FINANCIAL STATEMENT 2010

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Gulf International Services QSC

Gulf International Services Q.S.C.

Consolidated Financial Statements
For the year ended 31 December 2010

Contents **Pages**

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS
Gulf International Services Q.S.C.

State of Qatar

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Gulf International Services Q.S.C. ("the Company") and its subsidiaries and a joint venture (together referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Responsibility of the board of directors for the consolidated financial statements

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

Auditor's 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 our judgment, 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, we consider internal control relevant to the Group'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 Group'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 consolidated financial position of the Group as at 31 December 2010, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

In addition, in our opinion, the Group has maintained proper accounting records and the consolidated financial statements are in agreement therewith and we confirm that a physical count of the inventories was carried out in accordance with the established principles. We have reviewed the report of the Board of Directors and confirm that the financial information contained therein is in agreement with the book and records of the Group. We are not aware of any violations of the provisions of Qatar Commercial Companies Law No 5 of 2002, to the extent applicable, or the terms of 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 as of 31 December 2010. Satisfactory explanations and information have been provided to us by the management in response to all our requests.

24 February 2011
Doha
State of Qatar

Gopal Balasubramaniam
Qatar Auditor's Registry No. 251
KPMG

Consolidated statement of financial position
As at 31 December 2010

In thousands of Qatari Riyals

	Note	2010	2009
Assets			
Property, plant and equipment	4	1,944,528	1,797,092
Investment properties	5	156,858	148,351
Investment in an associate	6	1,388	2,224
Available-for-sale investments	7(b)	82,735	82,480
Non-current assets		**2,185,509**	2,030,147
Inventories	8	61,856	69,327
Due from related parties	21	301,134	264,082
Receivables and prepayments	9	413,270	239,095
Insurance receivables		290,134	217,388
Financial assets at fair value through profit or loss	7(a)	142,712	147,985
Cash and bank balances	10	826,794	716,807
Current assets		**2,035,900**	1,654,684
Total assets		**4,221,409**	3,684,831
Equity (page 7 and 8)			
Share capital	11.1	1,351,570	1,351,570
Legal reserve	11.3	120,090	94,713
General reserve	11.4	74,516	74,516
Fair value reserve		(36,444)	(31,059)
Retained earnings		733,540	560,497
Total equity		**2,243,272**	2,050,237
Liabilities			
Loans and borrowings (non current portion)	12	677,783	695,308
Provision for employees' end of service benefits	13	13,005	10,255
Non-current liabilities		**690,788**	705,563
Due to related parties	21	61,732	92,321
Trade payables, insurance payables and accruals	14	1,045,703	670,384
Loans and borrowings (current portion)	12	179,914	164,815
Bank overdrafts	10	-	1,511
Current liabilities		**1,287,349**	929,031
Total liabilities		**1,978,137**	1,634,594
Total equity and liabilities		**4,221,409**	3,684,831

These consolidated financial statements were approved by the Board of Directors and were signed on its behalf by the following on 24 February 2011.

H.E Mohammed Saleh Al Sada
Chairman

Saeed Mubarak Al-Muhanadi
Vice-Chairman

The accompanying notes 1 to 28 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income
For the year ended 31 December 2010

In thousands of Qatari Riyals

	Note	2010	2009
			(Restated)*
Revenue from aviation and drilling businesses	15	1,007,443	1,111,720
Gross insurance revenue	16	478,644	457,782
Total revenue		**1,486,087**	1,569,502
Direct costs from aviation and drilling businesses	17	(520,527)	(555,212)
Gross insurance expense	16	(467,374)	(394,628)
Total cost		**(987,901)**	(949,840)
Gross profit		**498,186**	619,662
Other income	18	38,510	34,624
Net gain on financial assets at fair value through profit or loss		2,499	786
General and administrative expenses	19	(109,854)	(93,586)
Results from operating activities		**429,341**	561,486
Finance income	20	26,689	33,655
Finance costs	20	(16,028)	(16,645)
Net finance income		**10,661**	17,010
Share of (loss) / profit from an associate	6	(836)	983
Profit for the year		**439,166**	579,479
Other comprehensive income			
Net change in available-for-sale financial assets transferred to profit or loss on sale of investments		(9,400)	(5,948)
Net change in fair value of available-for-sale financial assets		4,015	(2,179)
Other comprehensive loss for the year		**(5,385)**	(8,127)
Total comprehensive income for the year		**433,781**	571,352
Earnings per share			
Basic (Qatari Riyals)	22	**3.25**	4.29

* See note 11.5.

The accompanying notes 1 to 28 form an integral part of these consolidated financial statements.

Gulf International Services Q.S.C.

Consolidated statement of changes in equity
For the year ended 31 December 2010

In thousands of Qatari Riyals

2010	Share capital	Legal reserve	General reserve	Fair value reserve	Retained earnings	Total
Balance at 1 January 2010	1,351,570	94,713	74,516	(31,059)	560,497	2,050,237
Total comprehensive income for the year						
Profit for the year	-	-	-	-	439,166	439,166
Other comprehensive income						
Net change in available-for-sale financial assets transferred to profit or loss	-	-	-	(9,400)	-	(9,400)
Net change in fair value of available-for-sale financial assets	-	-	-	4,015	-	4,015
Total other comprehensive loss for the year	-	-	-	(5,385)	-	(5,385)
Total comprehensive income for the year	**-**	**-**	**-**	**(5,385)**	**439,166**	**433,781**
Transfer to legal reserve (note 11.3)	-	25,377	-	-	(25,377)	-
Dividends to equity holders of the Company (note 11.2)	-	-	-	-	(229,767)	(229,767)
Provision for social and sports fund (note 11.5)	-	-	-	-	(10,979)	(10,979)
Balance at 31 December 2010	**1,351,570**	**120,090**	**74,516**	**(36,444)**	**733,540**	**2,243,272**

The accompanying notes 1 to 28 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
For the year ended 31 December 2010

In thousands of Qatari Riyals

2009	Share capital	Legal reserve	General reserve	Fair value reserve	Retained earnings	Total
Balance at 1 January 2009	1,228,700	54,899	74,516	(22,932)	317,920	1,653,103
Total comprehensive income for the year						
Profit for the year (as restated; refer note 11.4)	-	-	-	-	579,479	579,479
Other comprehensive income						
Net change in available-for-sale financial assets transferred to profit or loss	-	-	-	(5,948)	-	(5,948)
Net change in fair value of available-for-sale financial assets	-	-	-	(2,179)	-	(2,179)
Total other comprehensive loss for the year	-	-	-	(8,127)	-	(8,127)
Total comprehensive income for the year	-	-	-	(8,127)	579,479	571,352
Transfer to legal reserve (note 11.3)	-	39,814	-	-	(39,814)	-
Dividends to equity holders of the Company (note 11.2)	-	-	-	-	(159,731)	(159,731)
Bonus shares to equity holders of the Company (note 11.2)	122,870	-	-	-	(122,870)	-
Provision for social and sports fund (note 11.5)	-	-	-	-	(14,487)	(14,487)
Balance at 31 December 2009	**1,351,570**	**94,713**	**74,516**	**(31,059)**	**560,497**	**2,050,237**

The accompanying notes 1 to 28 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows
For the year ended 31 December 2010

In thousands of Qatari Riyals

	Note	2010	2009
Cash flows from operating activities			
Profit for the year		439,166	579,479
Adjustments for:			
Share of loss / (profit) of an associate	6	836	(983)
Depreciation and amortization	4 & 5	165,358	164,622
Finance cost	20	16,028	16,645
Finance income	20	(26,689)	(33,655)
Net (reversal) / impairment loss of due from related parties	21	-	(12,590)
Net gain on sale of available-for sale investments	18	(9,400)	(5,948)
Net (gain) / losses on financial assets at fair value through profit or loss		(2,499)	(786)
Dividend income	18	(1,537)	(3,588)
Provision for employees' end of service benefits	13	6,266	5,636
Net (gain) on sale of property, plant and equipments	18	(6,644)	(6,670)
Net impairment (reversal) on receivables	9	(477)	(227)
		580,408	701,935
Change in insurance receivables, other receivables, prepayments and due from related parties		(283,496)	19,424
Change in inventories		7,471	(6,462)
Change in accounts payables, insurance payables, accruals and due to related parties		333,751	117,669
		638,134	832,566
End of service benefits paid	13	(3,516)	(3,247)
Net cash from operating activities		**634,618**	829,319
Investing activities			
Acquisition of investments in securities		(46,000)	(160,995)
Proceeds from sale of investments in securities		57,532	48,668
Acquisition of property, plant and equipment	4	(318,801)	(204,793)
Proceeds from disposal of property, plant and equipments		14,948	10,721
Proceed from sale of investment property		167	
Acquisition of investment property	5	(10,971)	(102,010)
Deposits maturing after 90 days		(48,532)	2,968
Receipt of finance income	20	26,689	33,655
Receipt of dividend income	18	1,537	3,588
Net cash used in investing activities		**(323,431)**	(368,198)
Financing activities			
Proceeds from loans and borrowings		310,249	32,782
Repayment of loans and borrowings		(312,675)	(189,217)
Dividends paid		(229,767)	(159,731)
Finance cost paid		(16,028)	(16,645)
Net cash used in financing activities		**(248,221)**	(332,811)
Increase in cash and cash equivalents for the year		**62,966**	128,310
Cash and cash equivalents at the beginning of the year		400,934	272,624
Cash and cash equivalents at the end of the year	10	**463,900**	400,934

The accompanying notes 1 to 28 form an integral part of these consolidated financial statements.

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

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 consolidated financial statements of the Group as at and for the year ended 31 December 2010 comprise the Company and its two subsidiaries and a joint venture. The registered office of the Company is situated on the 3rd floor, Al Sadd Plaza Building, Doha, State of Qatar.

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

The Group is 30% owned by QP and remaining 70% by other individuals and corporate.

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.

2. BASIS OF PREPARATION

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

b) Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for available-for-sale investments and financial assets through profit or loss measured at fair value.

c) Functional and presentation currency

These consolidated financial statements are presented in Qatari Riyals, which is the Company's functional currency. All financial information presented in Qatari Riyals has been rounded to the nearest thousands.

d) Use of estimates and judgements

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements are described below.

Significant areas of estimation and uncertainty

i) 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 income in the year of settlement.

ii) Claims incurred but not reported (IBNR)
Claims provision also includes liability for claims incurred but not reported as at the statement of financial position date. Estimates have to be made for both expected ultimate cost of claims reported at the statement of financial position date and for the unexpected ultimate cost of claims incurred but not yet reported at the statement of financial position date (IBNR). It can take a significant period of time before ultimate claims cost can be established with certainty and for some types of policies, IBNR claims form the majority of the statement of financial position liability. The IBNR provision is based on information related to actual past experience of claims incurred but not reported. The IBNR provision also includes a further amount, subject to annual review by the management, to meet certain contingencies such as settlement of claims, which may take longer than expected, is resulting in actual payouts being higher than estimated.

iii) Impairment of insurance and other receivables
An estimate of the collectible amount of insurance and other receivables is made when collection of the full amount is no longer probable. This determination of whether these insurance and other receivables are impaired entails the Group evaluating the credit and liquidity position of the policy holders and the insurance companies, historical recovery rates and feedback received from their legal department. The difference between the estimated collectible amount and the book amount is recognized as an expense in the consolidated statement of income. Any difference between the amounts actually collected in the future periods and the amounts expected will be recognized in the consolidated statement of income at the time of collection.

iv) Liability adequacy test
At each statement of financial position date, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities. The Group makes use of the best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities in evaluating the adequacy of the liability. Any deficiency is immediately charged to the consolidated statement of income.

v) Useful lives, residual values and related depreciation charges of property, plant and equipment
The Group›s management determines the estimated useful lives, residual values and related depreciation charges of its property, plant and equipment. These estimates are determined after considering the expected usage of the asset, physical wear and tear, technical or commercial obsolescence.

vi) Provision for slow moving spare parts
The Group's management determines a provision against inventory based in the estimated amount of slow moving spare parts. This is based on the age of items in inventories. This provision is subject to change as a result of technical innovations and the usage of items.

vii) 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 27 for fair value hierarchy).

Critical judgements

i) 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 recognized 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.

ii) 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.

e. New standards, amendments and interpretations issued

New standards, amendments and interpretations issued and effective on or after 1 January 2010

The following standards, amendments and interpretations, which became effective in 2010 are relevant to the Group:

IFRS 3 (revised), 'Business combinations' (2008)
Revised IFRS 3 Business Combinations (2008) incorporates the following changes that are likely to be relevant to the Group's operations:
- The definition of a business has been broadened, which may result in more acquisitions being treated as business combinations.
- Contingent consideration will be measured at fair value, with subsequent changes in fair value recognised in profit or loss.
- Transaction costs, other than share and debt issue costs, will be expensed as incurred.
- Any pre-existing interest in an acquiree will be measured at fair value, with the related gain or loss recognised in profit or loss.
- Any non-controlling interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis.

The revised standard is effective prospectively to business combinations for which the acquisition date is on or after the first annual reporting period beginning on or after 1 July 2009. The revised standard did not have any significant impact on the Group as at 31 December 2010. However, in the future, this guidance will tend to produce higher volatility in equity and/or earnings in connection with the acquisition of interests by the Group.

IAS 27 Consolidated and Separate Financial Statements (amended 2008)
The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost; any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The revised standard did not have any impact on the Group as at 31 December 2010.

Improvements to IFRSs (2009)
Improvements to IFRS issued in April 2009 contained numerous amendments to IFRS that the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. The amendments are effective for annual periods beginning on or after 1 January 2010 with earlier adoption permitted. There were no material changes to the current accounting policies of the Group as a result of these amendments.

New standards, amendments and interpretations issued but not yet effective

The following standards and interpretations have been issued and are expected to be relevant to the Group but not yet effective for the year ended 31 December 2010.

IFRS 9 'Financial Instruments'
- *Standard issued November 2009 (IFRS9 (2009))*

IFRS 9 (2009) "Financial Instruments" is the first standard issued as part of a wider project to replace IAS 39 "Financial instruments: recognition and measurement". IFRS 9 (2009) retains and simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment and hedge accounting continues to apply. The 2009 standard did not address financial liabilities.

- *Standard issued October 2010 (IFRS9 (2010))*

IFRS 9 (2010) adds the requirements related to the classification and measurement of financial liabilities, and derecognition of financial assets and liabilities to the version issued in November 2009. It also includes those paragraphs of IAS 39 dealing with how to measure fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset, as well as the requirements of IFRIC 9 "reassessment of Embedded Derivatives"

The Group is yet to assess IFRS9's full impact. Given the nature of the Group's operations, this standard is expected to have a contained impact on the Group's financial statements.

While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted. Prior periods need not be restated if an entity adopts the standard for reporting periods beginning before 1 January 2012.

IAS 24 (Revised) "related party disclosures"
It was issued in November 2009 and is mandatory for periods beginning on or after 1 January 2011. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. When the revised standard will be applied, the Group and the parent will need to disclose transactions between its subsidiaries and its associates. The Group is currently putting systems in place to capture the necessary information.

Improvements to IFRSs (2010)
Improvements to IFRS issued in 2010 contained numerous amendments to IFRS that the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. The amendments are effective for the Company's/ Group's 2011 annual financial statements with earlier adoption permitted. No material changes to accounting policies are expected as a result of these amendments.

Early adoption of standards

The Group did not early-adopt new or amended standards in 2010.

3. SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies, which comply with International Financial Reporting Standards ("IFRS") have been applied in preparation of the Group's consolidated financial statements and have been applied consistently for all periods presented.

Basis of consolidation

i. Subsidiaries

Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of a Company so as to obtain benefits from its activities. Subsidiaries are consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceases. The Group measures goodwill at the acquisition date as the excess of the fair value of consideration transferred and the recognised amount of any non-controlling interests in the acquiree over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, gain is recognised immediately in the profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed. For acquisitions before 1 January 2010, such transaction costs were capitalised as part of the cost of acquisition.

ii. 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.

iii. Transactions eliminated on consolidation

Intra-group balances, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

The consolidated financial statements of the Group include the financial statements of Gulf International Services Q.S.C. and the subsidiaries and a joint venture listed in the following table:

Name of Company	Percentage of shareholding	Status	Description of services
Al Koot Insurance and Reinsurance Company S.A..Q. ("Al Koot")	100%	Subsidiary	A Company providing a range of insurance and reinsurance services to Qatar Petroleum ("QP") and its subsidiaries and affiliates.
Gulf Helicopters Q.S.C. ("GHC")	100%	Subsidiary	A Company holding an air operator's certificate issued by the Qatar Civil Aviation Authority. It operates as a sole provider of helicopter transportation services in Qatar. It also operates as a provider of helicopter transportation services in Middle East and North Africa (MENA region). The Company also owns an executive housing complex at West Bay and a procurement office in London (United Kingdom).
Gulf Drilling International Limited Q.S.C. ("GDI")	69.99%	Joint Venture	A Company providing drilling and drilling – related services (together the "Drilling Services") to QP Group and its international co-ventures.

On 20 December 2010, the Company appointed a Financial Advisor to conduct a due diligence and business evaluation on Amwaj Catering Services Company ("Amwaj") for a potential acquisition by the Company. Amwaj is presently a fully owned subsidiary by Qatar Petroleum.

b. 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 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.

c. Revenue recognition

Gross premiums
Gross premiums written comprise the total premiums receivable for the whole period of cover provided by the contracts entered into during the accounting periods and are recognised on the date on which the policy commences. Premiums include adjustments arising in the financial year to premiums receivable in respect of business written in previous financial years.

Premiums, net of reinsurance, are taken to income over the terms of the related contracts or policies. The portion of premium received on in-force contracts that relates to unexpired risks at the consolidated statement of financial position date is reported as the unearned premium liability. Unearned premiums are calculated principally on the basis of actual number of days method (daily pro-rata basis).

Reinsurance arrangements
As part of managing its insurance risks, the Group enters into contracts with other reinsurers for compensation of losses on insurance contracts issued by the Group. A proportionate amount of the gross premiums, in proportion to the amount of risk reinsured on an individual policy basis are paid to the reinsurance companies according to the rates agreed in the reinsurance contracts, as reinsurance premiums.

In the ordinary course of business, the Group assumes and cedes reinsurance. 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 affected under treaty, facultative and excess-of-loss reinsurance contracts. The amount payable to reinsurance companies are accrued on the basis of reinsurance premium payable on individual policy basis.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the consolidated statement of financial position date and are deferred over the term of the underlying direct insurance policies.

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 expenses is recognised 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.

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

Buildings	20 years
Aircrafts	7 – 10 years
Ground and radio equipment and tools	4 – 6 years
Motor Vehicles	4 – 5 years
Office and house furniture, fixtures and equipments	4 – 7 years
Rigs	10 – 15 years
Plant and machinery	6 – 7 years
Computers	3 years

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 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 income as the expense is incurred.

e. Investment property

Investment property is property 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.

Property 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.

f. Accounts payable and accruals

Liabilities are recognized at amortised cost, being the fair value for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

g. 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.

h. 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.

i. Foreign currency transactions

Transactions in foreign currencies are recorded at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange prevailing at the reporting date. All differences are taken to the consolidated statement of income. Non-monetary assets and liabilities denominated in foreign currencies are translated into Qatari Riyals at the foreign exchange rates prevailing at the date of the transaction.

j. Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, current account balances and saving account balances with banks and deposits with a maturity of less than 90 days. Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position. For the purpose of cash flow statement, cash and cash equivalents is shown net of bank overdraft.

k. Impairment of assets

Financial assets

Assets carried at amortized cost
The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a financing arrangement by the Group on terms the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

Impairment is the difference between carrying amount and the present value of the estimated future cash flows discounted at the original effective profit rate.

Significant financial assets are tested for impairment on an individual basis. All significant financial assets found not to be impaired are assessed collectively for any impairment that has been incurred but not yet identified. All financial assets that are not individually significant are collectively assessed for impairment by grouping together on the basis that share similar credit risk characteristics.

Assets classified as available-for-sale
Impairment losses on available-for-sale securities are recognised by transferring the cumulative loss that has been recognised directly in other comprehensive income to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Impairment is the difference between cost and fair value, less any impairment loss previously recognised in profit or loss. Where available-for-sale securities are carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset. 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.

Reversal of impairment loss
An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale debt securities, the reversal is recognised in profit or loss. For available-for-sale equity securities, the reversal is recognised directly in other comprehensive income.

Non financial assets

The carrying amounts of the Group's non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised the consolidated statement of income.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

l. 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.

Claims reported but not settled (RBNS)
Provision for outstanding claims is recognized at the date the claims are known and covers the liability for loss and loss adjustment expenses based on loss reports from independent loss adjusters and management's best estimate.

Claims incurred but not reported (IBNR)
Claims provision also includes liability for claims incurred but not reported as at the consolidated statement of financial position date. The liability is calculated at the reporting date for both expected ultimate cost of claims reported and for the unexpected ultimate cost of IBNR claims. The IBNR provision is based on information related to actual past experience of claims incurred but not reported. The IBNR provision also includes a further amount, subject to annual review by the management, to meet certain contingencies such as settlement of claims, which may take longer than expected, is resulting in actual payouts being higher than estimated.

m. Term loans

Interest bearing term loans are recognized 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 recognized in the consolidated statement of income over the period of borrowings. Installments due within one year at amortised cost are shown as a current liability.

n. Accounts receivables and other receivables

Accounts receivables and other receivables are stated at amortised cost being the fair value net of provision for uncollectible amounts. An estimate of doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

o. Insurance and reinsurance 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, using the effective interest rate method.

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provisions or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

p. Insurance contract liabilities

Amounts payable for insurance claims reported till the reporting year end and the amount payable to reinsurance companies are accrued as a liability payable. The insurance claims are accrued on the basis of the actual losses reported against the policies underwritten by the Group during the period. The reinsurance liability is computed according to the contractual liability agreed with the reinsurance company on individual policies.

Estimates have to be made for both expected ultimate cost of claims reported at the statement of financial position date and for the unexpected ultimate cost of claims incurred but not yet reported at the statement of financial position date ("IBNR"). It can take a significant period of time before ultimate claims cost can be established with certainty and for some types of policies, IBNR claims form the majority of the statement of financial position liability. The IBNR provision is based on information related to actual past experience of claims incurred but not reported. The IBNR provision also includes a further amount, subject to annual review by the management, to meet certain contingencies such as settlement of claims, which may take longer than expected, is resulting in actual payouts being higher than estimated.

Any difference between the provisions at the statement of financial position date and settlements and provisions in the following year is included in the consolidated statement of income for the period.

q. Claims and related expenses

Gross claims paid
Claims and related expenses are accounted for based on reports received and subsequent review on an individual case basis. Provision is made to cover the estimated ultimate cost of settling claims arising out of events, which have occurred by the end of the financial year, including unreported losses, and claims handling expenses.

Reinsurance and other recoveries
Compensations receivable from reinsurers are estimated in a manner consistent with the corresponding claim liability. The obligations arising under reinsurance contracts are recognised in income and the related liabilities are recognised as accounts receivable. Hence, a portion of the reinsurance premium payable is provided as a reserve for future claims in order to provide additional liquidity for the Group, which is finally settled at the end of the reinsurance period.

r. Liability adequacy test

At each statement of financial position date, liability adequacy tests are performed to ensure the adequacy of the insurance liabilities. In performing these tests, current best estimates of future cash flows and claims handling and administration expenses are used. Any deficiency is immediately charged to the consolidated statement of income.

s. Employees' end of service benefits

Defined contribution schemes - Qatari employees
With respect to the Qatar employees, the Company 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 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 statement of financial position 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.

t. Financial instruments

Financial instruments represent the Group's financial assets and liabilities. Financial assets include cash and bank balances, insurance receivables, reinsurance receivables, accounts receivables, available-for-sale investments, financial assets at fair value through profit or loss and certain other assets. Financial liabilities include loans and borrowings, bank overdrafts, insurance payables and certain other liabilities.

i. Classification
Financial assets carried at fair value through the consolidated statement of income are investments held for trading or such financial assets which, upon initial recognition, are designated at fair value through profit or loss including hybrid instruments where the Group is unable to separate the host contract from the derivative embedded in the contract.

Available-for-sale investments are financial assets that are not investments carried at fair value through the consolidated statement of income or are held to maturity or are loans or receivables.

ii. Recognition
The Group initially recognizes all financial assets and liabilities on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

iii. Derecognition
The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. The Group also derecognizes certain assets when it charges off balances pertaining to the assets deemed to be uncollectible. The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

iv. Measurement
Financial instruments are recognized initially at fair value plus, for instruments not at fair value through the consolidated statement of income, any directly attributable transaction costs. Subsequent to initial recognition, available for sale investments and financial asset at fair value through profit or loss are measured at fair value. Gains and losses arising from a change in the fair value of available for sale investments are recognized in a separate fair value reserve in equity and when the investments are sold, impaired, collected or otherwise disposed of, the cumulative gain or loss previously recognized in the fair value reserve is transferred to the consolidated statement of income. For financial assets at fair value through profit or loss, gain and losses on revaluation are directly taken to consolidated statement of income.

v. Derivatives financial instruments
The Group does not hold any derivatives either for trading or for hedging purposes, except embedded derivatives which have been accounted for as 'designated as fair value through profit and loss' since the Group is unable to separate the same from the host contract. These instruments subsequent to initial recognition are stated at their fair value, with any resultant gain or loss transferred to the consolidated statement of income.

vi. Fair value
The fair value of the marketable financial assets represents the quoted bid price at the statement of financial position date and in case of non availability of quoted prices for certain financial assets, fair value will be arrived at using suitable pricing models or using cost as a proxy. Estimation of fair values involves certain amount uncertainties as discussed in note 2.

u. Earnings per share

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

v. 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 33).

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.

w. Dividends

Dividends to shareholders are recognised as liabilities in the period in which they are declared.

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

y. Contribution to social fund

Pursuant to the Qatar Law No. 13 of 2008 and the related clarifications issued in 2010, which is applicable for all Qatari listed shareholding companies with publicly traded shares, the Group has made an appropriation of 2.5% of its net profit to a state social fund.

4. PROPERTY, PLANT AND EQUIPMENT

Description	Free hold land	Buildings	Aircrafts	House office equipments	Ground radio equipment tools	Capitalised maintenance expenditures	Rigs	Plant and machinery	Furniture and fixtures	Computers	Vehicles	Capital work in progress	Total 2010	Total 2009
Cost														
Balance at 1 January	375	39,646	768,522	13,041	5,521	92,356	1,276,960	118,084	14,250	51,802	2,044	7,576	2,390,177	2,213,504
Additions	-	900	184,223	1,157	259	22,612	14,246	5,549	282	3,273	372	85,928	318,801	204,793
Transfers	-	-	-	-	-	(6,110)	1,279	133	378	8,486	-	(10,586)	(6,420)	(12,891)
Disposals	-	-	(12,803)	-	-	-	(1,690)	(1,048)	(26)	(77)	(254)	-	(15,898)	(15,229)
Balance at 31 December	375	40,546	939,942	14,198	5,780	108,858	1,290,795	122,718	14,884	63,484	2,162	82,918	2,686,660	2,390,177
Depreciation														
Balance at 1 January	-	35,696	164,194	11,799	5,264	35,757	261,748	46,087	5,671	25,434	1,435	-	593,085	454,263
Depreciation for the year	-	1,133	38,987	849	145	13,066	78,706	17,595	2,179	10,136	265	-	163,061	162,891
Transfers	-	-	-	-	-	(6,420)	-	-	-	(17)	-	-	(6,437)	(12,891)
Disposals	-	-	(6,401)	-	-	-	(229)	(617)	-	(76)	(254)	-	(7,577)	(11,178)
Balance at 31 December	-	36,829	196,780	12,648	5,409	42,403	340,225	63,065	7,850	35,477	1,446	-	742,132	593,085
Net book value 31 December 2010	375	3,717	743,162	1,550	371	66,455	950,570	59,653	7,034	28,007	716	82,918	1,944,528	-
31 December 2009	375	3,950	604,328	1,242	257	56,599	1,015,212	71,997	8,579	26,368	609	7,576	-	1,797,092

Capital work in progress includes costs amounting to QR 13.808 (2009: QR 1.067 million) relating to property, plant and equipment awaiting installation or in transit.

Aircrafts operating in India are registered on behalf of the Group under the name of Qatar General Petroleum Corporation ("QGPC"), which is the original name of Qatar Petroleum.

The Group has assisted National Health Authority of Qatar ("NHA") in acquiring two helicopters on their behalf. These helicopters are registered in the name of the group company for the benefit of NHA.

The encumbrances and liens on property, plant and equipments are set out in note 12.

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

	Total 2010	Total 2009
Cost of sales	157,566	159,171
General and administrative expenses	5,495	3,720
	163,061	162,891

5. INVESTMENT PROPERTIES

	Land	**Building**	**Property under development**	**Total 2010**	Total 2009
Cost					
Balance at 1 January	44,758	69,498	39,033	153,289	51,279
Additions	-	21	10,950	10,971	102,010
Transfers	-	(167)	-	(167)	-
Balance at 31 December	44,758	69,352	49,983	164,093	153,289
Depreciation					
Balance at 1 January	-	4,938	-	4,938	3,207
Depreciation charge for the year	-	2,297	-	2,297	1,731
Transfers	-	-	-	-	-
Balance at 31 December	-	7,235	-	7,235	4,938
Net book value at 31 December 2010	**44,758**	**62,118**	**49,982**	**156,858**	**-**
Net book value at 31 December 2009	44,758	64,560	39,033	-	148,351

The estimated fair market value of the land and building relating to Gulf Helicopters Company Q.S.C. based on an internal calculation completed in 2010 by the Group was QR 5.774 million (2009: QR 3.912 million).

The proportionate share in the fair value of land relating to the Group's indirect joint venture (Fereej Real Estate Company Q.S.C) amounted to QR 41.50 million (2009: QR 33.95 million) based on the valuation carried by an external independent valuer as on 31 December 2010.
Proportionate share in fair value of the buildings of the Group's indirect joint venture (Fereej Real Estate Company Q.S.C) amounted to QR 67.65 million (2009: QR 69.3 million) based on the valuation carried by an external independent valuer on 31 December 2010.

The proportionate shares in the fair value of building under construction relating to the Group's indirect joint venture (Fereej Real Estate Company Q.S.C) amounted to QR 62.931 million (2009: QR 62.931 million) based on the valuation carried by an external independent valuer as on 31 December 2010.

The total amount of depreciation charge relating to investment properties have been allocated to general and administrative expenses in the consolidated statement of income.

6. INVESTMENT IN AN ASSOCIATE

The Group has the following investment in an associate:

	Total 2010	Total 2009
Balance at 1 January	2,224	1,216
Share of (loss) / profit from an associate	(836)	983
Foreign exchange translation loss on investment	-	25
Balance at 31 December	**1,388**	2,224

6.1 The investment in an associate represents a 36% investment made by Gulf Helicopters Company Q.S.C. in shares of United Helicharters Private Limited (incorporated in India) whose principal activity is the provision of helicopters services.

6.2 The summarised results of United Helicharters Private Limited are as follows and are based on the management accounts of the Company for the year ended 31 December 2010:

	31 December 2010	31 December 2009
Total assets	**25,248**	34,597
Total liabilities	**21,489**	28,419
Total revenue	**41,130**	50,747
(Loss) / profit for the year	**(2,322)**	2,732
Share of (loss) / profit in an associate	**(836)**	983

7. INVESTMENT SECURITIES

	31 December 2010	31 December 2009
a. Financial assets at fair through profit or loss		
Held for trading (note 7.1)	58,832	56,521
Designated as fair value through profit or loss (note 7.2)	83,880	91,464
	142,712	147,985
b. Available-for-sale investments		
Qatari public shareholding companies	46,735	77,430
Unquoted securities	36,000	5,050
	82,735	82,480
Available-for-sale investments:		
At cost	92,626	88,073
Net movement in the fair values	(9,891)	(5,593)
	82,735	82,480

7.1 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.

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

8. INVENTORIES

	31 December 2010	31 December 2009
Ancillary spares	55,338	54,006
Drilling materials, spare parts and consumables	28,303	32,889
Less: Provision for slow moving items (Note. 8.1)	(21,785)	(17,568)
	61,856	69,327

Inventories include items held on behalf of the Group by the lessee of the Group's aircrafts, United Helicharters Private Limited with carrying values of QR 476,250 (2009: QR 484,625) in India, QR 2.787 million (2009: QR 1.448 million) in Yemen, and QR 3.39 million (2009: QR 5.582 million) in Libya respectively.

8.1 Movement in provision for slow moving items is as follows:

	Total 2010	Total 2009
Balance at 1 January	17,568	12,502
Charge for the year	4,217	5,066
Balance at 31 December	**21,785**	17,568

9. RECEIVABLES AND PREPAYMENTS

	Note	2010	2009
Trade receivables (from aviation business)		66,056	90,030
Trade receivables (from drilling business)		6,903	12,394
Less: provision for impairment of receivables	9.1	(8,198)	(8,675)
		64,761	93,749
Reinsurance share of outstanding claims	9.2	281,943	75,941
Accrued interest income		1,364	11,497
Advances to suppliers		-	1,967
Staff advances		4,947	3,675
Advance for purchase of helicopters		25,218	38,489
Accrued revenues		567	736
Prepayments		21,859	11,418
Refundable deposits and other receivables		12,611	1,623
		413,270	239,095

9.1 Movement in provision for impairment of trade receivables is as follows:

	2010	2009
Balance at 1 January	8,675	8,902
Provision for impairment made during the year	-	-
Reversals made	(477)	(227)
Balance at 31 December	**8,198**	8,675

9.2 Movement in reinsurance share of outstanding claims is as follows:

	2010 Gross	2010 Reinsurance	2010 Net	2009 Gross	2009 Reinsurance	2009 Net
At 1 Jan						
Reported claims	159,000	(75,941)	83,059	144,615	(91,704)	52,911
IBNR	69,265	-	69,265	73,113	-	73,113
Total	228,265	(75,941)	152,324	217,728	(91,704)	126,024
Movement during the period						
Reported claims	317,934	(206,002)	111,932	14,385	15,762	30,147
IBNR	(2,000)	-	(2,000)	(3,848)	-	(3,848)
Total	315,934	(206,002)	109,932	10,537	15,762	26,299
At 31 December						
Reported claims	476,934	(281,943)	194,991	159,000	(75,941)	83,059
IBNR	67,265	-	67,265	69,265	-	69,265
Total	**544,199**	**(281,943)**	**262,256**	228,265	(75,941)	152,324

10. CASH AND BANK BALANCES

	31 December 2010	31 December 2009
Cash in hand	246	215
Cash at banks		
- Current & call accounts	77,874	131,734
- Other fixed deposits	385,780	270,496
- Time deposits with maturities in excess of 3 months	362,894	314,362
Total cash and bank balances	**826,794**	716,807
Bank overdrafts	-	(1,511)
Less: Time deposits with maturities in excess of 3 months	(362,894)	(314,362)
Cash and bank as per cash flow statement	**463,900**	400,934

Included in bank balances is 'debt service reserve' amounting to QR 28.175 million equivalent to USD 7.741 million (2009: QR 28.103 million equivalent to USD 7.720 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.

11. EQUITY

11.1 Share capital

	31 December 2010	31 December 2009
Issued and paid up capital		
135,157,000 (2009: 122,870,000) ordinary shares of QR 10	**1,351,570**	1,351,570

11.2 Proposed dividend

The Board of directors have proposed a cash dividend of QR 1.3 per share amounting to QR 175.7 million (2009: QR 1.7 per share amounting to QR 229.7 million) of the issued share capital for the year ended 31 December 2010, which is subject to formal approval at the Annual General Meeting.

11.3 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 detailed above represents the sum of the subsidiaries and share of the joint venture's legal reserve, included for consolidated financial statements purposes.

This also includes the excess of funds amounted to QR 23.93 million raised from the public issue of shares over and above the issue costs incurred by the Group. In accordance with the term of prospectus issued, the amount has been transferred to legal reserve.

11.4 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.

11.5 Social and Sports Fund

During the year, the Group made an appropriation of QR 14.49 million representing 2.5% of the net profit for the year ended 31 December 2009, pursuant to the Law No 13 for the year 2008 and further clarifications for the Law issued in 2010. This appropriation has been considered as a restatement of the 2009 retained earnings in accordance with IAS 8 «Accounting policies, changes in accounting estimates and errors». Moreover, the Group made an appropriation of QR 10.98 million from the profits for the year ended 31 December 2010 in relation to the aforementioned Law.

12. LOANS AND BORROWINGS

	31 December 2010	31 December 2009
Syndicated borrowings		
- Loan 1 (i)	52,267	65,333
- Loan 2 (ii)	152,191	188,001
- Loan 3 (iii)	227,728	269,133
- Loan 4 (iv)	71,344	81,536
- Loan 5 (v)	46,577	46,577
	550,107	650,580
Various borrowings (vi)	310,485	211,921
	860,592	862,501
Less: Unamortised finance cost associated with raising finance	(2,895)	(2,378)
	857,697	860,123
Classified in the consolidated statement of financial position as follows:		
- Non-current portion	677,783	695,308
- Current portion	179,914	164,815
	857,697	860,123

The finance costs associated with raising finance represent arrangement fees.

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

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

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

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

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

(vi) 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 0.6% and LIBOR plus 0.45%. Borrowings are repriced quarterly at LIBOR rates. One of the Bridge finance amounting to QR 16.4 million bear interest rate at LIBOR plus 6% plus market premium.

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

The maturity profiles of the loans are as follows:

	Nominal interest rate	Year of maturity	As at 31 December 2010 Less than 1 year	1 – 2 years	2 – 5 years	5 years and above	Total
Loan 1	LIBOR + 0.7%	2014	13,067	13,067	26,133	-	52,267
Loan 2	LIBOR + 0.7%	2015	35,810	35,810	80,571		152,191
Loan 3	LIBOR + 0.8%	2017	41,405	41,405	124,215	20,703	227,728
Loan 4	LIBOR + 0.55%	2017	10,192	10,192	30,576	20,384	71,344
Loan 5	LIBOR + 1.05%	2013	8,469	8,469	29,639	-	46,577
Various borrowings	LIBOR + 0.6% - 0.45% - 2.45%		70,972	66,174	155,089	18,250	310,485
			179,915	**175,117**	**446,223**	**59,337**	**860,592**

As at 31 December 2009

Loan 1	LIBOR + 0.7%	2014	13,067	13,067	39,199	-	65,333
Loan 2	LIBOR + 0.7%	2015	35,810	35,810	107,430	8,951	188,001
Loan 3	LIBOR + 0.8%	2017	41,405	41,405	124,215	62,108	269,133
Loan 4	LIBOR + 0.55%	2017	10,192	10,192	30,576	30,576	81,536
Loan 5	LIBOR + 1.05%	2011	7,763	15,526	23,288	-	46,577
Various borrowings	LIBOR + 0.6% - 0.45% - 2.45%		56,578	37,467	82,653	35,223	211,921
			164,815	153,467	407,361	136,858	862,501

13. PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

	Total 2010	Total 2009
Balance at 1 January	10,255	7,408
Provision transfer from QP	-	458
Charge for the year	6,266	5,636
Payments made during the year	(3,516)	(3,247)
Balance at 31 December	13,005	10,255

The employees' end of service benefits of one of the Subsidiaries were accrued in the books of Qatar Petroleum till May 2008 for total employees of the Subsidiary. Subsequent to May 2008 provision is made in the books of the Subsidiary.

14. TRADE PAYABLE, INSURANCE PAYABLES AND ACCRUALS

	Note	31 December 2010	31 December 2009
Trade payables		42,178	49,336
Unearned premium	14.1	139,305	129,690
Outstanding claims	9.2	544,199	228,265
Payables to insurance and reinsurance companies			
Reinsurance premiums payable		148,295	129,999
Advance management fees		9,546	7,176
Advance reinsurance commissions received		27,403	23,891
Accrued expenses		84,626	62,295
Dividends payable		16,000	7,504
Other payables		23,172	5,001
Provision for contractor compensations		-	12,740
Provision for social contribution fund		10,979	14,487
		1,045,703	670,384

14.1 The movement of unearned premium during the year is as follows:

	Total 2010	Total 2009
Balance at 1 January	129,690	115,917
Increase during the year	138,018	125,606
Release during the year	(128,403)	(111,833)
Balance at 31 December	139,305	129,690

15. REVENUE FROM AVIATION AND DRILLING BUSINESSES

	Total 2010	Total 2009
Revenue from drilling business	559,468	691,981
Revenue from aviation business		
- Aviation revenue	444,744	417,504
- Other operating revenue	3,231	2,235
	1,007,443	1,111,720

16. NET INSURANCE REVENUE

	Note	Total 2010	Total 2009
Gross premiums	16.1	419,210	413,849
Net commission income		33,396	34,053
Movement in unearned premium	16.1	26,038	18,259
Brokerage cost		-	(8,379)
Gross insurance revenue		478,644	457,782
Premium ceded to reinsurers	16.1	(198,187)	(216,449)
Net claims incurred	16.2	(230,172)	(143,120)
Movement in unearned premium	16.1	(35,652)	(32,032)
Brokerage cost		(3,363)	(3,027)
Gross insurance expense		(467,374)	(394,628)
Net insurance revenue		11,270	63,154

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

	2010			2009		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Written premiums	419.210	(198,187)	221,023	413,849	(216,449)	197,400
Unearned premiums Adjustment	26,038	(35,652)	(9,614)	18,259	(32,032)	(13,773)
At 31 December	445,248	(233,839)	211,409	432,108	(248,481)	183,627

16.2 The details of net claims incurred are as follows:

	2010			2009		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Claims settled	(178,732)	58,491	(120,241)	(155,590)	38,769	(116,821)
*Outstanding claims adjustment	(317,933)	206,002	(111,931)	(14,385)	(15,762)	(30,147)
IBNR	2,000	-	2,000	3,848	-	3,848
At 31 December	(494,665)	264,493	(230,172)	(166,127)	23,007	(143,120)

17. DIRECT COSTS

	Total 2010	Total 2009
Drilling business	278,003	324,894
Aviation business	242,524	230,318
	520,527	555,212

18. OTHER INCOME

	Total 2010	Total 2009
Service fees	17,087	15,783
Dividend income	1,537	3,588
Gain on sale of available-for-sale investments	9,400	5,948
Net gain on disposal of property, plant and equipments	6,644	6,670
Rental income	3,842	2,054
Miscellaneous Income	-	581
	38,510	34,624

19. GENERAL AND ADMINISTRATIVE EXPENSES

	Total 2010	Total 2009
Salaries and other benefits	55,465	53,636
Training expenses	246	252
Board member sitting fees	3,704	5,351
Aviation related administrative expenses	12,774	10,470
Rent	7,333	8,033
Depreciation	7,792	5,451
Travel expenses	2,583	2,238
Printing and stationary	849	664
Recruitment costs	525	688
Communication expenses	1,960	1,558
Advertising expenses	1,052	1,794
Legal and professional expenses	888	578
Repairs and maintenance	128	179
Qatar exchange listing fees	3,353	3,378
Other expenses	28,787	13,843
Recovery of management expenses from Qatar Petroleum (Al Koot)	(17,585)	(14,527)
	109,854	93,586

20.NET FINANCE INCOME / (COST)

	Total 2010	Total 2009
Finance income (on short term bank deposits)	26,689	33,655
Finance cost		
- Loans and borrowings	16,019	16,625
- Bank overdrafts	9	20
Total finance cost	16,028	16,645
Finance income / (cost) – net	10,661	17,010

21. TRANSACTIONS WITH RELATED PARTIES

In the normal course of business, the Group enters into transactions with the associated companies, joint ventures, affiliates, shareholders and key management personnel. The details of transactions and the balances with related parties during the year are as follows:

	31 December 2010	31 December 2009
Due from related parties		
Qatar Petroleum (Associate investor)	270,966	238,116
Qatar Liquefied Gas (Affiliate)	8,376	6,998
Ras Laffan Natural Gas (Affiliate)	9,292	8,756
United Helicharters Private Limited (Associate)	13,435	10,015
Others (Affiliate)	22	1,154
Less: Provision for doubtful debts	(957)	(957)
	301,134	264,082

	Total 2010	Total 2009
Movement of provision for doubtful debts is as follows:		
Balance at 1 January	957	13,547
Reversals made	-	(12,590)
Balance at 31 December	957	957

	31 December 2010	31 December 2009
Due to related parties		
United Helicharters Private Limited (Associate)	796	796
Qatar Petroleum (Associate investor)	51,434	80,292
Qatar Fuel (Waqood) (Affiliate)	1,177	592
Japan Drilling Company (Affiliate)	2,616	3,671
Amwaj Catering (Affiliate)	2,710	3,002
Al Shaheen Well Services Company (Affiliate)	844	3,287
Other related parties	2,154	681
	61,732	92,321

	Total 2010	Total 2009
Compensation of key management personnel		
Salaries and other benefits	12,497	10,703
Directors fees	4,058	4,157

22. 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.

	Total 2010	Total 2009 (Restated)
Profit for the year	439,166	579,479
Weighted average number of equity shares	135,157	135,157
Basic earnings per share	3.25	4.29

23. CONTINGENCIES AND COMMITTMENTS

	Total 2010	Total 2009
Contingent liabilities		
Guarantees against performance bonds	3,949	13,329
Letters of credit	2,074	71

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

Commitments		
Capital commitments	1,878	182,455
Estimated capital expenditure approved but not contracted	63,573	-

24. OPERATING SEGMENTS

The Group has 3 reportable segments, as described below. The segments offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the segments, the Board of Directors reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Insurance; providing a range of insurance and reinsurance services to Qatar Petroleum ("QP" and its subsidiaries.
- 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.

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

31 December 2009	Insurance	Drilling	Aviation	Total
Total external revenue	459,955	691,981	419,762	1,571,698
Inter-segment revenue	(2,173)	-	(23)	(2,196)
Net profit (after inter-segment eliminations)	99,403	305,343	181,045	585,791
Total assets	1,136,343	1,604,374	910,609	3,651,326
Total liabilities	615,542	712,033	248,572	1,576,147
Depreciation and amortisation	3,152	113,469	48,001	164,622
Capital expenditures (including investment properties)	102,345	52,502	151,956	306,803
Finance income	25,669	5,130	772	31,571
Finance cost	-	9,624	6,660	16,284

Reconciliation of reportable segments profit or loss	Total 2010	Total 2009 (Restated)
Total profit for reportable segments	449,671	585,791
Other un-allocable profit or loss (represents profit or loss of parent Company including dividends from the subsidiaries and joint venture)	275,375	153,786
Elimination of dividends paid to parent company by subsidiaries and a joint venture	(285,880)	(160,098)
Consolidated profit for the year	439,166	579,479
Reconciliation of reportable segments total assets		
Total assets for reportable segments	4,177,231	3,651,326
Other un-allocable assets	1,293,258	1,282,775
Elimination of investments in subsidiaries and joint venture	(1,248,443)	(1,248,443)
Elimination of inter-segments assets	(637)	(827)
Consolidated total assets for the year	4,221,409	3,684,831
Reconciliation of reportable segments total liabilities		
Total liabilities for reportable segments	1,943,479	1,576,147
Other un-allocable liabilities	35,295	59,274
Elimination of inter-segments liabilities	(637)	(827)
Consolidated total liabilities for the year	1,978,137	1,634,594

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

Other material items	Reportable segment totals (2009)	Adjustments (2009)	Consolidated totals (2009)
Depreciation and amortisation	164,622	-	164,622
Capital expenditures (including investment properties)	306,803	-	306,803
Finance income	31,571	2,084	33,655
Finance cost	16,284	361	16,645

25. 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.	**Fareej * Real Estate Company Q.S.C.**	**31 December 2010**	Gulf Drilling International Q.S.C.	Fareej * Real Estate Company Q.S.C.	31 December 2009
Share of joint venture's statement of financial position						
Current assets	479,836	15,199	**495,035**	478,679	61,730	540,409
Non-current assets	1,112,762	160,340	**1,273,102**	1,125,695	151,877	1,277,572
Current liabilities	(193,269)	(11,395)	**(204,664)**	(169,600)	(22,526)	(192,126)
Non-current liabilities	(442,729)	-	**(442,729)**	(542,433)	(26,231)	(568,664)
Share of net assets	**956,600**	**164,144**	**1,120,744**	892,341	164,850	1,057,191
			Total 2010			Total 2009
Share of joint venture's comprehensive income						
Share of profit / (loss) for the year	**217,140**	**(1,738)**	**215,402**	303,748	902	304,650

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

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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, due to related parties and borrowings, bank overdrafts and certain other liabilities. Accounting policies for financial instruments are set out in note 3.

The Group has exposure to various risks from its use of financial instruments. These risks can be broadly classified as:
- insurance risk;
- credit risk;
- liquidity risk;
- market risk; and
- operational risk

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

Risk management & governance framework of the Group

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

Regulatory framework

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

a. Insurance risk

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The insurance contracts issued by the Group for various risks are homogeneous.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques. 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.

Risks are accepted based on an evaluation of pricing and prior underwriting experience in accordance with underwriting guidelines that have been laid out for each line of business. Underwriting guidelines are constantly reviewed and updated to take account of market developments, performance and opportunities. Accumulation limits are set to control exposures to natural hazards and catastrophes. Various underwriting and approval limits are specified for accepting risks. The reinsurance strategy of the Group is designed to protect exposures to individual and event risks based on current risk exposures through cost effective reinsurance arrangements. The recoverable amounts from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts.

Even though the Group has reinsurance arrangements, the direct obligation to its policy holders are shown a liability and thus to the extent the reinsurer is not able to meet its obligations under the reinsurance arrangement, a credit exposure exists. The management ensures that the Group's reinsurance placement is diversified within a range of reinsurers and is not concentrated or dependent on any single reinsurer.

Frequency and severity of claims

The frequency and severity of claims can be determined after consideration of several factors as follows:

- Past experience of the claims;
- Economic level;
- Laws and regulations; and
- Public awareness

The Group manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Group has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. The Group has the right to re-price the risk on renewal. Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs (for example, subrogation). The reinsurance arrangements include proportional, non-proportional and catastrophic coverage. The effect of such reinsurance arrangements is that the Group should not suffer major insurance losses. The Group has specialised claims units dealing with the mitigation of risks surrounding general insurance claims. This unit investigates and adjusts all general insurance claims. The general insurance claims are reviewed individually monthly and adjusted to reflect the latest information on the underlying facts, current law, jurisdiction, contractual terms and conditions, and other factors. The Group actively manages settlements of general insurance claims to reduce its exposure to unpredictable developments.

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 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.

Key assumptions
The principal assumption underlying the estimates is the Group's past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example once-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Other key assumptions include variation in interest rates and delays in settlement.

Sensitivity Analysis
The general insurance claims provision is sensitive to the above key assumptions. The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant showing the impact on liabilities and net profit.

	31 December 2010	31 December 2009			
	Change in assumptions	Impact on Liabilities	Impact on Net Profit	Impact on Liabilities	Impact on Net Profit
Loss ratio	+10%	23,017	(23,017)	14,312	(14,312)
Loss ratio	-10 %	(23,017)	23,017	(14,312)	14,312

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.

b. Credit risk
Credit risk is the risk that an obligor or counterparty will fail to meet its obligations in accordance with agreed terms. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and economic sector risk).

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.

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.

Exposure to credit risk
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amounts	
	31 December 2010	31 December 2009
Cash and bank balances (including time deposits)	826,548	716,592
Insurance and reinsurance related receivables	572,077	293,329
Other receivables	79,302	107,605
Investment securities – Debt	178,712	153,035
Due from related parties	301,134	264,082
	1,957,773	1,534,643

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.

Other receivables
The maximum exposure to credit risk for certain other receivables at the reporting date was equal to the receivables amount disclosed in the statement of financial position. All receivables are relating to receivables within the country.

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 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.

Age analysis of financial assets is as follows:

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

31 December 2009	Neither past due nor impaired	Past due but not impaired <30 days	31 to 60 days	61 to 90 days	91 to 120 days	Above 121days	Past due and impaired	Total
Cash and bank balances	716,592	-	-	-	-	-	-	716,592
Insurance receivables	109,775	111,402	16,484	38,181	9,914	7,573	-	293,329
Other receivables	66,301	-	-	18,041	-	14,588	8,675	107,605
Investment securities	153,035	-	-	-	-	-	-	153,035
Due from related parties	198,027	3,252	36,008	13,613	3,637	8,588	957	264,082
Total	1,243,730	114,654	52,492	69,835	13,551	30,749	9,632	1,534,643

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 in the same economic sector or geographical region
- Credit exposures to counterparties whose financial performance is dependent on the same activity or commodity
- 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 statement of financial position date, the top 3 insurance companies account for 98% (2009: 99%) of the total insurance receivables, the top 3 investments account for 71% (2009: 60%) of total available for sale investments.

Except for reinsurance share of outstanding claims, in respect of all other financial assets the counter parties are located in State of Qatar only. In respect of reinsurance arrangements, the Company deals with reinsurers through an internationally reputed insurance broker and 90% (2009: 85%) of total reinsurance arrangements are with reinsurers located in Europe and United States of America.

c) Liquidity risk

Liquidity risk is the potential loss for the Group arising from its inability either to meet its obligations or fund the assets without incurring unacceptable costs or losses.

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 assets and liabilities

The following table sets out the maturity profile of the Group's financial assets and financial liabilities. The contractual maturities of financial assets and financial liabilities have been determined on the basis of the remaining period at the statement of financial position 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.

Maturity profile

The maturity profile of the Group›s financial liabilities as at 31 December 2010 is as follows:

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

31 December 2009	GROSS UNDISCOUNTED CASHFLOWS On Demand	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	Over 3 years	Total
Liabilities							
Loans and borrowings	-	39,942	39,942	79,885	440,466	259,888	860,123
Due to related parties	-	92,321	-	-	-	-	92,321
Insurance and other payables	-	376,172	74,937	44,121	14,397	-	509,627
Bank overdrafts	-	1,511	-	-	-	-	1,511
	-	509,946	114,879	124,006	454,863	259,888	1,463,582

d) Market risk

Market risk is the risk of losses in both on and off statement of financial position positions arising from movements in market prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Market risk has three main components:

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

(i) 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.

(ii) 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.

Interest rate risk profile

The following table sets out the profit rate risk profile of the Group's financial assets and liabilities as at 31 December 2010:

31 December 2010	Effective profit rates	1 – 3 Months	3 – 12 Months	1 – 5 Years	Over 5 Years	Non interest based	Total
Assets							
Cash and bank balances	5.25%	106,800	371,894	-	-	348,100	826,794
Insurance and reinsurance related receivables		-	-	-	-	572,078	572,078
Other receivables		-	-	-	-	79,302	79,302
Due from related parties		-	-	-	-	301,134	301,134
Available-for-sale investments		-	-	-	-	82,735	82,735
Financial assets at fair value through profit or loss		-	-	-	-	142,712	142,712
		106,800	**371,894**	**-**	**-**	**1,526,061**	**2,004,755**
Liabilities							
Loans and borrowings	2.5%	44,979	134,936	618,445	59,337	-	857,697
Due to related parties		-	-	-	-	61,732	61,732
Insurance payables and other payables		-	-	-	-	869,449	869,449
Bank overdrafts		-	-	-	-	-	-
		44,979	**134,936**	**618,445**	**59,337**	**931,181**	**1,788,878**

31 December 2009	Effective profit rates	1 – 3 Months	3 – 12 Months	1 – 5 Years	Over 5 Years	Non interest based	Total
Assets							
Cash and bank balances	7.54%	131,949	314,362	-	-	270,496	716,807
Insurance and reinsurance related receivables		-	-	-	-	293,329	293,329
Other receivables		-	-	-	-	107,605	107,605
Due from related parties		-	-	-	-	264,082	264,082
Available-for-sale investments		-	-	-	-	82,480	82,480
Financial assets at fair value through profit or loss		-	-	-	-	147,985	147,985
		131,949	314,362	-	-	1,165,977	1,612,288
Liabilities							
Loans and borrowings	2%	39,942	124,917	695,264	-	-	860,123
Due to related parties		-	-	-	-	92,321	92,321
Insurance payables and other payables		-	-	-	-	509,627	509,627
Bank overdrafts	4.5%	1,511	-	-		-	1,511
		41,453	124,917	695,254	-	601,948	1,463,582

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 statement of income by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

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

31 December 2009	Profit or loss 100 bps increase	Profit or loss 100 bps decrease	Equity 100 bps increase	Equity 100 bps decrease
Loans and borrowings	(8,601)	8,601	(8,601)	8,601
Cash flow sensitivity (net)	(8,601)	8,601	(8,601)	8,601

(iii) Equity price risk

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

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

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

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 2010	Change in variable	Financial assets through P&L Impact on net profit	Available for sale Investments Impact on other comprehensive income
Qatar Market	+10%	14,271	4,673
Qatar Market	-10%	(14,271)	(4,673)

31 December 2009	Change in variable	Financial assets through P&L Impact on net profit	Available for sale Investments Impact on other comprehensive income
Qatar Market	+10%	14,798	8,248
Qatar Market	-10%	(14,798)	(8,248)

e) 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.

f) Capital management

The Group's policy is to maintain a strong capital base so as to maintain shareholder, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net profit or loss divided by total shareholders' equity.

The Group's objectives when managing capital are:

to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

Gearing ratio

	2010	2009
Loans and borrowings	857,697	860,123
Bank overdrafts	-	1,511
Total debt	859,707	861,634
Total equity	2,243,272	2,050,237
Equity and debt	0.38:1	0.42:1
Gearing ratio	**38%**	42%

27. 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 2010	**Fair value through profit or loss**	**Loans and receivables**	**Available for sale**	**Other amortized cost**	**Total carrying value**	**Fair value**
Assets						
Cash and bank balances	-	826,794	-	-	826,794	826,794
Insurance and reinsurance receivables	-	572,078	-	-	572,078	572,078
Other receivables	-	79,302	-	-	79,302	79,302
Due from related parties	-	301,134	-	-	301,134	301,134
Available-for-sale investments	-	-	82,480	-	82,480	82,480
Financial assets at fair value through profit or loss	147,985	-	-	-	147,985	147,985
	147,985	**1,779,308**	**82,480**	**-**	**2,009,773**	**2,009,773**
Liabilities						
Loans and borrowings	-	-	-	860,123	860,123	860,123
Due to related parties	-	-	-	92,321	92,321	92,321
Insurance payables and other payables	-	-	-	509,627	509,627	509,627
Bank overdrafts	-	-	-	1,511	1,511	1,511
	-	**-**	**-**	**1,463,582**	**1,463,582**	**1,463,582**

31 December 2009	Fair value through profit or loss	Loans and receivables	Available for sale	Other amortized cost	Total carrying value	Fair value
Assets						
Cash and bank balances	-	716,807	-	-	716,807	716,807
Insurance receivables	-	293,329	-	-	293,329	293,329
Other receivables	-	107,605	-	-	107,605	107,605
Due from related parties	-	264,082	-	-	264,082	264,082
Available-for-sale investments	-	-	82,480	-	82,480	82,480
Financial assets at fair value through profit or loss	147,985	-	-	-	147,985	147,985
	147,985	1,381,823	82,480	-	1,612,288	1,612,288
Liabilities						
Loans and borrowings	-	-	-	860,123	860,123	860,123
Due to related parties	-	-	-	92,321	92,321	92,321
Insurance payables and other payables	-	-	-	509,627	509,627	509,627
Bank overdrafts	-	-	-	1,511	1,511	1,511
		-	-	1,463,582	1,463,582	1,463,582

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	**Level 2**	**Level 3**	**Total**
As at 31 December 2010				
Available for sale	46,735	-	36,000	82,735
Financial assets at fair value through profit or loss	-	97,712	45,000	142,712
	46,735	**97,712**	**81,000**	**225,447**
As at 31 December 2009				
Available for sale	77,430	-	5,050	82,480
Financial assets at fair value through profit or loss	-	102,985	45,000	147,985
	77,430	102,985	50,050	230,465

28. RECLASSIFICATION AND RESTATEMENT OF COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation in the current year's financial statements. However, such reclassifications did not have any effect on the net profit, total assets and equity of the comparative period, except for the effect of restatement in contribution to social and sports fund as detailed in note 11.5.

FINANCIAL STATEMENT 2010

الخليج الدولية للخدمات ش.م.ق

Gulf International Services QSC