Gulf International Services Q.S.C.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2011

ERNST & YOUNG

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GULF INTERNATIONAL SERVICES Q.S.C.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Gulf International Services Q.S.C. and its subsidiaries and its jointly controlled entity (together referred to as the group (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2011 and the consolidated statement of 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.

Management's responsibility for the financial statements

The management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as the management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2011 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2010 were audited by another auditor, who expressed an unqualified opinion on these consolidated financial statements on 24 February 2011.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GULF INTERNATIONAL SERVICES Q.S.C. (CONTINUED)

Report on legal and other requirements

Furthermore, in our opinion, proper books of account have been kept by the Company, an inventory count has been conducted in accordance with established principles, and the financial statements comply with the Qatar Commercial Companies' Law No. 5 of 2002 and the Company's Articles of Association. We have obtained all the information and explanations we required for the purpose of our audit, and are not aware of any violations of the above mentioned law or the Articles of Association having occurred during the year which might have had a material effect on the business of the Group or its financial position. We further confirm that the financial information included in the Annual Report of the Board of Directors is in agreement with the books and records of the Group.

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

Date: 16 February 2012
Doha

ERNST & YOUNG
Doha
محاسبون قانونيون
الدوحة
ارنست ويونغ

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2011

	Notes	***2011*** ***QR '000***	*2010* *QR '000*
Revenue	3	**1,469,488**	1,486,087
Direct costs	4	**(1,090,466)**	(987,901)
GROSS PROFIT		**379,022**	498,186
Finance income		**16,628**	26,689
Net gains on financial assets at fair value through profit or loss		**842**	2,499
Other income	5	**34,740**	38,510
Share of loss of an associate	9	**(1,114)**	(836)
Finance expenses		**(12,468)**	(16,028)
Impairment loss of available-for-sale investments		**(14,667)**	-
General and administrative expenses	6	**(111,535)**	(109,854)
Loss on liquidation of investment in a joint venture	27	**(8,541)**	-
PROFIT FOR THE YEAR		**282,907**	439,166
Other comprehensive income			
Impairment of available-for-sale investments		**14,667**	-
Net movement in available-for-sale investments		**(3,787)**	4,015
Comprehensive income transferred to profit or loss		**241**	(9,400)
Exchange difference on translation of foreign operations		**(154)**	-
		10,967	(5,385)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**293,874**	433,781
Earnings per share			
Basic and diluted earnings per share (Qatari Riyals)	24	**2.09**	3.25

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2011

	Notes	2011 QR '000	2010 QR '000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	7	**2,292,562**	1,944,528
Investment properties	8	**1,125**	156,858
Investment in an associate	9	**120**	1,388
Held-to-maturity investments	10	**72,598**	-
Available-for-sale investments	11	**48,967**	82,735
		2,415,372	2,185,509
Current assets			
Inventories	12	**74,322**	61,856
Due from related parties	23	**194,936**	301,134
Accounts receivable and prepayments	13	**306,837**	413,270
Insurance receivables		**422,049**	290,134
Financial assets at fair value through profit or loss	14	**98,154**	142,712
Cash and bank balances	15	**1,093,554**	826,794
		2,189,852	2,035,900
TOTAL ASSETS		**4,605,224**	4,221,409
EQUITY AND LIABILITIES			
Equity			
Share capital	16	**1,351,570**	1,351,570
Legal reserve	17	**133,402**	120,090
General reserve	18	**74,516**	74,516
Foreign currency translation reserve	9	**(154)**	-
Fair value reserve		**142**	(10,979)
Retained earnings		**795,749**	708,075
Total equity		**2,355,225**	2,243,272
Non-current liabilities			
Loans and borrowings	20	**757,972**	677,783
Employees' end of service benefits	21	**15,644**	13,005
		773,616	690,788
Current liabilities			
Due to related parties	23	**104,864**	61,732
Accounts payable, insurance payables and accruals	22	**1,180,531**	1,045,703
Loans and borrowings	20	**190,988**	179,914
		1,476,383	1,287,349
Total liabilities		**2,249,999**	1,978,137
TOTAL EQUITY AND LIABILITIES		**4,605,224**	4,221,409

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

Saeed Mubarak Al-Muhanadi
Vice-Chairman

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Share capital QR '000	*Legal reserve QR '000*	*General reserve QR '000*	*Foreign currency translation reserve QR '000*	*Fair value reserve QR '000*	*Retained earnings QR '000*	*Total QR '000*
Balance at 1 January 2011, as previously reported	1,351,570	120,090	74,516	-	(36,444)	733,540	2,243,272
Prior period adjustment (Note 30)	-	-	-	-	25,465	(25,465)	-
Balance at 1 January 2011, as restated	1,351,570	120,090	74,516	-	(10,979)	708,075	2,243,272
Profit for the year	-	-	-	-	-	282,907	282,907
Other comprehensive income	-	-	-	(154)	10,880	-	10,726
Comprehensive income transferred to profit or loss	-	-	-	-	241	-	241
Total comprehensive income	-	-	-	(154)	11,121	282,907	293,874
Transfer to legal reserve	-	13,400	-	-	-	(13,400)	-
Dividends paid	-	-	-	-	-	(175,704)	(175,704)
Liquidation in investment in joint venture (Note 27)	-	(88)	-	-	-	944	856
Provision for social and sports fund	-	-	-	-	-	(7,073)	(7,073)
Balance at 31 December 2011	1,351,570	133,402	74,516	(154)	142	795,749	2,355,225

The attached notes 1 to 31 form part of these consolidated financial statements.

Gulf International Services Q.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Share capital QR '000	*Legal reserve QR '000*	*General reserve QR '000*	*Fair value reserve QR '000*	*Retained earnings QR '000*	*Total QR '000*
Balance at 1 January 2010, as previously reported	1,351,570	94,713	74,516	(31,059)	560,497	2,050,237
Prior period adjustment (Note 30)	-	-	-	25,465	(25,465)	-
Balance at 1 January 2010, as restated	1,351,570	94,713	74,416	(5,594)	535,032	2,050,237
Profit for the year	-	-	-	-	439,166	439,166
Other comprehensive income	-	-	-	4,015	-	4,015
Comprehensive income transferred to profit or loss	-	-	-	(9,400)	-	(9,400)
Total comprehensive income for the year	-	-	-	(5,385)	439,166	433,781
Transfer to legal reserve	-	25,377	-	-	(25,377)	-
Dividends paid	-	-	-	-	(229,767)	(229,767)
Provision for social and sports fund	-	-	-	-	(10,979)	(10,979)
Balance at 31 December 2010 (Restated)	1,351,570	120,090	74,516	(10,979)	708,075	2,243,272

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	Notes	***2011*** ***QR '000***	*2010* *QR '000*
OPERATING ACTIVITIES			
Profit for the year		**282,907**	439,166
Adjustments for:			
Depreciation	7 and 8	**175,493**	165,358
Impairment loss on available-for-sale investments		**14,667**	-
Provision for employees' end of service benefits	21	**5,777**	6,266
Finance expenses		**12,468**	16,028
Gain on sale of property, plant and equipment		**1,835**	(6,644)
Share of loss of an associate	9	**1,114**	836
Net gains on financial assets at fair value through profit or loss		**(842)**	(2,499)
Impairment loss on trade receivables	13	**8,554**	-
Write-back of allowance for impairment of trade receivables	13	**(2,168)**	(477)
Finance income		**(16,628)**	(26,689)
Net gain on sale of available-for-sale investments		**241**	(9,400)
Loss on liquidation of investment in a joint venture	27	**8,541**	-
Dividend income	5	**-**	(1,537)
Net operating profit before working capital changes		**491,959**	580,408
Inventories		**(12,466)**	7,471
Accounts receivable, insurance receivables and prepayments		**75,827**	(283,496)
Accounts payable, insurance payables and accruals		**182,279**	333,751
Cash from operations		**737,599**	638,134
End of service benefits paid	21	**(3,138)**	(3,516)
Net cash from operating activities		**734,461**	634,618
INVESTING ACTIVITIES			
Proceeds from sale of available-for-sale investments		**54,713**	57,532
Receipt of finance income		**14,711**	26,689
Proceeds from sale of financial assets at fair value through profit or loss		**45,400**	-
Proceeds from sale of property, plant and equipment		**4,051**	14,948
Acquisition of available-for-sale investments		**(23,191)**	(46,000)
Acquisition of held-to-maturity investments		**(72,598)**	-
Time deposits with maturities in excess of three months		**(252,619)**	(48,532)
Acquisition of property, plant and equipment	7	**(529,389)**	(318,801)
Acquisition of investment properties	8	**-**	(10,971)
Proceeds from sale of investment properties		**-**	167
Proceeds from liquidation of a joint venture, net of share in cash in the joint venture		**135,511**	-
Receipt of dividend income		**-**	1,537
Net cash used in investing activities		**(623,411)**	(323,431)

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CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the year ended 31 December 2011

	Notes	***2011*** ***QR '000***	*2010* *QR '000*
FINANCING ACTIVITIES			
Proceeds from loans and borrowings		**272,636**	310,249
Repayment of loans and borrowings		**(181,373)**	(312,675)
Dividends paid		**(175,704)**	(229,767)
Finance expenses paid		**(12,468)**	(16,028)
Net cash used in financing activities		**(96,909)**	(248,221)
INCREASE IN CASH AND CASH EQUIVALENTS		**14,141**	62,966
Cash and cash equivalents at 1 January		**463,900**	400,934
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	15	**478,041**	463,900

The attached notes 1 to 31 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

Gulf International Services Q.S.C. (the "Company" or together with its subsidiaries and a joint venture referred to as the "Group") is a Company incorporated in the State of Qatar under commercial registration number 38200 as a Qatari Shareholding Company on 12 February 2008. The principal activity of the Company is to operate as a holding company. The registered office of the Company is situated on the 3rd floor, Al Saad Plaza Building, Doha, State of Qatar.

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

Until 24 February 2008, the equity interests in the portfolio companies (Gulf Helicopters Q.S.C. ("GHC"), Gulf Drilling International Q.S.C. ("GDI") and Al Koot Insurance and Reinsurance Company S.A.Q. ("Al Koot")) were held directly by QP and Japan Drilling Company ("JDC") (In case of GDI – 30.01% is owned by JDC) and these equity interests were transferred to the Company on 24 February 2008.

However, the management concluded that the effective date of transfer of interest from QP to the Company was 12 February 2008, being the date on which control as well as joint control, over these portfolio companies, was transferred by QP to the Company and hence from this date, the results of operations of these portfolio companies are consolidated with the results of operations of the Company.

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

The consolidated financial statements of the Group as of and for the year ended 31 December 2011 were authorised for issue in accordance with a resolution of the Board of Directors on 16 February 2012.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of the Qatar Commercial Companies' Law No. 5 of 2002.

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

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of Gulf International Services Q.S.C. and its subsidiaries and a joint venture (hereinafter referred to as "the Group").

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

Subsidiaries
Subsidiaries are those enterprises controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

Joint control and jointly controlled operation
Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

A jointly controlled operation is a joint venture carried on by each venturer using its own assets in pursuit of the joint operations. The consolidated financial statements include the assets that the Group controls and the liabilities that it incurs in the course of pursuing the joint operations, and the expenses that the Group incurs and its share of the income that it earns from the joint operation.

The consolidated financial statements incorporate the financial statements of the below stated subsidiaries and joint venture for the year ended 31 December 2011:

Name of subsidiaries	*Country of incorporation*	*Principal activities*	*Group effective shareholding % 31 December 2011*
Al Koot Insurance and Reinsurance Company S.A.Q.	Qatar	Insurance and reinsurance services	100
Gulf Helicopters Company Q.S.C.	Qatar	Helicopter transport services	100
Name of joint venture			
Gulf Drilling International Limited Q.S.C.	Qatar	Drilling services	70

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.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the new and amended IFRS and IFRIC interpretations effective as of 1 January 2011.

During the year, the Group has adopted the following standards effective for the annual period beginning on or after 1 January 2011.

IAS 24, 'Related Party Disclosures (Revised)'
The definition of a related party has been clarified to simplify the identification of related party relationships, particularly in relation to significant influence and joint control. A partial exemption from the disclosures has been included for government-related entities.

For these entities, the general disclosure requirements of IAS 24 will not apply. Instead, alternative disclosures have been included, requiring: (a) The name of the government and the nature of its relationship with the reporting entity (b) The nature and amount of individually significant transactions (c) A qualitative or quantitative indication of the extent of other transactions that are collectively significant. This amendment did not give rise to any changes to the Group's consolidated financial statements.

IAS 32, 'Financial Instruments: Presentation - Classification of rights issues (Amendment)'
The definition of a financial liability has been amended to classify rights issues (and certain options or warrants) as equity instruments if: (a) The rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments and (b) In order to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment provide reliefs to entities that issue rights (fixed in a currency other than their functional currency), from treating the rights as derivatives with fair value changes recorded in profit or loss. Rights issued in foreign currencies that were previously accounted for as derivatives will now be classified as equity instruments. This amendment did not give rise to any changes to the Group's consolidated financial statements.

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)
The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as a pension asset. The Group is not subject to minimum funding requirements in the State of Qatar, therefore the amendment of the interpretation has no effect on the financial position nor performance of the Group.

Improvements to IFRSs
In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but no impact on the financial position or performance of the Group.

- IFRS 3 *Business Combination*
- IFRS 7 *Financial Instruments*
- IAS 1 *Presentation of Financial Statements*

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Changes in accounting policies and disclosures (continued)

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

- IFRS 3 *Business Combinations* (Contingent consideration arising from business combination prior to adoption of IFRS 3 (as revised in 2008))
- IFRS 3 *Business Combinations* (Un-replaced and voluntarily replaced share-based payment awards)
- IAS 27 *Consolidated and Separate Financial Statements*
- IAS 34 *Interim Financial Statements*

The following amendments, interpretations became effective in 2011, but did not have any impact on the accounting policies, financial position or performance of the Group:

- IFRIC 13 *Customer Loyalty Programmes (determining the fair value of award credits)*
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*

2.4 Standards issued but not yet effective

The Group is currently considering the implications of the new IFRSs which are effective for future accounting periods and has not early adopted any of the new Standards as listed below:

- IAS 1 *Financial Statement Presentation – Presentation of Items of Other Comprehensive Income* (Effective 1 July 2012)
- IAS 12 *Income Taxes – Recovery of Underlying Assets* (Effective 1 January 2012)
- IAS 19 *Employee Benefits (Amendment) (as revised in 2011)* (Effective 1 January 2013)
- IAS 27 *Separate Financial Statements (as revised in 2011)* (Effective 1 January 2013)
- IAS 28 *Investments in Associates and Joint Ventures (as revised in 2011)* (Effective 1 January 2013)
- IFRS 7 *Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements* (Effective 1 July 2011)
- IFRS 9 *Financial Instruments: Classification & Measurement (Part 1)* (Effective 1 January 2013)
- IFRS 10 *Consolidated Financial Statements* (Effective 1 January 2013)
- IFRS 11 *Joint Arrangements* (Effective 1 January 2013)
- IFRS 12 *Disclosure of Involvement in Other Entities* (Effective 1 January 2013)
- IFRS 13 *Fair Value Measurement* (Effective 1 January 2013)

2.5 Significant accounting judgement, estimates and assumptions

The preparation of the Group’s consolidated financial statements requires the management to make certain judgements, estimates and assumptions that affect the preparation of and the amounts recognised in the consolidated financial statements. The most significant judgment was to decide on the functional currency of the Group. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Critical judgements

In the process of applying the Group’s accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Significant accounting judgement, estimates and assumptions (continued)

Classification of investments securities
Quoted securities could be classified either as available-for-sale or at fair value through profit or loss account. The Group invests in securities locally and management has primarily decided to account for them on their potential for long term growth rather than the short term profit basis. Consequently, such investments are recognised as available-for-sale rather than at fair value through profit or loss.

Financial assets are classified as fair value through profit or loss where the assets are either held for trading or designated as at fair value through profit or loss.

Impairment of available-for-sale equity securities
The Group determines that available-for-sale equity investments are impaired when there has been a ‘significant’ or ‘prolonged’ decline in the fair value below its cost. This determination of what is ‘significant’ or ‘prolonged’ requires judgment and is assessed based on qualitative and quantitative factors, for each available-for-sale investment separately. In making a judgment of impairment, the Group evaluates among other factors, evidence of deterioration in the financial health of the entity, impact of delay in execution, industry and sector performance, changes in technology and operational and financing cash flows.

Use of estimates

The preparation of the Group’s consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management’s best knowledge of current events and actions, actual results may ultimately differ from those estimates.

The estimates and underlying assumptions are reviewed regularly. 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.

Significant areas of estimation and uncertainty are as follows:

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 comprehensive income 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 uncertainly and actual results may differ from management’s estimates resulting in future changes in estimated liabilities.

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.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Significant accounting judgement, estimates and assumptions (continued)

Use of estimates (continued)

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.

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.

Useful lives, residual values and related depreciation charges of property, plant and equipment
The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset, physical wear and tear, technical or commercial obsolescence.

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 was QR 100,358 (2010: QR 83,641) against which a provision for slow moving and obsolete inventories amounting QR 26,036 (2010 : QR 21,785) 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 comprehensive income.

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 29 for fair value hierarchy).

Going concern
The Group’s management has made an assessment of the Group’s ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group’s ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

2.6 Significant accounting policies

Revenue recognition

Premiums earned
Premiums and reinsurance premiums are taken into income over the terms of the policies to which they relate. 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 comprehensive income in order that revenue is recognised over the period of risk.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Significant accounting policies (continued)

Revenue recognition (continued)

Net commission income

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

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.

Any difference between the provisions at the end of the reporting period and settlements and provisions in the following year is included in the underwriting account for that year.

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 comprehensive income.

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.

Interest income

Interest income is recognised on a time proportionate basis using the effective interest method, taking 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.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Significant accounting policies (continued)

Revenue recognition (continued)
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 and costs incurred to mobilise a drilling unit at the commencement of a contract are recognised over the term of the related drilling contract. 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 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.

Rent income
Rental income from investment properties is recognised as income on a straight line basis over the term of lease or rental period and the unearned portion of the rental income is recognised as a liability.

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 comprehensive income on a straight line basis over the estimated useful lives of items of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Buildings	20 years
Aircrafts	7 – 10 years
Rigs	10 – 15 years
Plant and machinery	6 – 7 years
Other property and equipment:	
Ground and radio equipment and tools	4 – 6 years
Motor Vehicles	4 – 5 years
Furniture, fixtures and office equipment	4 – 7 years
Computers	3 years

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

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 comprehensive income in the year the asset is derecognised.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Significant accounting policies (continued)

Property, plant and equipment (continued)
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 carrying amount of the replaced part is derecognised. The cost of day-to-day servicing of property, plant and equipment is recognised in the consolidated statement of comprehensive income as the expense is incurred.

Borrowing costs
Borrowing costs attributable to acquisition or construction of property, plant and equipment 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.

Investment properties
Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business or use in the production or supply of goods and services or for administrative purposes. It includes property that is being constructed or developed for future use as investment property. Investments properties are measured by applying the cost model wherein investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are carried at cost less accumulated depreciation.

Properties under development are considered as investment property and transferred to investment properties when the property is in a condition necessary for it to be capable of operating in a manner intended by the management.

The carrying value of investment property is reviewed for impairment when events or changes in circumstances 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.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of comprehensive income in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the net book value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Investment in an associate
An investment in associate is an entity over which the Group exerts significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 to 50 percent of the voting power of the investee entity. Such investments are accounted for under the equity method of accounting. Where an investee is acquired and held exclusively for resale, it is accounted for as a non-current asset held for resale.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Significant accounting policies (continued)

Investment in an associate (continued)
Under the equity method, the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of the investee's equity. The Group recognises in the consolidated statement of comprehensive income its share of the total recognised profit or loss of the investee from the date that significant influence effectively commenced until the date that it effectively ceases. Distributions received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's share in the associate arising from changes in the investee's equity. The Group's share of those changes is recognised directly in equity. Unrealised gains on transactions with investee are eliminated to the extent of the Group's share in the investee. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred.

Investment in a joint venture
The Group has interest in a joint venture which is a jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The Group recognises its interest in the joint venture using proportionate consolidation method. The Group combines its share of each of the assets, liabilities, income and expenses of the joint venture with similar items, line by line, in its consolidated financial statements. The financial statements of the joint venture are prepared for the same reporting period as the Group. Adjustments are made where necessary to bring the accounting policies in line with those of the Group.

Adjustments are made in the Group's consolidated financial statements to eliminate the Group's share of intragroup balances, income and expenses and unrealised gains and losses on transactions between the Group and its jointly controlled entities. Losses on transactions are recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss. The joint venture is proportionately consolidated until the date on which the Group ceases to have joint control over the joint venture.

Upon loss of joint control the Group measures and recognises its remaining investment at its fair value. Any difference between the carrying amount of the former joint controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds from disposal are recognised in profit or loss. When the remaining investment constitutes significant influence, it is accounted for as investment in an associate.

Financial instruments – initial recognition and subsequent measurement

Initial recognition and measurement
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade and other receivables, loans and receivables, quoted and unquoted financial instruments and derivative financial instruments.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as described below:

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Significant accounting policies (continued)

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separate embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit and loss are carried in the consolidated statement of financial position at fair value with the net changes in fair value recognised in the consolidated statement of comprehensive income.

Financial assets designated upon initial recognition at fair value through profit and loss are designated at their initial recognition date and only if the criteria under IAS 39 are satisfied.

The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When in rare circumstances the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these to financial assets. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, these instruments cannot be reclassified after initial recognition.

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 comprehensive income.

Available-for-sale investments
Available-for-sale investments include equity investments and debt securities. Equity investments classified as available-for-sale are those are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the fair value reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for-sale investments is reported as interest income using the EIR method.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Significant accounting policies (continued)

Available-for-sale investments (continued)
For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statement of comprehensive income.

Derecognition of financial assets and liabilities

a) Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

b) 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 comprehensive income.

Impairment and uncollectibility of financial assets
An assessment is made at the end of each reporting period to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated statement of comprehensive income. Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between cost and fair value;
(b) For assets carried at cost, impairment is the difference between cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
(c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Significant accounting policies (continued)

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.

Receivables
Receivables are stated at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful receivables is made when collection of the full amount is no longer probable. Bad debts are written-off when there is no possibility of recovery.

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.

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 comprehensive income in the year to which they relate.

Expatriate employees (Defined benefit plan)
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 setting 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.

Liability adequacy test
At the end of each reporting period, the Group assesses whether it's recognised 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 recognised in consolidated statement of comprehensive income.

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.

Provisions
Provisions are recognised when the Group has an 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.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Significant accounting policies (continued)

Foreign currencies
Transactions in foreign currencies are recorded at the rate 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 comprehensive income.

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 comprehensive income 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 deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated statement of comprehensive income.

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 Chief Operating Decision Maker (i.e. 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 26).

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, related general and administrative expenses and certain due to related parties.

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 comprehensive income on a straight-line basis over the period of the lease.

Contribution to social fund
Pursuant to the Qatar Law No. 13 of 2008 and the related clarifications issued in 2010, 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.

3 REVENUE

	2011	*2010*
	QR '000	*QR '000*
Revenue from drilling businesses	**478,627**	559,468
Revenue from aviation business	**442,995**	447,975
Gross insurance revenue (Note 3.1)	**547,866**	478,644
	1,469,488	1,486,087

3 REVENUE (continued)

Notes:

3.1 The details of gross insurance revenue are as follows:

	2011 ***QR '000***	*2010* *QR '000*
Gross premiums (Note 3.2)	**538,188**	419,210
Net commission income	**37,380**	33,396
Change in unearned premiums (Note 3.2)	**(27,702)**	26,038
	547,866	478,644

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

	2011			*2010*		
		QR '000			*QR '000*	
	Gross	***Reinsurance***	***Net***	*Gross*	*Reinsurance*	*Net*
Written premiums	**538,188**	**(277,874)**	**260,314**	419,210	(198,187)	221,023
Change in unearned premiums	**(27,702)**	**10,183**	**(17,519)**	26,038	(35,652)	(9,614)
	510,486	**(267,691)**	**242,795**	445,248	(233,839)	211,409

4 DIRECT COSTS

	2011 ***QR '000***	*2010* *QR '000*
Gross insurance expense (Note 4.1)	**513,136**	467,374
Drilling business	**324,994**	278,003
Aviation business	**252,336**	242,524
	1,090,466	987,901

Notes:

4.1 The details of gross insurance expense is as follows:

	2011 ***QR '000***	*2010* *QR '000*
Premium ceded to reinsurers (Note 3.2)	**277,874**	198,187
Net claims incurred (Note 4.2)	**240,469**	230,172
Brokerage cost	**4,976**	3,363
Change in unearned premiums (Note 3.2)	**(10,183)**	35,652
	513,136	467,374

4 DIRECT COSTS (continued)

4.2 The details of net claims incurred are as follows:

	2011			*2010*		
		QR '000			*QR '000*	
	Gross	***Reinsurance***	***Net***	*Gross*	*Reinsurance*	*Net*
Claims settled	**262,650**	**(101,624)**	**161,026**	(178,732)	58, 491	(120,241)
Outstanding claims adjustment	**(34,860)**	**31,955**	**(2,905)**	(317,933)	206,002	(111,931)
IBNR	**82,348**	**-**	**82,348**	2,000	-	2,000
	310,138	**(69,669)**	**240,469**	(494,665)	264,493	(230,172)

5 OTHER INCOME

	2011 ***QR '000***	*2010* *QR '000*
Service fees	**16,503**	17,087
Gain on sale of available-for-sale investments	**3,957**	9,400
Dividend income	**-**	1,537
Gain on disposal of property, plant and equipment	**-**	6,644
Rental income	**-**	3,842
Miscellaneous income	**14,280**	-
	34,740	38,510

6 GENERAL AND ADMINISTRATIVE EXPENSES

	2011 ***QR '000***	*2010* *QR '000*
Salaries and other benefits	**71,526**	55,465
Aviation related administrative expenses	**13,668**	12,774
Rent	**7,462**	7,333
Depreciation (Note 7.1 and Note 8)	**6,306**	7,792
Legal and professional	**4,224**	888
Board member sitting fees	**3,036**	3,704
Travel	**2,810**	2,583
Communication	**2,406**	1,960
Loss on disposal of property, plant and equipment	**1,835**	-
Advertising	**1,576**	1,052
Qatar exchange listing fees	**953**	3,353
Printing and stationery	**460**	849
Training	**373**	246
Recruitment costs	**304**	525
Repairs and maintenance	**175**	128
Recovery of management expenses from Qatar Petroleum	**(12,369)**	(17,585)
Other expenses	**6,790**	28,787
	111,535	109,854

7 PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings QR '000	*Aircrafts QR '000*	*Capitalised maintenance expenditures QR '000*	*Rigs QR '000*	*Plant and machinery QR '000*	*Other property and equipment QR '000*	*Capital work-in-progress QR '000*	*Total QR '000*
Cost:								
At 1 January 2011	40,921	939,942	108,858	1,290,795	122,718	100,508	82,918	2,686,660
Additions	205	39,648	11,474	13,063	3,246	11,919	449,834	529,389
Transfers	2,892	10,054	757	50,329	21,751	12,034	(97,817)	-
Disposals	-	-	-	(8,263)	(3,045)	(830)	-	(12,138)
Write-offs	-	-	(5,695)	-	-	-	-	(5,695)
At 31 December 2011	44,018	989,644	115,394	1,345,924	144,670	123,631	434,935	3,198,216
Depreciation:								
At 1 January 2011	36,829	196,780	42,403	340,225	63,065	62,830	-	742,132
Charge for the year	2,033	43,877	10,857	83,092	19,440	16,167	-	175,466
Relating to disposals	-	-	-	(3,742)	(1,851)	(656)	-	(6,249)
Write-offs	-	-	(5,695)	-	-	-	-	(5,695)
At 31 December 2011	38,862	240,657	47,565	419,575	80,654	78,341	-	905,654
Net carrying amounts:								
At 31 December 2011	**5,156**	**748,987**	**67,829**	**926,349**	**64,016**	**45,290**	**434,935**	**2,292,562**

7 PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land and buildings QR '000	*Aircrafts QR '000*	*Capitalised maintenance expenditures QR '000*	*Rigs QR '000*	*Plant and machinery QR '000*	*Other property and equipment QR '000*	*Capital work-in-progress QR '000*	*Total QR '000*
Cost:								
At 1 January 2010	40,021	768,522	92,356	1,276,960	118,084	86,658	7,576	2,390,177
Additions	900	184,223	22,612	14,246	5,549	5,343	85,928	318,801
Transfers	-	-	(6,110)	1,279	133	8,864	(10,586)	(6,420)
Disposals	-	(12,803)	-	(1,690)	(1,048)	(357)	-	(15,898)
At 31 December 2010	40,921	939,942	108,858	1,290,795	122,718	100,508	82,918	2,686,660
Depreciation:								
At 1 January 2010	35,696	164,194	35,757	261,748	46,087	49,603	-	593,085
Charge for the year	1,133	38,987	13,066	78,706	17,595	13,574	-	163,061
Transfers	-	-	(6,420)	-	-	(17)	-	(6,437)
Relating to disposals	-	(6,401)	-	(229)	(617)	(330)	-	(7,577)
At 31 December 2010	36,829	196,780	42,403	340,225	63,065	62,830	-	742,132
Net carrying amounts:								
At 31 December 2010	4,092	743,162	66,455	950,570	59,653	37,678	82,918	1,944,528

7 PROPERTY, PLANT AND EQUIPMENT (continued)

Notes:

7.1 The depreciation charge has been allocated in the consolidated statement of comprehensive income as follows:

	2011 ***QR '000***	*2010* *QR '000*
Direct costs	**169,187**	157,566
General and administrative expenses	**6,279**	5,495
	175,466	163,061

7.2 During the previous year, the Group, based on its annual review and reassessment of the economic useful lives, reassessed the useful lives of certain of its new offshore jack-up rigs from 15 years to 20 years with effect from 1 January 2010. The remaining useful lives were adjusted accordingly.

7.3 The Group started construction of two offshore drilling rigs in 2011 which are expected to be completed between 2013 and 2014. The new jack-up rigs are financed via a syndicated loan of US$ 430 million from a consortium of lenders (refer to Note 20 for the loan facility).

The amount of borrowing costs capitalised during the year ended 31 December 2011 was US$ 1,716,004 (2010: Nil).

7.4 Two helicopters owned by National Health Authority of Qatar (NHA) are legally registered in the name of the Group beneficially for NHA.

7.5 The encumbrances and liens on property, plant and equipments are set out in Note 20.

8 INVESTMENT PROPERTIES

	Land *QR '000*	*Building* *QR '000*	*Property under development* *QR '000*	*Total* *QR '000*
Cost:				
Balance at 1 January 2011	44,758	69,352	49,983	164,093
Net modifications to the contract price	-	-	(721)	(721)
Disposals	(43,633)	-	(49,262)	(92,895)
Transfers	-	(66,066)	-	(66,066)
At 31 December 2011	1,125	3,286	-	4,411
Depreciation:				
Balance at 1 January 2011	-	7,235	-	7,235
Charge for the year	-	27	-	27
Transfers	-	(3,976)	-	(3,976)
At 31 December 2011	-	3,286	-	3,286
Net carrying amounts				
At 31 December 2011	**1,125**	**-**	**-**	**1,125**

8 INVESTMENT PROPERTIES (continued)

	Land *QR '000*	*Building* *QR '000*	*Property under development* *QR '000*	*Total* *QR '000*
Cost:				
Balance at 1 January 2010	44,758	69,498	39,033	153,289
Additions	-	21	10,950	10,971
Transfers	-	(167)	-	(167)
At 31 December 2010	44,758	69,352	49,983	164,093
Depreciation:				
Balance at 1 January 2010	-	4,938	-	4,938
Charge for the year	-	2,297	-	2,297
Transfers	-	-	-	-
At 31 December 2010	-	7,235	-	7,235
Net carrying amounts				
At 31 December 2010	44,758	62,117	49,983	156,858

Notes:

8.1 The estimated fair market value of the land and building based on an internal calculation completed in 2011 by the Group was QR 6.0 million (2010: QR 73.4 million).

8.2 The investment properties generated rental income amounting QR 1.2 million during the year (2010: QR 1.7 million).

8.3 As a result of the liquidation of the Group's investment in a joint venture, the Joint Venture's Board of Directors have resolved and approved to sell the Group's share in the property under development. The Group's share of loss related to the disposal of these assets amounting to QR 583,243 was recognised as loss on liquidation of investment in a joint venture in the consolidated statement of comprehensive income.

9 INVESTMENT IN AN ASSOCIATE

The Group has the following investment in an associate:

	Country of incorporation	*Ownership*	***2011*** ***QR '000***	*2010* *QR'000*
United Helicharters Private Limited	India	36%	**120**	1,388

	2011 ***QR '000***	*2010* *QR '000*
Balance at 1 January	**1,388**	2,224
Share of loss from an associate	**(1,114)**	(836)
Foreign currency translation reserve	**(154)**	-
	120	1,388

9 INVESTMENT IN AN ASSOCIATE (continued)

The summarised results of United Helicharters Private Limited for the year ended 31 December 2011 are as follows :

	2011 ***QR '000***	*2010* *QR '000*
Share of the associate's financial position:		
Current assets	**5,277**	7,561
Deferred tax asset	**2**	-
Non-current assets	**1,391**	1,769
Current liabilities	**(6,550)**	(7,930)
Non-current liabilities	**-**	(12)
Net assets	**120**	1,388
Share of the associate's revenue and losses:		
Revenue	**8,014**	14,807
Losses	**(1,114)**	(836)
Carrying amount of the investment	**120**	1,388

10 HELD-TO-MATURITY INVESTMENTS

The Group's held-to-maturity investments consist of State of Qatar bonds. The market value of these investments amount to QR 73.5 million (2010: Nil) at 31 December 2011.

11 AVAILABLE-FOR-SALE INVESTMENTS

	2011 ***QR '000***	*2010* *QR '000*
Qatari public shareholding companies	**48,965**	46,735
Unquoted securities	**2**	36,000
	48,967	82,735
At cost	**49,109**	92,626
Net movement in fair values	**(142)**	(9,891)
	48,967	82,735

12 INVENTORIES

	2011 ***QR '000***	*2010* *QR '000*
Ancillary spares	**66,432**	55,338
Drilling materials, spare parts and consumables	**33,926**	28,303
	100,358	83,641
Less: Provision for slow moving items	**(26,036)**	(21,785)
	74,322	61,856

Movement in provision for slow moving items is as follows:

	2011 ***QR '000***	*2010* *QR '000*
Balance at 1 January	**21,785**	17,568
Charge for the year	**4,251**	4,217
Balance at 31 December	**26,036**	21,785

13 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2011 ***QR '000***	*2010* *QR '000*
Trade receivables (from aviation business)	**62,332**	66,056
Trade receivables (from drilling business)	**39,927**	6,903
	102,259	72,959
Less: Allowance for impairment of trade receivables	**(14,584)**	(8,198)
Net trade receivables	**87,675**	64,761
Reinsurance share of outstanding claims (Note 13.2)	**167,640**	281,943
Refundable deposits and other receivables	**22,698**	12,611
Prepayments	**17,308**	21,859
Advance for purchase of helicopters	**4,413**	25,218
Staff advances	**4,407**	4,947
Accrued interest income	**1,917**	1,364
Accrued revenue	**779**	567
	306,837	413,270

13 ACCOUNTS RECEIVABLE AND PREPAYMENTS (continued)

Notes:

13.1 Movements in the allowance for impairment of trade receivables are as follows:

	2011	*2010*
	QR '000	*QR '000*
Balance at 1 January	**8,198**	8,675
Provision for impairment during the year	**8,554**	-
Reversals made	**(2,168)**	(477)
	14,584	8,198

13.2 Movements in reinsurance share of outstanding claims are as follows:

	2011			*2010*		
	QR '000			*QR '000*		
	Gross	***Reinsurance***	***Net***	*Gross*	*Reinsurance*	*Net*
At 1 January						
Reported claims	**476,933**	**(281,944)**	**194,989**	159,000	(75,941)	83,059
IBNR	**67,265**	**-**	**67,265**	69,265	-	69,265
Total	**544,198**	**(281,944)**	**262,254**	228,265	(75,941)	152,324

Movements during the period

	2011			*2010*		
	QR '000			*QR '000*		
	Gross	***Reinsurance***	***Net***	*Gross*	*Reinsurance*	*Net*
Reported claims	**(117,208)**	**114,303**	**(2,905)**	317,934	(206,002)	111,932
IBNR	**82,348**	**-**	**82,348**	(2,000)	-	(2,000)
Total	**(34,860)**	**114,303**	**79,443**	315,934	(206,002)	109,932

	2011			*2010*		
	QR '000			*QR '000*		
	Gross	***Reinsurance***	***Net***	*Gross*	*Reinsurance*	*Net*
At 31 December						
Reported claims	**359,725**	**(167,640)**	**192,085**	476,934	(281,943)	194,991
IBNR	**149,613**	**-**	**149,613**	67,265	-	67,265
Total	**509,338**	**(167,640)**	**341,698**	544,199	(281,943)	262,256

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2011 ***QR '000***	*2010* *QR '000*
Held for trading (Note 14.1)	**57,607**	58,832
Designated as fair value through profit or loss (14.2)	**40,547**	83,880
	98,154	142,712

Notes:

14.1 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.

14.2 The Group invested in bonds linked to equity index, which have been designated as financial asset through profit or loss because of the inability to separate the embedded derivative from its host contract either at acquisition date or at a subsequent financial reporting date. Hence the entire combined contracts are classified as financial asset at fair value through profit or loss.

15 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:

	2011 ***QR '000***	*2010* *QR '000*
Cash on hand	**469**	246
Cash at banks		
- Current and call accounts	**196,983**	77,874
- Other fixed deposits	**280,589**	385,780
- Time deposits with maturities in excess of three months	**615,513**	362,894
Cash and bank balances as per consolidated statement of financial position	**1,093,554**	826,794
Less: Time deposits with maturities in excess of three months	**(615,513)**	(362,894)
Cash and cash equivalents as per consolidated statement of cash flows	**478,041**	463,900

Notes:

15.1 Included in bank balances is 'debt service reserve' amounting to QR 28.2 million equivalent to USD 7.7 million (2010: QR 28.2 million equivalent to USD 7.7 million) which is restricted in use, in accordance with the provisions of the syndicated loan agreement entered into by the joint venture with the lenders.

15.2 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 Group.

16 SHARE CAPITAL

	2011	*2010*
	QR '000	*QR '000*
Issued and paid up		
135,157,000 (2010: 135,157,000) ordinary shares of QR 10	**1,351,570**	1,351,570

17 LEGAL RESERVE

Gulf International Services Q.S.C. was formed in accordance with Article 68 of Qatar Commercial Companies' Law No. 5 of 2002, which stipulates that the Group is exempt from the provision of the said law.

Since the Articles of Association of the Group does not provide for legal reserve, the legal reserve in the consolidated financial position represents the sum of the legal reserve of the subsidiaries and Group's share of the joint venture's legal reserve.

This also includes the excess of funds amounted to QR 23.9 million raised from the public issue of shares over and above the issue costs incurred by the Group. In accordance with the terms of the prospectus issued, the amount has been transferred to legal reserve.

18 GENERAL RESERVE

In two of the subsidiaries, 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.

19 DIVIDENDS

The Board of Directors have proposed a cash dividend of QR 1.3 per share amounting to QR 175.7 million (2010: QR 1.3 per share amounting to QR 175.7 million). The Board of Directors have also proposed bonus shares of 10% of the issued share capital as at 31 December 2011 amounting to QR 135.2 million. The proposal will be subject to formal approval at the Annual General Meeting.

20 LOANS AND BORROWINGS

	Borrowing company	***Rate***	***2011 QR '000***	*2010 QR '000*
Syndicated borrowings:				
- Loan 1 (i)	GDI	Libor + 0.70%	**39,200**	52,267
- Loan 2 (ii)	GDI	Libor + 0.70%	**116,382**	152,191
- Loan 3 (iii)	GDI	Libor + 0.80%	**186,322**	227,728
- Loan 4 (iv)	GDI	Libor + 0.55%	**61,152**	71,344
- Loan 5 (v)	GDI	Libor + 1.05%	**46,577**	46,577
- Loan 6 (vi)	GDI	Libor + 1.50%	**272,636**	-
			722,269	550,107
Various borrowings (vii)	GHC	LIBOR + .45% - 1.5%	**239,513**	310,485
			961,782	860,592
Less: Unamortised finance cost associated with raising finance			**(12,822)**	(2,895)
			948,960	857,697

20 LOANS AND BORROWINGS (continued)

Classified in the consolidated statement of financial position as follows:		
Non-current portion	**757,972**	677,783
Current portion	**190,988**	179,914
	948,960	857,697

Notes:

The finance costs associated with raising finance represent arrangement fees.

(i) Loan 1: The Joint Venture entity in the Group ("JV") has entered into a loan agreement with a consortium of bankers for a project facility of USD 50 million to finance the construction, upgrading and refurbishment of rigs and purchase of other related assets. The effective interest is LIBOR plus 0.7% and the loan is repayable in 39 equal quarterly instalments of USD 1,282,051 commencing from 24 May 2005. The loan is secured over the proceeds from Rig Gulf – 1.

(ii) Loan 2: The JV has entered into a loan agreement with a consortium of bankers for a project facility of USD 130 million to finance the purchase, upgrading and refurbishment works of drilling rigs. The effective interest is LIBOR plus 0.7% and the loan is repayable in 37 equal quarterly instalments of USD 3,513,514 commencing from 31 March 2006. The loan has been drawn-down to finance the construction and or purchase of rigs, Gulf 3, Al Khor, Al Zubarah, and GDI 4. The loan is secured by creating a first preferred mortgage on rig Gulf – 2 in favour of the lenders. The proceeds from rigs GDI - 1 and Gulf - 2 have also been assigned in favour of the lenders.

(iii) Loan 3: The JV has entered into a loan agreement with a consortium of bankers for a project facility of USD 130 million to finance the construction and purchase of drilling rig, Al Zubarah and the upgrade and refurbishment works on existing drilling rigs owned by the JV. The effective interest rate is LIBOR plus 0.80% and the loan is repayable in 32 equal quarterly instalments of USD 4,062,500 each commencing from 31 July 2008. The loan is secured by creating a first preferred mortgage on rig Gulf – 3 in favour of the lenders.

(iv) Loan 4: The JV has entered into a loan agreement with a commercial bank for a project facility of USD 40 million to finance the purchase of offshore rig Al Khor. The effective interest is LIBOR plus 0.55% and the loan is repayable in 40 equal quarterly instalments of USD 1 million each commencing from 31 March 2008. The loan is secured by way of granting the lender a right of set-off against the credit balances of other accounts of the JV maintained with the lender.

(v) Loan 5: The JV has entered into a loan agreement ("The bridge loan") with a commercial bank for a project facility of USD 20 million to finance the final payment for Al Zubarah rig and also acquire a new onshore drilling rig. The effective interest is LIBOR plus 1.05%. The bridge loan will be replaced by a credit facility when the loan agreement currently under progress is executed.

(vi) During the year, the Group obtained a syndicated loan of US$ 430 million from a consortium of lenders, to finance the construction of two offshore drilling rigs, purchase of one offshore drilling rig and purchase of two rigs for land operations. The effective interest is LIBOR plus 1.5%. The loan is divided into three sub facilities of US$ 368 Million, US$ 42 Million and US$ 20 Million, repayable in 28 equal quarterly installments, 26 equal quarterly installments and 24 equal quarterly installments, respectively. The loan is secured by creating a first preferred mortgage on all of the above mentioned assets in favor of the lenders.

20 LOANS AND BORROWINGS (continued)

Notes:

(vii) Various borrowings: Gulf Helicopters Company Q.S.C., the subsidiary company has entered into various borrowing arrangements with a consortium of bankers in relation to its aviation business. All facilities in this regard bear interest rates varying between LIBOR plus 0.45% and LIBOR plus 1.5%. The loans are to be repaid in quarterly instalments and are unsecured.

Moreover, various borrowings includes also the share of Ijarah loan of an indirect joint venture of Group to be repaid in 5 equal instalments starting from 2010 till 2014, carrying an interest rate of 2.45%, which was early settled during the year.

21 EMPLOYEES' END OF SERVICE BENEFITS

	2011 ***QR '000***	*2010* *QR '000*
Balance at 1 January	**13,005**	10,255
Charge for the year	**5,777**	6,266
Payments made during the year	**(3,138)**	(3,516)
Balance at 31 December	**15,644**	13,005

22 ACCOUNTS PAYABLE, INSURANCE PAYABLES AND ACCRUALS

	2011 ***QR '000***	*2010* *QR '000*
Trade payables	**70,969**	42,178
Unearned premium (Note 22.1)	**156,824**	139,305
Outstanding claims	**509,337**	544,199
	737,130	725,682
Payables to insurance and reinsurance companies:		
Reinsurance premiums payable	**261,621**	148,295
Advance management fees	**15,775**	9,546
Advance reinsurance commissions received	**33,683**	27,403
	311,079	185,244
Accrued expenses	**72,881**	84,626
Other payables	**52,368**	39,172
Provision for social contribution fund	**7,073**	10,979
	132,322	134,777
	1,180,531	1,045,703

22 ACCOUNTS PAYABLE, INSURANCE PAYABLES AND ACCRUALS (continued)

Note:

22.1 The movements of unearned premium during the year are as follows:

	2011 ***QR '000***	*2010* *QR '000*
Balance at 1 January	**139,305**	129,690
Increase during the year	**156,664**	138,018
Release during the year	**(139,145)**	(128,403)
Balance at 31 December	**156,824**	139,305

23 TRANSACTIONS WITH RELATED PARTIES

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.

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

	2011 ***QR '000***		*2010* *QR '000*	
	Revenue	**Expenses**	Revenue	Expenses
Qatar Petroleum (Associate investor)	**453,123**	**38,740**	512,748	15,511
Qatar Liquefied Gas (Affiliate)	**34,875**	**-**	155,221	-
Ras Laffan Natural Gas (Affiliate)	**55,770**	**-**	58,982	-
United Helicharters Private Limited (Associate)	**5,065**	**-**	9,929	-
Al Shaheen Well Services (Affiliate)	**-**	**1,814**	-	-
Qatar Fuel (Woqod) (Affiliate)	**-**	**25,833**	-	8,617
Amwaj Catering (Affiliate)	**12**	**10,705**	-	10,076
Others (Affiliate)	**363**	**9,388**	-	-
	549,208	**86,480**	736,880	34,204

23 TRANSACTIONS WITH RELATED PARTIES (continued)

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

	2011	*2010*
	QR '000	*QR '000*
Due from related parties		
Qatar Petroleum (Associate investor)	**164,968**	270,966
United Helicharters Private Limited (Associate)	**13,007**	13,435
Ras Laffan Natural Gas (Affiliate)	**12,860**	9,292
Qatar Liquefied Gas (Affiliate)	**4,805**	8,376
Qatar Fuel (Woqod) (Affiliate)	**171**	-
Amwaj Catering (Affiliate)	**32**	-
Others (Affiliate)	**50**	22
	195,893	302,091
Less: Allowance for impairment	**(957)**	(957)
	194,936	301,134

There was no movement in the allowance for impairment on due from related parties (2010: Nil).

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

	2011	*2010*
	QR '000	*QR '000*
Due to related parties		
Qatar Petroleum (Associate investor)	**87,809**	51,434
Qatar Fuel (Woqod) (Affiliate)	**6,033**	1,177
Amwaj Catering (Affiliate)	**5,921**	2,710
Japan Drilling Company (Affiliate)	**4,268**	2,616
Al Shaheen Well Services Company (Affiliate)	**714**	844
United Helicharters Private Limited (Associate)	-	797
Other related parties	**119**	2,154
	104,864	61,732

	2011	*2010*
	QR '000	*QR '000*
Compensation of key management personnel		
Salaries and other benefits	**12,201**	12,851
Directors' fees	**3,036**	3,704

24 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:

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.

	2011	*2010*
Profit for the year (QR '000)	**282,907**	439,166
Weighted average number of equity shares ('000)	**135,157**	135,157
Basic earnings per share (QR)	**2.09**	3.25

25 CONTINGENCIES AND COMMITMENTS

	2011 ***QR '000***	*2010* *QR '000*
Contingent liabilities		
Guarantees against performance bonds	**2,475**	3,949
Letters of credit	**8,536**	2,074

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

	2011 ***QR '000***	*2010* *QR '000*
Commitments		
Capital commitments	**1,035,399**	1,878
Estimated capital expenditure approved but not contracted	**75,110**	63,573

26 OPERATING SEGMENTS

The Group has 3 reportable segments, as described below. The segments offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the segments, the 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:

- 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. Also operating as a provider of helicopter transportation services in Middle East and North Africa (MENA region).
- Drilling; drilling and drilling – related services to the QP Group and its international co-ventures.

26 OPERATING SEGMENTS (continued)

31 December 2011	*Insurance QR '000*	*Drilling QR '000*	*Aviation QR '000*	*Total QR '000*
Total external revenue	550,303	478,627	442,995	1,471,925
Inter-segment revenue	(2,437)	-	-	(2,437)
Net revenue	547,866	478,627	442,995	1,469,488
Net profit (after inter-segment eliminations)	36,364	93,482	166,515	296,361
Total assets	1,566,797	1,709,702	1,188,698	4,465,197
Total liabilities	1,074,853	812,500	320,083	2,207,436
Depreciation	1,575	116,171	57,747	175,493
Cash and bank balances	695,062	169,737	101,915	966,714
Capital expenditures (including investment properties)	869	403,956	124,564	529,389
Finance income	10,183	2,919	1,645	14,747
Finance cost	-	6,043	6,425	12,468

26 OPERATING SEGMENTS (continued)

31 December 2010	*Insurance* *QR '000*	*Drilling* *QR '000*	*Aviation* *QR '000*	*Total* *QR '000*
Total external revenue	480,497	559,468	447,975	1,487,940
Inter-segment revenue	(1,853)	-	-	(1,853)
Net revenue	478,644	559,468	447,975	1,486,087
Net profit (after inter-segment eliminations)	40,005	217,140	192,526	449,671
Total assets	1,404,556	1,592,598	1,180,077	4,177,231
Total liabilities	928,798	635,998	378,683	1,943,479
Depreciation	3,771	107,140	54,447	165,358
Cash and bank balances	388,656	262,011	145,840	796,507
Capital expenditures (including investment properties)	11,225	96,101	222,446	329,772
Finance income	14,121	8,752	2,115	24,988
Finance cost	939	7,519	7,384	15,842

26 OPERATING SEGMENTS (continued)

Reconciliation of reportable segments profit or loss	***2011 QR '000***	*2010 QR '000*
Total profit for reportable segments	**296,361**	449,671
Other un-allocable profit or loss (represents profit or loss of Parent Company including dividends from the subsidiaries and joint venture)	**267,426**	275,375
Elimination of dividends paid to parent company by subsidiaries and a joint venture	**(280,880)**	(285,880)
Consolidated profit for the year	**282,907**	439,166
Reconciliation of reportable segments total assets		
Total assets for reportable segments	**4,465,197**	4,177,231
Other un-allocable assets	**1,388,470**	1,293,258
Elimination of investments in subsidiaries and joint venture	**(1,248,443)**	(1,248,443)
Elimination of inter-segments assets	**-**	(637)
Consolidated total assets for the year	**4,605,224**	4,221,409
Reconciliation of reportable segments cash and bank balances		
Cash and bank balances for reportable segments	**966,714**	796,507
Other un-allocable assets	**126,840**	30,287
Consolidated cash and bank balances for the year	**1,093,554**	826,794
Reconciliation of reportable segments total liabilities		
Total liabilities for reportable segments	**2,207,436**	1,943,479
Other un-allocable liabilities	**42,563**	35,295
Elimination of inter-segments liabilities	**-**	(637)
Consolidated total liabilities for the year	**2,249,999**	1,978,137

26 OPERATING SEGMENTS (continued)

Other material items	***2011*** Reportable segment totals QR '000	***2011*** Adjustments QR '000	***2011*** Consolidated totals QR '000
Depreciation	**175,493**	**-**	**175,493**
Capital expenditures (including investment properties)	**529,389**	**-**	**529,389**
Finance income	**14,747**	**1,881**	**16,628**
Finance expenses	**12,468**	**-**	**12,468**

Other material items	*2010* Reportable segment totals QR '000	*2010* Adjustments QR '000	*2010* Consolidated totals QR '000
Depreciation	165,358	-	165,358
Capital expenditures (including investment properties)	329,772	-	329,772
Finance income	24,988	1,701	26,689
Finance expenses	15,842	186	16,028

27 FINANCIAL INFORMATION OF THE JOINT VENTURES

The following table is the summarised financial information of the Group's investment in joint ventures:

	Gulf Drilling International Q.S.C. QR '000	***Fereej * Real Estate Company Q.S.C. QR '000***	***Total 2011 QR '000***	*Gulf Drilling International Q.S.C. QR '000*	*Fereej * Real Estate Company Q.S.C. QR '000*	*Total 2010 QR '000*
Share of joint venture's statement of financial position						
Current assets	**315,043**	-	**315,043**	479,836	15,199	495,035
Non-current assets	**1,394,659**	-	**1,394,659**	1,112,762	160,340	1,273,102
Current liabilities	**(223,011)**	-	**(223,011)**	(193,269)	(11,395)	(204,664)
Non-current liabilities	**(589,489)**	-	**(589,489)**	(442,729)	-	(442,729)
Share of net assets	**897,202**	**-**	**897,202**	956,600	164,144	1,120,744
Share of joint venture's comprehensive income						
Share of profit / (loss) for the year	**93,482**	**-**	**93,482**	217,140	(1,738)	215,402

* Fareej Real Estate Company Q.S.C. is a joint venture of Al Koot Insurance and Reinsurance Company Q.S.C. (with 33% holding), a subsidiary of Gulf International Services Q.S.C.

On 17 August 2011, the Joint Venture's Board of Directors have resolved and approved the voluntary dissolution of the Joint Venture, and as a result an independent Liquidation Committee was formed, duly appointed by the Joint Venture's Board of Directors, with the powers and responsibility to oversee and facilitate the winding-down of the Joint Venture. The Joint Venture effectively ceased operations on 30 November 2011, as determined and approved by the Liquidation Committee. All assets of the Joint Venture were either transferred to shareholders or sold to third parties with the proceeds being distributed to the shareholders, based on their respective shareholding, after settlement of all liabilities of the Joint Venture.

As a result of the liquidation of the investment in the Joint Venture, the Group received cash and available-for-sale investments amounting to QR 150,287,974 and QR 6,170,915, respectively. The Group also recognised a loss on the liquidation of investment in the joint venture of QR 8,541,111.

28 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, insurance receivables, investment in securities and certain other assets. Financial liabilities include loans and borrowings, due to related parties, bank overdrafts and certain other liabilities. Accounting policies for financial instruments are set out in Note 2.

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.

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.

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.

28 FINANCIAL RISK MANAGEMENT (continued)

Insurance risk (continued)

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. In recent years, the Group has only underwritten policies for properties containing fire detection equipment.

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.

Reinsurance risk
In common with other insurance companies, in order to minimise 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 minimise 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.

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).

28 FINANCIAL RISK MANAGEMENT (continued)

Insurance risk (continued)

Sources of uncertainty in the estimation of future claim payments (continued)

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 consolidated statement of financial position 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 24,469,314 on the consolidated statement of comprehensive income (2010: QR 23,017,200).

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 trade accounts receivable, 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.

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:

	2011 ***QR '000***	*2010* *QR '000*
Cash and bank balances (including time deposits)	**1,093,085**	826,548
Insurance and reinsurance related receivables	**589,689**	572,077
Net trade receivables	**87,675**	64,761
Financial investments	**219,719**	225,447
Due from related parties	**194,936**	301,134
	2,185,104	1,989,967

28 FINANCIAL RISK MANAGEMENT (continued)

Objective and policies (continued)

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 due to 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.

28 FINANCIAL RISK MANAGEMENT (continued)

Age analysis of financial assets is as follows:

31 December 2011	*Neither past due nor impaired*	*Past due but not impaired*					*Past due and impaired*	*Total*
		<30 days QR '000	*31 to 60 days QR '000*	*61 to 90 days QR '000*	*91 to 120 days QR '000*	*Above 121 days QR '000*	*QR '000*	*QR '000*
Cash and bank balances	**1,093,085**	**-**	**-**	**-**	**-**	**-**	**-**	**1,093,085**
Insurance receivables	**309,147**	**44,942**	**36,771**	**38,133**	**16,343**	**144,353**	**-**	**589,689**
Other receivables	**88,222**	**8**	**16,952**	**4,941**	**2,946**	**-**	**14,584**	**127,653**
Investment securities	**219,719**	**-**	**-**	**-**	**-**	**-**	**-**	**219,719**
Due from related parties	**113,033**	**8,058**	**20,043**	**7,604**	**10,954**	**35,244**	**957**	**195,893**
Total	**1,823,206**	**53,008**	**73,766**	**50,678**	**30,243**	**179,597**	**15,541**	**2,226,039**

31 December 2010	*Neither past due nor impaired*	*Past due but not impaired*					*Past due and impaired*	*Total*
		<30 days QR '000	*31 to 60 days QR '000*	*61 to 90 days QR '000*	*91 to 120 days QR '000*	*Above 121 days QR '000*	*QR '000*	*QR '000*
Cash and bank balances	826,548	-	-	-	-	-	-	826,548
Insurance receivables	214,094	217,267	32,148	74,466	19,335	14,767	-	572,077
Other receivables	66,056	-	-	5,047	-	-	8,199	79,302
Investment securities	178,712	-	-	-	-	-	-	178,712
Due from related parties	193,304	1,401	74,958	26,793	2,165	2,513	-	301,134
Total	1,478,714	218,668	107,106	106,306	21,500	17,280	8,199	1,957,773

28 FINANCIAL RISK MANAGEMENT (continued)

Objective and policies (continued)

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).

As at the consolidated reporting date, the top 3 insurance companies account for 96% (2010: 98%) of the total insurance receivables, the top 3 investments account for 95% (2010: 71%) of total available for sale investments.

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.

28 FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

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

	GROSS UNDISCOUNTED CASH FLOWS						
31 December 2011	*On demand QR '000*	*Up to 3 months QR '000*	*3 to 6 months QR '000*	*6 months to 1 year QR '000*	*1 to 3 years QR '000*	*Over 3 years QR '000*	*Total QR '000*
Loans and borrowings	**-**	**46,650**	**89,120**	**265,964**	**345,795**	**458,659**	**1,206,188**
Due to related parties	**-**	**79,458**	**16,390**	**8,626**	**390**	**-**	**104,864**
Insurance and other payables	**-**	**355,659**	**120,521**	**112,423**	**385,646**	**-**	**974,249**
	-	**481,767**	**226,031**	**387,013**	**731,831**	**458,659**	**2,285,301**

	GROSS UNDISCOUNTED CASH FLOWS						
31 December 2010	*On demand QR '000*	*Up to 3 months QR '000*	*3 to 6 months QR '000*	*6 months to 1 year QR '000*	*1 to 3 years QR '000*	*Over 3 years QR '000*	*Total QR '000*
Loans and borrowings	-	44,979	44,979	89,957	350,233	330,444	860,592
Due to related parties	-	61,732	-	-	-	-	61,732
Insurance and other payables	-	646,422	127,133	82,664	13,230	-	869,449
	-	753,133	172,112	172,621	363,463	330,444	1,791,773

28 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 return.

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.

28 FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)
The following table sets out the interest rate risk profile of the Group's financial assets and liabilities as at 31 December 2010:

31 December 2011	*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	3.98%	**477,572**	**615,513**	**-**	**-**	**-**	**1,093,085**
Insurance and reinsurance related receivables		-	-	-	-	**589,689**	**589,689**
Trade and other receivables		-	-	-	-	**113,070**	**113,070**
Due from related parties		-	-	-	-	**194,936**	**194,936**
Available-for-sale investments		-	-	-	-	**48,967**	**48,967**
Held-to-maturity investments	3.18%	-	-	-	**72,598**	**-**	**72,598**
Financial assets at fair value through profit or loss		-	-	-	-	**98,154**	**98,154**
		477,572	**615,513**	**-**	**72,598**	**1,044,816**	**2,210,499**
Liabilities							
Loans and borrowings	1.82%	**47,361**	**142,082**	**715,505**	**44,012**	**-**	**948,960**
Due to related parties		**-**	**-**	**-**	**-**	**104,864**	**104,864**
Insurance payables and other payables		**-**	**-**	**-**	**-**	**974,249**	**974,249**
		47,361	**142,082**	**715,505**	**44,012**	**1,079,113**	**2,028,073**

28 FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

31 December 2010	*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	5.25%	106,800	371,894	-	-	348,100	826,794
Insurance and reinsurance related receivables		-	-	-	-	572,078	572,078
Trade and other receivables		-	-	-	-	79,302	79,302
Due from related parties		-	-	-	-	301,134	301,134
Available-for-sale investments		-	-	-	-	82,735	82,735
Financial assets at fair value through profit or loss		-	-	-	-	142,712	142,712
		106,800	371,894	-	-	1,526,061	2,004,755
Liabilities							
Loans and borrowings	2.5%	44,979	134,936	618,445	59,337	-	857,697
Due to related parties		-	-	-	-	61,732	61,732
Insurance payables and other payables		-	-	-	-	869,449	869,449
		44,979	134,936	618,445	59,337	931,181	1,788,878

28 FINANCIAL RISK MANAGEMENT (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 consolidated statement of comprehensive income 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 QR '000	***100 bps decrease QR '000***	***100 bps increase QR '000***	***100 bps decrease QR '000***
31 December 2011				
Loans and borrowings	**(9,490)**	**9,490**	**(9,490)**	**9,490**
Cash flow sensitivity (net)	**(9,490)**	**9,490**	**(9,490)**	**9,490**

	Profit or loss		*Equity*	
	100 bps increase QR '000	*100 bps decrease QR '000*	*100 bps increase QR '000*	*100 bps decrease QR '000*
31 December 2010				
Loans and borrowings	(8,577)	8,577	(8,577)	8,577
Cash flow sensitivity (net)	(8,577)	8,577	(8,577)	8,577

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 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.

28 FINANCIAL RISK MANAGEMENT (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.

		31 December 2011	
	Change in variable	***Financial assets through profit or loss - impact on Net profit***	***Available-for-sale investments - impact on other comprehensive income***
Qatar Exchange	**+10%**	**9,815**	**4,897**
Qatar Exchange	**-10%**	**(9,815)**	**(4,897)**

		31 December 2010	
	Change in variable	*Financial assets through profit or loss - impact on Net profit*	*Available-for-sale investments- impact on other comprehensive income*
Qatar Exchange	+10%	14,271	4,673
Qatar Exchange	-10%	(14,271)	(4,673)

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.

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 years ended 31 December 2011.

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

28 FINANCIAL RISK MANAGEMENT (continued)

Capital management (continued)

Gearing ratio

	2011 ***QR '000***	*2010* *QR '000*
Loans and borrowings	**948,960**	857,697
Total equity	**2,355,225**	2,243,272
Equity and debt	**0.40:1**	0.38:1
Gearing ratio	**40%**	38%

29 FAIR VALUES AND CLASSIFICATION OF FINANCIAL INSTRUMENTS

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 financial instruments are provided in the tables below.

31 December 2011	***Fair value through profit or loss QR '000***	***Loans and receivables QR '000***	***Available-for- sale QR '000***	***Other amortized cost QR '000***	***Total carrying value QR '000***	***Fair value QR '000***
Assets						
Cash and bank balances	**-**	**1,093,085**	**-**	**-**	**1,093,085**	**1,093,085**
Insurance and reinsurance receivables	**-**	**589,689**	**-**	**-**	**589,689**	**589,689**
Other receivables	**-**	**113,070**	**-**	**-**	**113,070**	**113,070**
Due from related parties	**-**	**194,936**	**-**	**-**	**194,936**	**194,936**
Available-for-sale investments	**-**	**-**	**48,967**	**-**	**48,967**	**48,967**
Held-to-maturity investments	**-**	**-**	**-**	**72,598**	**72,598**	**73,528**
Financial assets at fair value through profit or loss	**98,154**	**-**	**-**	**-**	**98,154**	**98,154**
	98,154	**1,990,780**	**48,967**	**72,598**	**2,210,499**	**2,211,429**
Liabilities						
Loans and borrowings	-	-	-	-	**948,960**	**948,960**
Due to related parties	-	-	-	-	**104,864**	**104,864**
Insurance payables and other payables	-	-	-	-	**974,249**	**974,249**
	-	-	-	**-**	**2,028,073**	**2,028,073**

29 FAIR VALUES AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (continued)

31 December 2010	*Fair value through profit or loss QR '000*	*Loans and receivables QR '000*	*Available-for-sale QR '000*	*Other amortized cost QR '000*	*Total carrying value QR '000*	*Fair value QR '000*
Assets						
Cash and bank balances	-	826,794	-	-	826,794	826,794
Insurance and reinsurance receivables	-	572,077	-	-	572,077	572,077
Other receivables	-	79,302	-	-	79,302	79,302
Due from related parties	-	301,134	-	-	301,134	301,134
Available-for-sale investments	-	-	82,735	-	82,735	82,735
Financial assets at fair value through profit or loss	142,712	-	-	-	142,712	142,712
	142,712	1,779,307	82,735	-	2,004,754	2,004,754
Liabilities						
Loans and borrowings	-	-	-	857,697	857,697	857,697
Due to related parties	-	-	-	61,732	61,732	61,732
Insurance payables and other payables	-	-	-	869,449	869,449	869,449
	-	-	-	1,788,878	1,788,878	1,788,878

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)

	Level 1 QR '000	***Level 2 QR '000***	***Level 3 QR '000***	***Total QR '000***
As at 31 December 2011				
Available-for-sale	**48,965**	**-**	**2**	**48,967**
Financial assets at fair value through profit or loss	**-**	**98,154**	**-**	**98,154**
	48,965	**98,154**	**2**	**147,121**

	Level 1 QR '000	*Level 2 QR '000*	*Level 3 QR '000*	*Total QR '000*
As at 31 December 2010				
Available-for-sale	46,735	-	36,000	82,735
Financial assets at fair value through profit or loss	-	97,712	45,000	142,712
	46,735	97,712	81,000	225,447

30 RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS

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

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

31 COMPARATIVE FIGURES

The presentation and classification of items in the consolidated financial statements shall be retained from one period to the next unless a change in presentation including the reclassification of comparative figures provides more reliable and relevant information to the users of the financial statements and does not affect the previously reported net profit or shareholder's equity.

Certain accounts in the 2010 consolidated financial statements have been reclassified to conform to the 2011 presentation and classification. The reclassification has not had any effect on the net profit, total assets, total liabilities or total equity of the comparative figures.