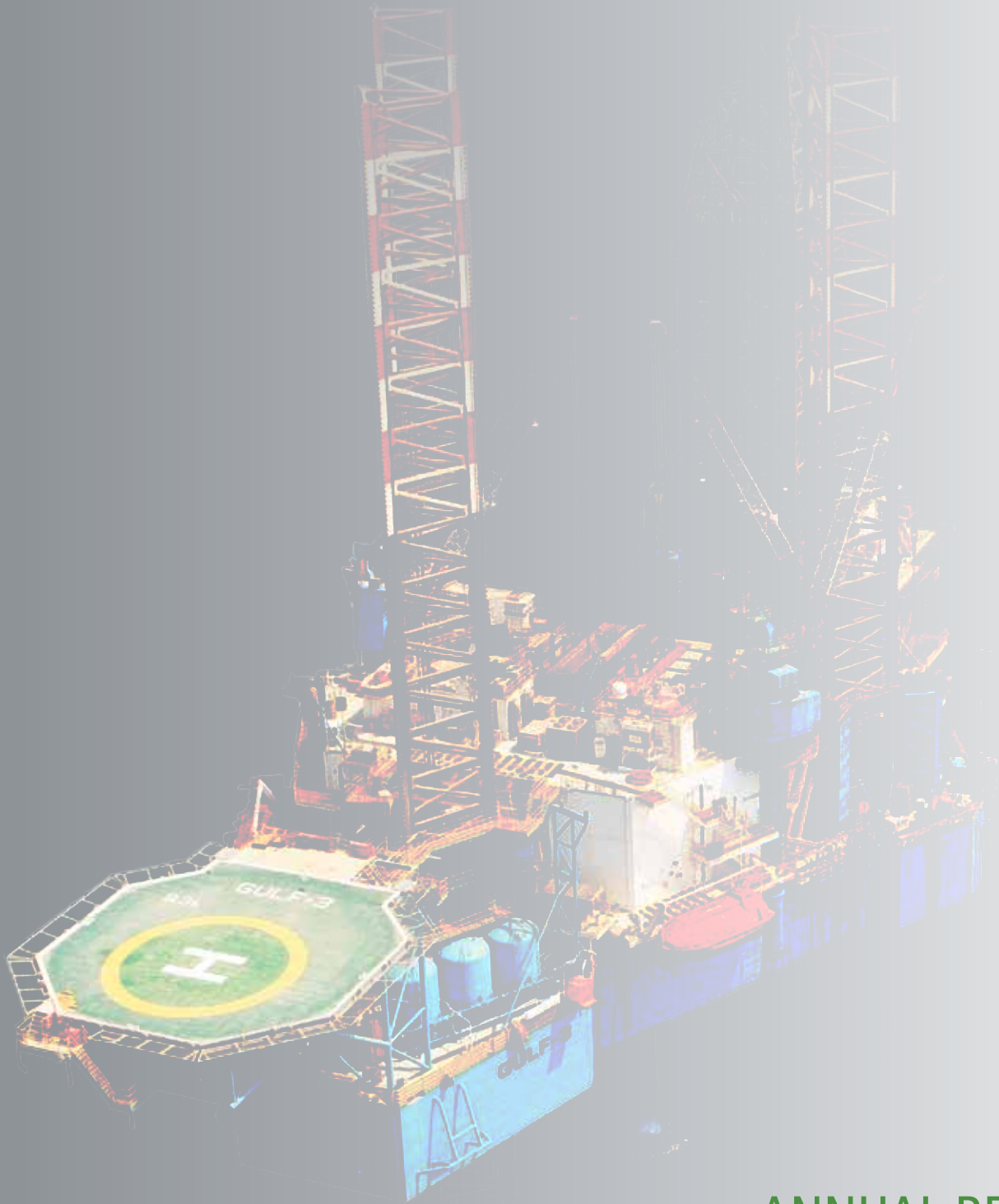




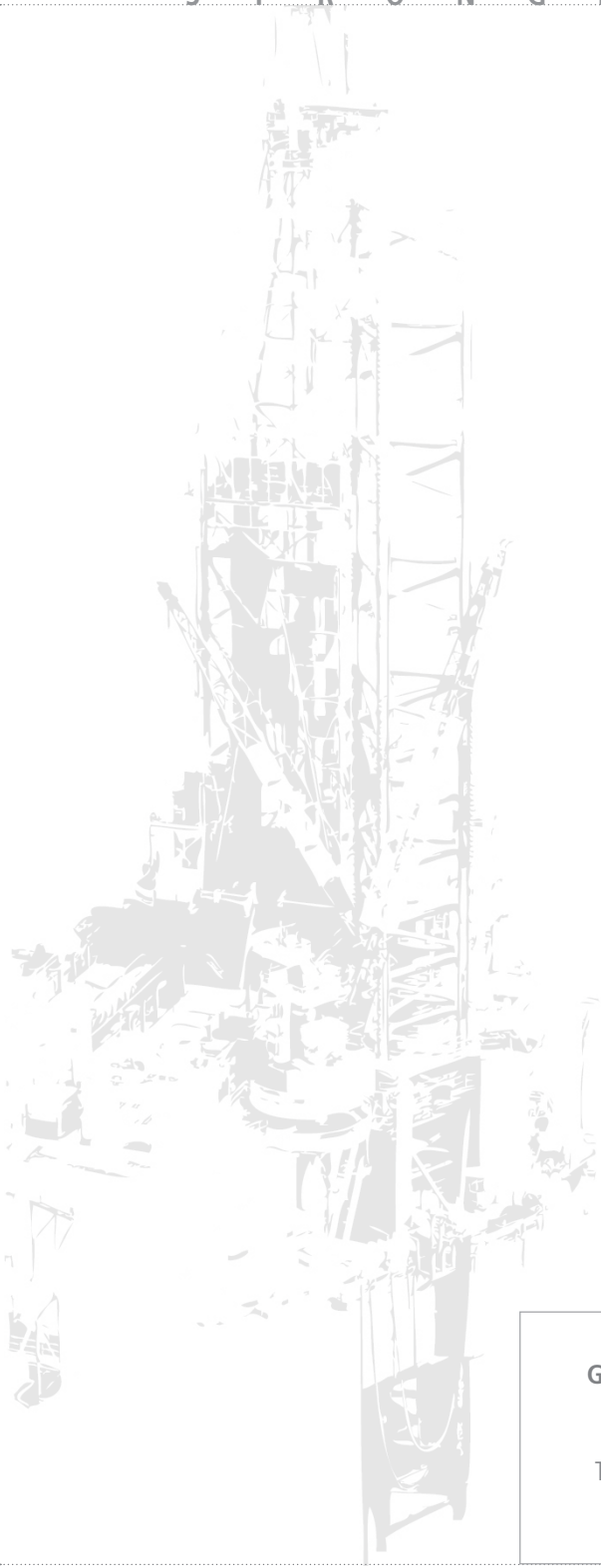
STRONGER BY THE DAY



ANNUAL REPORT 2009

An advocate for excellence, aspiring to be a
world class drilling services provider

S T R O N G E R B Y T H E D A Y



Gulf Drilling International Ltd (Q.S.C)

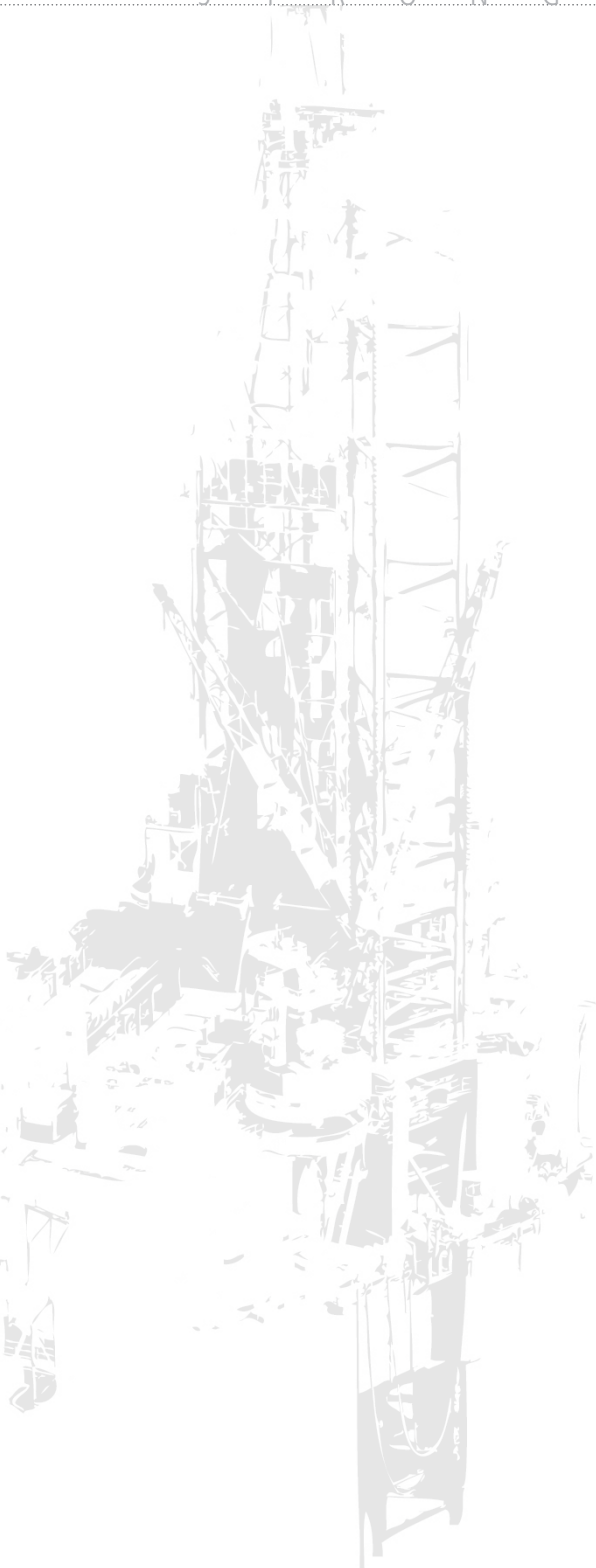
Main Airport Road • Building No. 4718

P.O. Box 9072 Doha, Qatar

Tel.: 974 4637333 - Fax: +974 4637222

www.gdi.com.qa

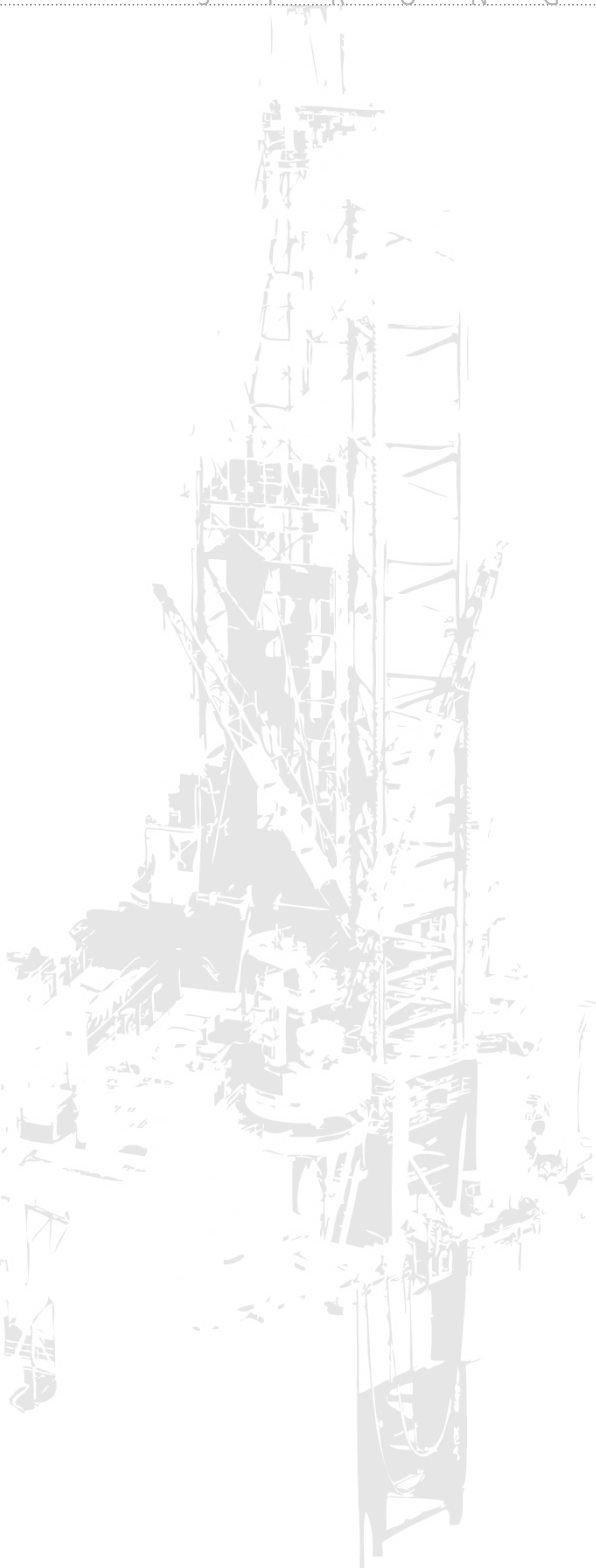
S T R O N G E R B Y T H E D A Y





HH Sheikh Hamad Bin Khalifa Al-Thani
Emir of the State of Qatar

S T R O N G E R B Y T H E D A Y





HH Sheikh Tamim Bin Hamad Al-Thani
Heir Apparent

S T R O N G E R B Y T H E D A Y

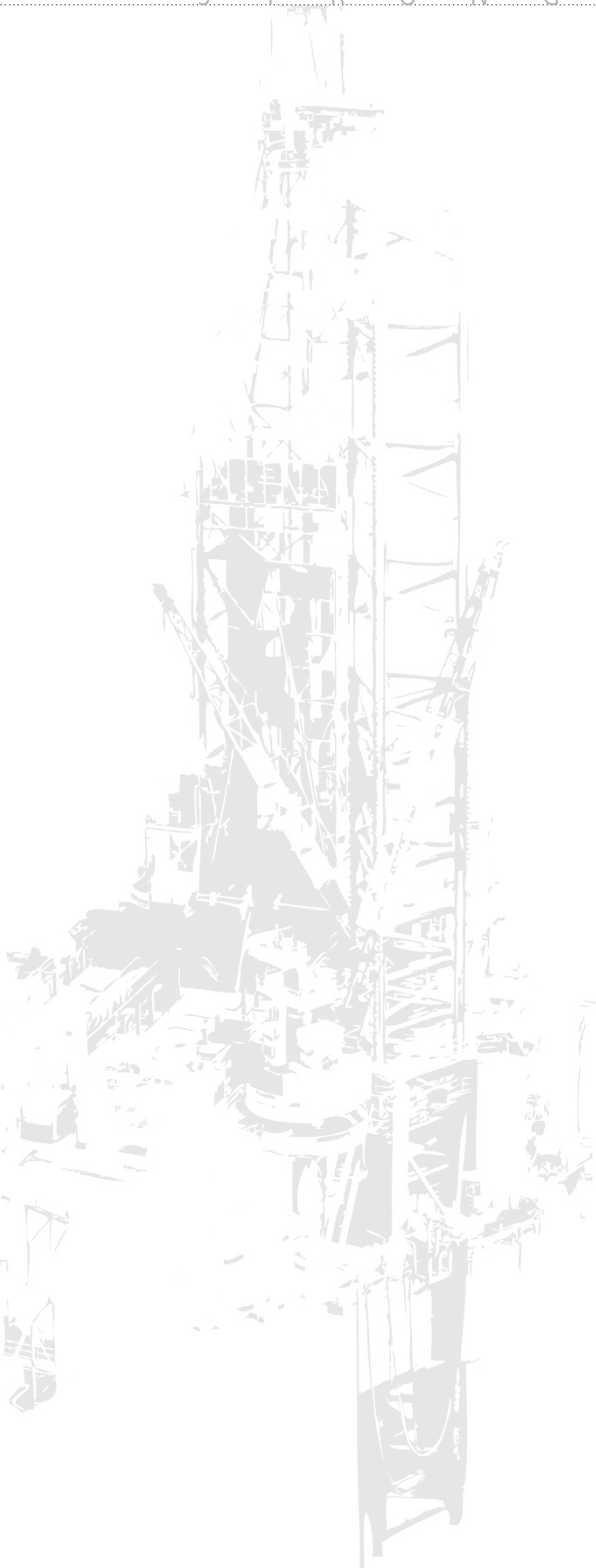
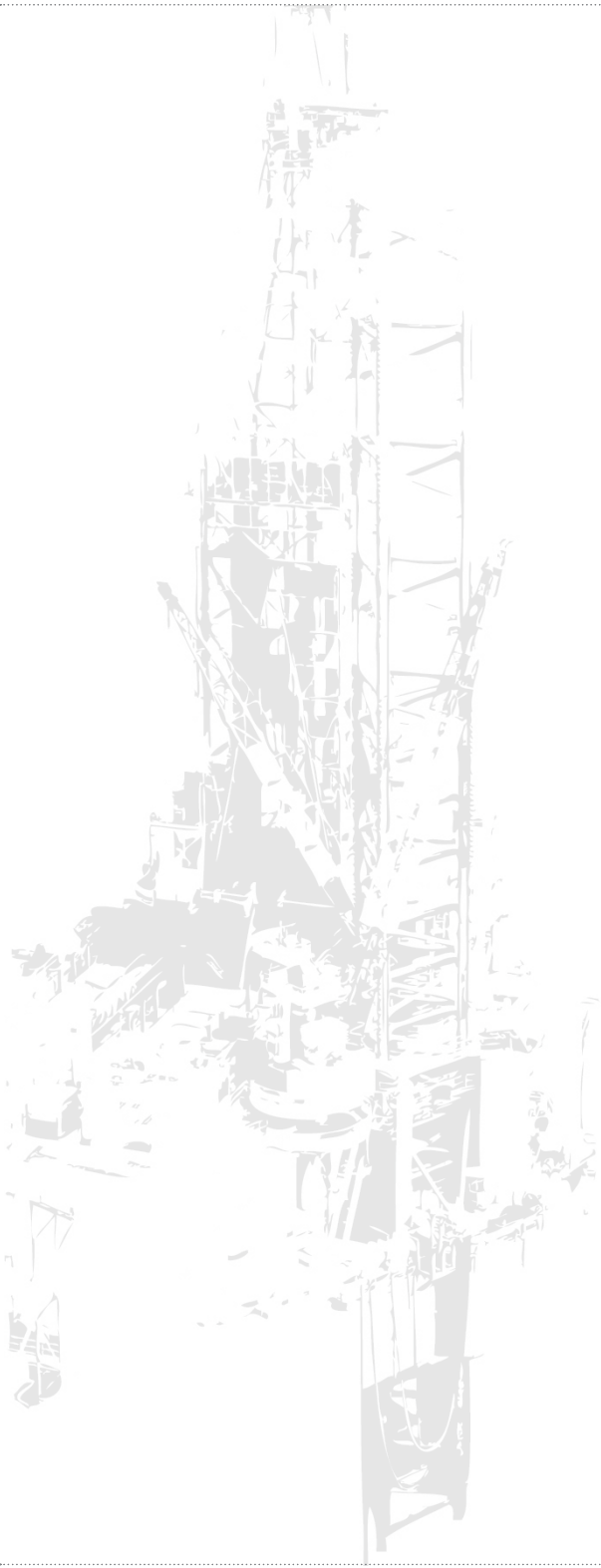
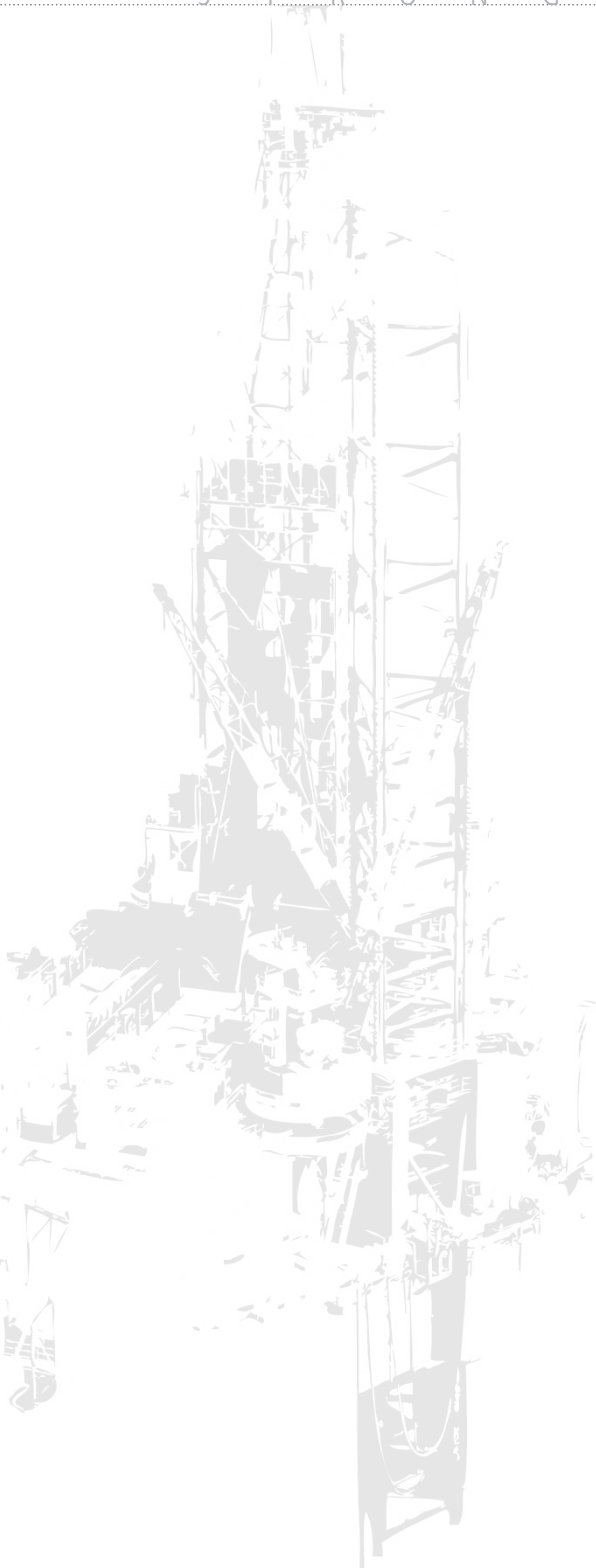


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S T R O N G E R B Y T H E D A Y



1.

GENERAL INFORMATION COMPANY PROFILE



Gulf Drilling International Ltd. (GDI) was established on 18th May 2004 as the first oil and gas drilling company incorporated in Qatar. It was formed as a joint venture between Qatar Petroleum (QP), Qatar's national oil corporation and Japan Drilling Co. Ltd. (JDC), a Japanese offshore drilling company.

During the 1st Quarter of 2008, Gulf International Services Q.S.C. (GIS), a QP subsidiary, acquired QP's 69.99% interest in GDI as part of a reorganization that resulted in GIS becoming a publicly traded company. QP holds a 30% interest in GIS and

maintains effective control of GIS through its retention of a special share with enhanced share rights.

GDI is the first and only national drilling company operating in the State of Qatar. Our 9 drilling rigs (5 offshore and 4 onshore) are currently located exclusively in Qatar. At the end of 2009, GDI held 100% of the onshore market and 28% of the offshore market in Qatar, operating under contracts with Qatar Petroleum (4 land & 3 offshore rigs), Qatar Gas (1 offshore rig) and Occidental Petroleum of Qatar (1 offshore rig).

VISION, MISSION, VALUES

Our Vision

An advocate for excellence, aspiring to be a World Class Drilling Services Provider

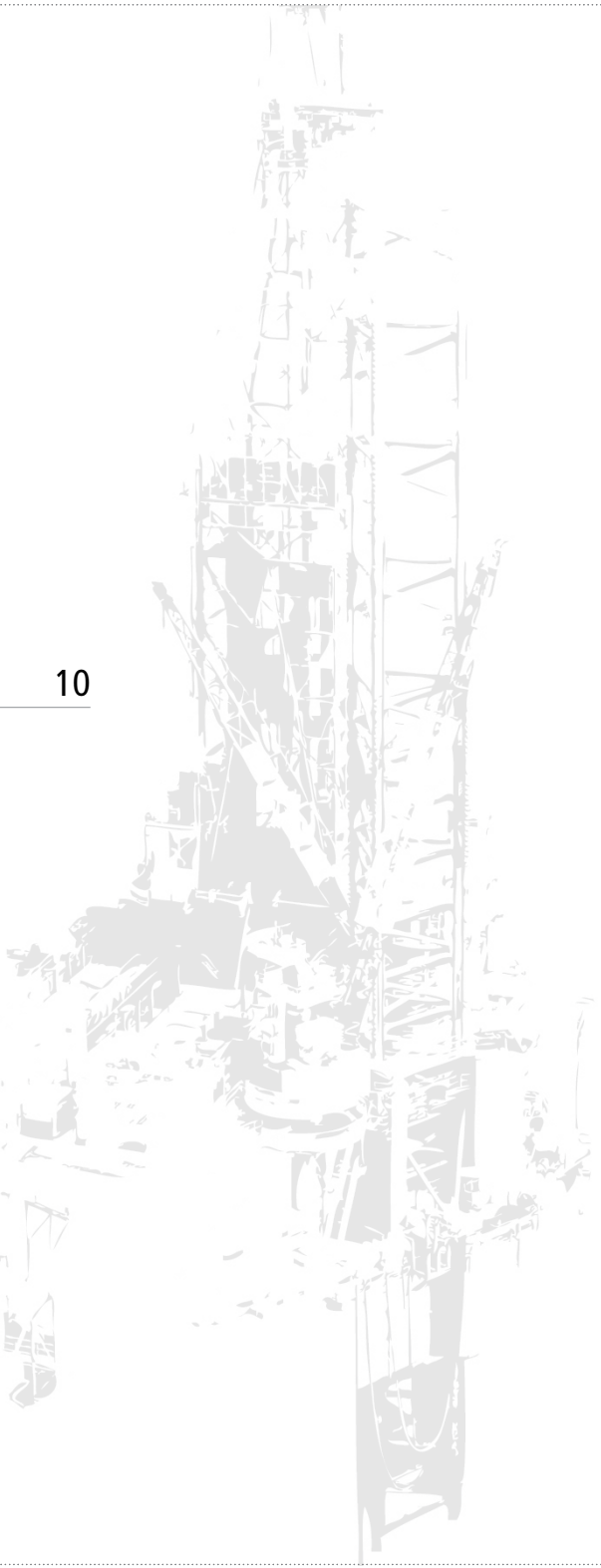
Our Mission

- Work safely,
- Work efficiently,
- Promote Hi-Tech, cost effective technology,
- Continuously improve performance, and
- Add value to everything we do.

Our Values

We perform our work with

- Integrity,
- Creativity,
- Teamwork, and
- Respect of diversity.



BOARD OF DIRECTORS

The Board of Directors currently consists of the following members.



Chairman of the Board

Mr. Saad Sherida Al-Kaabi

Mr. Al-Kaabi graduated from the Pennsylvania State University (PENN STATE) in 1991 with a BSc in Petroleum & Natural Gas Engineering. Currently the Director of the Oil & Gas Ventures where he oversees all gas development activities in addition to Exploration and Oil development in Qatar. Mr. Al-Kaabi reports directly to QP's Chairman and Managing Director H. E. Abdullah bin Hamad Al-Attiyah, Deputy Prime Minister and Minister of Energy & Industry



Vice Chairman

Mr. Abdulrahman Ahmad Al-Shaibi

Mr. Al-Shaibi is currently the Director of Finance of Qatar Petroleum. Mr. Al-Shaibi serves on the Board of key financial, oil & gas and other companies that are at the heart of the State economy. Some of the major companies included are: QatarGas Group of Companies, Qatar Steel Company, Tasweeq, Qatar Aluminum, Qatar Financial Center (QFCA) and Qatar Petroleum International (QPI) – QP. Mr. Al-Shaibi is also member of the State of Qatar Finance Policy and Strategy Committee.

BOARD OF DIRECTORS

**Director****Sheikh Abdul Aziz Bin Thani Al-Thani**

Sheikh Abdul Aziz holds a Bachelor's degree in Business Information Technology from the American University in Washington, DC. With over 8 years experience in recruitment and manpower planning, he is currently the Head of Recruitment, HR Department, Qatar Petroleum. Sheikh Abdul Aziz is also a member of the Permanent Population Committee, Permanent Recruitment Committee of Qatar and Committee of Strategy for the State Labor Market amongst others.

**CEO & Director****Mr. Ibrahim Jassim Al Othman**

Mr. Al-Othman holds a BSc in Petroleum Engineering from University of Southern California and an MBA in Business Administration from the American University of Beirut. He has over 20 years' of experience in the oil industry working in both national and International oil companies. He also represents QP on several Joint Venture Boards of Directors.

**Director****Mr. Yuichiro Ichikawa**

Mr. Ichikawa holds a BSc in Petroleum Engineering from Tokyo University, Tokyo, Japan. He has over 30 years' of experience in the drilling industry, especially in the areas of Operations, Engineering and Marketing. He also serves as a Representative Director and Senior Managing Executive Officer of JDC as well as President and Representative Director of MQJ (Mantle Quest Japan Company Limited).

BOARD OF DIRECTORS



Director

Mr. Kenzo Yamada

Mr. Yamada holds a Master of Business Administration (M.B.A.) from Loyola Marymount University, USA. He has over 30 years' of experience in the drilling industry, especially in the areas of Administration & Corporate Planning. He also serves as an Executive Officer and General Manager of Corporate Strategy Planning of JDC.



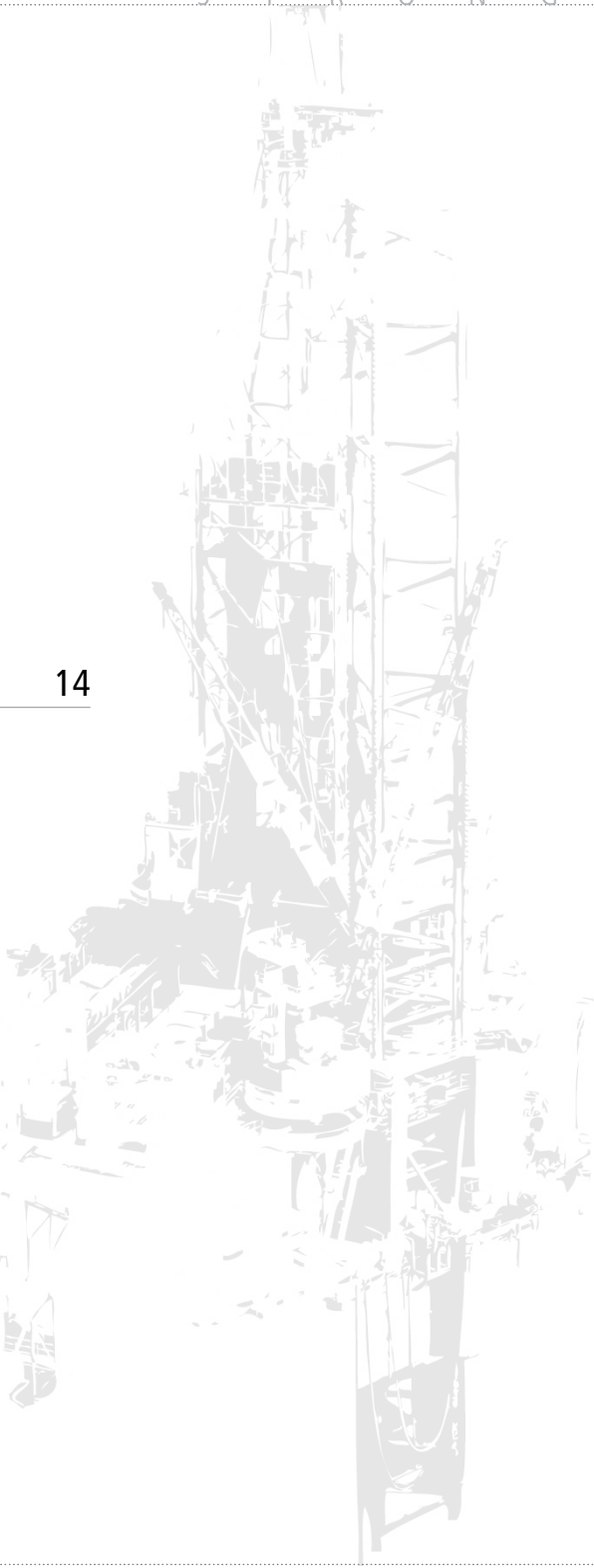
COO & Director

Mr. Yoichi Onoe

Mr. Onoe holds a BSc in Engineering from Waseda University, Tokyo, Japan. He has over 30 years' of experience in the drilling industry, especially in the areas of Operations, Engineering and Marketing. He also serves as an Executive Officer of JDC.

S T R O N G E R B Y T H E D A Y

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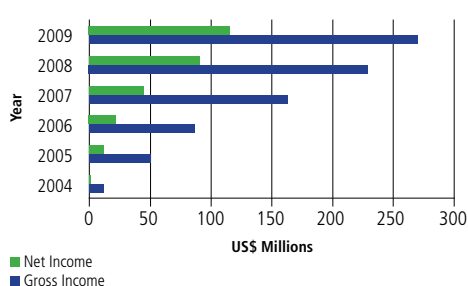




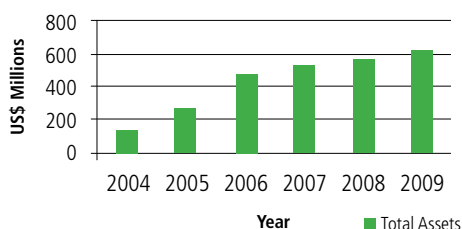
Financial Highlights &
Key Figures

Financial Highlights & Key Figures

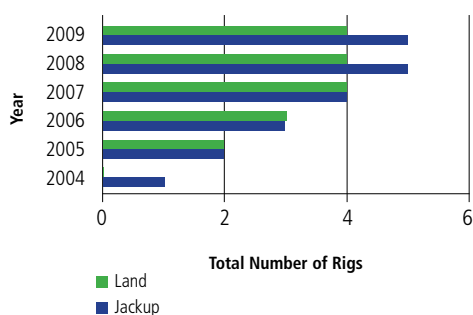
Income & Profit Growth



Total Assets



Rig Fleet



US DOLLARS IN MILLIONS	2009	2008
Revenue	271.58	230.60
Direct Costs	(127.51)	(112.16)
Gross Profit	144.07	118.44
Other (loss) / Income	(0.17)	2.52
General & Administrative Expenses	(22.92)	(22.05)
Finance Income	2.01	0.26
Finance Expenses	(3.78)	(9.80)
Profit before Taxation	119.21	89.37
Deferred Tax	(2.82)	0.32
Net Profit for the year	116.39	89.69
Property & Equipment (Net Book Value)	441.80	466.89
Current Assets	187.86	121.58
Current Liabilities	66.56	72.40
Long-term Debt	213.07	254.92
Shareholders Equity	350.03	261.15
Net Cash flow from Operating activities	177.14	77.54
Net cash used in Investing activities	(17.83)	(43.20)
Net cash used in Financing activities	(73.04)	(22.76)
Cash & Cash Equivalents at beginning of year	21.68	10.10
Cash & Cash Equivalents at end of the year	107.95	21.68
Number of Onshore Rigs	4	4
Number of Offshore Rigs	5	5
Total Employees	826	811

2009 Highlights



- GDI successfully completed its 5th year of operations with the best financial and operational performance in its history
- Safety Record (Total Recordable Incident Rate of 0.79 was better than the IADC 2009 Middle East Average of 0.93)
- 100% rig utilization
- Rig down time (due to equipment failure) was reduced from 2.95% in 2008 to 1.24% in 2009.
- Net Income increased from US\$89.7M in 2008 to US\$116.4M in 2009 (an increase of 16.3%)
- GDI achieved strong growth in Assets, Cash flow and shareholder returns
- Commenced implementation of the MAXIMO Asset Management System
- Enterprise Resource Planning (ERP) System was upgraded through several system enhancements
- Significant contributions were made to Community & Social Support Networks; GDI employs a strong national workforce (Qatarization plans reached 60% of the targeted national workforce in 2009)

2.

MESSAGE FROM THE BOARD OF DIRECTORS AND MANAGEMENT

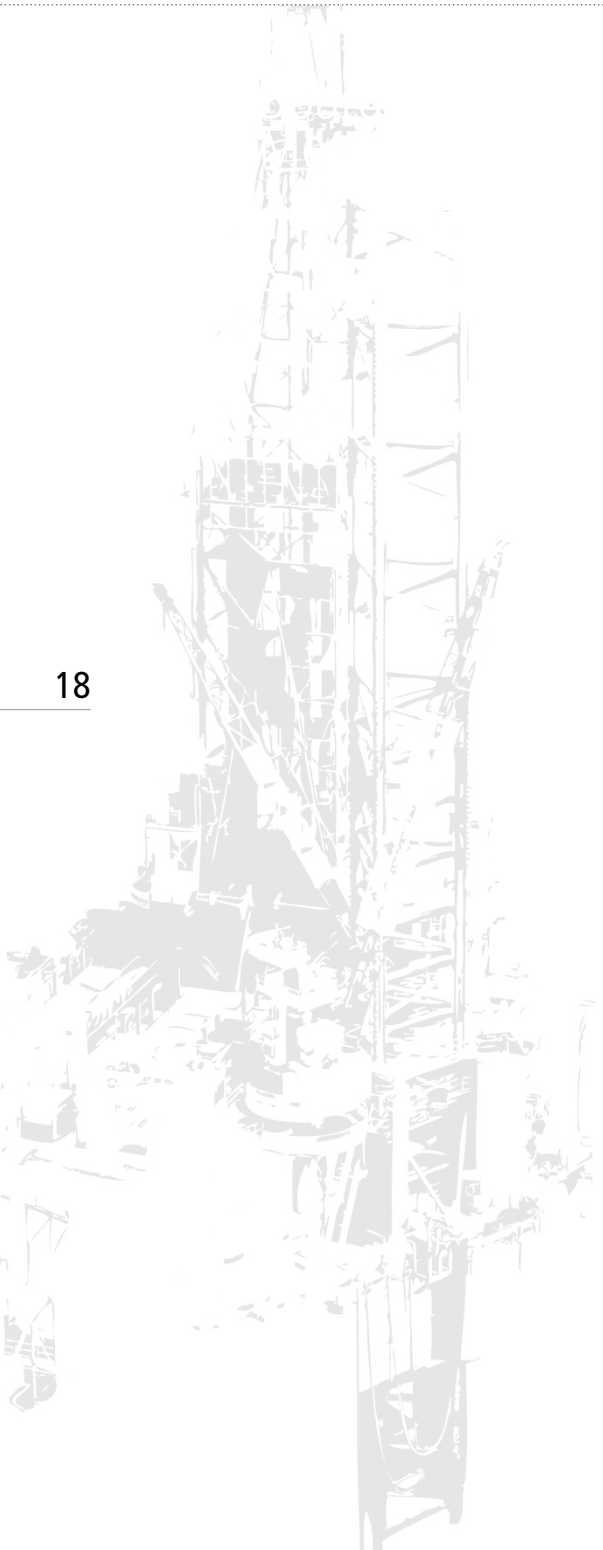
In 2009, GDI had its best year ever, as measured by its strong financial and operational performance. Revenue, Net Income and Profitability all improved significantly over 2008 results. Revenue increased to (US\$271.58 million) QR988.6 million from (US\$230.60 million) QR839.4 million in 2008, an increase of 18%. Net income grew to (US\$116.39 million) QR423.7 million compared to (US\$89.69 million) QR326.5 million in 2008, an increase of 30%. The profitability of the company continued its upward trend with Net Income amounting to 43% of Revenues in 2009 compared to 39% in 2008. The key catalysts for this historical performance were the full utilization of all rigs combined with low rig downtime.

GDI considers safety to be its highest priority and are committed to operating in the safest and most environmentally responsible manner possible. Our safety standards are at par with the best in the industry and we strive to adhere to all applicable laws and regulations. In addition, operational excellence and customer satisfaction are the prime objectives of GDI throughout the duration of every contract, regardless of whether those operations are onshore or offshore. GDI's fundamental strategies are geared toward achieving consistent and outstanding performance in all aspects of our business in a responsible manner while generating superior returns to our shareholders. Looking back at our modest beginnings in 2004, GDI is pleased to have made significant improvements in safety performance, operational excellence and customer satisfaction over its relatively short existence.

Another significant milestone was achieved in 2009 when GDI received IMS certification, after passing the main assessment of its IMS (Integrated Management System), to ISO standards. We now have certifications for ISO 9001:2000, ISO 14001:2004 and OHSAS 18001:2007. These achievements demonstrate our commitment to Quality Assurance, Health, Safety and Environment. GDI's IMS provides an operational framework to ensure that the organization, its resources, its processes, and its practices are all coordinated under one system that is designed to help GDI realize its vision, mission and goals.

GDI remains dedicated to fulfilling its Qatarization program. In 2009, the employment of Qataris within the organization grew to 60% of the targeted workforce under the current plan. GDI takes significant pride in its Qatarization program and is highly focused and committed to achieving the goals and objectives that have been set with respect to this plan.

GDI annually prepares a 5 year Business Plan and uses it as a planning tool to help set short to mid-term goals and devise strategies and plans to fulfill them. GDI's Business Plans are designed to establish better accountability, responsibility and ownership in achieving the company's goals and objectives. GDI's business strategies are established at the corporate level and then systematically cascaded down through all directorate levels. Performance measures are monitored for continuous improvement through a framework of key performance indicators (KPIs).



 Message from the Board of Directors and Management

As part of this planning exercise, we initiated several business development initiatives in 2009 that, if successful, will serve to expand GDI's core business in the future. Our growth strategy envisions broadening GDI's work scope, diversifying its geographical footprint and widening its revenue stream. Accordingly, GDI continues to keep an eye out for attractive opportunities, including rig acquisitions, to help grow our core business. Business diversification and expansion opportunities are also being carefully considered. To remain viable in the future, GDI considers the diversification of its core business, and the promotion of innovative business models, to be essential for the success and continued growth of the company.

GDI is cognizant of the needs and requirements of our shareholders and keen to help them profit from their investment in GDI. In 2009, GDI's Board of Directors approved the distribution of cash dividends to the shareholders totaling US\$30.0 million which was paid out during the first half of 2009. In 2010, they approved an additional cash dividend of US\$ 60 Million, which was distributed to the shareholders in the 1st Quarter of 2010.

While we anticipate 2010 to be a challenging year, our record shows we are up to the task. Challenging economic conditions, brought by the global financial crisis, will require vigilance and caution at every step. Against the back drop of a down market business cycle, the drilling industry is beginning to experience declines in rig rates. Cost optimization, which has always been one of our hallmarks, will continue to be a focal point for GDI in 2010.

High Quality services and customer satisfaction are critical to building the competitive edge that we seek and we will strive to ensure that our rigs are delivering the service our clients expect. We also recognize that GDI's long term success depends on our people. As we move ahead, the commitment and involvement of GDI employees will be essential. We sincerely appreciate their efforts as they have contributed immeasurably to our past success and will be an essential component of our future successes.

We look forward to an exciting 2010 and are committed to ensuring that GDI continues to be an advocate for excellence, aspiring to be a world class drilling services provider.



Saad Sherida Al-Kaabi
Chairman of the Board



Ibrahim J. Al-Othman
Chief Executive Officer

3.

CORPORATE GOVERNANCE

GDI's Board of Directors, management and all employees share an ongoing commitment to the highest standards of corporate governance.

GDI operates under a set of formal corporate governance guidelines that have been established through the Board of Directors by the company's:

- Articles of Association; and
- Joint Venture Agreement

Unless reserved to the shareholders under applicable law, all corporate authority resides with the Board of Directors. However, pursuant to the company's Manual of Financial Authorities (MOFA), specified authority has been delegated by the Board to the CEO who, in turn, has further delegated specified authority to other members of management and employees of the company, in order to implement the company's mission.

The primary role of the Board of Directors is to:

- Exercise business judgment to promote the long term interests of the shareholders and continuity and vitality of the company.
- Review, monitor and approve fundamental financial and business strategies and major corporate actions of the company.
- Monitor the performance of the company and management by providing advise and feedback.
- Oversee processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance, and satisfy itself as to the adequacy of such processes.

To assist in the discharging of its responsibilities, the Board has established an Audit Committee comprised solely of Directors who are not officers of the company, to interface with the company's:



- Internal Audit Section, which is under the direct control of the Board and performs audits concerning the execution of business activities by all departments as well as verification of appropriateness and effectiveness of the internal management system; and
- Independent External Auditors, who are appointed by the Board and ratified by the company's shareholders

The Audit Committee reviews the scope and coverage of external and corporate audit activities and meets with management, external auditors and internal auditors from time to time to discuss any matters that may require their attention.

In addition, with the Board's oversight, direction and approval, the management of the company has developed and adopted the following

corporate governance tools to educate and guide all employees through an Integrated Management System (IMS) designed to document the company's:

- Vision, Mission & Values;
- Protocols & Codes of Conduct with respect to:
 - Communication via chain of command
 - Quality expectations
 - Business ethics and integrity
 - Environmental protection
 - Company Policies & Procedures

The Board of Directors considers the development of Corporate Governance to be an ongoing process that is subject to continuous improvement. Therefore, the Board is reviewing, and may from time to time adopt, additional best practices as are deemed necessary or appropriate for GDI.



4.

QUALITY, HEALTH, SAFETY & ENVIRONMENT (QHSE)



During 2009, GDI implemented 100% of the recommended actions that were raised from internal audits and observations. As a result, select IMS documents were also amended and circulated to all relevant departments in a semi-interactive optical media.

Another important milestone achieved in 2009, was the addition of an Occupational Health Nurse to work closely with Medical staff on each rig. This creation of this position has allowed GDI to centralize the function of reporting of recordable and non-recordable incidents and has helped facilitate close monitoring of any occurrences and action plans after the occurrence.

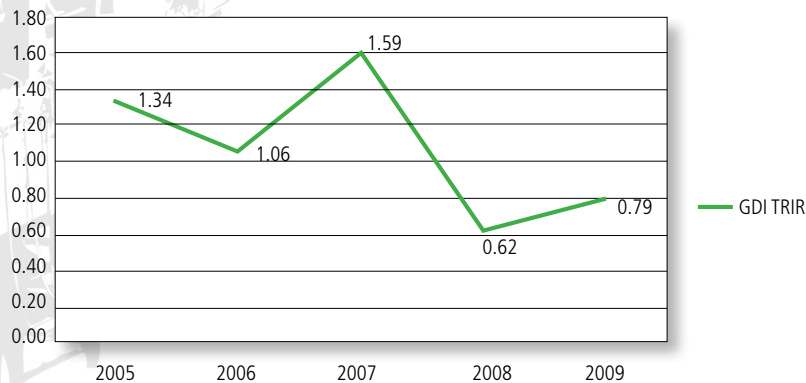
With an ever increasing awareness of the environment, a series of in-house environmental awareness sessions were conducted with employees. A company recycling program was initiated and arrangements were made with QP Mesaieed Industrial Plant to treat GDI's hazardous waste.

Full compliance with all applicable laws and regulations, including recommended IADC (International Association of Drilling Contractors) standards, is adhered to at all times. A prominent goal of GDI's QHSE efforts is and remains to eliminate injuries, illnesses and incidents with Zero impact to the environment.

GDI is committed to the highest standards of Quality Assurance, Safety, Security, Health and Environmental care. We strive, to the best of our abilities, to deliver results that demonstrate that commitment.

In 2009, GDI continued its focus on the establishment of policies and procedures that are designed to promote and achieve the company's goals and objectives with respect to Quality Assurance, Safety, Security, Health and Environmental care. A Risk Management policy was developed and approved and a Training Tracking system was implemented to ensure that all personnel have completed the training required by their roles. New rig specific training material was also introduced and distributed to the crews on each rig.

GDI Safety Statistics (total Recordable Incident Rate) incidents per 200,000 work hours



5. OPERATIONAL REVIEW

GDI operates five (5) offshore jack-up rigs and four (4) land rigs. Our drilling rigs are all located in Qatar, under contracts with several major oil companies in the region, including Qatar Petroleum. We drill, complete and work over oil & gas wells for our clients pursuant to standard international drilling service contracts. The present status of our contracts is summarized below.

Rig Name	Rig Type	Client
Doha	Offshore Jack Up Rig	Qatar Petroleum
Gulf-2 (Al-Rayyan)	Offshore Jack Up Rig	Qatar Petroleum
Gulf-3 (Al-Wajba)	Offshore Jack Up Rig	Occidental Petroleum of Qatar
Al-Khor	Offshore Jack Up Rig	Qatar Gas
Al-Zubarah	Offshore Jack up Rig	Qatar Petroleum
GDI-1	Onshore Rig	Qatar Petroleum
GDI-2	Onshore Rig	Qatar Petroleum
GDI-3	Onshore Rig (Work Over)	Qatar Petroleum
GDI-4	Onshore Rig	Qatar Petroleum

We provide drilling services principally on a "day rate" basis, however, we also provide "footage" based drilling services for Qatar Petroleum. Under our contracts, GDI provides the drilling rig, rig crew and associated services to safely carry out the drilling operations required by the Operator

The average downtime rate for GDI's Rigs in 2009 was 1.24% compared to 2.95% for 2008. GDI is pleased to see this significant improvement in drilling efficiency and look forward to reducing our downtime even further. We believe the development and implementation of an automated state-of-the-art MAXIMO Asset Management System will minimize equipment failures and reduce our downtime statistics. By perfecting our procedures, introducing new technology

and upgrading our equipment and tools, GDI believes it can improve on its overall efficiency while maintaining a favorable trend in safety performance.

GDI's 0.79 TRIR score for 2009 was below the IADC average for the Middle East region. However, we covet even better safety results. It is our mission to work in a safe environment and we are determined to improve on our safety record in the years to come.

Our strong financial results this year were achieved through 100% fleet utilization and improved downtime statistics.

Rig condition surveys were conducted for our older rigs in 2009 rigs in order to identify any major problems or areas



which need close attention or major maintenance work.

An inventory optimization task force was established in 2009 to reduce excess inventory stocks and we have centralized our warehouse functions to promote greater efficiencies. Strong focus is being placed on cost optimization and improved supply chain management is a major component of that initiative.

Competition

The competitive position GDI holds in Qatar is strengthened by the various associations and business relationships that have been established over the years. Our strong affiliation with Qatar Petroleum and the technical support that we have received from Japan Drilling

Co., Ltd have proven to be invaluable for GDI. Our company is further enhanced by a safety and environmentally conscious drilling operation team that is drawn from a multinational work force. We have highly skilled crew who are fully capable of delivering the service our clients expect.

With a broad range of offshore and onshore drilling rigs at our disposal, including 2 state-of-the-art high tech jack-up rigs, GDI is well positioned to become an industry leader in Qatar. GDI is the sole Qatari based drilling contractor with crews that have vast experience in the upstream oil and gas industry. This view is well supported by the strong financial and operational results that GDI have been able to achieve.



GULF DRILLING INTERNATIONAL LIMITED Q.S.C.

6.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31
DECEMBER 2009

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INDEPENDENT AUDITORS' REPORT

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Arab Bank Branch Building
25 C Ring Road
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State of Qatar

Telephone +974 432 9698
Fax +974 442 5626
Internet www.kpmg.com

To
The Shareholders
Gulf Drilling International Limited Q.S.C.
Doha
State of Qatar

Report on the financial statements

We have audited the accompanying financial statements of Gulf Drilling International Limited Q.S.C. ("the Company"), which comprise the statement of financial position as at 31 December 2009, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Responsibility of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design

Independent auditors' report

audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

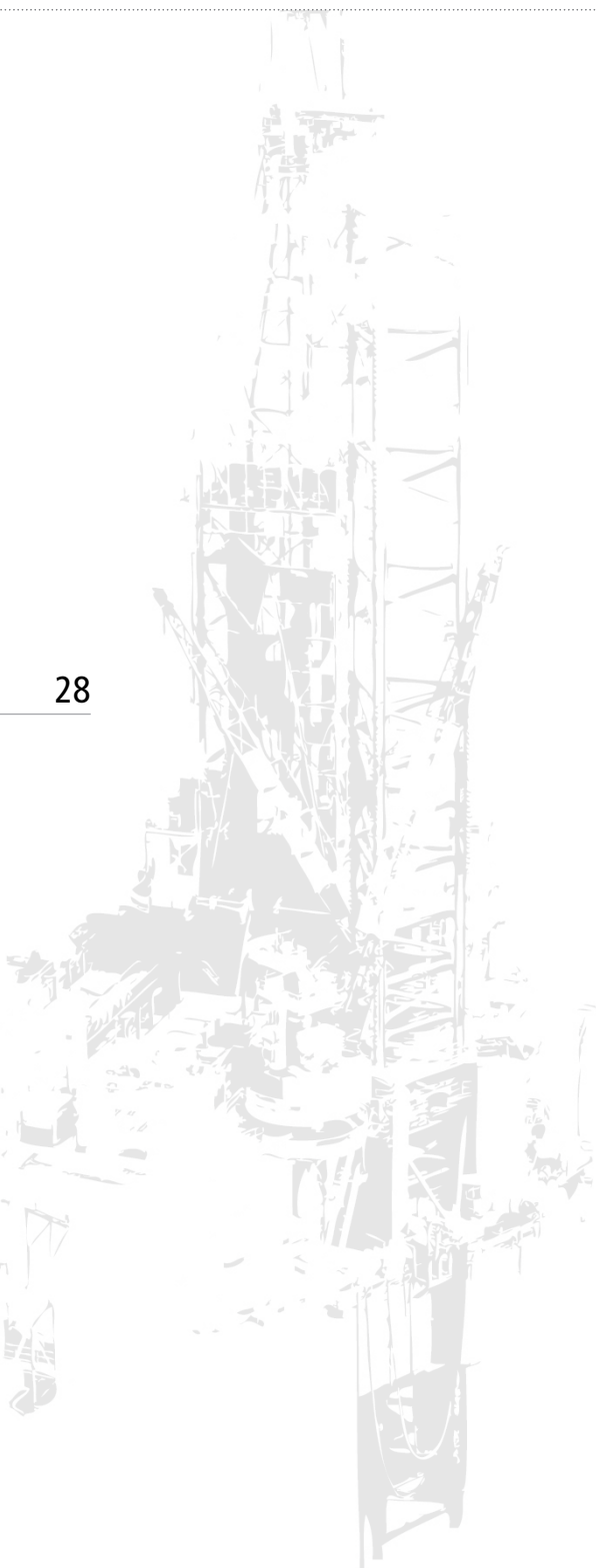
Other matters

In addition, in our opinion, the Company has maintained proper accounting records and the financial statements are in agreement therewith and we confirm that a physical count of the inventories was carried out in accordance with the established principles. We are not aware of any violations of the provisions of Qatar Commercial Companies Law No 5 of 2002 or the terms of Articles of Association, to the extent applicable, having occurred during the year which might have had a material effect on the business of the Company or its financial position as of 31 December 2009. Satisfactory explanations and information have been provided to us by the management in response to all our requests.

21 February 2010
Doha
State of Qatar



Gopal Balasubramaniam
KPMG
Qatar Auditor's Registry No. 251



Gulf Drilling International Limited Q.S.C.

BALANCE SHEET

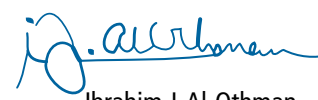
As at 31 December 2009

In US Dollars

	Notes	2009	2008
ASSETS			
Non-current assets			
Property and equipment	4	441,795,523	466,886,702
Deferred tax asset	5	-	2,634,293
Total non-current assets		<u>441,795,523</u>	<u>469,520,995</u>
Current assets			
Inventories	6	12,907,357	12,702,099
Due from related parties	7 a	59,710,980	71,144,386
Accounts receivable and prepayments	8	7,297,329	12,807,989
Cash and bank	9	107,948,731	22,298,845
Total current assets		<u>187,864,397</u>	<u>118,953,319</u>
Total assets		<u>629,659,920</u>	<u>588,474,314</u>
EQUITY AND LIABILITIES			
Equity (page 5)			
Share capital	10	103,200,000	103,200,000
Legal reserve	11	28,418,579	16,779,608
Retained earnings		<u>218,407,343</u>	<u>141,167,490</u>
Total equity		<u>350,025,922</u>	<u>261,147,098</u>
Non-current liabilities			
Term loans – non-current portion	12	212,003,401	254,315,328
Employees' end of service benefits	13	882,069	606,469
Deferred tax liability	5	186,120	-
Total non-current liabilities		<u>213,071,590</u>	<u>254,921,797</u>
Current liabilities			
Due to related parties	7 b	5,534,287	2,764,191
Accounts payable and accruals	14	18,549,196	29,587,272
Term loans – current portion	12	42,478,925	39,432,257
Bank overdraft	9	-	621,699
Total current liabilities		<u>66,562,408</u>	<u>72,405,419</u>
Total liabilities		<u>279,633,998</u>	<u>327,327,216</u>
Total equity and liabilities		<u>629,659,920</u>	<u>588,474,314</u>

These financial statements were approved by the Board of Directors and signed on their behalf by the following on 21 February 2010.


Saad Sherida Al-Kaabi
Chairman of the Board


Ibrahim J. Al-Othman
Chief Executive Officer

Gulf Drilling International Limited Q.S.C.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

In US Dollars

	Notes	2009	2008
Revenue		271,578,137	230,604,183
Direct cost		(127,509,642)	(112,164,335)
Gross profit		144,068,495	118,439,848
Other (loss) / income	15	(172,027)	2,521,062
General and administrative expenses	16	(22,922,547)	(22,052,747)
Results from operating activities		120,973,921	98,908,163
Finance income		2,013,408	264,249
Finance costs		(3,777,202)	(9,801,903)
Profit before taxation		119,210,127	89,370,509
Deferred tax	5	(2,820,413)	325,793
Profit for the year		116,389,714	89,696,302
Other comprehensive income		-	-
Total comprehensive income for the year		116,389,714	89,696,302

Gulf Drilling International Limited Q.S.C.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

In US Dollars

	Share capital	Legal reserve	Retained earnings	Total
Balance at 1 January 2008	103,200,000	7,809,978	60,440,818	171,450,796
Total comprehensive income for the year	-	-	89,696,302	89,696,302
Transfer to legal reserve	-	8,969,630	(8,969,630)	-
Balance at 31 December 2008	103,200,000	16,779,608	141,167,490	261,147,098
Balance at 1 January 2009	103,200,000	16,779,608	141,167,490	261,147,098
Total comprehensive income for the year	-	-	116,389,714	116,389,714
Transfer to legal reserve	-	11,638,971	(11,638,971)	-
Dividends to equity holders*	-	-	(27,510,890)	(27,510,890)
Balance at 31 December 2009	103,200,000	28,418,579	218,407,343	350,025,922

*During the year the Company has paid a dividend of USD 30,000,000. The total dividend paid out of the profit for the year 2008 was USD 27,510,890 and the balance USD 2,489,110 represents the amount of dividend declared and set aside from retained earnings in 2005, and paid during the year.

The attached notes on pages 33 to 53 form an integral part of these financial statements.

Gulf Drilling International Limited Q.S.C.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

In US Dollars

	Notes	2009	2008
Cash flows from operating activities			
Profit before taxation		119,210,127	89,370,509
Adjustments for:			
Depreciation of property and equipment	4	44,532,779	38,234,075
Provision for end-of-service benefits	13	371,931	377,188
Loss on disposal of property and equipment		397,949	644,346
Net finance costs		1,763,794	9,537,654
Operating income before changes in working capital		166,276,580	138,163,772
Working capital changes:			
Decrease/(increase) in accounts receivable, prepayments and due from related parties		16,944,066	(33,340,629)
Increase in inventories		(205,258)	(4,602,694)
Decrease in accounts payable, accrued expenses and due to related parties		(5,778,870)	(22,639,141)
		177,236,518	77,581,308
End of service benefits paid	13	(96,331)	(39,870)
Net cash from operating activities		177,140,187	77,541,438
Cash flows from investing activities			
Purchase of property and equipment	4	(20,605,110)	(45,576,539)
Proceeds from sale of property and equipment		765,561	2,111,491
Interest income		2,013,408	264,249
Net cash used in investing activities		(17,826,141)	(43,200,799)
Cash flows from financing activities			
Movement in term loans		(39,265,259)	(12,962,889)
Interest expense		(3,777,202)	(9,801,903)
Dividend paid		(30,000,000)	-
Net cash used in financing activities		(73,042,461)	(22,764,792)
Net increase in cash and cash equivalents		86,271,585	11,575,847
Cash and cash equivalents, beginning of the year		21,677,146	10,101,299
Cash and cash equivalents, end of the year	9	107,948,731	21,677,146

The attached notes on pages 33 to 53 form an integral part of these financial statements.

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

Gulf Drilling International Limited Q.S.C. ("the Company") is registered and incorporated in the State of Qatar under commercial registration number 27968 as a Qatar Shareholding Company in accordance with the resolution of the Minister of Economy and Commerce pursuant to the Qatar Commercial Companies Law No 5 of 2002, in particular Article 68 thereof. The Company commenced operations on 18 May 2004. The objectives of the Company are to own or charter offshore jack up drilling rigs, land rigs, work over rigs and accommodation barges and to provide drilling related services to oil and gas companies in Qatar and other countries in the region.

The activities of the Company are governed by a joint venture agreement dated 22 March 2004 between Qatar Petroleum and Japan Drilling Co Ltd, and the Company's Memorandum and Articles of Association. As per the joint venture agreement the Company will continue for a period of 25 years unless extended or terminated in accordance with the joint venture agreement. The shares of Qatar Petroleum which owned 70% in the Company were transferred to Gulf International Services Q.S.C on 12 February 2008. Gulf International Services Q.S.C is a public shareholding company owned 30% by Qatar Petroleum and 70% by individual investors and selected institutions.

The Company's current shareholders and their respective shareholdings are as follows:

Gulf International Services Q.S.C	70%
Japan Drilling Co Ltd	30%
	<u>100%</u>

2. BASIS OF PREPARATION**(a) Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

(b) Basis of measurement

These financial statements have been prepared on the historical cost convention.

(c) Functional and presentation currency

These financial statements are presented in United States Dollars ("USD"), which is the Company's functional currency in accordance with the terms of the joint venture agreement. All financial information presented in USD has been rounded to the nearest USD.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make

judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the note 21.

(e) Standards, amendments and interpretations effective on or after 1 January 2009

IAS 1 (revised) - Presentation of Financial Statements

Revised IAS 1 "Presentation of Financial Statements" introduces the term "total comprehensive income", which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either:

- a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or
- In an income statement and a separate statement of comprehensive income.

The Company has decided to adopt the single statement approach for presenting total comprehensive income.

The adoption of revised IAS 1 impacted the type and amount of disclosures made in the financial statements, but had no impact on the retained earnings of the Company. In accordance with the transitional requirements of the standard, the Company has provided full comparative information.

IAS 23 – Borrowing costs

A revised version of IAS 23 was issued in March 2007. It eliminates the option of immediate recognition of borrowing costs as an expense for assets that require a substantial period of time to get ready for their intended use. The application of the IAS 23 amendment did not have a material impact on the result or items of the statement of financial position or retained earnings.



(f) Standards, amendments and interpretations issued but not yet effective

During the year the following standards, interpretations and amendments to standards were issued, but not yet effective for the year ended 31 December 2009 and have not been applied in preparing the financial statements of the Company. These are mandatory for the Company's accounting periods beginning on or after 1 January 2010 or later periods and are expected to be relevant to the Company.

Amendments to IAS 7 Statement of Cash Flows

These amendments are applicable for reporting period beginning on or after 1 January 2010 and explicitly require that only expenditures that result in the recognition of an asset can be classified as a cash flow from investing activities. Currently, this amendment will not have any impact on the presentation in the statement of cash flows of the Company.

Amendments to IAS 16 Property, Plant and Equipment

These amendments are applicable for reporting period beginning on or after 1 January 2010. These amendments replace the term "net selling price" with "fair value less costs to sell". This amendment is not expected to result in any change in the Company's financial position.

IAS 24 Related Party Disclosures (revised 2009)

The revised standard is applicable for reporting period beginning on or after 1 January 2011. The revised IAS 24 Related Party Disclosures amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The revised standard will result in changes to certain disclosure relating to Related Parties.

IFRS 9 "Financial Instruments"

This was issued to replace IAS 39 "Financial Instruments: Recognition and Measurement". This includes changes to the current recognition and measurement of financial instruments. IFRS 9 will become mandatory for the Company's financial statements issued on or after 1 January 2013. This amendment is not expected to result in any change in the Company's financial position.

(g) Early adoption of standards

The Company did not early adopt any new or amended standards in 2009.

3. SIGNIFICANT ACCOUNTING POLICIES**(a) Property and equipment****(i) Recognition and measurement**

Items of property and equipment are measured at cost less

accumulated depreciation and impairment losses, if any [refer accounting policy 3(i)]. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self – constructed assets includes the cost of materials, direct labour and borrowing costs, any other costs directly attributable to bringing the asset to a working condition for its intended use.

The costs of capital work in progress consists of the contract value and directly attributable costs of developing and bringing the assets to the location and condition necessary for them to be ready for their intended use. Capital work in progress is transferred to property and equipment when these assets reach its working condition for its intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in the statement of comprehensive income.

(ii) Subsequent costs

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 possible that the future economic benefits embraced within the part will flow to the Company and its cost can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives for the current and comparative years are as follows:

	Years
Rigs	10 - 15
Plant and machinery	6 - 7
Furniture and fixtures	6 - 7
Computers	3
Vehicles	5

Depreciation methods, useful lives and residual values of property, plant equipment are re-assessed annually.

(b) Borrowing costs

Borrowing costs attributable to acquisition or construction of property, plant and equipment are capitalised as part of the cost of the asset up to the date of the asset being put into 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.

(c) 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 expenditures 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.

(d) Employee benefits

(i) Defined benefit plan

The Company provides for employees' end of service benefits (excluding employees working in the rigs) determined in accordance with the Labour law of Qatar. Applicable benefits are paid to employees on termination of employment with the Company. The Company has no expectation of settling its employees' terminal benefits obligation in the near term and have classified this as a non-current liability.

(ii) Defined contribution plan

Under law no. 24 of 2002 on retirement and pension, the Company makes contribution to a government pension scheme for existing and retired Qatari employees calculated as a percentage of the employees' salaries. The Company's obligations are limited to the contributions which are expensed when due.

(e) Provisions

Provisions are recognised when the Company 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.

(f) Foreign currency transactions

Transactions in foreign currencies are recorded at rates of exchange prevailing at the dates of the transactions. Monetary assets and monetary liabilities denominated in foreign currencies at the reporting date are reported at the exchange rates prevailing at that date. Realised and unrealised exchange differences arising from these are recognised in the statement of comprehensive income.

(g) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

Recognition and de-recognition

The financial assets and liabilities are recognised on the date they

are generated and on the date at which Company becomes a party to the contractual provisions of the instrument.

The Company de-recognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

The Company de-recognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Non-derivative financial instruments

Non-derivative financial instruments comprise other receivables, due from related parties, cash and cash equivalents, term loans and overdraft, and trade and other payables.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and balance with banks, including deposits, having a maturity of less than 90 days. For the cash flow statement it is shown net of bank short term borrowings.

Accounts receivable and other receivables

Account receivables including due from related parties and other receivables are stated at amortised cost being the fair value net of provision for amounts estimated to be doubtful as determined by the management.

Payables

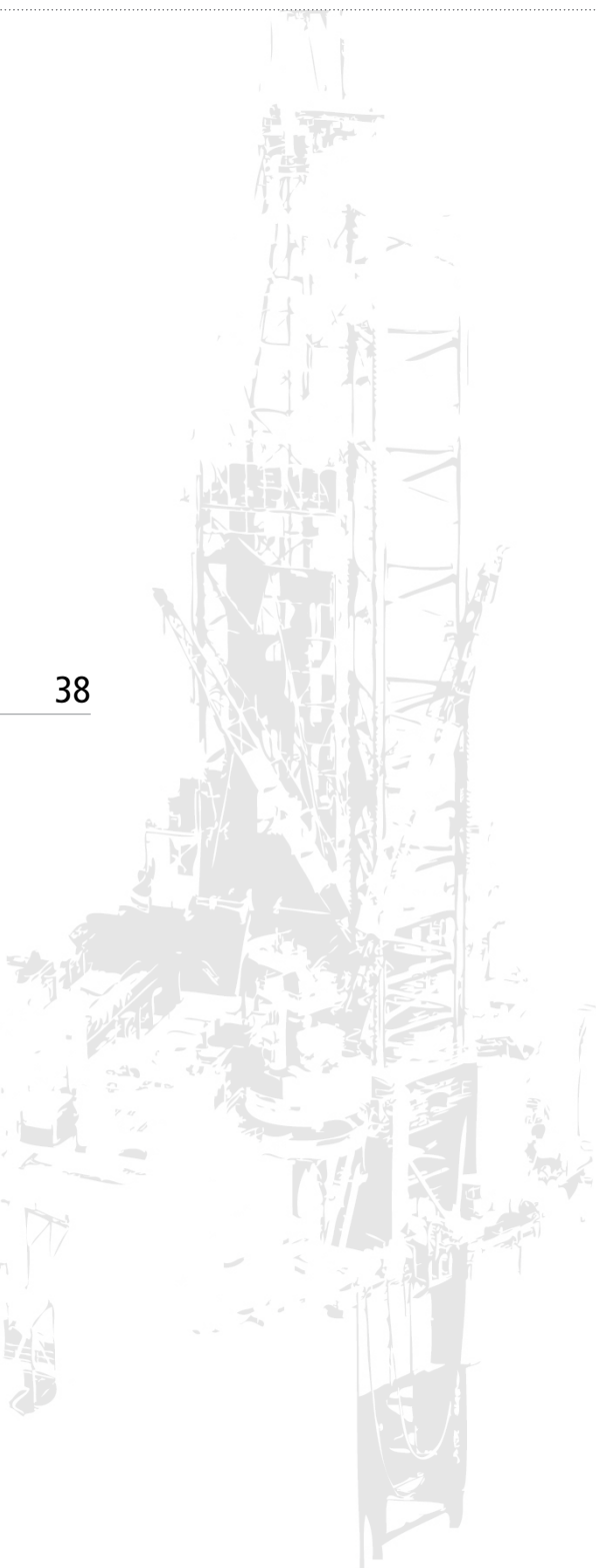
Account payables including due to related parties are stated at amortised cost being the fair value and recognized for amounts to be paid in future for goods or services provided, whether or not billed by the supplier.

Term loans

All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognized in profit or loss when liabilities are derecognized as well as through the amortization process.

(h) Revenue recognition

Revenue represents the invoiced value of work done during the year as per the rate specified in the contracts. Mobilization fees received and costs incurred to mobilize a drilling unit from one place to another are recognised over the term of the related drilling contract. Costs incurred to relocate drilling units in which a contract has not



been secured are expensed as incurred.

Income from interest on bank deposits is recognised in profit or loss as it accrues (using effective interest rate) taking into account the agreed interest rate on deposits.

(i) Impairment

Financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired. All impairment losses are recognised in profit or loss.

An impairment loss in respect of financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Non-financial assets

The Company assesses whether there are any indicators of impairment of all non financial assets at each reporting date. Non financial assets are tested for impairment when there are indicators that the carrying amount may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in profit or loss, whenever the carrying amount of an asset exceeds its recoverable amount.

(j) Income tax and deferred tax

The Company is exempted from income tax for an initial period of 10 years commencing from 18 May 2004. The Company may be granted with an additional tax exemption period after the expiry of the initial tax exemption period. Accordingly, no current provision for income taxation has been provided for in these financial statements.

Deferred income tax is provided using the liability method on all temporary differences to the extent of the foreign shareholding of the Company at the reporting date and measured at the rate of 10% based on the newly enacted tax law effective from 1 January 2010. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on laws that have been enacted as of the reporting date. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Gulf Drilling International Limited Q.S.C.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

4. PROPERTY AND EQUIPMENT

In US Dollars

Description	Rigs	Plant and machinery	Furniture and fixtures	Computers	Vehicles	Capital work in progress	Total 2009	Total 2008
Cost								
As at 1 January 2009	489,762,006	42,934,069	4,852,713	15,016,721	20,090	2,736,181	555,321,780	515,654,397
Additions	6,571,977	4,221,595	618,113	1,754,640	-	7,438,785	20,605,110	45,576,539
Transfers	6,097,040	199,901	14,757	1,308,852	-	(7,620,550)	-	-
Disposals	(1,269,074)	(1,012,147)	(21,862)	(27,174)	-	-	(2,330,257)	(5,909,156)
As at 31 December 2009	501,161,949	46,343,418	5,463,721	18,053,039	20,090	2,554,416	573,596,633	555,321,780
Depreciation								
As at 1 January 2009	68,696,451	12,588,699	1,403,529	5,732,104	14,295	-	88,435,078	53,354,321
Depreciation for the year	34,555,411	6,110,235	701,433	3,161,793	3,907	-	44,532,779	38,234,075
Disposals	(524,618)	(611,614)	(11,575)	(18,940)	-	-	(1,166,747)	(3,153,318)
As at 31 December 2009	102,727,244	18,087,320	2,093,387	8,874,957	18,202	-	131,801,110	88,435,078
Carrying amounts at								
31 December 2009	398,434,705	28,256,098	3,370,334	9,178,082	1,888	2,554,416	441,795,523	-
31 December 2008	421,065,555	30,345,370	3,449,184	9,284,617	5,795	2,736,181	-	466,886,702

4. PROPERTY AND EQUIPMENT (continued)

a) The depreciation charge has been allocated as follows;

	2009	2008
Cost of sales	43,631,064	37,467,495
General and administrative expenses	901,715	766,580
	44,532,779	38,234,075

b) The Company has not capitalized any borrowing costs during the year as there were no qualifying assets. (The amount of borrowing costs capitalized in 2008 is USD 2,675,324)

c) The encumbrances and liens on plant and equipment are set out in Note 12.

5. DEFERRED TAX (LIABILITY) / ASSET

	2009	2008
Balance at the beginning of the year	2,634,293	2,308,500
Tax expense relating to the origination and reversal of temporary differences	(3,250,474)	325,793
Tax expense resulting from reduction in tax rate	430,061	-
Balance at the end of the year	(186,120)	2,634,293

The deferred taxation attributable to temporary differences arising between the books of accounts and taxation basis of depreciation of rigs have been provided using the liability method to the extent of the foreign share holding of the Company and are measured at the tax rate of 10% based on the newly enacted tax law effective from 1 January 2010.

6. Inventories

	2009	2008
Drilling materials, spare parts, consumables and goods in transit	12,907,357	12,702,099

7. RELATED PARTIES

The Company in the normal course of its business carries out transactions with its share holders and their related parties.

The transactions with related parties are summarised below:

Name of related party	Nature of relationship	Type of transaction	2009	2008
Qatar Petroleum	Affiliated Company	Sales	181,748,945	159,028,931
		Seconded fees	546,905	487,600
		Group Insurance	345,240	196,357
		Services rendered	1,076,586	1,254,446
Qatar Liquefied Gas Company Limited	Affiliated Company	Sales	51,958,807	50,095,985
Name of related party	Nature of relationship	Type of transaction	2009	2008
.Japan Drilling Company Ltd	Shareholder	Seconded fees & services	3,351,462	2,912,773
Amwaj Catering	Affiliated Company	Catering services for rigs	3,676,647	1,245,921
Qatar Fuel	Affiliated Company	Purchase of diesel	1,662,886	1,660,855
JOSCO Limited	Affiliated Company	Purchase of materials	-	36,345
Al Koot Insurance	Affiliated Company	Staff medical insurance premium	616,711	359,339
Gulf Helicopters	Affiliated Company	Services rendered	9,000	20,500
Al Shaheen Well Services Company	Affiliated Company	Services rendered	4,343,994	-
(a) Due from related parties			2009	2008
Qatar Petroleum and its' related parties;				
Trade receivables			28,771,733	31,232,713
Unbilled revenue			30,939,247	39,911,673
			59,710,980	71,144,386

(b) Due to related parties

	2009	2008
Qatar Petroleum	1,198,407	526,621
Qatar Fuel (WOQOD)	232,310	108,900
Japan Drilling Company	1,440,702	814,150
Amwaj Catering	1,178,187	1,245,921
Al Koot Insurance	194,591	68,599
Al Shaheen Well Services Company	1,290,090	-
	5,534,287	2,764,191

(c) Compensation paid for key management personnel including directors remunerations

	2009	2008
	1,573,137	1,329,962

8. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2009	2008
Prepayment and advances	2,433,102	5,831,316
Other accounts receivables	4,864,227	6,976,673
	7,297,329	12,807,989

9. CASH AND BANK

	2009	2008
Cash on hand	12,068	4,306
Balances with banks	107,936,663	22,294,539
Cash and bank	107,948,731	22,298,845
Bank overdraft	-	(621,699)
Cash and cash equivalents	107,948,731	21,677,146

Included in bank balances and cash is Debt Service Reserve amounting to USD 11,029,372 (2008: USD 10,979,825) which is restricted in use, in accordance with the provisions of the term loan agreements entered into with the lenders.

10. SHARE CAPITAL

	2009	2008
Authorised and issued and paid up share capital (37,574,088 ordinary shares of USD 2.75 each)	<u>103,200,000</u>	<u>103,200,000</u>

11. LEGAL RESERVE

In accordance with the provisions of Qatar Commercial Companies' Law no 5 of 2002, 10% of the net profit for the year is transferred to the legal reserve until the balance in the reserve equals 50% of the paid up capital. This reserve is not normally available for distribution except in circumstances specified in the Qatar Commercial Companies Law No. 5 of 2002.

12. Term LOANS

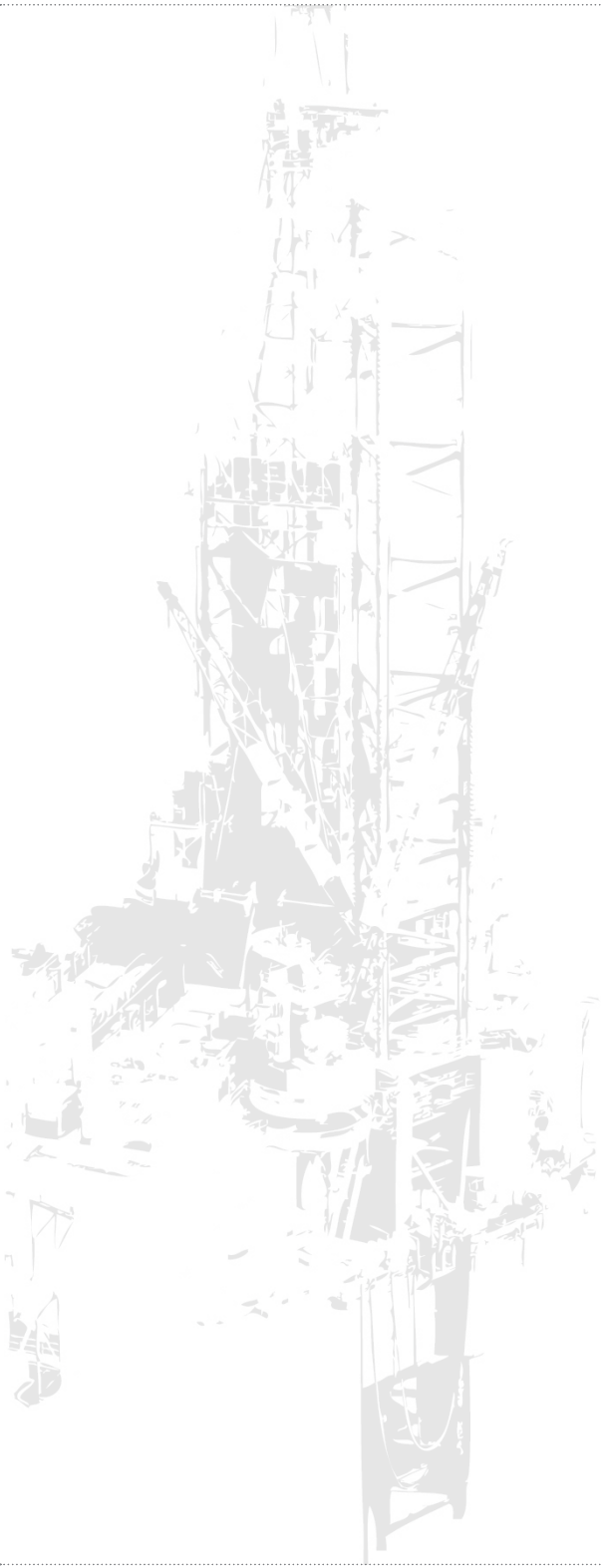
	2009	2008
Loan i	25,641,028	30,769,233
Loan ii	73,783,794	87,837,844
Loan iii	105,625,000	121,875,000
Loan iv	32,000,000	36,000,000
Loan v	18,280,000	18,280,000
	<u>255,329,822</u>	<u>294,762,077</u>
Less: Unamortised finance cost associated with raising finance	(847,496)	(1,014,492)
	<u>254,482,326</u>	<u>293,747,585</u>

Classified in the statement of financial position as follows

Current portion	42,478,925	39,432,257
Non- current portion	212,003,401	254,315,328
	<u>254,482,326</u>	<u>293,747,585</u>

The finance costs associated with raising finance represent arrangement fees.

- (i) Loan 1:** The Company has entered into a loan agreement with a consortium of bankers for a project facility of USD 50 million to finance the construction, upgrading and refurbishment of rigs and purchase of other related assets. The effective interest is LIBOR plus 0.7% and the loan is repayable in 39 equal quarterly instalments of USD 1,282,051 commencing from 24 May 2005. The loan is secured over the proceeds from Rig Gulf – 1.
- (ii) Loan 2:** The Company has entered into a loan agreement with a consortium of bankers for a project facility of USD 130 million to finance the purchase, upgrading and refurbishment works of drilling rigs. The effective interest is LIBOR plus 0.7% and the loan is repayable in 37 equal quarterly instalments of USD 3,513,514 commencing from 31 March 2006. The loan has been drawn-down to finance the construction and



or purchase of rigs, Gulf 3, Al Khor, Al Zubarah, and GDI 4. The loan is secured by creating a first preferred mortgage on rig Gulf – 2 in favour of the lenders. The proceeds from rigs GDI - 1 and Gulf - 2 have also been assigned in favour of the lenders.

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

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

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

The maturity profiles of the loans are as follows:
As at 31 December 2009

	Nominal interest rate	Year of maturity	1 year	2 – 5 years	5 years and above	Total
Loan i	LIBOR+0.7%	2014	5,128,205	20,512,823	-	25,641,028
Loan ii	LIBOR+0.7%	2015	14,054,053	56,216,209	3,513,532	73,783,794
Loan iii	LIBOR+0.8%	2016	16,250,000	65,000,000	24,375,000	105,625,000
Loan iv	LIBOR+0.55%	2017	4,000,000	16,000,000	12,000,000	32,000,000
Loan v	LIBOR+1.05%	2011	3,046,667	15,233,333	-	18,280,000
			<u>42,478,925</u>	<u>172,962,365</u>	<u>39,888,532</u>	<u>255,329,822</u>
Loan i	LIBOR+0.7%	2014	5,128,201	20,512,818	5,128,214	30,769,233
Loan ii	LIBOR+0.7%	2015	14,054,056	56,216,224	17,567,564	87,837,844
Loan iii	LIBOR+0.8%	2016	16,250,000	65,000,000	40,625,000	121,875,000
Loan iv	LIBOR+0.55%	2017	4,000,000	16,000,000	16,000,000	36,000,000
Loan v	LIBOR+1.05%	2011	-	18,280,000	-	18,280,000
			<u>39,432,257</u>	<u>176,009,042</u>	<u>79,320,778</u>	<u>294,762,077</u>

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13. EMPLOYEES' END OF SERVICE BENEFITS

	2009	2008
Balance at the beginning of the year	606,469	269,151
Provision for the year	371,931	377,188
Less: Payments made during the year	(96,331)	(39,870)
Balance at the end of the year	<u>882,069</u>	<u>606,469</u>

14. ACCOUNTS PAYABLE AND ACCRUALS

	2009	2008
Trade accounts payables	5,557,657	8,623,768
Dividend payable	-	2,489,109
Accrued expenses and provisions	12,991,539	18,474,395
	<u>18,549,196</u>	<u>29,587,272</u>

The amount recognised for the year ended 31 December 2009 as an expense for the pension liability for Qatari employees is USD 143,493 (31 December 2008: USD 87,094) and the amount yet to be remitted to the Retirement and Pension Authority amounts to USD 30,508 (31 December 2008: USD 30,131) is included in accrued expenses and provisions.

15. OTHER (LOSS) / INCOME

	2009	2008
Loss on disposal of property and equipment	(397,949)	(644,346)
Insurance claim received	-	3,094,199
Miscellaneous income	225,922	71,209
	<u>(172,027)</u>	<u>2,521,062</u>

16. GENERAL AND ADMINISTRATIVE EXPENSES

	2009	2008
Staff costs	13,440,587	12,541,921
Secondment fees	1,183,205	969,051
Training expenses	98,817	563,876
Travelling and transport	582,117	620,017
Office rent	1,434,269	1,433,788
Depreciation	901,715	766,580
Printing and stationery	260,518	276,892
Recruitment costs	270,054	374,399
Qatarization expenses	2,667,375	2,271,446
Communication expenses	611,494	331,676
Directors' remunerations	442,217	337,635
Advertising expenses	410,686	384,033
Professional fees	212,981	758,627
Repairs and maintenance	70,340	69,531
Entertainment expense	12,361	28,611
Miscellaneous expense	323,811	324,664
	<u>22,922,547</u>	<u>22,052,747</u>

17. FINANCIAL RISK MANAGEMENT

Introduction and overview

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Market risk
- Liquidity risk
- Operational risk

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

Risk Management framework

The Board of Directors have the overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Board is responsible for monitoring compliance with the Company's risk management policies and procedures, and for reviewing the adequacy of the risks management framework in relation to the risks faced by the Company. The Internal Auditor undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

(a) 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 Company's exposure to credit risk is as indicated by the carrying amount of its financial assets which consist principally of accounts receivable, due from related parties and bank balances. Accounts receivable and due from related parties are shown net of provision for doubtful receivables and bank balances are with reputed banks having high credit ratings assigned by international credit rating agencies.

As at the reporting date, there were no significant concentrations of credit risk. The Company has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. However, as the customer is contractually committed to discharge its obligation, management believes that the credit risk with respect to debtors is also limited.

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

	2009	2008
Balances with banks	107,936,663	22,294,539
Due from related parties	59,710,980	71,144,386
Other receivables	4,864,227	6,976,673
	172,511,870	100,415,598

The ageing of related party and other receivables at the reporting date was:

	2009	2008
Not past due	62,949,876	74,752,331
Past due 1 – 30 days	805,496	1,342,893
Past due 31-60 days	79,684	667,065
Past due 61-90 days	3,375	443,277
Past due 91-180 days	699,034	915,493
Past due 181-360 days	37,742	-
Past due 361 days	-	-
	<u>64,575,207</u>	<u>78,121,059</u>

(b) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates which will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Company has a set of acceptable parameters, based on value of risk, that may be accepted and which is monitored on a daily basis.

(c) Interest rate risk

The Company principally exposed to interest rate risk on its interest bearing assets and liabilities (interest bearing loans and borrowings).

The interest rates, terms and debt repayment schedules of term loans are detailed in note 12 to these financial statements.

The Company's remaining financial assets and liabilities are non interest sensitive.

At the reporting date the interest rate profile of the Company interest bearing financial instruments were:

	Carrying amount	
	2009	2008
Variable rate instruments		
Term loans	254,482,326	293,747,585
	<u>254,482,326</u>	<u>293,747,585</u>

Cash flow sensitivity analysis for variable rate instruments

A change of 50 basis points in interest rates at the reporting date would have increased (decreased) equity and 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	
	50 bp increase	50 bp decrease	50 bp increase	50 bp decrease
31 December 2009				
Term loans	<u>(1,276,649)</u>	<u>(1,276,649)</u>	<u>(1,276,649)</u>	<u>(1,276,649)</u>
Cash flow sensitivity	<u>(1,276,649)</u>	<u>(1,276,649)</u>	<u>(1,276,649)</u>	<u>(1,276,649)</u>
31 December 2008				
Term loans	<u>(1,473,810)</u>	<u>(1,473,810)</u>	<u>(1,473,810)</u>	<u>(1,473,810)</u>
Cash flow sensitivity	<u>(1,473,810)</u>	<u>(1,473,810)</u>	<u>(1,473,810)</u>	<u>(1,473,810)</u>

(ii) Foreign currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes on foreign exchange rates.

31 December 2009	QR	USD	AED	JPY	SGD	GBP	EURO
Trade payables & due to related parties	15,928,022	3,471,939	307,718	8,982,522	30,328	9,339	6,750
Net exposure	15,928,022	3,471,939	307,718	8,982,522	30,328	9,339	6,750
31 December 2008	QR	USD	AED	JPY	SGD	GBP	EURO
Trade payables & due to related parties	18,196,588	7,348,488	157,540	18,446,000	157,110	5,299	25,390
Net exposure	18,196,588	7,348,488	157,540	18,446,000	157,110	5,299	25,390

(c) Liquidity risk

The Company limits its liquidity risk by complying with the terms of the loan agreements and by making draw down's on the committed loans on due dates to enable the Company to settle project obligations as they fall due. The Company's terms of service require amounts to be paid within 30 to 45 days of the date of receipt of invoices by the customer. Trade payables are normally settled within 30 to 60 days of the date of purchase.

In addition, the Company maintains the following lines of credit:

- Term loans. (Please refer Note 12 for the maturity profile).

31 December 2009	Carrying Amount	Gross nominal inflow/ (outflow)	Less than 6 months
Non-derivative financial liabilities			
Trade and other payables	5,557,657	(5,557,657)	(5,557,657)
Due to related parties	5,534,287	(5,534,287)	(5,534,287)
	<u>11,091,944</u>	<u>(11,091,944)</u>	<u>(11,091,944)</u>
Non-derivative financial liabilities			
Trade and other payables	8,623,768	(8,623,768)	(8,623,768)
Due to related parties	2,764,191	(2,764,191)	(2,764,191)
	<u>11,387,959</u>	<u>(11,387,959)</u>	<u>(11,387,959)</u>

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions.
- requirements for the reconciliation and monitoring of transactions.
- compliance with regulatory and other legal requirements.
- documentation of controls and procedures.
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified.
- requirements for the reporting of operational losses and proposed remedial action.
- development of contingency plans.
- training and professional development.
- ethical and business standards.
- risk mitigation, including insurance where this is effective.

Compliance with Company standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the senior management of the Company.

Fair values of financial assets and liabilities

Fair value is the amount for which an asset can be exchanged or a liability settled, between knowledgeable and willing parties transacting at "arms length". The accounting convention under which the financial statements have been prepared is disclosed in Note 2(b) i.e. historical cost convention. The carrying value of the Company's financial instruments as recorded could therefore be different from the fair value. However, in management's opinion the fair values of the Company's financial assets and liabilities approximate to their carrying amounts.

Capital management

The Company'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 impact of the level of capital on shareholders' return is also recognised and the Company recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. There have been no changes in the Company's management of capital during the period and it is not subject to externally imposed capital requirements, other than what is prescribed in the Memorandum of Association of the Company.

The Company monitors capital using a gearing ratio, which is debt divided by capital plus debt. The Company's policy is to keep the gearing ratio between 50% and 75%. The Company includes within debt, interest bearing term loans, accounts payable and accruals. Capital includes equity attributable to the equity holders of the company less any net unrealised gains reserve.

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	2009	2008
Term loans	255,329,822	294,762,078
Other liabilities	18,549,196	29,587,272
Total debt	273,879,018	324,349,350
Total Equity	350,025,922	261,147,098
Equity and Debt	0.44:1	0.55:1
Gearing ratio	44%	55%

18. COMMITMENTS

	2009	2008
Capital expenditure commitments		
Estimated capital expenditure contracted but not provided for as of the reporting date	9,461,689	5,643,580
Estimated capital expenditure approved but not contracted for as of the reporting date	-	6,428,230

19. CONTINGENT LIABILITIES

	2009	2008
Letters of credit	28,059	2,340,030
Guarantees	2,898,402	1,673,687
	<u>2,926,461</u>	<u>4,013,717</u>

20. EVENTS AFTER THE REPORTING DATE

The Board of Directors of the Company has proposed a dividend of USD 60 million for 2009 on 21 February 2010 (2008: USD 30 million)

There are no events other than what is disclosed above after the reporting date, which would require disclosure or adjustment to the financial statements.

21. KEY SOURCES OF ESTIMATION UNCERTAINTY

Impairment of accounts receivables

No provision is made for accounts receivables as the revenue recognition is made based on the binding agreements with Qatar Petroleum and related entities, which is a prominent government organisations in Qatar. Further past records indicates that there has been no incident of default from the parties concerned. As such no impairment provision has been maintained.

Impairment of inventories

Inventories are held at the lower of cost or net realizable value. When inventories become old or obsolete, an estimate is made of their net realizable 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 applied according to the inventory type and the degree of ageing or obsolescence.

At the reporting date, there were provisions for obsolete inventories of USD 115,176 (2008: Nil).

Useful lives of property, plant and equipment

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

22. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation in the current period's financial statements. Such reclassification did not have any effect on the net profit and net assets of the previous year.