Gulf International Services Q.S.C.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2012

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 a jointly controlled entity (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2012 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

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 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

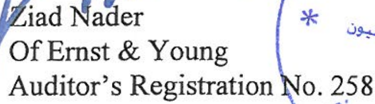
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2012 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young

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 Group, 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: 25 February 2013
Doha

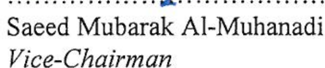
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2012

	Notes	***2012*** ***QR '000***	*2011* *QR '000*
Revenue	3	**2,188,847**	1,469,488
Direct costs	4	**(1,626,879)**	(1,090,466)
GROSS PROFIT		**561,968**	379,022
Finance income		**27,465**	16,628
Net gains on financial assets at fair value through profit or loss		**13,151**	842
Other income	5	**35,605**	34,740
Share of results of an associate	9	**1,985**	(1,114)
Finance cost		**(26,716)**	(12,468)
Impairment loss of available-for-sale investments		**-**	(14,667)
General and administrative expenses	6	**(149,197)**	(111,535)
Loss on liquidation of investment in a joint venture		**-**	(8,541)
PROFIT FOR THE YEAR		**464,261**	282,907
Other comprehensive income			
Amount transferred to profit or loss on impairment of available for sale investments		**-**	14,667
Net movement in fair value of available-for-sale investments		**4,264**	(3,787)
Recognised gains on available-for-sale investments transferred to profit or loss		**357**	241
Net foreign exchange difference on translation of investment in an associate		**(7)**	(154)
Other comprehensive income for the year		**4,614**	10,967
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**468,875**	293,874
Earnings per share			
Basic and diluted earnings per share (Qatari Riyals)	24	**3.12**	1.90

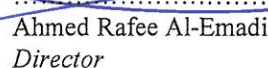
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Notes	*2012* *QR '000*	*2011* *QR '000*
ASSETS			
Non-current assets			
Property, plant and equipment	7	**2,800,524**	2,292,562
Intangible assets	30	**303,559**	-
Investment properties	8	**1,125**	1,125
Investment in an associate	9	**2,098**	120
Held-to-maturity investments	10	**85,413**	72,598
Available-for-sale investments	11	**52,393**	48,967
		3,245,112	2,415,372
Current assets			
Inventories	12	**96,705**	74,322
Due from related parties	23	**474,822**	194,936
Accounts receivable and prepayments	13	**791,623**	306,837
Insurance receivables		**460,036**	422,049
Financial assets at fair value through profit or loss	14	**409,624**	98,154
Cash and bank balances	15	**823,188**	1,093,554
		3,055,998	2,189,852
TOTAL ASSETS		**6,301,110**	4,605,224
EQUITY AND LIABILITIES			
Equity			
Share capital	16	**1,486,727**	1,351,570
Legal reserve	17	**161,807**	133,402
General reserve	18	**74,516**	74,516
Foreign currency translation reserve		**(161)**	(154)
Fair value reserve		**4,763**	142
Retained earnings		**909,105**	795,749
Total equity		**2,636,757**	2,355,225
Non-current liabilities			
Loans and borrowings	20	**1,455,655**	757,972
Employees' end of service benefits	21	**35,802**	15,644
		1,491,457	773,616
Current liabilities			
Due to related parties	23	**98,257**	100,596
Accounts payable, insurance payables and accruals	22	**1,819,520**	1,184,799
Loans and borrowings	20	**255,119**	190,988
		2,172,896	1,476,383
Total liabilities		**3,664,353**	2,249,999
TOTAL EQUITY AND LIABILITIES		**6,301,110**	4,605,224



Saeed Mubarak Al-Muhanadi
Vice-Chairman



Ahmed Rafee Al-Emadi
Director

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	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 2012	1,351,570	133,402	74,516	(154)	142	795,749	2,355,225
Profit for the year	-	-	-	-	-	464,261	464,261
Other comprehensive income for the year	-	-	-	(7)	4,621	-	4,614
Total comprehensive income	-	-	-	(7)	4,621	464,261	468,875
Transfer to legal reserve (Note 17)	-	28,405	-	-	-	(28,405)	-
Issuance of bonus shares (Note 16)	135,157	-	-	-	-	(135,157)	-
Dividends paid (Note 19)	-	-	-	-	-	(175,740)	(175,740)
Provision for social and sports fund (Note 22)	-	-	-	-	-	(11,603)	(11,603)
Balance at 31 December 2012	**1,486,727**	**161,807**	**74,516**	**(161)**	**4,763**	**909,105**	**2,636,757**

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	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	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)	11,121	-	10,967
Total comprehensive income	-	-	-	(154)	11,121	282,907	293,874
Transfer to legal reserve (Note 17)	-	13,400	-	-	-	(13,400)	-
Dividends paid (Note 19)	-	-	-	-	-	(175,704)	(175,704)
Liquidation of investment in joint venture	-	(88)	-	-	-	944	856
Provision for social and sports fund (Note 22)	-	-	-	-	-	(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 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	Notes	***2012*** ***QR '000***	*2011* *QR '000*
OPERATING ACTIVITIES			
Profit for the year		**464,261**	282,907
Adjustments for:			
Depreciation	7 and 8	**204,149**	175,493
Impairment loss on available-for-sale investments		**-**	14,667
Provision for employees' end of service benefits	21	**16,168**	5,777
Finance expenses		**26,716**	12,468
Loss on disposal of property, plant and equipment		**627**	1,835
Share of results of an associate	9	**(1,985)**	1,114
Net gains on financial assets at fair value through profit or loss		**(13,151)**	(842)
Impairment loss on trade receivables	13	**2,291**	8,554
Write-back of allowance for impairment of trade receivables	13	**-**	(2,168)
Finance income		**(27,465)**	(16,628)
Dividend income	5	**(126)**	-
Net (gain) loss on disposal of available-for-sale investments		**(2,843)**	241
Loss on liquidation of investment in a joint venture		**-**	8,541
Net operating profit before working capital changes		**668,642**	491,959
Inventories		**(13,038)**	(12,466)
Accounts receivable, insurance receivables and prepayments		**(567,509)**	75,827
Accounts payable, insurance payables and accruals		**263,429**	182,279
Cash from operations		**351,524**	737,599
Employees' end of service benefits paid	21	**(4,936)**	(3,138)
Net cash from operating activities		**346,588**	734,461
INVESTING ACTIVITIES			
Proceeds from disposal of available-for-sale investments		**4,441**	54,713
Finance income received		**62,913**	14,711
Dividend income received	5	**126**	-
Proceeds from sale of financial assets at fair value through profit or loss		**159,301**	45,400
Proceeds from disposal of property, plant and equipment		**3,233**	4,051
Acquisition of financial assets at fair value through profit or loss		**(457,620)**	**-**
Acquisition of available-for-sale investments		**(403)**	(23,191)
Acquisition of held-to-maturity investments		**(12,798)**	(72,598)
Time deposits with maturities in excess of three months		**251,003**	(252,619)
Movement in restricted deposits		**(10)**	(58)
Acquisition of property, plant and equipment	7	**(657,452)**	(529,389)
Acquisition of a subsidiary net of cash received (Note 30)		**(278,053)**	**-**
Proceeds from liquidation of a joint venture		**-**	135,511
Net cash used in investing activities		**(925,319)**	(623,469)

..................*continued*

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2012

	Notes	***2012*** ***QR '000***	*2011* *QR '000*
FINANCING ACTIVITIES			
Proceeds from loans and borrowings		**1,037,780**	272,636
Repayment of loans and borrowings		**(275,966)**	(181,373)
Dividends paid	19	**(175,740)**	(175,704)
Finance costs paid		**(26,716)**	(12,468)
Net cash from (used in) financing activities		**559,358**	(96,909)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(19,373)**	14,083
Cash and cash equivalents at 1 January		**449,807**	435,724
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	15	**430,434**	449,807

The attached notes 1 to 32 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 in Doha, State of Qatar.

The Company was incorporated by Qatar Petroleum ("QP") as a sole shareholder with an initial capital of QR 5 million on 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 Qatar Exchange. An extraordinary general assembly held on 4 November 2012 approved the amendments to the Articles of Association in which it increased the ownership limit of General Retirement and Social Insurance Authority (GRSIA). Subsequently, as per the instructions of the Supreme Council of Economic Affairs, QP divested 20% of its stake in GIS to the GRSIA.

The consolidated financial statements of the Group as of and for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the Board of Directors on 25 February 2013.

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 consolidated financial statements are presented in Qatari Riyals (QR), which is the Group's functional and presentation currency and all values are rounded to the nearest thousands (QR '000), except when otherwise indicated.

The 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 its interest in a joint venture as at the end of the reporting period:

Name of subsidiaries	*Country of incorporation*	*Principal activities*	*Group effective shareholding % 31 December 2012*	*Group effective shareholding % 31 December 2011*
Al Koot Insurance and Reinsurance Company S.A.Q.	Qatar	Insurance and reinsurance services	100	100
Gulf Helicopters Company Q.S.C.	Qatar	Helicopter transport services	100	100
Amwaj Catering Services Q.S.C.	Qatar	Catering services	100	-
Name of joint venture				
Gulf Drilling International Limited Q.S.C.	Qatar	Drilling services	70	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 following amendments to IFRS effective as of 1 January 2012:

Standard	*Content*
IAS 12	IAS 12 Income Taxes (Amendment) - Deferred Taxes: Recovery of Underlying Assets
IFRS 1	IFRS 1 First-Time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters IFRS 7 Financial Instruments: Disclosures (Amendments)
IFRS 7	Financial Instruments : Disclosures - Enhanced Derecognition Disclosure Requirements

The adoption of the standards or interpretations is described below:

IAS 12 Income Taxes (Amendment) - Deferred Taxes: Recovery of Underlying Assets
The amendment clarified the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis. The amendment is effective for annual periods beginning on or after 1 January 2012 and has been no effect on the Group's financial position, performance or its disclosures.

IFRS 1 First-Time Adoption of International Financial Reporting Standards (Amendment) - Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters
The IASB provided guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to hyperinflation. The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment had no impact to the Group.

IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements
The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The amendment is effective for annual periods
beginning on or after 1 July 2011. The Group does not have any assets with these characteristics so there has been no effect on the presentation of its financial statements.

2.4 Standards issued but not yet effective

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

IAS 1 Presentation of Items of Other Comprehensive Income - Amendments to IAS 1
The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time would be presented separately from items that will never be reclassified (for example, net loss or gain on available-for-sale financial assets). The amendment affects presentation only and is effective for annual periods beginning on or after 1 July 2012.

IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32
These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments become effective for annual periods beginning on or after 1 January 2014 and are not expected to impact the Group's financial position or performance.

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

2.4 Standards issued but not yet effective (continued)

IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7
These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments become effective for annual periods beginning on or after 1 January 2013 and are not expected to impact the Group's financial position or performance.

IFRS 9 Financial Instruments: Classification and Measurement
IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 213, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

IFRS 13 Fair Value Measurement
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance, but based on the preliminary analyses, no material impact is expected. This standard becomes effective for annual periods beginning on or after 1 January 2013.

The following standards in issue but not yet effective are not expected to have any impact on the Group's financial statements:

IAS 19 Employee Benefits (Revised)
The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment becomes effective for annual periods beginning on or after 1 January 2012.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)
As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 1 Government Loans - Amendments to IFRS 1
These amendments require first-time adopters to apply the requirements of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, prospectively to government loans existing at the date of transition to IFRS. Entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. The exception would give first-time adopters relief from retrospective measurement of government loans with a below-market rate of interest. The amendment is effective for annual periods on or after 1 January 2013.

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

2.4 Standards issued but not yet effective (continued)

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements
IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after 1 January 2013

IFRS 11 Joint Arrangements
IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard becomes effective for annual periods beginning on or after 1 January 2013, and is to be applied retrospectively for joint arrangements held at the date of initial application.

IFRS 12 Disclosure of Interests in Other Entities
IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. This standard becomes effective for annual periods beginning on or after 1 January 2013.

Annual Improvements May 2012
These improvements are effective for annual periods beginning on or after 1 January 2013. These improvements will not have an impact on the Group, but include:

IFRS 1 First-time Adoption of International Financial Reporting Standards
This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS.

IAS 1 Presentation of Financial Statements
This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

IAS 16 Property Plant and Equipment
This improvement clarifies that major spare parts and servicing equipment that meet the definition of property; plant and equipment are not inventory.

IAS 32 Financial Instruments, Presentation
This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

IAS 34 Interim Financial Reporting
The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

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

2.5 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. Gross insurance and reinsurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. They are recognised on the date on which the policy commences.

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

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.

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.

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.

Revenue from catering
Revenue represents the invoiced value of goods supplied and services rendered by the Group during the year. Amounts are invoiced for the goods supplied and services rendered under the terms of catering and other related service agreements with counter parties.

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

2.5 Significant accounting policies (continued)

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

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

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

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

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

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

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

Deferred acquisition costs (DAC)
DAC are amortised over the period in which the related revenues are earned. The reinsurers' share of deferred acquisition costs is amortised in the same manner as the underlying asset amortisation is recorded in the statement of income.

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

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

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

2.5 Significant accounting policies (continued)

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 Company 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	10 – 20 years
Aircrafts	7 – 10 years
Rigs	10 – 15 years
Plant and machinery	2 – 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	3 – 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.

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.

Business combinations and goodwill
Business combinations are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

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

2.5 Significant accounting policies (continued)

Business combinations and goodwill (continued)
Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities recognised. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated statement of income. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Where goodwill forms part of a cash-generating unit (group of cash generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognised in the consolidated statement of income.

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.

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

2.5 Significant accounting policies (continued)

Investment properties (continued)
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.

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.

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

2.5 Significant accounting policies (continued)

Impairment of non-financial assets
Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Financial instruments – initial recognition and subsequent measurement

Financial assets
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:

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.

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

2.5 Significant accounting policies (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Financial assets at fair value through profit or loss (continued)
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.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Company has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, 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 EIR amortisation is included as interest income in the statement of income. The losses arising from impairment are recognised in the statement of comprehensive income.

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.

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

2.5 Significant accounting policies (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Available-for-sale investments (continued)
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.

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 transferred to the consolidated statement of comprehensive income.

Impairment of financial assets
The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost
For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded in the statement of income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the consolidated statement of income.

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

2.5 Significant accounting policies (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Available for sale financial investments
For available-for-sale financial investments, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of income – is removed from other comprehensive income and recognised in the statement of income. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded in the statement of income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of income, the impairment loss is reversed through the consolidated statement of income.

Derecognition of 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 when:

- 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.

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

2.5 Significant accounting policies (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Financial liabilities
Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts, and derivative financial instruments.

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

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the consolidated statement of income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

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

Gains or losses are recognised in the consolidated statement of comprehensive income when the liabilities are derecognised.

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

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.

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

2.5 Significant accounting policies (continued)

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

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

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

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

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.

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

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

Provisions
Provisions are recognised when the Group has 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)

2.5 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.

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

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

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

2.5 Significant accounting policies (continued)

Fair values

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

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

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

3 REVENUE

	2012 *QR '000*	*2011* *QR '000*
Revenue from drilling businesses	**623,579**	478,627
Revenue from catering services	**427,229**	-
Revenue from aviation business	**513,637**	442,995
Gross insurance revenue (Note 3.1)	**624,402**	547,866
	2,188,847	1,469,488

Notes:

3.1 The details of gross insurance revenue are as follows:

	2012 *QR '000*	*2011* *QR '000*
Gross premiums (Note 3.2)	**682,960**	538,188
Net commission income	**58,659**	37,380
Change in unearned premiums (Note 3.2)	**(117,217)**	(27,702)
	624,402	547,866

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

	2012 *QR '000*			*2011* *QR '000*		
	Gross	*Reinsurance*	*Net*	*Gross*	*Reinsurance*	*Net*
Written premiums	**682,960**	**(394,056)**	**288,904**	538,188	(277,874)	260,314
Change in unearned premiums	**(117,217)**	**99,787**	**(17,430)**	(27,702)	10,183	(17,519)
	565,743	**(294,269)**	**271,474**	510,486	(267,691)	242,795

4 DIRECT COSTS

	2012	*2011*
	QR '000	*QR '000*
Drilling business	**380,003**	324,994
Catering business	**386,215**	-
Aviation business	**301,553**	252,336
Gross insurance expense (Note 4.1)	**559,108**	513,136
	1,626,879	1,090,466

Notes:

4.1 The details of gross insurance expense were as follows:

	2012	*2011*
	QR '000	*QR '000*
Premium ceded to reinsurers (Note 3.2)	**394,056**	277,874
Net claims incurred (Note 4.2)	**259,007**	240,469
Brokerage cost	**5,832**	4,976
Change in unearned premiums (Note 3.2)	**(99,787)**	(10,183)
	559,108	513,136

4.2 The details of net claims incurred are as follows:

	2012			*2011*		
		QR '000			*QR '000*	
	Gross	***Reinsurance***	***Net***	*Gross*	*Reinsurance*	*Net*
Claims settled	**269,521**	**(57,423)**	**212,098**	262,650	(101,624)	161,026
Outstanding claims adjustment	**257,962**	**(244,263)**	**13,699**	(34,860)	31,955	(2,905)
IBNR	**33,210**	**-**	**33,210**	82,348	-	82,348
	560,693	**(301,686)**	**259,007**	310,138	(69,669)	240,469

5 OTHER INCOME

	2012	*2011*
	QR '000	*QR '000*
Service fees	**32,177**	16,503
Gain on sale of available-for-sale investments	**2,843**	3,957
Dividend income	**126**	-
Miscellaneous income	**459**	14,280
	35,605	34,740

6 GENERAL AND ADMINISTRATIVE EXPENSES

	2012	*2011*
	QR '000	*QR '000*
Salaries and other benefits	**104,832**	71,526
Rent	**12,093**	7,462
Aviation related administrative expenses	**10,032**	5,114
Depreciation (Notes 7.1 and 8)	**8,923**	6,306
Travel	**3,858**	2,810
Board member sitting fees	**2,638**	3,036
Advertising	**2,622**	1,576
Legal and professional fees	**2,525**	4,224
Communication	**2,392**	2,406
Allowance for impaired receivables (Note 13.1)	**2,291**	8,554
Qatar Exchange listing fees	**953**	953
Printing and stationery	**803**	460
Repairs and maintenance	**752**	175
Training	**699**	373
Loss on disposal of property, plant and equipment	**627**	1,835
Recruitment costs	**571**	304
Recovery of management expenses from Qatar Petroleum	**(13,406)**	(12,369)
Other expenses	**5,992**	6,790
	149,197	111,535

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 2012	44,018	989,644	115,394	1,345,924	144,670	123,631	434,935	3,198,216
Acquired through business combination	28,622	-	-	-	17,882	12,015	-	58,519
Additions	796	37,529	16,237	31,787	24,145	5,980	540,978	657,452
Transfers	-	29,091	2,327	252,286	8,020	14,450	(306,174)	-
Disposals	-	-	-	(1,023)	(330)	(2,593)	-	(3,946)
Write-offs	-	(498)	(8,840)	(5,551)	(1,177)	(119)	-	(16,185)
At 31 December 2012	73,436	1,055,766	125,118	1,623,423	193,210	153,364	669,739	3,894,056
Depreciation:								
At 1 January 2012	38,862	240,657	47,565	419,575	80,654	78,341	-	905,654
Charge for the year	3,881	46,152	13,721	94,201	26,173	20,021	-	204,149
Relating to disposals	-	-	-	(298)	(282)	(2,516)	-	(3,096)
Write-offs	-	-	(8,840)	(3,282)	(951)	(102)	-	(13,175)
At 31 December 2012	42,743	286,809	52,446	510,196	105,594	95,744	-	1,093,532
Net carrying amounts:								
At 31 December 2012	**30,693**	**768,957**	**72,672**	**1,113,227**	**87,616**	**57,620**	**669,739**	**2,800,524**

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 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)

Notes:

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

	2012 ***QR '000***	*2011* *QR '000*
Direct costs	**195,226**	169,187
General and administrative expenses	**8,923**	6,279
	204,149	175,466

7.2 The Group started construction of two offshore drilling rigs in 2011 and another one in 2012 which are expected to be completed between 2013 and 2014. The new jack-up rigs are financed through a syndicated loan of US$ 595 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 2012 was US$ 4,308,992 (2011: US$ 1,716,004).

7.3 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 2012	1,125	3,286	-	4,411
At 31 December 2012	1,125	3,286	-	4,411
Depreciation:				
Balance at 1 January 2012	-	3,286	-	3,286
At 31 December 2012	-	3,286	-	3,286
Net carrying amounts				
At 31 December 2012	**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 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

Notes:

8.1 The estimated fair market value of the land and building based on an internal calculation completed in 2012 by the Group was QR 6.0 million (2011: QR 6.0 million).

8.2 The investment properties generated rental income amounting QR 1.2 million during the year (2011: QR 1.2 million).

9 INVESTMENT IN AN ASSOCIATE

The Group has the following investment in an associate:

	Country of incorporation	*Ownership*	***2012*** ***QR '000***	*2011* *QR'000*
United Helicharters Private Limited	India	36%	**2,098**	120

	2012 ***QR '000***	*2011* *QR '000*
Balance at 1 January	**120**	1,388
Share of results of the associate	**1,985**	(1,114)
Foreign currency translation reserve	**(7)**	(154)
	2,098	120

9 INVESTMENT IN AN ASSOCIATE (continued)

The summarised results of United Helicharters Private Limited for the year ended 31 December 2012 were as follows :

	2012	*2011*
	QR '000	*QR '000*
Share of the associate's financial position:		
Current assets	**6,687**	5,277
Deferred tax asset	**10**	2
Non-current assets	**1,292**	1,391
Current liabilities	**(5,891)**	(6,550)
Net assets	**2,098**	120
Share of the associate's revenue and losses:		
Revenue	**12,490**	8,014
Profits (Losses)	**1,985**	(1,114)
Carrying amount of the investment	**2,098**	120

10 HELD-TO-MATURITY INVESTMENTS

The Group's held-to-maturity investments consist of State of Qatar and other corporate bonds. At 31 December 2012, the market value of these investments amounted to QR 90.5 million (2011: QR 73.5 million).

11 AVAILABLE-FOR-SALE INVESTMENTS

	2012	*2011*
	QR '000	*QR '000*
Qatari public shareholding companies	**52,391**	48,965
Unquoted securities	**2**	2
	52,393	48,967
At cost	**47,630**	49,109
Net movement in fair values	**4,763**	(142)
	52,393	48,967

12 INVENTORIES

	2012 *QR '000*	*2011* *QR '000*
Ancillary spares	**83,623**	66,432
Drilling materials, spare parts and consumables	**40,261**	33,926
Catering inventories	**6,706**	-
	130,590	100,358
Less: Provision for slow moving items	**(33,885)**	(26,036)
	96,705	74,322

Movement in provision for slow moving items were as follows:

	2012 *QR '000*	*2011* *QR '000*
Balance at 1 January	**26,036**	21,785
Charge for the year	**7,849**	4,251
Balance at 31 December	**33,885**	26,036

13 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2012 *QR '000*	*2011* *QR '000*
Trade receivables (from catering business)	**84,794**	-
Trade receivables (from aviation business)	**74,041**	62,332
Trade receivables (from drilling business)	**55,104**	39,927
	213,939	102,259
Less: Allowance for impairment of trade receivables	**(16,875)**	(14,584)
Net trade receivables	**197,064**	87,675
Reinsurance share of outstanding claims (Note 13.2)	**411,903**	167,640
Accrued interest income	**92,295**	1,917
Refundable deposits and other receivables	**56,382**	22,698
Prepayments	**25,641**	17,308
Advance for purchase of helicopters	**4,413**	4,413
Staff advances	**3,825**	4,407
Accrued revenue	**100**	779
	791,623	306,837

13 ACCOUNTS RECEIVABLE AND PREPAYMENTS (continued)

Notes:

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

	2012	*2011*
	QR '000	*QR '000*
Balance at 1 January	**14,584**	8,198
Provision for impairment during the year	**2,291**	8,554
Reversals made	**-**	(2,168)
	16,875	14,584

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

	2012			*2011*		
		QR '000			*QR '000*	
	Gross	*Reinsurance*	*Net*	*Gross*	*Reinsurance*	*Net*
At 1 January						
Reported claims	**359,725**	**(167,640)**	**192,085**	476,933	(281,943)	194,990
IBNR	**149,613**	**-**	**149,613**	67,265	-	67,265
Total	**509,338**	**(167,640)**	**341,698**	544,198	(281,943)	262,255

Movements during the period

	2012			*2011*		
		QR '000			*QR '000*	
	Gross	*Reinsurance*	*Net*	*Gross*	*Reinsurance*	*Net*
Reported claims	**257,962**	**(244,263)**	**13,699**	(117,208)	114,303	(2,905)
IBNR	**33,210**	**-**	**33,210**	82,348	-	82,348
Total	**291,172**	**(244,263)**	**46,909**	(34,860)	114,303	79,443

	2012			*2011*		
		QR '000			*QR '000*	
	Gross	*Reinsurance*	*Net*	*Gross*	*Reinsurance*	*Net*
At 31 December						
Reported claims	**617,687**	**(411,903)**	**205,784**	359,725	(167,640)	192,085
IBNR	**182,824**	**-**	**182,824**	149,613	-	149,613
Total	**800,511**	**(411,903)**	**388,608**	509,338	(167,640)	341,698

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2012 *QR '000*	*2011* *QR '000*
Held for trading (Note 14.1)	**358,391**	57,607
Designated as fair value through profit or loss (14.2)	**51,233**	40,547
	409,624	98,154

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

	2012 *QR '000*	*2011* *QR '000*
Cash on hand	**779**	469
Cash at banks		
- Current and call accounts	**184,210**	196,983
- Other fixed deposits	**273,689**	280,589
- Time deposits with maturities in excess of three months	**364,510**	615,513
Cash and bank balances as per consolidated statement of financial position	**823,188**	1,093,554
Less: Time deposits with maturities in excess of three months	**(364,510)**	(615,513)
Restricted deposits	**(28,244)**	(28,234)
Cash and cash equivalents as per consolidated statement of cash flows	**430,434**	449,807

Notes:

15.1 Included in bank balances is 'debt service reserve' amounting to QR 28.2 million equivalent to USD 7.7 million (2011: 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 respective subsidiaries' and the joint venture.

16 SHARE CAPITAL

	2012 ***QR '000***	*2011* *QR '000*
Issued and paid up		
148,672,700 (2011: 135,157,000) ordinary shares of QR 10	**1,486,727**	1,351,570

	2012 ***No of shares***	*2011* *No of shares*
Balance at the beginning of the period	**135,157,000**	135,157,000
Bonus share issue	**13,515,700**	-
Balance at the end of the period	**148,672,700**	135,157,000

Note:

A 10% bonus share issue was approved by the shareholders at the Annual General Assembly on 26 March 2012.

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 Company is exempt from the provision of the said law.

Since the Articles of Association of the Company 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 1.5 per share amounting to QR 223 million (2011: QR 1.3 per share amounting to QR 175.7 million). During the year, the shareholders approved a dividend payment of QR 1.30 per share totalling QR 175.7 million as dividends for the year ended 31 December 2011 (For the year ended 2010: QR 1.30 dividend per share totalling QR 175.7 million as dividend for the year ended 31 December 2010).

20 LOANS AND BORROWINGS

	Borrowing company	*Rate*	*2012 QR '000*	*2011 QR '000*
Syndicated borrowings:				
- Loan 1 (i)	GDI	Libor + 0.70%	**26,134**	39,200
- Loan 2 (ii)	GDI	Libor + 0.70%	**80,573**	116,382
- Loan 3 (iii)	GDI	Libor + 0.80%	**144,918**	186,322
- Loan 4 (iv)	GDI	Libor + 0.55%	**50,960**	61,152
- Loan 5 (v)	GDI	Libor + 1.05%	**46,577**	46,577
- Loan 6 (vi)	GDI	Libor + 1.50%	**455,765**	272,636
- Loan 7 (vii)	GDI	Libor + 1.75%	**140,140**	-
			945,067	722,269
Various borrowings (viii)	GHC	LIBOR + .45% to LIBOR + 1.5%	**178,813**	239,513
Islamic Financing (ix)	GIS	Libor + 1.75%	**577,573**	-
Islamic Financing (x)	ACS	4%	**25,000**	-
			1,726,453	961,782
Less: Unamortised finance cost associated with raising finance			**(15,679)**	(12,822)
			1,710,774	948,960

Classified in the consolidated statement of financial position as follows:	2012	2011
Non-current portion	**1,455,655**	757,972
Current portion	**255,119**	190,988
	1,710,774	948,960

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.

20 LOANS AND BORROWINGS (continued)

(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) Loan 6: In 2011, the JV 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.

(vii) Loan 7: During the year, the JV obtained a syndicated loan of US$ 215 million from a consortium of lenders, to finance the construction of one offshore drilling rig and purchase of one accommodation barge. The effective interest is LIBOR plus 1.75%. The loan is divided into two sub facilities of US$ 165 million and US$ 50 million, each repayable in 28 equal quarterly installments. The loan is secured by creating a first preferred mortgage on all of the above mentioned assets in favor of the lenders.

(viii) 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.

(ix) Islamic Financing: On 23 May 2012, the Group obtained a syndicated Murabaha facility of US$ 170 million from a consortium of lenders to finance the acquisition of Amwaj Catering Services. The effective profit rate is LIBOR + 1.75%. The loan is repayable in 15 equal semi-annual quarterly installments and is unsecured.

(x) Islamic Financing: On 7 June 2012, Amwaj Catering services entered into a Murabaha facility with an Islamic bank located and operating in Qatar. The subsidiary was granted an amount of QR 75 million and bears a profit rate of 5% and rescheduled every three months. At 31 December 2012, QR 50 million had already been settled by the subsidiary.

21 EMPLOYEES' END OF SERVICE BENEFITS

	2012	*2011*
	QR '000	*QR '000*
Balance at 1 January	**15,644**	13,005
Acquired through business combination	**8,926**	-
Charge for the year	**16,168**	5,777
Payments made during the year	**(4,936)**	(3,138)
Balance at 31 December	**35,802**	15,644

22 ACCOUNTS PAYABLE, INSURANCE PAYABLES AND ACCRUALS

	2012	*2011*
	QR '000	*QR '000*
Trade payables	**125,836**	75,237
Unearned premium (Note 22.1)	**174,254**	156,824
Outstanding claims (Note 13.2)	**800,511**	509,337
	1,100,601	741,398
Payables to insurance and reinsurance companies:		
Reinsurance premiums payable	**328,829**	261,621
Advance management fees	**16,463**	15,775
Advance reinsurance commissions received	**51,544**	33,683
	396,836	311,079
Accrued expenses	**248,375**	72,881
Other payables	**62,105**	52,368
Provision for social contribution fund	**11,603**	7,073
	322,083	132,322
	1,819,520	1,184,799

Note:

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

	2012	*2011*
	QR '000	*QR '000*
Balance at 1 January	**156,824**	139,305
Increase during the year	**173,895**	156,664
Release during the year	**(156,465)**	(139,145)
Balance at 31 December	**174,254**	156,824

23 RELATED PARTY DISCLOSURES

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

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

	2012		*2011*	
	QR '000		*QR '000*	
	Revenue	***Expenses***	*Revenue*	*Expenses*
Qatar Petroleum (Associate investor)	**696,596**	**22,459**	453,123	38,740
Qatar Liquefied Gas (Affiliate)	**58,147**	**292**	34,875	-
Ras Laffan Natural Gas (Affiliate)	**127,003**	**-**	55,770	-
QAPCO (Affiliate)	**3,201**	**-**	-	-
Oryx GTL (Affiliate)	**1,654**	**-**	-	-
Q-Chem (Affiliate)	**1,690**	**-**	-	-
United Helicharters Private Limited (Associate)	**6,525**	**-**	5,065	-
Al Shaheen Well Services (Affiliate)	**-**	**2,773**	-	1,814
Qatar Fuel (Woqod) (Affiliate)	**1,011**	**19,937**	-	25,833
Amwaj Catering (Affiliate)	**-**	**5,843**	12	10,705
Others (Affiliate)	**1,860**	**50**	363	9,388
	897,687	**51,354**	549,208	86,480

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

	2012	*2011*
	QR '000	*QR '000*
Due from related parties		
Qatar Petroleum (Associate investor)	**395,340**	164,968
United Helicharters Private Limited (Associate)	**10,406**	13,007
Ras Laffan Natural Gas (Affiliate)	**48,424**	12,860
Qatar Liquefied Gas (Affiliate)	**17,092**	4,805
Qatar Fuel (Woqod) (Affiliate)	**171**	171
QAPCO (Affiliate)	**983**	-
Oryx GTL (Affiliate)	**608**	-
Amwaj Catering (Affiliate)	**-**	32
Others (Affiliate)	**2,755**	50
	475,779	195,893
Less: Allowance for impairment	**(957)**	(957)
	474,822	194,936

There was no movement in the allowance for impairment on due from related parties (2011: Nil).

23 RELATED PARTY DISCLOSURES (continued)

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

	2012 QR '000	*2011 QR '000*
Due to related parties		
Qatar Petroleum (Associate investor)	**92,209**	87,809
Qatar Fuel (Woqod) (Affiliate)	**5,152**	6,033
Al Shaheen Well Services Company (Affiliate)	**672**	714
Qatar Liquefied Gas (Affiliate)	**114**	-
Amwaj Catering (Affiliate)	**-**	5,921
Other related parties	**110**	119
	98,257	100,596

	2012 QR '000	*2011 QR '000*
Compensation of key management personnel		
Salaries and other benefits	**21,685**	12,201
Directors' fees	**3,770**	3,036

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.

	2012	*2011*
Profit for the year (QR '000)	**464,261**	282,907
Weighted average number of equity shares ('000)	**148,673**	148,673
Basic earnings per share (QR)	**3.12**	1.90

The weighted average numbers of shares have been calculated as follows:

	31 December 2012 Number of shares	*31 December 2011 (Restated)** Number of shares*
Qualifying shares at the beginning of the year	**135,157,000**	135,157,000
Effect of bonus share issue	**13,515,700**	13,515,700
Qualifying shares at the end of the year	**148,672,700**	148,672,700

** *Note*:
The shares outstanding as at 31 December 2011 have been restated for the impact of bonus shares issued during the year 2012.

25 CONTINGENCIES AND COMMITMENTS

	2012	*2011*
	QR '000	*QR '000*
Contingent liabilities		
Guarantees against performance bonds	**46,217**	2,475
Letters of credit	**10,366**	8,536

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

	2012	*2011*
Commitments		
Capital commitments	**1,168,008**	1,035,399
Estimated capital expenditure approved but not contracted	**62,976**	75,110

26 OPERATING SEGMENTS

The Group has four 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.
- Catering; Catering and manpower services to the QP Group and its affiliates.

26 OPERATING SEGMENTS (continued)

31 December 2012	***Insurance QR '000***	***Drilling QR '000***	***Aviation QR '000***	***Catering QR '000***	***Total QR '000***
Total external revenue	**624,471**	**623,579**	**513,637**	**436,462**	**2,198,149**
Inter-segment revenue	**(69)**	**-**	**-**	**(9,233)**	**(9,302)**
Net revenue	**624,402**	**623,579**	**513,637**	**427,229**	**2,188,847**
Net profit (after inter-segment eliminations) (Note 26.1)	**113,821**	**154,851**	**200,614**	**16,945**	**486,231**
Total assets (Note 26.2)	**2,014,304**	**2,152,947**	**1,250,810**	**479,738**	**5,897,799**
Total liabilities (Note 26.4)	**1,454,927**	**1,045,658**	**268,068**	**267,228**	**3,035,881**
Depreciation (Note 26.5)	**592**	**128,895**	**62,754**	**11,908**	**204,149**
Cash and bank balances (Note 26.3)	**419,843**	**66,682**	**107,327**	**64,350**	**658,202**
Capital expenditures (including investment properties)	**1,019**	**597,745**	**55,819**	**2,869**	**657,452**
Finance income (Note 26.5)	**19,201**	**2,174**	**1,414**	**885**	**23,674**
Finance cost (Note 26.5)	**-**	**6,979**	**3,892**	**1,382**	**12,253**

26 OPERATING SEGMENTS (continued)

31 December 2011	*Insurance* *QR '000*	*Drilling* *QR '000*	*Aviation* *QR '000*	*Catering* *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) (Note 26.1)	36,364	93,482	166,515	-	296,361
Total assets (Note 26.2)	1,566,797	1,709,702	1,188,698	-	4,465,197
Total liabilities (Note 26.4)	1,074,853	812,500	320,083	-	2,207,436
Depreciation (Note 26.5)	1,575	116,171	57,747	-	175,493
Cash and bank balances (Note 26.3)	695,062	169,737	101,915	-	966,714
Capital expenditures (including investment properties)	869	403,956	124,564	-	529,389
Finance income (Note 26.5)	10,183	2,919	1,645	-	14,747
Finance cost (Note 26.5)	-	6,043	6,425	-	12,468

26 OPERATING SEGMENTS (continued)

26.1 Reconciliation of reportable segments profit or loss	***2012 QR '000***	*2011 QR '000*
Total profit for reportable segments	**486,231**	296,361
Other un-allocable profit or loss (represents profit or loss of Parent Company including dividends from the subsidiaries and joint venture)	**184,472**	267,426
Elimination of dividends paid to parent company by subsidiaries and a joint venture	**(206,442)**	(280,880)
Consolidated profit for the year	**464,261**	282,907

26.2 Reconciliation of reportable segments total assets		
Total assets for reportable segments	**5,897,799**	4,465,197
Other un-allocable assets	**2,358,318**	1,388,470
Elimination of investments in subsidiaries and joint venture	**(1,873,026)**	(1,248,443)
Elimination of inter-segments assets	**(81,981)**	-
Consolidated total assets for the year	**6,301,110**	4,605,224

26.3 Reconciliation of reportable segments cash and bank balances		
Cash and bank balances for reportable segments	**658,202**	966,714
Other un-allocable assets	**164,986**	126,840
Consolidated cash and bank balances for the year	**823,188**	1,093,554

26.4 Reconciliation of reportable segments total liabilities		
Total liabilities for reportable segments	**3,035,881**	2,207,436
Other un-allocable liabilities	**710,571**	42,563
Elimination of inter-segments liabilities	**(81,981)**	-
Consolidated total liabilities for the year	**3,664,471**	2,249,999

26.5 Other material items		***2012***	
	Reportable segment totals QR '000	***Adjustments QR '000***	***Consolidated totals QR '000***
Depreciation	**204,149**	-	**204,149**
Capital expenditures (including investment properties)	**657,452**	-	**657,452**
Finance income	**23,675**	**3,790**	**27,465**
Finance expenses	**12,253**	**14,463**	**26,716**

Other material items		*2011*	
	Reportable segment totals QR '000	*Adjustments QR '000*	*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

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 2012	*Gulf Drilling International Q.S.C. QR '000 2011*
Share of joint venture's statement of financial position		
Current assets	**292,734**	315,043
Non-current assets	**1,860,213**	1,394,659
Current liabilities	**(246,837)**	(223,011)
Non-current liabilities	**(798,820)**	(589,489)
Share of net assets	**1,107,290**	897,202
Share of joint venture's comprehensive income		
Share of profit for the year	**146,387**	93,482

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.

28 FINANCIAL RISK MANAGEMENT (continued)

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.

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.

28 FINANCIAL RISK MANAGEMENT (continued)

Insurance risk (continued)

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).

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 25,900,799 on the consolidated statement of comprehensive income (2011: QR 24,469,314).

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.

28 FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

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

	2012	*2011*
	QR '000	*QR '000*
Cash and bank balances (including time deposits)	**823,188**	1,093,085
Insurance and reinsurance related receivables	**871,940**	589,689
Net trade receivables	**197,064**	87,675
Financial investments	**547,430**	219,719
Due from related parties	**474,822**	194,936
	2,914,444	2,185,104

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 2012	*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	**822,409**	**-**	**-**	**-**	**-**	**-**	**-**	**822,409**
Insurance receivables	**708,592**	**38,828**	**28,371**	**18,914**	**9,457**	**68,778**	**-**	**872,940**
Other receivables	**221,789**	**21,503**	**27,859**	**8,902**	**4,876**	**65,978**	**11,809**	**362,716**
Investment securities	**547,430**	**-**	**-**	**-**	**-**	**-**	**-**	**547,430**
Due from related parties	**284,539**	**46,828**	**44,632**	**28,729**	**16,017**	**49,013**	**6,021**	**475,779**
Total	**2,584,759**	**107,159**	**100,862**	**56,545**	**30,350**	**183,769**	**17,830**	**3,081,274**

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

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 90% (2011: 96%) of the total insurance receivables, the top 3 investments account for 97% (2011: 95%) 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 2012	*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	**-**	**72,456**	**91,826**	**158,518**	**666,467**	**767,901**	**1,757,168**
Due to related parties	**-**	**29,851**	**-**	**68,406**	**-**	**-**	**98,257**
Insurance and other payables	**833,261**	**354,906**	**383,938**	**5,271**	**-**	**-**	**1,577,376**
	833,261	**457,213**	**475,764**	**232,195**	**666,467**	**767,901**	**3,432,801**

	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	-	75,190	16,390	9,016	-	-	100,596
Insurance and other payables	-	359,927	120,521	112,423	385,646	-	978,517
	-	481,767	226,031	387,403	731,441	458,659	2,285,301

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 2011:

31 December 2012	*Effective interest rates*	*1 – 3 months QR '000*	*3 – 12 months QR '000*	*1 – 5 years QR '000*	*Over 5 years QR '000*	*Non-interest bearing QR '000*	*Total QR '000*
Assets							
Cash and bank balances	2.16%	**457,899**	**364,510**	**-**	**-**	**-**	**822,409**
Insurance and reinsurance related receivables		**-**	**-**	**-**	**-**	**871,940**	**871,940**
Trade and other receivables		**-**	**-**	**-**	**-**	**345,840**	**345,840**
Due from related parties		**-**	**-**	**-**	**-**	**474,822**	**474,822**
Available-for-sale investments		**-**	**-**	**-**	**-**	**52,393**	**52,393**
Held-to-maturity investments	3.95%	**-**	**-**	**81,699**	**3,714**	**-**	**85,413**
Financial assets at fair value through profit or loss		**-**	**-**	**-**	**-**	**409,624**	**409,624**
		457,899	**364,510**	**81,699**	**3,714**	**2,154,619**	**3,062,441**
Liabilities							
Loans and borrowings	2.55%	**66,389**	**235,121**	**1,285,508**	**123,756**	**-**	**1,710,774**
Due to related parties		**-**	**-**	**-**	**-**	**98,257**	**98,257**
Insurance payables and other payables		**-**	**-**	**-**	**-**	**1,371,600**	**1,371,600**
		66,389	**235,121**	**1,285,508**	**123,756**	**1,469,857**	**3,180,631**

28 FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

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		-	-	-	-	100,596	100,596
Insurance payables and other payables		-	-	-	-	978,517	978,517
		47,361	142,082	715,505	44,012	1,079,113	2,028,073

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 2012				
Loans and borrowings	**(17,107)**	**17,107**	**(17,107)**	**17,107**
Cash flow sensitivity (net)	**(17,107)**	**17,107**	**(17,107)**	**17,107**

	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

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)

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 2012	
	Change in variable	***Financial assets through profit or loss - impact on Net profit***	***Available-for-sale investments - impact on other comprehensive income***
Listed shares in the Qatar Exchange	**+10%**	**-**	**5,239**
Structured investments	**+10%**	**40,962**	**-**
Listed shares in the Qatar Exchange	**-10%**	**-**	**(5,239)**
Structured investments	**-10%**	**(40,962)**	**-**

		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*
Listed shares in the Qatar Exchange	+10%	-	4,897
Structured investments	+10%	9,815	-
Listed shares in the Qatar Exchange	-10%	-	(4,897)
Structured investments	-10%	(9,815)	-

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 2012.

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

	2012 QR '000	*2011 QR '000*
Loans and borrowings	**1,710,774**	948,960
Total equity	**2,636,639**	2,355,225
Equity and debt	**0.65:1**	0.40:1
Gearing ratio	**65%**	40%

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 2012	***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	**-**	**823,188**	**-**	**-**	**823,188**	**823,188**
Insurance and reinsurance receivables	**-**	**871,940**	**-**	**-**	**871,940**	**871,940**
Other receivables	**-**	**345,840**	**-**	**-**	**345,840**	**345,840**
Due from related parties	**-**	**474,822**	**-**	**-**	**474,822**	**474,822**
Available-for-sale investments	**-**	**-**	**52,393**	**-**	**52,393**	**52,393**
Held-to-maturity investments	**-**	**-**	**-**	**85,413**	**85,413**	**90,487**
Financial assets at fair value through profit or loss	**409,624**	**-**	**-**	**-**	**409,624**	**409,624**
	409,624	**2,515,790**	**52,393**	**85,413**	**3,063,220**	**3,068,294**
Liabilities						
Loans and borrowings	-	-	-	**1,710,774**	**1,710,774**	**1,710,774**
Due to related parties	-	-	-	**98,527**	**98,527**	**98,527**
Insurance payables and other payables	-	-	-	**1,371,600**	**1,371,600**	**1,371,600**
	-	-	-	**3,180,901**	**3,180,901**	**3,180,901**

29 FAIR VALUES AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (continued)

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	948,960
Due to related parties	-	-	-	100,596	100,596	100,596
Insurance payables and other payables	-	-	-	978,517	978,517	978,517
	-	-	-	2,028,073	2,028,073	2,028,073

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 2012				
Available-for-sale	**52,391**	**-**	**2**	**52,393**
Financial assets at fair value through profit or loss	**358,391**	**51,233**	**-**	**409,624**
	410,782	**51,233**	**2**	**462,017**

	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

30 BUSINESS COMBINATION

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

The provisional fair value of the identifiable assets and liabilities of the above subsidiary immediately prior to the acquisition and the computation of goodwill and intangible assets are detailed below:

Assets	*Carrying amounts immediately prior to the acquisition QR*	*Provisional fair value recognised on acquisition date QR*
Property, plant and equipment	58,519	**58,519**
Inventories	9,345	**9,345**
Accounts receivable and prepayments	272,906	**272,906**
Bank balances and cash	75,099	**75,099**
	415,869	**415,869**
Liabilities		
Employees' end of service benefits	8,926	**8,926**
Accounts payable and accruals	213,319	**213,319**
	222,245	**222,245**
Net assets acquired at fair values (provisional)		**193,624**
Less: Cost of business combination (*Note b*)		**497,183**
Goodwill on acquisition (*Note a*)		**303,559**

Notes:

(a) The Group has finalized the Purchase Price Allocation (PPA) to identify separately the intangible assets and goodwill arising from the acquisition. There were no derived values of intangibles and the entire amount represents goodwill.

Cost of business combination:

Cash consideration	353,152
Deferred consideration	144,031
Total cost of business combination	**497,183**

(b) From the date of acquisition, the Acquiree has contributed QR 427.23 million as revenue and profit of QR 16.95 million to the results of the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations for the Group would have been QR 703.22 million.

30 BUSINESS COMBINATION (continued)

(c) The goodwill of QR 303.56 million comprises the value of expected synergies arising from the acquisition.

(d) Net cash consideration net of cash acquired amounted to QR 278.05 million.

The net cash outflow from the business combination is as follows:

Cash consideration	353,152
Less: Net cash acquired from the subsidiary	(75,099)
	278,053

The recoverable amount of the Catering Segment has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a nine-year period. The pre-tax discount rate applied to cash flow projections is 11.8% and cash flows beyond the five-year period are extrapolated using a 3.0% growth rate that is the same as the long-term average growth rate for the catering industry. It was concluded that the recoverable amount exceeded the carrying value of goodwill. As a result of this analysis, management has not recognised any impairment charge against goodwill.

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

- Gross margins
- Discount rates
- Growth rates used to extrapolate cash flows beyond the forecast period

Gross margins – Gross margins are based on average values achieved in the three years preceding the beginning of the budget period. These are increased over the budget period for anticipated efficiency improvements.

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

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

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

31 SIGNIFICANT ASSUMPTIONS, ACCOUNTING JUDGEMENTS AND ESTIMATES

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:

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.

31 SIGNIFICANT ASSUMPTIONS, ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

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.

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.

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

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 130,590 thousand (2011: QR 100,358 thousand) against which a provision for slow moving and obsolete inventories amounting QR 33,885 thousand (2011: QR 26,036 thousand) has been made. Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the consolidated statement of 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).

31 SIGNIFICANT ASSUMPTIONS, ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Classification of financial investments
The Group's accounting policies provide scope for assets and liabilities to be designated at inception into different accounting categories in certain circumstances:

- in classifying financial assets or liabilities as trading, the Group has determined that it meets the description of trading assets and liabilities set out in accounting policies.

- in designating financial assets at fair value through profit or loss, the Group has determined that it has met one of the criteria for this designation set out in accounting policies.

- in classifying financial assets as held-to-maturity, the Group has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by accounting policies

32 COMPARATIVE FIGURES

Certain comparative information consolidated financial statements have been reclassified to conform to the 2012 presentation and classification. Such reclassification has not had any effect on the net profit, total assets, total liabilities or total equity of the comparative figures of the Group.