

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

**CONSOLIDATED FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**GULF INTERNATIONAL SERVICES Q.S.C.**

**CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT**

For the year ended December 31, 2014

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QR. 82543

## INDEPENDENT AUDITOR'S REPORT

### The Shareholders

Gulf International Services Q.S.C.

### Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Gulf International Services Q.S.C. (the "Company") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as at December 31, 2014 and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Management's responsibility for the consolidated financial statements*

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

#### *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 the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Gulf International Services Q.S.C. and its subsidiaries, as at December 31, 2014 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

### **Other legal and regulatory requirements**

We are also of the opinion that proper books of account were maintained by the Company and physical inventory has been duly carried out. We have obtained all the information and explanations which we considered necessary for the purpose of our audit. We further confirm that the consolidated financial information included in the Annual Report of the Board of Directors is in agreement with the books and records of the Company. To the best of our knowledge and belief and according to the information given to us, no contraventions of the applicable provisions of Qatar Commercial Companies Law No. 5 of 2002 and the Company's Articles of Association were committed during the year which would materially affect the Company's activities or its financial position.

Doha – Qatar  
February 2, 2015



For Deloitte & Touche  
Qatar Branch

Muhammad Bahemia  
Partner  
License No. 103

**GULF INTERNATIONAL SERVICES Q.S.C.**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at December 31, 2014

	Notes	<b>December 31, 2014</b>	December 31, 2013
		<b>QR '000</b>	QR '000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	7,037,488	963,184
Goodwill	5.3	313,026	303,559
Investment properties	7	1,125	1,125
Investment in joint ventures	8	--	1,379,565
Held-to-maturity financial assets	9	85,484	85,448
Available-for-sale financial assets	10	300,496	169,985
<b>Total non-current assets</b>		<b>7,737,619</b>	<b>2,902,866</b>
<b>Current assets</b>			
Inventories	11	202,766	79,542
Due from related parties	27	634,452	242,722
Accounts receivable, prepayments and other debit balances	12	679,237	622,081
Insurance contract receivables		266,579	363,099
Financial assets at fair value through profit or loss	13	218,331	260,656
Cash and bank balances	14	1,087,281	893,200
<b>Total current assets</b>		<b>3,088,646</b>	<b>2,461,300</b>
<b>Total assets</b>		<b>10,826,265</b>	<b>5,364,166</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	15	1,858,409	1,486,727
Legal reserve	16	286,538	75,474
General reserve	17	74,516	74,516
Foreign currency translation reserve		(349)	(337)
Fair value reserve	10	31,588	16,857
Retained earnings		1,927,027	1,432,486
<b>Total equity</b>		<b>4,177,729</b>	<b>3,085,723</b>

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

# GULF INTERNATIONAL SERVICES Q.S.C.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at December 31, 2014

	Notes	December 31, 2014 QR '000	December 31, 2013 QR '000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Employees' end of service benefits	20	64,402	40,413
Loans and borrowings	19	3,945,832	468,731
<b>Total non-current liabilities</b>		<u>4,010,234</u>	<u>509,144</u>
<b>Current liabilities</b>			
Accounts payable, insurance payables and accruals	21	1,718,891	1,629,343
Due to related parties	27	10,556	531
Loans and borrowings	19	908,855	139,425
<b>Total current liabilities</b>		<u>2,638,302</u>	<u>1,769,299</u>
<b>Total liabilities</b>		<u>6,648,536</u>	<u>2,278,443</u>
<b>Total equity and liabilities</b>		<u>10,826,265</u>	<u>5,364,166</u>

These consolidated financial statements were approved by the Board of Directors and signed on its behalf on February 2, 2015 by:



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



Saeed Mubarak Al-Muhannadi  
Vice-Chairman

**GULF INTERNATIONAL SERVICES Q.S.C.**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the year ended December 31, 2014

	Notes	<b>December 31, 2014</b>	December 31, 2013
		<b>QR '000</b>	QR '000
Revenue	22	<b>3,905,677</b>	2,301,747
Direct costs	23	<b>(2,709,910)</b>	(1,817,705)
<b>Gross profit</b>		<b>1,195,767</b>	484,042
Finance income	24	<b>21,366</b>	18,383
Net gains on financial assets at fair value through profit or loss		<b>15,908</b>	1,220
Other income	25	<b>72,902</b>	37,631
Share of profit of joint ventures	8	<b>99,854</b>	244,874
Finance cost		<b>(48,415)</b>	(15,187)
General and administrative expenses	26	<b>(216,943)</b>	(93,981)
Gains from business combination	5.2 (c)	<b>269,440</b>	--
<b>Profit for the year</b>		<b>1,409,879</b>	676,982
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Net fair value gain on available-for-sale financial assets		<b>14,731</b>	12,094
Net foreign exchange difference on translation of foreign operations		<b>(12)</b>	(176)
		<b>14,719</b>	11,918
<b>Total comprehensive income for the year</b>		<b>1,424,598</b>	688,900
<i>Earnings per share</i>			
Basic and diluted earnings per share (Qatari Riyal)	28	<b>7.59</b>	3.64

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

**GULF INTERNATIONAL SERVICES Q.S.C.**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the year ended December 31, 2014

	<b>Share capital</b>	<b>Legal reserve</b>	<b>General reserve</b>	<b>Foreign currency translation reserve</b>	<b>Fair value reserve</b>	<b>Retained earnings</b>	<b>Total</b>
	<b>QR '000</b>	<b>QR '000</b>	<b>QR '000</b>	<b>QR '000</b>	<b>QR '000</b>	<b>QR '000</b>	<b>QR '000</b>
Balance at January 1, 2013 (Restated)	1,486,727	64,667	74,516	(161)	4,763	1,006,245	2,636,757
Total comprehensive income for the year	--	--	--	(176)	12,094	676,982	688,900
Net movement in legal reserves (Note 16)	--	10,807	--	--	--	(10,807)	--
Dividends paid (Note 18)	--	--	--	--	--	(223,009)	(223,009)
Provision for social and sports fund (Note 21)	--	--	--	--	--	(16,925)	(16,925)
Balance at December 31, 2013	<u>1,486,727</u>	<u>75,474</u>	<u>74,516</u>	<u>(337)</u>	<u>16,857</u>	<u>1,432,486</u>	<u>3,085,723</u>

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



**GULF INTERNATIONAL SERVICES Q.S.C.**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)**

For the year ended December 31, 2014

	<b>Share capital</b>	<b>Legal reserve</b>	<b>General reserve</b>	<b>Foreign currency translation reserve</b>	<b>Fair value reserve</b>	<b>Retained earnings</b>	<b>Total</b>
	<b>QR '000</b>	<b>QR '000</b>	<b>QR '000</b>	<b>QR '000</b>	<b>QR '000</b>	<b>QR '000</b>	<b>QR '000</b>
Balance at January 1, 2014	1,486,727	75,474	74,516	(337)	16,857	1,432,486	3,085,723
Total comprehensive income for the year	--	--	--	(12)	14,731	1,409,879	1,424,598
Net movement in legal reserves* (Note 16)	--	211,064	--	--	--	(211,064)	--
Issuance of bonus shares	371,682	--	--	--	--	(371,682)	--
Dividends paid (Note 18)	--	--	--	--	--	(297,345)	(297,345)
Provision for social and sports fund (Note 21)	--	--	--	--	--	(35,247)	(35,247)
<b>Balance at December 31, 2014</b>	<b><u>1,858,409</u></b>	<b><u>286,538</u></b>	<b><u>74,516</u></b>	<b><u>(349)</u></b>	<b><u>31,588</u></b>	<b><u>1,927,027</u></b>	<b><u>4,177,729</u></b>

\* The additions to the legal reserve during 2014 amounting to QR. 194,824 thousands resulted from the acquisition of the remaining 30% of Gulf Drilling International Limited Q.S.C. (GDI), which became a 100% subsidiary of the Company during the current year (Note 5.2), while the remaining balance amounting to QR. 16,240 thousands resulted from the transfers of the legal reserve related to other companies of the Group.

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

**GULF INTERNATIONAL SERVICES Q.S.C.****CONSOLIDATED STATEMENT OF CASH FLOWS**

For the year ended December 31, 2014

	<b>December 31, 2014</b>	December 31,
	<b>QR '000</b>	QR '000
<b>OPERATING ACTIVITIES</b>		
Profit for the year	<b>1,409,879</b>	676,982
<i>Adjustments for:</i>		
Depreciation	<b>359,968</b>	89,669
Employees' end of service benefits	<b>19,412</b>	13,444
Finance cost	<b>48,415</b>	15,187
Gain on disposal of property, plant and equipment	<b>(6,232)</b>	(1,307)
Share of profit of joint ventures	<b>(99,842)</b>	(244,874)
Net gains on financial assets at fair value through profit or loss	<b>(15,908)</b>	(1,220)
Amortization of discount of held to maturity financial assets	<b>(36)</b>	(35)
Gain from business combination	<b>(269,440)</b>	
Provision for doubtful debts, net	<b>465</b>	10,873
Finance income	<b>(21,366)</b>	(18,383)
Provision for slow moving and obsolete items	<b>1,565</b>	2,069
Net gain on sale of available-for-sale financial assets	<b>(24,412)</b>	(1,445)
	<b>1,402,468</b>	540,960
<b>Working capital changes:</b>		
Inventories	<b>(40,494)</b>	(19,428)
Accounts receivable, due from related parties, insurance contract receivables, prepayments and other debit balances	<b>(32,210)</b>	211,743
Accounts payable, due to related parties, insurance payables and accruals	<b>(156,440)</b>	(110,429)
<b>Cash generated from operating activities</b>	<b>1,173,324</b>	622,846
Employees' end of service benefits paid	<b>(6,203)</b>	(3,170)
<b>Net cash from operating activities</b>	<b>1,167,121</b>	619,676
<b>INVESTING ACTIVITIES</b>		
Proceeds from disposal of available-for-sale financial assets	<b>100,321</b>	27,740
Finance income	<b>21,366</b>	18,383
Dividend income received from a joint venture	<b>140,140</b>	101,919
Proceeds from sale of financial assets at fair value through profit or loss	<b>94,070</b>	233,929
Acquisition of property, plant and equipment	<b>(1,768,011)</b>	(113,848)
Acquisition of financial assets at fair value through profit or loss	<b>(35,837)</b>	(83,741)
Acquisition of available-for-sale financial assets	<b>(191,689)</b>	(131,793)
Time deposits with original maturities in excess of three months	<b>(103,533)</b>	(20,104)
Proceeds from disposal of property, plant and equipment	<b>6,410</b>	2,614
Investment in a joint venture	<b>--</b>	(127,400)
Acquisition of a subsidiary net of cash received (Note 5.2)	<b>(437,910)</b>	--
<b>Net cash used in investing activities</b>	<b>(2,174,673)</b>	(92,301)

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

**GULF INTERNATIONAL SERVICES Q.S.C.****CONSOLIDATED STATEMENT OF CASH FLOWS**

For the year ended December 31, 2014

	Note	<b>December 31, 2014</b>	December 31, 2013
		<b>QR '000</b>	QR '000
<b>FINANCING ACTIVITIES</b>			
Proceeds from loans and borrowings		<b>1,770,293</b>	--
Repayment of loans and borrowings		<b>(326,433)</b>	(172,588)
Dividends paid		<b>(297,345)</b>	(223,009)
Finance costs paid		<b>(48,415)</b>	(15,187)
<b>Net cash from (used in) financing activities</b>		<b>1,098,100</b>	(410,784)
<b>Increase in cash and cash equivalents</b>		<b>90,548</b>	116,591
Cash and cash equivalents at the beginning of the year		<b>508,586</b>	391,995
<b>Cash and cash equivalents at the end of the year</b>	14	<b>599,134</b>	508,586

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

## **GULF INTERNATIONAL SERVICES Q.S.C.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2014

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#### **1. CORPORATE INFORMATION**

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

The accompanying consolidated financial statements for the year ended December 31, 2014 comprise the assets, liabilities, and results of operations of the Company and its subsidiaries (together referred to as the “Group”).

The principal activity of the Company is to operate as a holding company. The registered office of the Company is in Doha, State of Qatar.

The Company was incorporated by Qatar Petroleum (“QP”) as a sole shareholder with an initial capital of QR. 5 million on February 12, 2008.

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

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

On May 26, 2008, QP listed 70% of the Company’s issued share capital on Qatar Exchange. An extraordinary general assembly held on November 4, 2012 approved the amendments to the Articles of Association in which it increased the ownership limit of General Retirement and Social Insurance Authority (GRSIA). Subsequently, as per the instructions of the Supreme Council of Economic Affairs, QP divested 20% of its stake in GIS to the GRSIA.

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

On April 30, 2014, the Group acquired additional 30% of the shares of Gulf Drilling International Limited Q.S.C, a company incorporated in the State of Qatar that resulted to 100% ownership. The Group has obtained control over the company, therefore, the company became a subsidiary of Gulf International Services Q.S.C., in accordance with the sale and purchase agreement, effective from May 1, 2014.

## GULF INTERNATIONAL SERVICES Q.S.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

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#### 1. CORPORATE INFORMATION (CONTINUED)

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

		<b>Country of incorporation</b>	<b>Percentage Of Holding December 31, 2014</b>	<b>Percentage Of Holding December 31, 2013</b>
Al Koot Insurance & Reinsurance Company S.A.Q.	Subsidiary	Qatar	100%	100%
Amwaj Catering Services Company Ltd. Q.S.C.	Subsidiary	Qatar	100%	100%
Gulf Helicopters Company Q.S.C.	Subsidiary	Qatar	100%	100%
Gulf Drilling International Limited Q.S.C. (formerly a joint venture)	Subsidiary	Qatar	100%	70%

Also, included in the consolidated financial statements of one of the Group's subsidiaries are the share of profit or loss and other comprehensive income of the below joint venture company, using the equity accounting:

		<b>Country of incorporation</b>	<b>Percentage of Holding</b>
United Helicharters Private Limited	Joint venture	India	36%

The consolidated financial statements of the Group for the year ended December 31, 2014 were approved by the Board of Directors and were authorised for issue on its behalf by Chairman and the Vice Chairman on February 2, 2015.

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

**2.1 New and revised IFRSs affecting amounts reported in the consolidated financial statements**

The following are the new and revised IFRSs that were effective in the current year and have been applied in the preparation of these consolidated financial statements:

**(i) Revised Standards**

Effective for annual periods beginning on or after January 1, 2014

- IAS 32 (Revised) *Financial Instruments: Presentation – Amendments to clarify existing application issues relating to the offsetting requirements.*
- IFRS 10, IFRS 12 and IAS 27 (Revised) *Amendments to introduce an exception from the requirement to consolidate subsidiaries for an investment entity.*
- IAS 36 (Revised) *Amendments arising from recoverable amount disclosures for non-financial assets.*
- IAS 39 (Revised) *Amends IAS 39 Financial Instruments: Recognition and Measurement to make it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.*

**(ii) New interpretation:**

Effective for annual periods beginning on or after January 1, 2014

- IFRIC 21 *Levies*

The adoption of these new and revised standards had no significant effect on the consolidated financial statements of the Company for the year ended December 31, 2014, other than certain presentation and disclosure changes.

**2.2 New and revised IFRSs in issue but not yet effective (Early adoption allowed)**

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

**(i) New Standards:**

Effective for annual periods beginning on or after January 1, 2016

- IFRS 14 *Regulatory Deferral Accounts.*

Effective for annual periods beginning on or after January 1, 2017

- IFRS 15 *Revenue from Contracts with Customers.*

Effective for annual periods beginning on or after January 1, 2018

- IFRS 9 *Financial Instruments.*

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

**2.2 New and revised IFRSs in issue but not yet effective (Early adoption allowed)**

**(ii) Revised Standards:**

Effective for annual periods beginning on or after July 1, 2014

- IAS 19 (Revised) *Amendments to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.*
- Annual improvements to IFRSs 2010-2012 cycle *Amendments to issue clarifications on IFRSs- IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.*
- Annual Improvements 2011-2013 Cycle *Amendments to issue clarifications on IFRSs- IFRS 1, IFRS 3, IFRS 13 and IAS 40.*

Effective for annual periods beginning on or after January 1, 2016

- Annual Improvements 2012-2014 Cycle *Amendments to issue clarifications and add additional/specific guidance to IFRS 5, IFRS 7, IAS 19 and IAS 34.*
- IFRS 10 & IAS 28 (Revised) *Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture*
- IFRS 11 (Revised) *Amendments regarding the accounting for acquisitions of an interest in a joint operation.*
- IAS 16 (Revised) *Amendments regarding the clarification of acceptable methods of depreciation and amortization and amendments bringing bearer plants into the scope of IAS 16.*
- IAS 38 (Revised) *Amendments regarding the clarification of acceptable methods of depreciation and amortization.*
- IAS 41 (Revised) *Amendments bringing bearer plants into the scope of IAS 16.*

Effective for annual periods beginning on or after January 1, 2016

- IAS 27 (Revised) *Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate consolidated financial*

Effective for annual periods beginning on or after January 1, 2018 (on application of IFRS 9)

- IFRS 7 (Revised) *Financial Instruments Disclosures - Amendments requiring disclosures about the initial application of IFRS 9*
- IAS 39 (Revised) *Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception.*

Management anticipates that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the consolidated financial statements of the Group in the period of initial application, other than certain presentation and disclosure changes.

Management have not yet performed a detailed analysis of the impact of the application of these Standards and hence have not yet quantified the extent of the impact.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

#### **Statement of compliance**

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

#### **Basis of preparation**

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique (Note 32).

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

#### **Basis of consolidation**

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

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

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

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

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

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



**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of consolidation (continued)**

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

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

*Changes in Group's ownership interest in existing subsidiaries*

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

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

*Transactions eliminated on consolidation*

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

**Investment in associates and joint venture**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not a control or joint control over those policies.

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

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investment in associates and joint venture (continued)**

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

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

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

The Group discontinues the use of equity method of accounting when the investment ceases to be an associate or joint venture

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

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

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

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue recognition**

*Premiums earned*

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

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

*Net commission income*

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

*Interest income*

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

*Dividend income*

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

*Fee income*

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

*Revenue from drilling services*

Revenue represents rig rental and supply of related ancillary services income earned and invoiced during the year, in accordance with the terms of the contracts entered into with customers. Rig mobilisation fees received 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.

*Rental income*

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

*Revenue from catering*

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

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Claims and expense recognition**

*Claims*

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

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

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

*Reinsurance claims*

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

**Reinsurance**

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

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

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

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

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

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

## GULF INTERNATIONAL SERVICES Q.S.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

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#### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### Reinsurance (continued)

###### *Deferred acquisition costs (DAC)*

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

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

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

##### Earnings per share

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

##### Property, plant and equipment

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

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

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

The estimated useful lives are as follows:

Buildings	10 - 20 years
Aircrafts	7 - 10 years
Plant and machinery	2 - 7 years
Rigs	10 - 20 years

###### *Other property and equipment:*

Ground and radio equipment and tools	4 - 6 years
Motor vehicles	4 - 5 years
Furniture, fixtures and office equipment	3 - 7 years
Computers	3 years

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.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property, plant and equipment (continued)**

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

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

**Inventories**

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

**Business combinations**

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

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities recognised. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly as bargain purchase from acquisition in the consolidated statement of profit or loss. In a business combination achieved in stages, the acquirer shall remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss.

Following initial recognition, goodwill, if any is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Business combinations (continued)**

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

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

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

**Borrowing costs**

Borrowing costs attributable to acquisition or construction of property, plant and equipment are capitalised as part of cost of the asset up to the date of the asset being qualified for use. Other borrowing costs are recognised as expenses in the period in which they are incurred. For the purpose of determining interest available for capitalization, the costs related to these borrowings are reduced by any investment income on the temporary investment of the borrowing.

**Investment properties**

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

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

The carrying value of investment property is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investment properties (continued)**

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

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

**Impairment of non-financial assets**

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

**Financial assets**

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

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

*Effective interest rate method*

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

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

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



**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial assets (continued)**

A financial asset is classified as held for trading if:

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

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

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

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in the consolidated statement of profit or loss. The net gain or loss recognised in the consolidated statement of profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 31.

*Held-to-maturity financial assets*

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

*Available for sale (AFS) financial assets*

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

Listed redeemable notes held by the Group that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets. Fair value is determined in the manner described in note 10. Gains and losses arising from changes in fair value are recognised directly in equity in the fair value reserve, with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in the consolidated statement of profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the fair value reserve is taken to the consolidated statement of profit or loss.

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

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial assets (continued)**

*Loans and receivables*

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

**Accounts receivables**

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

**Insurance contract receivables**

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

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

**Cash and cash equivalents**

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

**Derecognition of financial assets**

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

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

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

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

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Impairment of financial assets (continued)**

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

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

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

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

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

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

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

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

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

**Financial liabilities**

*Interest bearing loans and borrowings*

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

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial liabilities (continued)**

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

*Other payables and accruals*

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

*Insurance payables*

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

*Provisions*

Provisions are recognised when the Group has 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.

**Derecognition of financial liabilities**

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

**Employees' end of service benefits**

*Defined contribution schemes - Qatari employees*

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

*Expatriate employees (Defined benefit plan)*

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

*Short term benefits*

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

**Foreign currencies**

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

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Foreign currency translation**

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

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

**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 29).

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

**Dividend distributions**

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

**Leases**

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

**Contribution to Qatar Sports and Social Fund**

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

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair values**

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

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

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

**4. SIGNIFICANT ASSUMPTIONS, ACCOUNTING JUDGEMENTS AND ESTIMATES**

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

**Critical judgements in applying accounting policies**

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

*Classification of investments*

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

*Accounting policy for measurement of investment properties*

Management of the Group is required to choose as its accounting policy either the fair value model or the cost model and shall apply this policy to all of its investment property, except if it holds an investment property as a lessee under an operating lease, under which it is required to hold these investment properties only at fair value.

The Group has chosen to adopt the cost model for the purposes of measuring its investment properties in the consolidated statement of financial position.

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

**Key sources of estimation uncertainty**

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

*Impairment of tangible assets*

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

*Tangible assets useful lives*

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

*Impairment of financial assets*

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

*Impairment of available for sale financial assets*

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

*Claims made under insurance contracts*

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

*Provision for outstanding claims*

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

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

**Key sources of estimation uncertainty (continued)**

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

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

*Reinsurance contract*

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

*Liability adequacy test*

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

*Provision for slow moving inventories*

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

At the end of reporting date, gross inventories was QR 240,457 thousand (2013: QR 111,530 thousand) against which a provision for slow moving and obsolete inventories amounting QR 37,691 thousand (2013: QR 31,988 thousand) has been made. Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the consolidated statement of profit or loss.

*Impairment of goodwill*

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

*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 31 for fair value hierarchy).



## GULF INTERNATIONAL SERVICES Q.S.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

#### 5. BUSINESS COMBINATION

##### 5.1 Acquisition of Amwaj Catering Services Limited Q.S.C.

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

The fair value of the identifiable assets and liabilities of Amwaj Catering Services Limited Q.S.C. prior to the acquisition and the calculation of goodwill is detailed below:

	<b>Carrying amounts immediately prior to the acquisition</b>	<b>Fair value recognised on acquisition date</b>
	<b>QR'000</b>	<b>QR'000</b>
<b>Assets</b>		
Property, plant and equipment	58,519	58,519
Inventories	9,345	9,345
Accounts receivable and prepayments	272,906	272,906
Bank balances and cash	75,099	75,099
	<u>415,869</u>	<u>415,869</u>
<b>Liabilities</b>		
Employees' end of service benefits	8,926	8,926
Accounts payable and accruals	213,319	213,319
	<u>222,245</u>	<u>222,245</u>
<b>Net assets acquired at fair values</b>	<b><u>193,624</u></b>	<b><u>193,624</u></b>
Less: Cost of business combination	<u>497,183</u>	<u>497,183</u>
<b>Goodwill on acquisition (Note a)</b>	<b><u><u>303,559</u></u></b>	<b><u><u>303,559</u></u></b>

Notes:

- (a) The Group has finalized the Purchase Price Allocation (PPA) to identify separately the intangible assets and goodwill arising from the acquisition. There were no derived values of intangibles and the entire amount represents goodwill.
- (b) The goodwill of QR. 303 million comprises the value of expected synergies arising from the acquisition.

**5. BUSINESS COMBINATION (CONTINUED)**

Goodwill related to the acquisition has been allocated to the catering segment and their cash generating units (CGUs). The recoverable amount of the Catering Segment has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The pre-tax discount rate applied to cash flow projections is 10% and cash flows beyond the five-year period are extrapolated using a 1% growth rate that is the same as the long-term average growth rate for the catering industry. It was concluded that the recoverable amount exceeded the carrying value of goodwill. As a result of this analysis, management has not recognised any impairment charge against goodwill.

*Key assumptions used in value in use calculations*

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

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

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

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

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

*Sensitivity to changes in assumptions*

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

**5.2 Acquisition of Gulf Drilling International Limited Q.S.C. (“GDI”)**

On April 30, 2014, the Group acquired the remaining 30% shares of Gulf Drilling International Limited Q.S.C that resulted in 100% ownership. The objectives of the Company are to own or charter offshore jack up drilling rigs, land rigs, work over rigs, liftboats and accommodation barges and to provide drilling related services to oil and gas companies in Qatar and other countries in the region. The Group has obtained control over the subsidiary in accordance with the sale and purchase agreement, effective from May 1, 2014.

## GULF INTERNATIONAL SERVICES Q.S.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

#### 5. BUSINESS COMBINATION (CONTINUED)

##### 5.2 Acquisition of Gulf Drilling International Limited Q.S.C. (“GDI”) (continued)

The fair values of the identifiable assets and liabilities of Gulf Drilling International Limited Q.S.C. on the acquisition date and the calculation of bargain purchase from the acquisition are as follows:

<b>Assets</b>	<b>Carrying amount s immediately prior to the acquisition</b>	<b>Fair value adjustment</b>	<b>Fair value immediately prior to the acquisition</b>
	<b>QR’000</b>	<b>QR’000</b>	<b>QR’000</b>
Property, plant and equipment	4,396,999	269,440	4,666,439
Inventories	84,295	--	84,295
Due from related parties	161,697	--	161,697
Accounts receivable and prepayments	158,924	--	158,924
Bank balances and cash	145,541	--	145,541
	<u>4,947,456</u>	<u>269,440</u>	<u>5,216,896</u>
<b>Liabilities</b>			
Loans	2,802,671	--	2,802,671
Employees’ end of service benefits	10,780	--	10,780
Due to related parties	26,366	--	26,366
Accounts payable and accruals	186,571	--	186,571
	<u>3,026,388</u>	<u>269,440</u>	<u>3,026,388</u>
	<u>1,921,068</u>	<u>269,440</u>	<u>2,190,508</u>
<b>Fair value of 30% of the acquired stake</b>			657,152
Less: Cost of business combination			<u>573,972</u>
<b>Bargain purchase from the acquisition</b>			<u><u>83,180</u></u>

Notes:

- (a) The Group has finalized the Purchase Price Allocation (PPA) to identify separately the intangible assets and bargain purchase arising from the acquisition, whereby it considered all the acquired assets and assumed liabilities at book values, except the values of the rigs and machinery which are included in the property, plant and equipment at fair values at the date of acquisition, with no derived value of intangibles.
- (b) The Group has recognized a gain amounting to QR. 186,260 thousands which represents the excess of the fair value of previously held equity in GDI (i.e 70%) over that stake which were recorded at book value at the date of acquisition.
- (c) Total gain from business combination in 2014 is calculated as follows

	<b>QR’000</b>
Bargain purchase gain from the acquisition	83,180
Gain from the fair value of previously held equity (b)	<u>186,260</u>
	<u><u>269,440</u></u>

## GULF INTERNATIONAL SERVICES Q.S.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

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#### 5. BUSINESS COMBINATION (CONTINUED)

##### 5.2 Acquisition of Gulf Drilling International Limited Q.S.C. (“GDI”) (continued)

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

	<u>QR’000</u>
Cash consideration	573,972
Less: Cash acquired from the subsidiary	<u>(145,451)</u>
	<u>428,521</u>

The recoverable amount of the drilling segment has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The pre-tax discount rate applied to cash flow projections is 15% and cash flows beyond the five-year period for an additional five-year period are extrapolated using a 3% revenue growth rate that is based upon the long-term average inflation rate for Qatar. Revenues are forecasted to grow at 1% beyond the forecast period.

##### *Key assumptions used in value in use calculations*

The calculation of value in use for the Gulf Drilling International Limited Q.S.C. is most sensitive to the following assumptions:

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

Free cash flow for the firm- FCFF represents the net amount of cash that is generated by the company, after adjusting for working capital and capital expenditure requirements.

Discount rates – Discount rates represent the current market assessment of the risks specific to the GDI’s operations, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the business and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group’s investors. The cost of debt is based on the estimated rate that would prevail in the market for companies operating in the oil & gas industry within the region. Company-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

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

##### *Sensitivity to changes in assumptions*

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

## GULF INTERNATIONAL SERVICES Q.S.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

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#### 5. BUSINESS COMBINATION (CONTINUED)

##### 5.3 Goodwill

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

	<b>December 31, 2014</b>	December 31, 2013
	<b>QR '000</b>	QR '000
Amwaj Catering Services Company Ltd. Q.S.C. (Note 5.1)	<b>303,559</b>	303,559
Redstar Havacılık Hizmetleri A.Ş (a)- Turkey	<b>9,467</b>	--
	<b><u>313,026</u></b>	<b><u>303,559</u></b>

- (a) During 2014, Gulf Helicopters Company Q.S.C. (The Company's subsidiary) has acquired an equity stake in Redstar Havacılık Hizmetleri A.Ş for an amount of QR. 10 million, which resulted in recognition of a goodwill. This acquisition included net cash outflow amounting to QR. 9 million.

**GULF INTERNATIONAL SERVICES Q.S.C.**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

**6. PROPERTY, PLANT AND EQUIPMENT**

	<u>Freehold land</u> QR '000	<u>Buildings</u> QR '000	<u>Plant and machinery</u> QR '000	<u>Other property and equipment</u> QR '000	<u>Capital work- in- progress</u> QR '000	<u>Total</u> QR '000
<b>Cost:</b>						
Balance at January 1, 2013 (Restated)	1,171	72,265	1,206,702	37,426	41,520	1,359,084
Additions	--	3,731	95,805	8,044	6,268	113,848
Transfers	--	--	20,624	10	(20,634)	--
Disposals	--	--	(9,186)	(2,327)	--	(11,513)
Write-offs	--	--	(5,498)	(13)	--	(5,511)
Balance at January 1, 2014	<u>1,171</u>	<u>75,996</u>	<u>1,308,447</u>	<u>43,140</u>	<u>27,154</u>	<u>1,455,908</u>
Acquired through business combination*	--	--	4,644,371	312,758	1,009,648	5,966,777
Additions	--	14,447	404,112	18,739	1,330,713	1,768,011
Transfers	--	--	1,517,450	86,550	(1,604,000)	--
Disposals	--	--	(89)	(2,856)	--	(2,945)
Write-offs	--	--	(9,673)	--	--	(9,673)
<b>Balance at December 31, 2014</b>	<b><u>1,171</u></b>	<b><u>90,443</u></b>	<b><u>7,864,618</u></b>	<b><u>458,331</u></b>	<b><u>763,515</u></b>	<b><u>9,178,078</u></b>

\*This includes the fair value of the rigs and machinery included in the plant and equipment acquired from Gulf Drilling International Limited Q.S.C. on April 30, 2014 (Note 5.2).

**GULF INTERNATIONAL SERVICES Q.S.C.**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

**6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

	<u>Freehold land</u> QR '000	<u>Buildings</u> QR '000	<u>Plant and machinery</u> QR '000	<u>Other property and equipment</u> QR '000	<u>Capital work-in- progress</u> QR '000	<u>Total</u> QR '000
<b>Accumulated depreciation:</b>						
Balance at January 1, 2013 (Restated)	--	42,742	351,428	24,602	--	418,772
Charge for the year	--	5,371	78,115	6,183	--	89,669
Relating to disposals	--		(8,061)	(2,298)	--	(10,359)
Write-offs	--		(5,352)	(6)	--	(5,358)
Balance at January 1, 2014	--	48,113	416,130	28,481	--	492,724
Acquired through business combination	--	--	1,169,357	130,981	--	1,300,338
Charge for the year	--	6,036	311,976	41,956	--	359,968
Relating to disposals	--	--	(79)	(2,688)	--	(2,767)
Write-offs	--	--	(9,673)	--	--	(9,673)
<b>Balance at December 31, 2014</b>	<b>--</b>	<b>54,149</b>	<b>1,887,711</b>	<b>198,730</b>	<b>--</b>	<b>2,140,590</b>
<b>Net book value:</b>						
<b>At December 31, 2014</b>	<b>1,171</b>	<b>36,294</b>	<b>5,976,907</b>	<b>259,601</b>	<b>763,515</b>	<b>7,037,488</b>
At December 31, 2013	1,171	27,883	892,317	14,659	27,154	963,184

## GULF INTERNATIONAL SERVICES Q.S.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the year ended December 31, 2014

#### 6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes:

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

	<b>December 31, 2014</b>	December 31, 2013
	<u>QR '000</u>	<u>QR '000</u>
Direct costs	<b>346,920</b>	83,672
General and administrative expenses (Note 26)	<b>13,048</b>	5,997
	<b><u>359,968</u></b>	<u>89,669</u>

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

#### 7. INVESTMENT PROPERTIES

	<b>Land</b>	<b>Building</b>	<b>Total</b>
	<u>QR '000</u>	<u>QR '000</u>	<u>QR '000</u>
Cost:			
Balance at January 1, 2014	<u>1,125</u>	<u>3,287</u>	<u>4,412</u>
At December 31, 2014	<u>1,125</u>	<u>3,287</u>	<u>4,412</u>
Depreciation:			
Balance at January 1, 2014	<u>--</u>	<u>3,287</u>	<u>3,287</u>
At December 31, 2014	<u>--</u>	<u>3,287</u>	<u>3,287</u>
<b>Net carrying amounts At December 31, 2014</b>	<b><u>1,125</u></b>	<b><u>--</u></b>	<b><u>1,125</u></b>

	<b>Land</b>	<b>Building</b>	<b>Total</b>
	<u>QR '000</u>	<u>QR '000</u>	<u>QR '000</u>
Cost:			
Balance at January 1, 2013	<u>1,125</u>	<u>3,287</u>	<u>4,412</u>
At December 31, 2013	<u>1,125</u>	<u>3,287</u>	<u>4,412</u>
Depreciation:			
Balance at January 1, 2013	<u>--</u>	<u>3,287</u>	<u>3,287</u>
At December 31, 2013	<u>--</u>	<u>3,287</u>	<u>3,287</u>
<b>Net carrying amounts At December 31, 2013</b>	<b><u>1,125</u></b>	<b><u>--</u></b>	<b><u>1,125</u></b>



## GULF INTERNATIONAL SERVICES Q.S.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

#### 7. INVESTMENT PROPERTIES (CONTINUED)

Notes:

- 7.1 Investment properties are located in the State of Qatar.
- 7.2 One of the Group's subsidiaries owns a compound, certain executive houses in the compound which is initially presented under property, plant and equipment are leased out to third parties and therefore cost of which has been allocated to investment properties. On October 23, 2014, the total compound was appraised by an independent properties valuer at a fair value of QR. 264,516,689. Management has prorated the fair market value of the certain executive houses classified as investment properties at a value of QR. 33,567,534. The management is of the opinion that there are no significant changes to the fair market value between the date of valuation and the reporting date.
- 7.3 In 2013, the estimated fair market value of certain executive houses classified as investment properties is QR. 6,004,146 the calculation of the fair market value is based on an internal calculation by the Group's management.
- 7.4 The executive houses classified as investment properties generated rental income amounting to QR. 1,059,960 in 2014 (2013: QR. 1,234,724).

#### 8. INVESTMENT IN JOINT VENTURES

Details of the Group's joint ventures at the end of the reporting year were as follows:

<i>Name of joint venture</i>	<i>Principal activity</i>	<i>Country of incorporation</i>	<i>Ownership</i>	<b>December 31, 2014</b>	December 31, 2013
				<b>QR'000</b>	QR'000
Gulf Drilling International Limited Q.S.C. (a)	The objective is to own/ charter offshore jack up drilling rigs, land rigs, work over rigs and other related services	Qatar	70%	--	1,378,769
United Helicharters Private Limited (b)	Helicopters services	India	36%	--	796
				<b>--</b>	<b>1,379,565</b>

(a) On April 30, 2014 the Company acquired the remaining 30% of the shares of Gulf Drilling International Limited Q.S.C that resulted in 100% ownership, and accordingly no longer a joint venture effective May 1, 2014 after obtaining the control over this former joint venture by the Group.

(b) In case where the share of loss from the results of operations of joint venture exceeds the investment, IFRS do not allow the recognition of further losses except when the investor has an obligation or has made payment on behalf of the investee. As such, the value of the joint venture is reduced to zero as at December 31, 2014.

## GULF INTERNATIONAL SERVICES Q.S.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

#### 8. INVESTMENT IN JOINT VENTURES (CONTINUED)

The movements in interests in joint ventures during the year were as follows:

	<u>2014</u> QR '000	<u>2013</u> QR '000
Carrying amount at January 1,	1,379,565	1,109,386
Investments acquired during the year	--	127,400
Share of profit for the year*	99,854	244,874
Net foreign exchange difference on translation of foreign operations	(12)	(176)
Dividend received	(140,140)	(101,919)
Transferred to a subsidiary	(1,339,267)	--
Carrying amount at December 31,	<u><u>--</u></u>	<u><u>1,379,565</u></u>

\*This includes the share profit recognised for the period from January 1 to April 30, 2014 from Gulf Drilling International Q.S.C. which became a fully owned subsidiary by the Group effective May 1, 2014.

The summarised financial information below represents the amounts shown in the joint ventures' financial statements in 2013 as prepared in accordance with IFRS.

	<u>2013</u> QR '000
Cash and bank balances	81,048
Other current assets	496,171
Non-current assets	3,984,724
Total assets	<u><u>4,561,943</u></u>
Debts due within one year	428,296
Other current liabilities	182,290
Debts due after one year	1,969,240
Other non-current liabilities	21,419
Total liabilities	<u><u>2,601,245</u></u>
Shareholder's equity	<u><u>1,960,698</u></u>
	<u>2013</u> QR '000
Revenue	1,320,669
Direct costs	(822,990)
Gross Profit	497,679
Other expenses	(152,707)
Profit for the year	<u><u>344,972</u></u>

## GULF INTERNATIONAL SERVICES Q.S.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

#### 8. INVESTMENT IN JOINT VENTURES (CONTINUED)

Reconciliation of the above summarized financial information to the carrying amount of the interest in the joint ventures recognised in the consolidated financial statements in 2013 was as follows:

	December 31, 2013
Proportion of the Group's ownership interest in the following joint ventures:	
Gulf Drilling International	70%
United Helicharters Private Limited	36%
	December 31, 2013
	QR '000
The Group's interest in net assets of the above joint ventures	1,371,737
Other adjustments:	
Tax adjustment	7,828
Carrying amount of the Group's interest in the joint ventures' net assets	<u>1,379,565</u>

#### 9. HELD-TO-MATURITY FINANCIAL ASSETS

The Group's held-to-maturity investments consist of State of Qatar and other corporate bonds. At December 31, 2014, the market value of these investments amounted to QR. 90 million (2013: QR. 89.6 million).

#### 10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31, 2014	December 31, 2013
	QR '000	QR '000
Qatari public shareholding companies	300,494	169,983
Unquoted securities	2	2
	<u>300,496</u>	<u>169,985</u>
Cost at January 1,	153,128	47,630
Additions	191,689	131,793
Disposals	(75,909)	(26,295)
Cost at December 31,	268,908	153,128
Cumulative fair value gain	31,588	16,857
	<u>300,496</u>	<u>169,985</u>

#### 11. INVENTORIES

	December 31, 2014	December 31, 2013
	QR '000	QR '000
Ancillary spares	223,345	95,868
Catering inventories	17,112	15,662
	<u>240,457</u>	111,530
Less: Provision for slow moving and obsolete items	(37,691)	(31,988)
	<u>202,766</u>	<u>79,542</u>

## GULF INTERNATIONAL SERVICES Q.S.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

#### 11. INVENTORIES (CONTINUED)

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

	<b>December 31, 2014</b>	December 31, 2013
	<b>QR '000</b>	QR '000
Balance at January 1,	<b>31,988</b>	29,919
Acquired through business combination	<b>4,138</b>	--
Charge for the year	<b>1,565</b>	2,069
Balance at December 31,	<b>37,691</b>	31,988

#### 12. ACCOUNT RECEIVABLES, PREPAYMENTS AND OTHER DEBIT BALANCES

	<b>December 31, 2014</b>	December 31, 2013
Trade receivables (from Drilling business)	<b>213,588</b>	--
Trade receivables (from catering business)	<b>147,335</b>	217,695
Trade receivables (from aviation business)	<b>90,667</b>	82,935
	<b>451,590</b>	300,630
Less: Provision for doubtful debts	<b>(32,942)</b>	(32,477)
Net trade receivables	<b>418,648</b>	268,153
Reinsurance share of outstanding claims (Note 12.3)	<b>164,709</b>	283,110
Advance to suppliers	<b>36,452</b>	--
Accrued interest income	<b>13,469</b>	2,990
Refundable deposits and other receivables	<b>17,174</b>	21,949
Prepayments	<b>14,434</b>	14,406
Advance for purchase of helicopters	<b>4,412</b>	26,913
Staff advances	<b>9,939</b>	4,560
	<b>679,237</b>	622,081

*Notes:*

12.1 The aging of the trade receivables is presented in Note 31 under the section of credit risk.

12.2 Movement in the provision for doubtful debts was as follows:

	<b>December 31, 2014</b>	December 31, 2013
	<b>QR '000</b>	QR '000
Balance at January 1,	<b>32,477</b>	21,604
Provision during the year	<b>14,080</b>	12,714
Reversals made during the year	<b>(13,615)</b>	(1,841)
Balance at December 31,	<b>32,942</b>	32,477

**GULF INTERNATIONAL SERVICES Q.S.C.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2014

**12. ACCOUNT RECEIVABLES, PREPAYMENTS AND OTHER DEBIT BALANCES  
(CONTINUED)**

12.3 Reinsurance share of outstanding claims was as follows:

	2014			2013		
	Gross	QR '000 Reinsurance	Net	Gross	QR '000 Reinsurance	Net
At January 1,						
Reported claims	<b>560,048</b>	<b>(283,110)</b>	<b>276,938</b>	617,687	(411,904)	205,783
IBNR	<b>168,706</b>	--	<b>168,706</b>	182,823	--	182,823
Total	<b>728,754</b>	<b>(283,110)</b>	<b>445,644</b>	800,510	(411,904)	388,606

Movement during the year was as follows:

	2014			2013		
	Gross	QR '000 Reinsurance	Net	Gross	QR '000 Reinsurance	Net
Reported claims	<b>(172,580)</b>	<b>118,402</b>	<b>(54,178)</b>	(57,639)	128,793	71,154
IBNR	<b>63,386</b>	--	<b>63,386</b>	(14,116)	--	(14,116)
Total	<b>(109,194)</b>	<b>118,402</b>	<b>9,208</b>	(71,755)	128,793	57,038

	2014			2013		
	Gross	QR '000 Reinsurance	Net	Gross	QR '000 Reinsurance	Net
At 31 December						
Reported claims	<b>387,468</b>	<b>(164,709)</b>	<b>222,759</b>	560,048	(283,110)	276,938
IBNR	<b>232,093</b>	--	<b>232,093</b>	168,706	--	168,706
Total	<b>619,561</b>	<b>(164,709)</b>	<b>454,852</b>	728,754	(283,110)	445,644

**13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	December 31, 2014 QR '000	December 31, 2013 QR '000
Held for trading (Note 13.1)	<b>184,510</b>	215,098
Designated as fair value through profit or loss (13.2)	<b>33,821</b>	45,558
	<b>218,331</b>	260,656

Notes:

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

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

## GULF INTERNATIONAL SERVICES Q.S.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

#### 14. CASH AND CASH EQUIVALENTS

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

	<b>December 31, 2014</b>	December 31, 2013
	<b>QR '000</b>	QR '000
Cash on hand	<b>594</b>	2,300
Cash at banks		
- Current and call accounts	<b>305,729</b>	350,092
- Fixed deposits	<b>292,811</b>	156,194
- Time deposits with maturities in excess of three months	<b>488,147</b>	384,614
<b>Cash and bank balances as per consolidated statement of financial position</b>	<b>1,087,281</b>	893,200
Less: Time deposits with original maturities in excess of three months	<b>(488,147)</b>	(384,614)
<b>Cash and cash equivalents as per consolidated statement of cash flows</b>	<b>599,134</b>	508,586

*Notes:*

- 14.1 Cash at banks earn interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between one day and six months depending on the immediate cash requirements of the respective subsidiaries at interest of 1.3% (2013: 1.7%).

#### 15. SHARE CAPITAL

	<b>December 31, 2014</b>	December 31, 2013
	<b>QR '000</b>	QR '000
Issued and paid up 185,840,868 (2013: 148,672,695) ordinary shares of QR 10	<b>1,858,409</b>	1,486,727
	<b>December 31, 2014</b>	December 31, 2013
	<b>No of shares</b>	No of shares
Balance at the beginning of the year	<b>148,672,695</b>	148,672,695
Bonus share issue	<b>37,168,173</b>	--
Balance at the end of the year	<b>185,840,868</b>	148,672,695

*Note:*

A 25% bonus share issue was approved by the shareholders at the Annual General Assembly on March 11, 2014.

## GULF INTERNATIONAL SERVICES Q.S.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

#### 16. LEGAL RESERVE

Gulf International Services Q.S.C. was formed in accordance with Article 68 of Qatar Commercial Companies' Law No. 5 of 2002.

Since the Articles of Association of the Company does not provide for legal reserve and such reserve is taken based on the discretion of the Board of Directors to be considered as necessary or appropriate, the legal reserve in the consolidated statement of financial position represents the sum of the legal reserve computed at the level of the subsidiaries only.

#### 17. GENERAL RESERVE

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

#### 18. DIVIDENDS

The Board of Directors has proposed a final cash dividend of QR. 5.5 per share amounting to QR. 1,022.1 million (2013: QR. 2 per share amounting to QR. 297.3 million), for the year ended December 31, 2014. The cash dividend and bonus shares for 2013 amounting to QR. 297.3 million and QR. 371.7 million were approved by the shareholders at the Annual General Meeting held on March 11, 2014. The proposed final cash dividend for the year ended December 31, 2014 will be submitted for formal approval at the Annual General Meeting. No bonus shares were proposed for the year ended December 31, 2014.

#### 19. LOANS AND BORROWINGS

	<b>December 31, 2014</b>	December 31, 2013
	<b>QR '000</b>	QR '000
Various borrowings (i)	<b>4,150,927</b>	113,089
Islamic Financing (ii)	<b>412,560</b>	495,067
Islamic Financing (iii)	<b>291,200</b>	--
	<b>4,854,687</b>	608,156
<b>Classified in the consolidated statement of financial position as follows:</b>		
Non-current portion	<b>3,945,832</b>	468,731
Current portion	<b>908,855</b>	139,425
	<b>4,854,687</b>	608,156

## GULF INTERNATIONAL SERVICES Q.S.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

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#### 19. LOANS AND BORROWINGS (CONTINUED)

Notes:

- (i) The borrowings are related to the Company and its subsidiaries companies, Gulf Helicopters Company Q.S.C. and Gulf Drilling International Q.S.C., which became a fully owned subsidiary (Note 5.2). These companies have entered into various borrowing arrangements with different banks. All facilities bear interest rates varying between LIBOR plus 0.45% and LIBOR plus 1.75%. The loans are to be repaid in quarter/ semi-annual installments and are unsecured.
- (ii) On May 23, 2012, the Group obtained a syndicated Murabaha facility of US\$ 170 million from a consortium of lenders to finance the acquisition of Amwaj Catering Services. The effective profit rate is LIBOR plus 1.35%. The loan is repayable in 15 semi-annual installments and is unsecured.
- (iii) On April 20, 2014, the Group obtained a syndicated Murabaha facility of US\$ 80 million from an Islamic Bank located in Qatar, along with the additional amount of US\$ 80 million which is included in the various borrowings above (paragraph (i)), to finance the acquisition of the additional 30% of Gulf Drilling International Q.S.C. The effective profit rate is LIBOR plus 1.45%. The loan is repayable in 15 semi-annual installments and is unsecured.

#### 20. EMPLOYEES' END OF SERVICE BENEFITS

	<b>December 31, 2014</b>	<b>December 31, 2013</b>
	<b>QR '000</b>	<b>QR '000</b>
Balance at January 1,	<b>40,413</b>	30,139
Acquired through business combination	<b>10,780</b>	--
Charge for the year	<b>19,412</b>	13,444
Payments made during the year	<b>(6,203)</b>	(3,170)
Balance at December 31,	<b>64,402</b>	40,413



## GULF INTERNATIONAL SERVICES Q.S.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

#### 21. ACCOUNTS PAYABLE, INSURANCE PAYABLES AND ACCRUALS

	<b>December 31, 2014</b>	December 31, 2013
	<b>QR '000</b>	QR '000
Trade payables	<b>184,177</b>	118,907
Unearned premium (Note 21.1)	<b>132,278</b>	149,010
Outstanding claims (Note 12.3)	<b>619,561</b>	728,754
	<b>936,016</b>	996,671
<i>Payables to insurance and reinsurance companies:</i>		
Reinsurance premiums payable	<b>97,358</b>	155,324
Advance management fees	<b>9,120</b>	11,833
Advance reinsurance commissions received	<b>61,884</b>	56,118
	<b>168,362</b>	223,275
Accrued expenses	<b>461,655</b>	278,591
Provision for social and sports fund	<b>35,247</b>	16,925
Other payables	<b>117,611</b>	113,881
	<b>614,513</b>	409,397
	<b>1,718,891</b>	1,629,343

*Note:*

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

	<b>December 31, 2014</b>	December 31, 2013
	<b>QR '000</b>	QR '000
Balance at January 1,	<b>149,010</b>	174,254
Increase during the year	<b>131,345</b>	147,137
Release during the year	<b>(148,077)</b>	(172,381)
Balance at December 31,	<b>132,278</b>	149,010

#### 22. REVENUE

	<b>December 31, 2014</b>	December 31, 2013
	<b>QR '000</b>	QR '000
Revenue from drilling*	<b>1,473,137</b>	--
Revenue from catering services	<b>1,055,630</b>	976,365
Revenue from aviation business	<b>643,995</b>	618,530
Gross insurance revenue (Note 22.1)	<b>732,915</b>	706,852
	<b>3,905,677</b>	2,301,747

\* This includes the revenue of drilling from Gulf Drilling International Limited Q.S.C. for the period from May 1, 2014 (date of obtaining control) to December 31, 2014.

## GULF INTERNATIONAL SERVICES Q.S.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

#### 22. REVENUE (CONTINUED)

Notes:

22.1 The details of gross insurance revenue are as follows:

	<b>December 31, 2014</b>	December 31, 2013
	<b>QR '000</b>	QR '000
Gross premiums (Note 22.2)	<b>628,411</b>	598,013
Net commission income	<b>64,832</b>	64,268
Change in unearned premiums (Note 22.2)	<b>39,672</b>	44,571
	<b><u>732,915</u></b>	<u>706,852</u>

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

	<b>December 31, 2014</b>			December 31, 2013		
	<b>QR '000</b>			QR '000		
	<b>Gross</b>	<b>Reinsurance</b>	<b>Net</b>	Gross	Reinsurance	Net
Written premiums	<b>628,411</b>	<b>(273,410)</b>	<b>355,001</b>	598,013	(283,940)	314,073
Change in unearned premiums	<b>39,672</b>	<b>(22,940)</b>	<b>16,732</b>	44,571	(19,327)	25,244
	<b><u>668,083</u></b>	<b><u>(296,350)</u></b>	<b><u>371,733</u></b>	<u>642,584</u>	<u>(303,267)</u>	<u>339,317</u>

#### 23. DIRECT COSTS

	<b>December 31, 2014</b>	December 31, 2013
	<b>QR '000</b>	QR '000
Drilling business*	<b>735,919</b>	--
Catering business	<b>931,458</b>	866,177
Aviation business	<b>399,282</b>	366,228
Gross insurance expense (Note 23.1)	<b>643,251</b>	585,300
	<b><u>2,709,910</u></b>	<u>1,817,705</u>

\* This includes the direct cost of drilling from Gulf Drilling International Limited Q.S.C. for the period from May 1, 2014 (date of obtaining control) to December 31, 2014.

## GULF INTERNATIONAL SERVICES Q.S.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

#### 23. DIRECT COSTS (CONTINUED)

Notes:

23.1 The details of gross insurance expense were as follows:

	<b>December 31, 2014</b>	December 31, 2013
	<b>QR '000</b>	QR '000
Premium ceded to reinsurers (Note 22.2)	<b>273,410</b>	283,940
Net claims incurred (Note 23.2)	<b>342,267</b>	276,854
Brokerage cost	<b>4,634</b>	5,179
Change in unearned premiums (Note 22.2)	<b>22,940</b>	19,327
	<b><u>643,251</u></b>	<u>585,300</u>

23.2 The details of net claims incurred are as follows:

	<b>December 31, 2014</b>			December 31, 2013		
	<b>Gross</b>	<b>QR '000 Reinsurance</b>	<b>Net</b>	Gross	QR '000 Reinsurance	Net
Claims settled	<b>450,758</b>	<b>(117,699)</b>	<b>333,059</b>	314,754	(94,937)	219,817
Outstanding claims adjustment	<b>(172,580)</b>	<b>118,402</b>	<b>(54,178)</b>	(57,639)	128,793	71,154
IBNR	<b>63,386</b>	<b>--</b>	<b>63,386</b>	(14,117)	--	(14,117)
	<b><u>341,564</u></b>	<b><u>703</u></b>	<b><u>342,267</u></b>	<u>242,998</u>	<u>33,856</u>	<u>276,854</u>

#### 24. FINANCE INCOME

	<b>December 31, 2014</b>	December 31, 2013
	<b>QR '000</b>	QR '000
Profit on deposits from Islamic banks	<b>1,971</b>	4,014
Interest on deposits from Non-Islamic banks	<b>19,395</b>	14,369
	<b><u>21,366</u></b>	<u>18,383</u>

#### 25. OTHER INCOME

	<b>December 31, 2014</b>	December 31, 2013
	<b>QR '000</b>	QR '000
Service fees	<b>33,321</b>	32,864
Gain on sale of available-for-sale financial assets	<b>24,412</b>	1,445
Dividend income	<b>980</b>	187
Miscellaneous income	<b>14,189</b>	3,135
	<b><u>72,902</u></b>	<u>37,631</u>

## GULF INTERNATIONAL SERVICES Q.S.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

#### 26. GENERAL AND ADMINISTRATIVE EXPENSES

	<b>December 31, 2014</b>	December 31, 2013
	<b>QR '000</b>	QR '000
Salaries and other benefits	<b>142,982</b>	56,808
Rent	<b>17,068</b>	8,787
Aviation related administrative expenses	<b>15,568</b>	12,027
Depreciation (Note 6.1)	<b>13,048</b>	5,997
Travel	<b>4,021</b>	1,231
Board member sitting fees	<b>8,517</b>	6,500
Public relations and advertisement expense	<b>7,259</b>	2,031
Legal and professional fees	<b>2,784</b>	3,835
Communication	<b>4,674</b>	640
Provision for doubtful debts, net (Note 12.2)	<b>465</b>	10,873
Qatar Exchange listing fees	<b>953</b>	953
Qatar Petroleum annual fee	<b>7,894</b>	8,010
Printing and stationery	<b>1,388</b>	1,222
Repairs and maintenance	<b>473</b>	782
Recovery of management expenses from Qatar Petroleum	<b>(33,249)</b>	(28,364)
Other expenses	<b>23,098</b>	2,649
	<b>216,943</b>	93,981

#### 27. RELATED PARTY DISCLOSURES

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

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

	<b>December 31, 2014</b>		December 31, 2013	
	<b>QR '000</b>	<b>QR '000</b>	QR '000	QR '000
	<b>Revenue</b>	<b>Expenses</b>	Revenue	Expenses
Qatar Petroleum (Associate investor)	<b>1,207,104</b>	<b>146,046</b>	385,581	189,131
Qatar Liquefied Gas (Affiliate)	<b>90,246</b>	<b>456</b>	84,423	456
Ras Laffan Natural Gas (Affiliate)	<b>184,299</b>	--	94,427	--
QAPCO (Affiliate)	<b>14,773</b>	--	11,647	--
Oryx GTL (Affiliate)	<b>4,031</b>	--	2,861	--
Q-Chem (Affiliate)	<b>169</b>	--	127	--
Qatar Fuel (Woqod) (Affiliate)	<b>1,464</b>	<b>41,090</b>	1,389	9,304
Gulf Drilling International (Affiliate)	<b>13,167</b>	<b>3,955</b>	26,989	--
Seef Limited (Affiliate)	<b>1,029</b>	--	1,023	--
Others (Affiliate)	<b>27,134</b>	<b>45,865</b>	20,993	1,646
	<b>1,543,416</b>	<b>237, 412</b>	629,460	200,537

## GULF INTERNATIONAL SERVICES Q.S.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

#### 27. RELATED PARTY DISCLOSURES (CONTINUED)

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

	<b>December 31, 2014</b>	December 31, 2013
	<b>QR '000</b>	QR '000
<i>Due from related parties</i>		
Qatar Petroleum	534,640	163,104
Rasgas Company Limited	47,120	10,331
Qatargas Operating Company	16,269	14,923
United Helicharters Private Limited	14,762	35,127
QAPCO	4,784	4,799
QATALUM	3,350	--
Oryx GTL	1,117	703
QAFCO	878	--
Qatar Engineering Consultancy Company (Astad)	522	--
QAFAC	465	--
Muntajat	420	--
Qatar Intermediate Industries Co. Ltd (Alwaseeta)	146	--
QCHEM	40	--
Gulf Drilling International Limited Q.S.C.	--	11,052
Others	9,939	2,683
	<b>634,452</b>	<b>242,722</b>

There was no movement in the provision for doubtful debts on due from related parties (2013: Nil).

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

	<b>December 31, 2014</b>	December 31, 2013
	<b>QR '000</b>	QR '000
<i>Due to related parties</i>		
Qatar Fuel (Woqod)	5,616	322
Al Shaheen Holding Q.S.C.	2,852	--
Occidental Petroleum of Qatar	1,011	--
Other related parties	1,077	209
	<b>10,556</b>	<b>531</b>
	<b>December 31, 2014</b>	December 31, 2013
	<b>QR '000</b>	QR '000
<i>Compensation of key management personnel</i>		
Salaries and other benefits	<b>33,769</b>	30,695
Directors' fees	<b>8,711</b>	7,700

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

## GULF INTERNATIONAL SERVICES Q.S.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

#### 28. 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.

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Profit for the year (QR '000)	1,409,879	676,982
Weighted average number of equity shares (thousand shares)	<u>185,841</u>	<u>185,841</u>
Basic and diluted earnings per share (QR)	<u>7.59</u>	<u>3.64</u>

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

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
	Number of shares	Number of shares
Qualifying shares at the beginning of the year	148,672,695	148,672,695
Effect of bonus share issue	<u>37,168,173</u>	<u>37,168,173</u>
Qualifying shares at the end of the year	<u>185,840,868</u>	<u>185,840,868</u>

#### 29. CONTINGENCIES AND COMMITMENTS

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
	QR '000	QR '000
<i>Contingent liabilities</i>		
Guarantees against performance bonds	<u>105,718</u>	<u>108,028</u>

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	<u>1,335,392</u>	<u>1,085,790</u>
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## **GULF INTERNATIONAL SERVICES Q.S.C.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2014

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#### **30. OPERATING SEGMENTS**

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

- Insurance; provider of a range of insurance and reinsurance services to QP and its subsidiaries and other companies.
- Aviation; provider of helicopter transportation services in Qatar and India. Also operating as a provider of helicopter transportation services in Middle East and North Africa (MENA region). The aviation segment includes the information relating to Gulf Helicopters company's joint venture and subsidiaries.
- Drilling; related services to the QP Group and its international co-ventures.
- Catering; Catering and manpower services to the QP Group and its affiliates as well as to other third parties.

**GULF INTERNATIONAL SERVICES Q.S.C.**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

**30. OPERATING SEGMENTS (CONTINUED)**

<b>December 31, 2014</b>	<b>Insurance</b>	<b>Drilling</b>	<b>Aviation</b>	<b>Catering</b>	<b>Total</b>
	<b>QR '000</b>	<b>QR '000</b>	<b>QR '000</b>	<b>QR '000</b>	<b>QR '000</b>
Total external revenue	735,496	1,824,249	651,933	1,095,545	4,307,223
Inter-segment revenue	(2,581)	--	(206)	(39,916)	(42,703)
Net revenue	<u>732,915</u>	<u>1,824,249</u>	<u>651,727</u>	<u>1,055,629</u>	<u>4,264,520</u>
Direct cost	<u>(643,251)</u>	<u>(970,368)</u>	<u>(407,844)</u>	<u>(931,458)</u>	<u>(2,952,921)</u>
Net profit (after inter-segment eliminations) (Note 30.1)	<u>160,433</u>	<u>718,319</u>	<u>231,844</u>	<u>79,786</u>	<u>1,190,382</u>
Cash and bank balances (Note 30.3)	492,049	89,676	152,286	202,672	936,683
Other current assets	790,615	698,711	242,648	331,067	2,063,041
Non-current assets	336,775	5,446,062	1,308,061	63,382	7,154,280
Total assets (Note 30.2)	<u>1,619,439</u>	<u>6,234,449</u>	<u>1,702,995</u>	<u>597,121</u>	<u>10,154,004</u>
Debts due within one year	--	697,734	89,788	--	787,522
Other current liabilities	963,172	271,297	93,775	357,482	1,685,726
Debts due after one year	--	2,814,641	257,564	--	3,072,205
Other non-current liabilities	3,978	13,381	23,943	23,124	64,426
Total liabilities (Note 30.4)	<u>967,150</u>	<u>3,797,053</u>	<u>465,070</u>	<u>380,606</u>	<u>5,609,879</u>
Depreciation (Note 30.5)	<u>(1,994)</u>	<u>(313,534)</u>	<u>(84,673)</u>	<u>(14,148)</u>	<u>(414,349)</u>
Finance income (Note 30.5)	<u>16,969</u>	<u>245</u>	<u>557</u>	<u>2,099</u>	<u>19,870</u>
Finance cost (Note 30.5)	<u>--</u>	<u>(35,651)</u>	<u>(2,724)</u>	<u>(177)</u>	<u>(38,552)</u>



**GULF INTERNATIONAL SERVICES Q.S.C.**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

**30. OPERATING SEGMENTS (CONTINUED)**

<b>December 31, 2013</b>	<u>Insurance</u> QR '000	<u>Drilling</u> QR '000	<u>Aviation</u> QR '000	<u>Catering</u> QR '000	<u>Total</u> QR '000
Total external revenue	707,009	912,234	624,822	976,939	3,221,004
Inter-segment revenue	(157)	--	--	(574)	(731)
Net revenue	<u>706,852</u>	<u>912,234</u>	<u>624,822</u>	<u>976,365</u>	<u>3,220,273</u>
Direct cost	(585,300)	(562,546)	(373,719)	(866,177)	(2,387,742)
Net profit (after inter-segment eliminations) (Note 30.1)	<u>154,371</u>	<u>245,999</u>	<u>237,950</u>	<u>62,017</u>	<u>700,337</u>
Cash and bank balances (Note 30.3)	536,894	54,777	146,399	163,883	901,953
Other current assets	1,013,114	338,807	239,964	357,050	1,948,935
Non-current assets (Note 30.5)	<u>223,864</u>	<u>2,786,933</u>	<u>939,095</u>	<u>40,691</u>	<u>3,990,583</u>
Total assets (Note 30.2)	<u>1,773,872</u>	<u>3,180,517</u>	<u>1,325,458</u>	<u>561,624</u>	<u>6,841,471</u>
Debts due within one year	--	299,807	56,918	--	356,725
Other current liabilities	1,162,206	116,380	63,422	369,380	1,711,388
Debts due after one year	--	1,378,468	56,171	--	1,434,639
Other non-current liabilities	3,079	14,922	20,683	16,650	55,334
Total liabilities (Note 30.4)	<u>1,165,285</u>	<u>1,809,577</u>	<u>197,194</u>	<u>386,030</u>	<u>3,558,086</u>
Depreciation (Note 30.5)	<u>(1,131)</u>	<u>(170,587)</u>	<u>(70,710)</u>	<u>(17,827)</u>	<u>(260,255)</u>
Finance income (Note 30.5)	<u>14,647</u>	<u>257</u>	<u>1,135</u>	<u>1,177</u>	<u>17,216</u>
Finance cost (Note 30.5)	<u>--</u>	<u>(13,177)</u>	<u>(2,380)</u>	<u>(343)</u>	<u>(15,900)</u>

**GULF INTERNATIONAL SERVICES Q.S.C.**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

**30. OPERATING SEGMENTS (CONTINUED)**

<b>30.1 Reconciliation of reportable segments of profit or loss</b>	<b>December 31, 2014</b>	December 31, 2013
	<b>QR '000</b>	QR '000
Total profit for reportable segments	<b>1,190,382</b>	700,337
Other un-allocable profit or loss represents profit or loss of Parent Company including dividends from the subsidiaries and joint ventures	<b>476,939</b>	385,545
Profit on bargain purchase price and related additional depreciation	<b>253,616</b>	--
Elimination of dividends paid to parent company by subsidiaries and joint ventures	<b>(511,058)</b>	(408,900)
Consolidated profit for the year	<b><u>1,409,879</u></b>	<u>676,982</u>
<b>30.2 Reconciliation of reportable segments total assets</b>		
Total assets for reportable segments	<b>10,154,004</b>	6,841,471
Other un-allocable assets	<b>2,756,156</b>	2,065,647
Recognition of investment in joint venture using equity method of accounting	--	687,411
Elimination of investments in subsidiaries	<b>(2,270,839)</b>	(1,005,509)
Assets relating to purchase price allocation	<b>253,616</b>	--
Elimination of inter-segments assets	<b>(59,356)</b>	(5,000)
Assets relating to joint ventures	<b>(7,316)</b>	(3,219,854)
Consolidated total assets for the year	<b><u>10,826,265</u></b>	<u>5,364,166</u>
<b>30.3 Reconciliation of reportable segments cash and bank balances</b>		
Cash and bank balances for reportable segments	<b>936,683</b>	901,953
Other un-allocable assets	<b>153,084</b>	47,027
Cash and bank balance of joint ventures	<b>(2,486)</b>	(55,780)
Consolidated cash and bank balances for the year	<b><u>1,087,281</u></b>	<u>893,200</u>
<b>30.4 Reconciliation of reportable segments total liabilities</b>		
Total liabilities for reportable segments	<b>5,609,879</b>	3,558,086
Other un-allocable liabilities	<b>1,105,391</b>	550,739
Liabilities of joint ventures	<b>(7,378)</b>	(1,818,457)
Elimination of inter-segments liabilities	<b>(59,356)</b>	(11,925)
Consolidated total liabilities for the year	<b><u>6,648,536</u></b>	<u>2,278,443</u>

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

For the year ended December 31, 2014

**30. OPERATING SEGMENTS (CONTINUED)**

<b>30.5 Other material items</b>	<b>December 31, 2014</b>		
	<b>Reportable segment totals</b>	<b>Adjustments</b>	<b>Consolidated Totals</b>
	<b>QR '000</b>	<b>QR '000</b>	<b>QR '000</b>
Depreciation	(414,349)	54,385	(359,964)
Non-current assets	7,154,280	583,341	7,737,621
Finance income	19,870	1,495	21,365
Finance expenses	(38,552)	(9,864)	(48,416)

  

	<b>December 31, 2013</b>		
	<b>Reportable segment totals</b>	<b>Adjustments</b>	<b>Consolidated Totals</b>
	<b>QR '000</b>	<b>QR '000</b>	<b>QR '000</b>
Depreciation	(260,255)	170,586	(89,669)
Non-current assets	3,990,583	(1,087,717)	2,902,866
Finance income	17,216	1,167	18,383
Finance expenses	(15,900)	715	(15,185)

### **31. FINANCIAL RISK MANAGEMENT**

#### **Objective and policies**

##### **Overview**

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

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

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

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

#### **Risk management and governance framework of the Group**

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

#### **Regulatory framework**

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

##### ***Insurance risk***

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

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

**31. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**Regulatory framework (continued)**

*Frequency and amounts of claims*

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

*Fire and general accident - Property*

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

For property insurance contracts, the main risks are fire and business interruption. In recent years, the Group has only underwritten policies for properties containing fire detection equipment.

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

*Marine*

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

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

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

*Reinsurance risk*

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

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

**31. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**Regulatory framework (continued)**

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

*Concentration of risks*

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

*Sources of uncertainty in the estimation of future claim payments*

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

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

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

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

*Sensitivity of changes in assumption*

The Group does not have any single insurance contract or a small number of related contracts that cover low frequency, high-severity risks such as earthquakes, or insurance contracts covering risks for single incidents that expose the Group to multiple insurance risks. The Group has adequately reinsured for insurance risks that may involve significant litigation. A 10% change in the general insurance claims provision will have a decrease of QR. 34 million on the consolidated statement of profit or loss (2013: QR 27 million).

*Claims development*

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

**31. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**Credit risk**

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

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

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

	<b>December 31, 2014</b>	December 31, 2013
	<u>QR '000</u>	<u>QR '000</u>
Cash and bank balances (including time deposits)	<b>1,087,281</b>	893,200
Insurance and reinsurance related receivables*	<b>431,288</b>	646,209
Net trade receivables (Note 12)	<b>418,648</b>	268,153
Financial investments	<b>604,311</b>	516,089
Due from related parties (Note 27)	<b>634,452</b>	242,722
	<b><u>3,175,980</u></b>	<u>2,566,373</u>

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

**Cash and bank balances and time deposits**

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

**Insurance and reinsurance related receivables**

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

**Net trade receivables**

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

**Due from related parties**

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

**GULF INTERNATIONAL SERVICES Q.S.C.**

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**31. FINANCIAL RISK MANAGEMENT (CONTINUED)**

Aging analysis of major financial assets is as follows:

December 31, 2014	Neither past due nor impaired QR '000	Past due but not impaired					Past due and impaired QR '000	Total QR '000
		<30 days QR '000	31 to 60 days QR '000	61 to 90 days QR '000	91 to 120 days QR '000	Above 121 days QR '000		
Cash and bank balances	1,087,281	--	--	--	--	--	--	1,087,281
Insurance contract receivables	113,586	78,440	--	10,405	13,806	50,342	--	266,579
Trade receivables	236,301	96,155	62,494	21,382	6,062	13,601	15,595	451,590
Reinsurance share of outstanding claims	164,709	--	--	--	--	--	--	164,709
Investment in securities (i)	604,311	--	--	--	--	--	--	604,311
Due from related parties	346,098	76,002	81,886	22,611	21,489	72,263	14,103	634,452
<b>Total</b>	<b>2,552,286</b>	<b>250,597</b>	<b>144,380</b>	<b>54,398</b>	<b>41,357</b>	<b>136,206</b>	<b>29,698</b>	<b>3,208,922</b>

  

December 31, 2013	Neither past due nor impaired	Past due but not impaired					Past due and impaired	Total
		<30 days QR '000	31 to 60 days QR '000	61 to 90 days QR '000	91 to 120 days QR '000	Above 121 days QR '000		
Cash and bank balances	893,200	--	--	--	--	--	--	893,200
Insurance contract receivables	138,405	39,714	5,084	68,927	77,529	33,440	--	363,099
Trade receivables	39,050	89,813	58,165	24,387	36,547	31,874	20,794	300,630
Reinsurance share of outstanding claims	283,110	--	--	--	--	--	--	283,110
Investment in securities (i)	516,089	--	--	--	--	--	--	516,089
Due from related parties	83,975	40,780	65,185	11,042	15,465	26,275	--	242,722
<b>Total</b>	<b>1,953,829</b>	<b>170,307</b>	<b>128,434</b>	<b>104,356</b>	<b>129,541</b>	<b>91,589</b>	<b>20,794</b>	<b>2,598,850</b>



**31. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**Objective and policies (continued)**

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

**Concentration risk**

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

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

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

**Liquidity risk**

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

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

**Residual contractual maturities of financial liabilities**

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

**GULF INTERNATIONAL SERVICES Q.S.C.**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**31. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**Liquidity risk (continued)**

**Maturity profile**

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

	<b>GROSS UNDISCOUNTED CASH FLOWS</b>						
	<b>On demand</b>	<b>Up to 3 months</b>	<b>3 to 6 months</b>	<b>6 months to 1 year</b>	<b>1 to 3 years</b>	<b>Over 3 years</b>	<b>Total</b>
<b>December 31, 2014</b>	<b>QR '000</b>	<b>QR '000</b>	<b>QR '000</b>	<b>QR '000</b>	<b>QR '000</b>	<b>QR '000</b>	<b>QR '000</b>
Loans and borrowings	--	197,303	247,231	464,321	1,626,223	2,319,609	4,854,687
Due to related parties	--	9,728	817	11	--	--	10,556
Trade payables	--	182,747	135	1,295	--	--	184,177
Outstanding claims	619,561	--	--	--	--	--	619,561
Reinsurance premium payable	--	30,640	23,277	43,441	--	--	97,358
	<b>619,561</b>	<b>420,418</b>	<b>271,460</b>	<b>509,068</b>	<b>1,626,223</b>	<b>2,319,609</b>	<b>5,766,339</b>

  

	<b>GROSS UNDISCOUNTED CASH FLOWS</b>						
	<b>On demand</b>	<b>Up to 3 months</b>	<b>3 to 6 months</b>	<b>6 months to 1 year</b>	<b>1 to 3 years</b>	<b>Over 3 years</b>	<b>Total</b>
<b>December 31, 2013</b>	<b>QR '000</b>	<b>QR '000</b>	<b>QR '000</b>	<b>QR '000</b>	<b>QR '000</b>	<b>QR '000</b>	<b>QR '000</b>
Loans and borrowings	--	6,616	91,555	41,254	221,183	247,548	608,156
Due to related parties	--	411	120	--	--	--	531
Trade payables	--	117,115	357	1,435	--	--	118,907
Outstanding claims	728,754	--	--	--	--	--	728,754
Reinsurance premium payable	--	77,289	10,346	67,689	--	--	155,324
	<b>728,754</b>	<b>201,431</b>	<b>102,378</b>	<b>110,378</b>	<b>221,183</b>	<b>247,548</b>	<b>1,611,672</b>

**31. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**Market risk**

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

Market risk has three main components:

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

*Foreign exchange risk*

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

*Interest rate risk*

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

**GULF INTERNATIONAL SERVICES Q.S.C.**

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For the year ended December 31, 2014

**31. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**Market risk (continued)**

**Interest rate risk (continued)**

The following tables sets out the interest rate risk profile of the Group's major financial assets and liabilities as at December 31, 2014 and 2013:

<b>December 31, 2014</b>	<b>Effective interest Rates</b>	<b>1 – 3 months</b>	<b>3 – 12 months</b>	<b>1 – 5 years</b>	<b>Over 5 years</b>	<b>Non- interest bearing</b>	<b>Total</b>
	<b>QR '000</b>	<b>QR '000</b>	<b>QR '000</b>	<b>QR '000</b>	<b>QR '000</b>	<b>QR '000</b>	<b>QR '000</b>
<b>Assets</b>							
Cash and bank balances	1.30%	<b>587,818</b>	<b>488,147</b>	--	--	<b>11,316</b>	<b>1,087,281</b>
Insurance contract receivables		--	--	--	--	<b>266,579</b>	<b>266,579</b>
Trade receivables		--	--	--	--	<b>451,590</b>	<b>451,590</b>
Reinsurance share of outstanding claims		--	--	--	--	<b>164,709</b>	<b>164,709</b>
Due from related parties		--	--	--	--	<b>634,452</b>	<b>634,452</b>
Available-for-sale financial assets		--	--	<b>113,734</b>	<b>82,958</b>	<b>103,804</b>	<b>300,496</b>
Held-to-maturity financial assets	3.95%	--	--	<b>81,784</b>	<b>3,700</b>	--	<b>85,484</b>
Financial assets at fair value through profit or loss		<b>2,184</b>	--	<b>42,290</b>	<b>7,279</b>	<b>166,578</b>	<b>218,331</b>
		<b>590,002</b>	<b>488,147</b>	<b>237,808</b>	<b>93,937</b>	<b>1,799,028</b>	<b>3,208,922</b>
<b>Liabilities</b>							
Loans and borrowings	2.30%	<b>197,303</b>	<b>711,552</b>	<b>2,959,657</b>	<b>986,175</b>	--	<b>4,854,687</b>
Due to related parties		--	--	--	--	<b>10,556</b>	<b>10,556</b>
Trade payables		--	--	--	--	<b>184,177</b>	<b>184,177</b>
Outstanding claims		--	--	--	--	<b>619,561</b>	<b>619,561</b>
Reinsurance premium payable		--	--	--	--	<b>97,358</b>	<b>97,358</b>
		<b>197,303</b>	<b>711,552</b>	<b>2,959,657</b>	<b>986,175</b>	<b>911,652</b>	<b>5,766,339</b>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

**31. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**Market risk (continued)**

**Interest rate risk (continued)**

<b>December 31, 2013</b>	Effective interest Rates QR '000	1 – 3 months QR '000	3 – 12 months QR '000	1 – 5 years QR '000	Over 5 years QR '000	Non- interest bearing QR '000	Total QR '000
<b>Assets</b>							
Cash and bank balances	1.70%	458,783	384,614	--	--	49,803	893,200
Insurance contract receivables		--	--	--	--	363,099	363,099
Trade receivables		--	--	--	--	300,630	300,630
Reinsurance share of outstanding claims		--	--	--	--	283,110	283,110
Due from related parties		--	--	--	--	242,722	242,722
Available-for-sale financial assets		--	--	65,067	20,317	84,601	169,985
Held-to-maturity financial assets	3.95%	--	--	81,741	3,707	--	85,448
Financial assets at fair value through profit or loss		--	--	29,369	21,089	210,198	260,656
		<u>458,783</u>	<u>384,614</u>	<u>176,177</u>	<u>45,113</u>	<u>1,534,163</u>	<u>2,598,850</u>
<b>Liabilities</b>							
Loans and borrowings	2.30%	6,616	132,809	386,199	82,532	--	608,156
Due to related parties		--	--	--	--	531	531
Trade payables		--	--	--	--	118,907	118,907
Outstanding claims		--	--	--	--	728,754	728,754
Reinsurance premium payable		--	--	--	--	155,324	155,324
		<u>6,616</u>	<u>132,809</u>	<u>386,199</u>	<u>82,532</u>	<u>1,003,516</u>	<u>1,611,672</u>

## GULF INTERNATIONAL SERVICES Q.S.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

#### 31. FINANCIAL RISK MANAGEMENT (CONTINUED)

##### Market risk (continued)

##### Interest rate risk (continued)

##### Cash flow sensitivity analysis for variable rate instruments

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

	Profit or loss		Equity	
	100 bps increase QR '000	100 bps decrease QR '000	100 bps increase QR '000	100 bps decrease QR '000
<b>December 31, 2014</b>				
Loans and borrowings	<u>(39,811)</u>	<u>39,811</u>	<u>(39,811)</u>	<u>39,811</u>
Cash flow sensitivity (net)	<u>(39,811)</u>	<u>39,811</u>	<u>(39,811)</u>	<u>39,811</u>
	Profit or loss		Equity	
	100 bps increase QR '000	100 bps decrease QR '000	100 bps increase QR '000	100 bps decrease QR '000
December 31, 2013				
Loans and borrowings	<u>(6,082)</u>	<u>6,082</u>	<u>(6,082)</u>	<u>6,082</u>
Cash flow sensitivity (net)	<u>(6,082)</u>	<u>6,082</u>	<u>(6,082)</u>	<u>6,082</u>

##### Price risk

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

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

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

## GULF INTERNATIONAL SERVICES Q.S.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

#### 31. FINANCIAL RISK MANAGEMENT (CONTINUED)

##### Market risk (continued)

##### Price risk (continued)

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

	Change in variable	December 31, 2014	
		Financial assets at fair value through profit or loss- impact on Net profit	Available-for- sale financial assets- impact on other comprehensive income
Listed shares in Qatar Exchange	+10%	--	30,050
Structured investments	+10%	21,833	
Listed shares in Qatar Exchange	-10%	--	(30,050)
Structured investments	-10%	(21,833)	--
		December 31, 2013	
	Change in variable	Financial assets at fair value through profit or loss- impact on Net profit	Available-for- sale financial assets- impact on other comprehensive income
Listed shares in the Qatar Exchange	+10%	--	16,999
Structured investments	+10%	26,066	--
Listed shares in the Qatar Exchange	-10%	--	(16,999)
Structured investments	-10%	(26,066)	--

##### Operational risk

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

##### Capital management

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

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic and business conditions and shareholders' expectation. No changes were made in the objectives, policies or processes during the year ended December 31, 2014.

## GULF INTERNATIONAL SERVICES Q.S.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

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#### 31. FINANCIAL RISK MANAGEMENT (CONTINUED)

##### Capital management (continued)

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

##### *Gearing ratio*

The gearing ratio at year end was as follows:

	<b>December 31, 2014</b>	December 31, 2013
	<b>QR '000</b>	QR '000
Debt (i)	<b>4,854,687</b>	608,156
Cash and bank balances	<b>(1,087,281)</b>	(893,200)
Net debt	<b>3,767,406</b>	(285,044)
Equity (ii)	<b>4,177,729</b>	3,085,723
<b>Net debt to equity ratio</b>	<b>90%</b>	(9%)

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

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



**GULF INTERNATIONAL SERVICES Q.S.C.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2014

**32. 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 major financial instruments are provided in the tables below:

December 31, 2014	Fair value through profit or loss	Loans and receivables	Available - for- sale	Others amortized cost	Total carrying value	Fair Value
	QR '000	QR '000	QR '000	QR '000	QR '000	QR '000
<b>Assets</b>						
Cash and bank balances	--	1,087,281	--	--	1,087,281	1,087,281
Insurance contract receivables	--	266,579	--	--	266,579	266,579
Trade receivables	--	451,590	--	--	451,590	451,590
Reinsurance share of outstanding claims	--	164,709	--	--	164,709	164,709
Due from related parties	--	634,452	--	--	634,452	634,452
Available-for-sale financial assets	--	--	300,496	--	300,496	300,496
Held-to-maturity financial assets	--	--	--	85,484	85,484	90,000
Financial assets at fair value through profit or loss	218,331	--	--	--	218,331	218,331
	<u>218,331</u>	<u>2,604,611</u>	<u>300,496</u>	<u>85,484</u>	<u>3,208,922</u>	<u>3,213,438</u>
<b>Liabilities</b>						
Loans and borrowings	--	--	--	4,854,687	4,854,687	4,854,687
Due to related parties	--	--	--	10,556	10,556	10,556
Trade payables	--	--	--	184,177	184,177	184,177
Outstanding claims	--	--	--	619,561	619,561	619,561
Reinsurance premium payable	--	--	--	97,358	97,358	97,358
	<u>--</u>	<u>--</u>	<u>--</u>	<u>5,766,339</u>	<u>5,766,339</u>	<u>5,766,339</u>

**GULF INTERNATIONAL SERVICES Q.S.C.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2014

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

<b>December 31, 2013</b>	Fair value through profit or loss <u>QR '000</u>	Loans and receivables <u>QR '000</u>	Available - for- sale <u>QR '000</u>	Others amortized cost <u>QR '000</u>	Total carrying value <u>QR '000</u>	Fair Value <u>QR '000</u>
<b>Assets</b>						
Cash and bank balances	--	893,200	--	--	893,200	893,200
Insurance contract receivables	--	363,099	--	--	363,099	363,099
Trade receivables	--	300,630	--	--	300,630	300,630
Reinsurance share of outstanding claims	--	283,110	--	--	283,110	283,110
Due from related parties	--	242,722	--	--	242,722	242,722
Available-for-sale financial assets	--	--	169,985	--	169,985	169,985
Held-to-maturity financial assets	--	--	--	85,448	85,448	89,600
Financial assets at fair value through profit or loss	260,656	--	--	--	260,656	260,656
	<u>260,656</u>	<u>2,082,761</u>	<u>169,985</u>	<u>85,448</u>	<u>2,598,850</u>	<u>2,603,002</u>
<b>Liabilities</b>						
Loans and borrowings	--	--	--	608,156	608,156	608,156
Due to related parties	--	--	--	531	531	531
Trade payables	--	--	--	118,907	118,907	118,907
Outstanding claims	--	--	--	728,754	728,754	728,754
Reinsurance premium payable	--	--	--	155,324	155,324	155,324
	--	--	--	<u>1,611,672</u>	<u>1,611,672</u>	<u>1,611,672</u>

**Fair value hierarchy**

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

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

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

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

	<u>Level 1</u> <u>QR '000</u>	<u>Level 2</u> <u>QR '000</u>	<u>Level 3</u> <u>QR '000</u>	<u>Total</u> <u>QR '000</u>
<b>As at December 31, 2014</b>				
Available-for-sale financial assets	<b>300,494</b>	--	2	<b>300,496</b>
Financial assets at fair value through profit or loss	<b>184,510</b>	<b>33,821</b>	--	<b>218,331</b>
	<u><b>485,004</b></u>	<u><b>33,821</b></u>	<u><b>2</b></u>	<u><b>518,827</b></u>

## GULF INTERNATIONAL SERVICES Q.S.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

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#### 32. FAIR VALUES AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)

##### Fair value hierarchy (continued)

	<u>Level 1</u> QR '000	<u>Level 2</u> QR '000	<u>Level 3</u> QR '000	<u>Total</u> QR '000
As at December 31, 2013				
Available-for-sale financial assets	169,983	--	2	169,985
Financial assets at fair value through profit or loss	<u>215,098</u>	<u>45,558</u>	<u>--</u>	<u>260,656</u>
	<u>385,081</u>	<u>45,558</u>	<u>2</u>	<u>430,641</u>

#### 33. COMPARTIVE FIGURES

In 2014, the Group consolidated the figures of Gulf Drilling International Limited Q.S.C. ("GDI") in the consolidated financial statements of the Group from May 1, 2014 to December 31, 2014, on the fact that the Group obtained the control over the GDI effective on May 1, 2014 (Note 5.2). In 2013 the results of the GDI were included in the consolidated financial statements of the Group using equity method, and such treatment was followed till April 30, 2014, the date of acquiring the remaining 30% of the shares of GDI.