency risk is minimal as there are no significant items of financial assets and liabilities that are denominated in foreign currencies other than US Dollar which is pegged to the Qatar Riyal.

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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32. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

Interest rate risk

The following tables sets out the interest rate risk profile of the Group's major financial assets and liabilities as at December 31, 2017 and 2016:

December 31, 2017	Effective interest Rates %	1 – 3 months QR '000	3 – 12 months QR '000	1 – 5 years QR '000	Over 5 years QR '000	Non- interest bearing QR '000	Total QR '000
Assets							
Cash and bank balances	3.30%	715,690	208,331	-	-	27,696	951,717
Insurance contract receivables		-	-	-	-	188,360	188,360
Trade receivables		154,114	65,560	61,792	-	9,953	291,419
Due from related parties		369,662	19,182	-	-	73,997	462,841
Available-for-sale financial assets		-	58,315	95,278	14,869	218,908	387,370
Held-to-maturity financial assets	3.95%	-	-	3,583	-	-	3,583
Financial assets at fair value through profit or loss		-	-	-	-	201,029	201,029
		<u>1,239,466</u>	<u>328,448</u>	<u>98,861</u>	<u>14,869</u>	<u>719,943</u>	<u>2,401,588</u>
Liabilities							
Loans and borrowings	2.75%	183,406	712,873	2,741,150	1,508,034	-	5,145,463
Due to related parties		2,610	-	-	-	7,687	10,297
Trade payables		128,418	-	-	-	14,027	142,445
Outstanding claims		-	-	-	-	611,185	611,185
Reinsurance premium payable		-	-	-	-	125,398	125,398
		<u>314,434</u>	<u>712,873</u>	<u>2,741,150</u>	<u>1,508,034</u>	<u>758,297</u>	<u>6,034,788</u>

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32. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

Interest rate risk (continued)

December 31, 2016	Effective interest Rates %	1 – 3 months QR '000	3 – 12 months QR '000	1 – 5 years QR '000	Over 5 years QR '000	Non- interest bearing QR '000	Total QR '000
Assets							
Cash and bank balances	2.85%	741,642	537,970	--	--	56,112	1,335,724
Insurance contract receivables		--	--	--	--	266,999	266,999
Trade receivables		199,848	33,953	--	--	101,882	335,683
Reinsurance share of outstanding claims		--	--	--	--	333,782	333,782
Due from related parties		--	--	--	--	309,533	309,533
Available-for-sale financial assets		--	14,445	137,386	26,991	143,108	321,930
Held-to-maturity financial assets	3.95%	80,056	1,820	3,592	--	--	85,468
Financial assets at fair value through profit or loss		17,353	--	--	--	196,796	214,149
		<u>1,038,899</u>	<u>588,188</u>	<u>140,978</u>	<u>26,991</u>	<u>1,408,212</u>	<u>3,203,268</u>
Liabilities							
Loans and borrowings	2.33%	194,260	745,712	3,344,092	1,285,770	--	5,569,834
Due to related parties		--	--	--	--	2,712	2,712
Trade payables		--	--	--	--	117,350	117,350
Outstanding claims		--	--	--	--	725,930	725,930
Reinsurance premium payable		--	--	--	--	140,590	140,590
		<u>194,260</u>	<u>745,712</u>	<u>3,344,092</u>	<u>1,285,770</u>	<u>986,582</u>	<u>6,556,416</u>

32. FINANCIAL RISK MANAGEMENT (CONTINUED)**Market risk (continued)****Interest rate risk (continued)****Cash flow sensitivity analysis for variable rate instruments**

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and the profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss		Equity	
	100 bps increase	100 bps decrease	100 bps increase	100 bps decrease
	QR '000	QR '000	QR '000	QR '000
December 31, 2017				
Loans and borrowings	(51,455)	51,455	(51,455)	51,455
Cash flow sensitivity (net)	(51,455)	51,455	(51,455)	51,455
	Profit or loss		Equity	
	100 bps increase	100 bps decrease	100 bps increase	100 bps decrease
	QR '000	QR '000	QR '000	QR '000
December 31, 2016				
Loans and borrowings	(55,698)	55,698	(55,698)	55,698
Cash flow sensitivity (net)	(55,698)	55,698	(55,698)	55,698

Equity price risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investment in securities.

The Group's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each sector. The Group has no significant concentration of price risk.

32. FINANCIAL RISK MANAGEMENT (CONTINUED)**Market risk (continued)****Equity Price risk (continued)**

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on net profit and equity.

	Change in variable	December 31, 2017	
		Financial assets at fair value through profit or loss- impact on Net profit	Available-for- sale financial assets- impact on other comprehensive income
Listed shares in Qatar Exchange	+10%	--	38,737
Structured investments	+10%	20,103	
Listed shares in Qatar Exchange	-10%		(38,737)
Structured investments	-10%	(20,103)	

	Change in variable	December 31, 2016	
		Financial assets at fair value through profit or loss- impact on Net profit	Available-for- sale financial assets- impact on other comprehensive income
Listed shares in the Qatar Exchange	+10%	--	32,193
Structured investments	+10%	21,415	--
Listed shares in the Qatar Exchange	-10%	--	(32,193)
Structured investments	-10%	(21,415)	

Operational risk

Operational risk is the risk of loss arising from systems and control failures, fraud and human errors, which can result in financial and reputation loss, and legal and regulatory consequences. The Group manages operational risk through appropriate controls, instituting segregation of duties and internal checks and balances, including internal audit and compliance.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the capital, which the Group defines as total shareholders' equity.

The Board also seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group's target is to achieve a return on shareholders' equity greater than the weighted average interest expense on interest-bearing loans and borrowings.

32. FINANCIAL RISK MANAGEMENT (CONTINUED)**Capital management (continued)**

The Group manages its capital structure and makes adjustments to it, in light of changes in economic and business conditions and shareholders' expectation. No changes were made in the objectives, policies or processes during the year ended December 31, 2017.

The Group monitors capital using a gearing ratio, which is debt divided by capital equity. The Group includes within debt, interest bearing loans and borrowings while capital includes all components of equity.

Gearing ratio

The gearing ratio at year end was as follows:

	December 31, 2017 QR '000	December 31, 2016 QR '000
Debt (i)	5,145,465	5,569,834
Cash and bank balances	(931,454)	(1,335,724)
Net debt	4,214,011	4,234,110
Equity (ii)	3,678,563	3,798,768
Net debt to equity ratio	115%	111%

(i) Debt is defined as short and long term debt as detailed in Note 19.

(ii) Equity includes all capital, retained earnings and reserves of the Group that are managed as capital.

33. FAIR VALUES AND CLASSIFICATION OF FINANCIAL INSTRUMENTS

The fair value of financial investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities at the close of business at the end of the reporting period.

For financial instruments where there is no active market, the fair value is determined by using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same and/or discounted cash flow analysis. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument.

If the fair values cannot be measured reliably, these financial instruments are measured at cost.

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The estimated fair values of the Group's major financial instruments are provided in the tables below:

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December 31, 2017	Fair value through profit or loss QR '000	Loans and receivables QR '000	Available - for- sale QR '000	Others amortized cost QR '000	Total carrying value QR '000	Fair Value QR '000
Assets						
Cash and bank balances	-	931,454	-	-	931,454	931,454
Insurance contract receivables	-	188,360	-	-	188,360	188,360
Trade receivables	-	229,627	-	-	229,627	229,627
Reinsurance share of outstanding claims	-	257,386	-	-	257,386	257,386
Due from related parties	-	462,841	-	-	462,841	462,841
Available-for-sale financial assets	-	-	387,370	-	387,370	387,370
Held-to-maturity financial assets	-	-	-	3,583	3,583	3,583
Financial assets at fair value through profit or loss	201,029	-	-	-	201,029	201,029
	<u>201,029</u>	<u>2,069,668</u>	<u>387,370</u>	<u>3,583</u>	<u>2,661,650</u>	<u>2,661,650</u>
Liabilities						
Loans and borrowings	-	-	-	5,145,465	5,145,465	5,145,465
Due to related parties	-	-	-	8,312	8,312	8,312
Trade payables	-	-	-	142,445	142,445	142,445
Outstanding claims	-	-	-	611,185	611,185	611,185
Reinsurance premium payable	-	-	-	125,398	125,398	125,398
	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,032,800</u>	<u>6,032,800</u>	<u>6,032,800</u>

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

December 31, 2016	Fair value through profit or loss QR '000	Loans and receivables QR '000	Available - for- sale QR '000	Others amortized cost QR '000	Total carrying value QR '000	Fair Value QR '000
Assets						
Cash and bank balances	--	1,335,724	--	--	1,335,724	1,335,724
Insurance contract receivables	--	266,999	--	--	266,999	266,999
Trade receivables	--	335,683	--	--	335,683	335,683
Reinsurance share of outstanding claims	--	333,782	--	--	333,782	333,782
Due from related parties	--	309,533	--	--	309,533	309,533
Available-for-sale financial assets	--	--	321,930	--	321,930	321,930
Held-to-maturity financial assets	--	--	--	85,468	85,468	86,056
Financial assets at fair value through profit or loss	214,149	--	--	--	214,149	214,149
	<u>214,149</u>	<u>2,581,721</u>	<u>321,930</u>	<u>85,468</u>	<u>3,203,268</u>	<u>3,203,856</u>
Liabilities						
Loans and borrowings	--	--	--	5,569,834	5,569,834	5,569,834
Due to related parties	--	--	--	2,712	2,712	2,712
Trade payables	--	--	--	117,350	117,350	117,350
Outstanding claims	--	--	--	725,930	725,930	725,930
Reinsurance premium payable	--	--	--	140,590	140,590	140,590
	<u>--</u>	<u>--</u>	<u>--</u>	<u>6,556,416</u>	<u>6,556,416</u>	<u>6,556,416</u>

Fair value hierarchy

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

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

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

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**33. FAIR VALUES AND CLASSIFICATION OF FINANCIAL INSTRUMENTS
(CONTINUED)**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>QR '000</u>	<u>QR '000</u>	<u>QR '000</u>	<u>QR '000</u>
As at December 31, 2017				
Available-for-sale financial assets	387,370	-	2	387,372
Financial assets at fair value through profit or loss	201,029	-	-	201,029
	<u>588,399</u>	<u>-</u>	<u>2</u>	<u>588,401</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>QR '000</u>	<u>QR '000</u>	<u>QR '000</u>	<u>QR '000</u>
As at December 31, 2016				
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>