

Qatar Navigation Q.S.C.

**UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

30 JUNE 2012

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF QATAR NAVIGATION Q.S.C.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Qatar Navigation Q.S.C. (the “Company”) and its subsidiaries (together referred to as the “Group”) as at 30 June 2012, comprising of the interim consolidated statement of financial position as at 30 June 2012 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 *Interim Financial Reporting* (“IAS 34”). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

Except as explained in the following paragraph, we conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Limitation of scope

The interim condensed financial statements of a subsidiary, for the six months ended 30 June 2012, have been consolidated in these interim condensed consolidated financial statements, based on the financial statements certified by the management of the subsidiary company, which have not been independently reviewed. The total revenue, total assets and net loss of this subsidiary as at and for the six month period ended 30 June 2012 amounted to QR 87,770,177 (30 June 2011: QR 75,897,638), QR 120,414,556 (30 June 2011: QR 118,359,818) and QR 108,157 (30 June 2011: profit of QR 4,665,083) respectively.

Qualified Conclusion

Based on our review, except for the effects of such adjustments, if any, as might have been discussed in the “limitation of scope” paragraph above, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Firas Qoussous
Of Ernst & Young
Auditor’s Registration No. 236

Date: 2 August 2012

Doha

Qatar Navigation Q.S.C.

INTERIM CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012

	Notes	<i>For the six months ended 30 June</i>	
		<i>2012</i>	<i>2011</i>
		<i>(Unaudited)</i>	
		<i>QR'000</i>	<i>QR'000</i>
Operating revenues	3	1,163,992	1,159,002
Salaries, wages and other benefits		(257,650)	(234,954)
Operating supplies and expenses		(355,745)	(393,299)
Rent expenses		(27,237)	(26,832)
Depreciation and amortisation		(138,045)	(144,847)
Other operating expenses		(65,383)	(59,000)
OPERATING PROFIT		319,932	300,070
Finance costs		(23,403)	(23,786)
Finance income		23,261	26,319
Gain on disposal of property, vessels and equipment		4,503	353
Share of results of associates		115,931	114,053
Miscellaneous income		5,242	3,342
Impairment of available-for-sale investments	5	(4,596)	-
PROFIT FOR THE PERIOD		440,870	420,351
<i>Attributable to:</i>			
Shareholders of the parent		440,924	418,018
Non-controlling interest		(54)	2,333
		440,870	420,351
BASIC AND DILUTED EARNINGS PER SHARE			
<i>(attributable to shareholders of the parent)</i>			
<i>expressed in QR per share)</i>	4	3.85	3.65

The attached notes 1 to 17 form part of these interim condensed consolidated financial statements.

Qatar Navigation Q.S.C.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Note	<i>For the six months ended 30 June</i>	
		<i>2012</i>	<i>2011</i>
		<i>(Unaudited)</i>	
		<i>QR'000</i>	<i>QR'000</i>
Profit for the period		440,870	420,351
Other comprehensive income			
Net loss on cash flow hedge	5	(52,397)	(39,046)
Net (loss)/gain on available-for-sale investments	5	(204,238)	95,141
Other comprehensive (loss) income for the period		(256,635)	56,095
Total comprehensive income for the period		184,235	476,446
<i>Attributable to:</i>			
Shareholders of the parent		184,458	474,113
Non-controlling interest		(223)	2,333
		184,235	476,446

The attached notes 1 to 17 form part of these interim condensed consolidated financial statements.

Qatar Navigation Q.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	<i>Notes</i>	30 June 2012 (Unaudited) QR'000	31 December 2011 (Audited) QR'000
ASSETS			
Non-current assets			
Property, vessels and equipment	6	3,617,288	3,465,514
Investment properties	7	671,972	684,220
Intangible assets		52,691	71,020
Investment in associates		3,547,364	3,617,194
Available-for-sale investments		2,879,687	3,282,885
Loans to LNG and LPG companies		331,245	338,340
Notes receivable		1,900	1,821
		<u>11,102,147</u>	<u>11,460,994</u>
Current assets			
Inventories		105,686	114,851
Accounts receivable and prepayments		688,776	611,251
Financial investments at fair value through profit or loss		437,686	202,457
Bank balances and cash		1,526,447	923,348
		<u>2,758,595</u>	<u>1,851,907</u>
TOTAL ASSETS		<u>13,860,742</u>	<u>13,312,901</u>
EQUITY AND LIABILITIES			
Attributable to shareholders of the parent			
Share capital		1,145,252	1,145,252
Legal reserve		4,693,986	4,693,986
General reserve		623,542	623,542
Fair value reserve		2,939,680	3,143,749
Hedging reserve	14	(1,015,678)	(963,281)
Retained earnings		1,962,498	1,521,573
Proposed cash dividends		-	400,838
		<u>10,349,280</u>	<u>10,565,659</u>
Non-controlling interest		55,999	56,222
Total equity		<u>10,405,279</u>	<u>10,621,881</u>

Continued

Qatar Navigation Q.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2012

	<i>30 June 2012 (Unaudited) QR'000</i>	<i>31 December 2011 (Audited) QR'000</i>
Non-current liabilities		
Interest bearing loans and borrowings	1,954,930	513,722
Advance from a customer	187,513	187,497
Employees' end of service benefits	68,537	66,018
Obligation under finance leases	1,394	3,451
	<u>2,212,374</u>	<u>770,688</u>
Current liabilities		
Accounts payable and accruals	551,211	459,742
Interest bearing loans and borrowings	686,648	1,446,311
Obligation under finance leases	5,230	6,257
Bank overdrafts	-	8,022
	<u>1,243,089</u>	<u>1,920,332</u>
Total liabilities	<u>3,455,463</u>	<u>2,691,020</u>
TOTAL EQUITY AND LIABILITIES	<u>13,860,742</u>	<u>13,312,901</u>

.....
H.E. Sheikh Ali bin Jassim bin Mohammed Al-Thani
Chairman and Managing Director

.....
Mr. Khalifa bin Ali Al-Hetmi
Chief Executive Officer

Qatar Navigation Q.S.C.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	<i>For the six months ended 30 June</i>	
	<i>2012</i>	<i>2011</i>
	<i>(Unaudited)</i>	
	<i>QR'000</i>	<i>QR'000</i>
OPERATING ACTIVITIES		
Profit for the period	440,870	420,351
Adjustment for:		
Depreciation and amortisation	138,045	144,847
Finance costs	23,403	23,786
Gain on disposal of property, vessels and equipment	(4,503)	(353)
Share of results of associates	(115,931)	(114,053)
Provision for employees' end of service benefits	6,708	5,239
Finance income	(23,261)	(26,319)
Dividend income	(107,362)	(81,903)
Net fair value loss (gain) on financial investments at fair value through profit or loss	11,440	(6,329)
Impairment of available-for-sale investments	4,596	-
Profit on disposal of investments	(74,261)	(1,086)
Operating profit before working capital changes:	299,744	364,180
Inventories	9,165	35,536
Receivables	(77,604)	164,234
Payables	89,333	(233,449)
Cash from operating activities	320,638	330,501
Finance costs paid	(23,403)	(23,786)
Employees' end of service benefits paid	(4,189)	(1,525)
Net cash from operating activities	293,046	305,190
INVESTING ACTIVITIES		
Purchase of property, vessels and equipment	(247,323)	(110,317)
Dividend income	107,362	81,903
Finance income	23,261	26,319
Proceeds from disposal of property, vessels and equipment	4,527	466
Purchases of investment properties	(1,594)	(2,360)
Additions to dry docking costs	(10,349)	(15,602)
Loans to LNG and LPG companies	7,095	32,948
Purchase of investment securities	(211,666)	(205,834)
Proceeds from disposal of available-for-sale investments	61,831	14,423
Proceeds from disposal of financial investments at fair value through profit or loss	174,868	20,370
Dividends received from an associate	142,800	126,000
Investment in associates	(10,360)	-
Net cash from (used in) investing activities	40,452	(31,684)

The attached notes 1 to 17 form part of these interim condensed consolidated financial statements.

Qatar Navigation Q.S.C.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2012

	<i>Notes</i>	<i>For the six months ended 30 June</i>	
		<i>2012</i>	<i>2011</i>
		<i>(Unaudited)</i>	
		<i>QR'000</i>	<i>QR'000</i>
FINANCING ACTIVITIES			
Dividends paid	10	(400,838)	(458,100)
Net movement in interest bearing loans and borrowings		681,545	(110,363)
Obligation under finance lease		(3,084)	(2,859)
Net movement in term deposits maturing after 90 days		(263,356)	-
Net cash from (used in) financing activities		14,267	(571,322)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		347,765	(297,816)
Cash and cash equivalents the beginning of the period		814,632	907,501
CASH AND CASH EQUIVALENTS AT 30 JUNE	9	1,162,397	609,685

The attached notes 1 to 17 form part of these interim condensed consolidated financial statements.

Qatar Navigation Q.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	<i>Attributable to the shareholders of the Parent</i>							<i>Non-controlling interest</i>	<i>Total</i>	
	<i>Share capital</i>	<i>Legal Reserve</i>	<i>General reserve</i>	<i>Fair value reserve</i>	<i>Hedging reserve</i>	<i>Retained earnings</i>	<i>Proposed cash dividends</i>			<i>Total</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	
Balance at 1 January 2012 (Audited)	1,145,252	4,693,986	623,542	3,143,749	(963,281)	1,521,573	400,838	10,565,659	56,222	10,621,881
Profit (loss) for the period	-	-	-	-	-	440,924	-	440,924	(54)	440,870
Other comprehensive loss	-	-	-	(204,069)	(52,397)	-	-	(256,466)	(169)	(256,635)
Total comprehensive (loss) income	-	-	-	(204,069)	(52,397)	440,924	-	184,458	(223)	184,235
Dividends (Note 10)	-	-	-	-	-	-	(400,838)	(400,838)	-	(400,838)
Balance at 30 June 2012 (Unaudited)	1,145,252	4,693,986	623,542	2,939,680	(1,015,678)	1,962,497	-	10,349,279	55,999	10,405,278
	<i>Attributable to the shareholders of the Parent</i>							<i>Non-controlling interest</i>	<i>Total</i>	
	<i>Share capital</i>	<i>Legal Reserve</i>	<i>General reserve</i>	<i>Fair value reserve</i>	<i>Hedging reserve</i>	<i>Retained earnings</i>	<i>Proposed cash dividends</i>			<i>Total</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	
Balance at 1 January 2011 (Audited)	1,145,252	4,693,986	623,542	2,900,217	(261,990)	1,229,195	458,100	10,788,302	54,322	10,842,624
Profit for the period	-	-	-	-	-	418,018	-	418,018	2,333	420,351
Other comprehensive income (loss)	-	-	-	95,141	(39,046)	-	-	56,095	-	56,095
Total comprehensive income (loss)	-	-	-	95,141	(39,046)	418,018	-	474,113	2,333	476,446
Dividends (Note 10)	-	-	-	-	-	-	(458,100)	(458,100)	-	(458,100)
Balance at 30 June 2011 (Unaudited)	1,145,252	4,693,986	623,542	2,995,358	(301,036)	1,647,213	-	10,804,315	56,655	10,860,970

The attached notes 1 to 17 form part of these interim condensed consolidated financial statements.

Qatar Navigation Q.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2012

1 CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

Qatar Navigation Q.S.C. (the “Company”) or (the “Parent”) was incorporated on 5 July 1957 as a Qatari Shareholding Company. The Parent company along with its subsidiaries is engaged in marine transport, acting as agent to foreign shipping lines, offshore services, sale of heavy vehicles, ship repair, fabrication and installation of offshore structures, land transport, chartering of vessels and the operation of a travel agency. The Company has a branch in Dubai, United Arab Emirates.

The interim condensed consolidated financial statements include the financial statement of the Company and of its subsidiaries (the “Group”) and interest in joint ventures for the six months ended 30 June 2012. The Company has the following subsidiaries and joint ventures:

<i>Names of the subsidiaries</i>	<i>Ownership Percentage</i>	
	<i>30 June 2012</i>	<i>31 December 2011</i>
Qatar Shipping Company S.P.C.	100%	100%
Halul Offshore Services W.L.L.	100%	100%
Gulf Shipping Investment Company W.L.L.	100%	100%
Qatar Shipping Company (India) Private Limited	100%	100%
Ocean Marine Services W.L.L.	100%	100%
Qatar Quarries and Building Materials Company P.Q.S.C.	50%	50%

In addition to the above subsidiaries the Group has incorporated 21 wholly owned subsidiaries as a result of internal group restructuring and the Group is in the process of transferring the operations and the related assets and liabilities to the newly incorporated subsidiaries and are yet to commence operation. The newly incorporated subsidiaries are as follows:

	<i>30 June 2012 % Ownership</i>
Milaha Offshore support services W.L.L.	100%
Halul Offshore for vessels management and operations S.P.C.	100%
Milaha Trading Company W.L.L.	100%
Milaha Travel & Tourism S.P.C.	100%
Milaha trading agencies S.P.C.	100%
Milaha Marine service center S.P.C.	100%
Milaha Capital W.L.L.	100%
Milaha real estate services S.P.C.	100%
Milaha real estate Investment S.P.C.	100%
Milaha Warehousing S.P.C.	100%
Milaha Technical and Logistics services S.P.C.	100%
Milaha integrated maritime and logistics W.L.L.	100%
Milaha vessels management and operations S.P.C.	100%
Milaha equipment and machineries S.P.C.	100%
Milaha for vessels and boats S.P.C.	100%
Milaha petroleum and chemical products W.L.L.	100%
Milaha for management and operation of Gas & Petrochemicals Products Transportation S.P.C.	100%
Lloyds Qatar W.L.L.	100%
Khaleej Investments in Maritime Vessels W.L.L.	100%
Khaleej for Liquefied Gas Transport W.L.L.	100%

1 CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES (continued)

<i>Names of the joint ventures</i>	<i>Ownership Percentage</i>	
	<i>30 June 2012</i>	<i>31 December 2011</i>
QM Tanker Company L.L.C.	50%	50%
Qatar Engineering and Technology Co. W.L.L.	51%	51%
Qatar Ship Management Co. W.L.L.,	51%	51%
Gulf LPG Transport Company W.L.L	50%	50%

The interim condensed consolidated financial statements of the Group were authorised for issue by the Board of Directors on 2 August 2012.

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES**2.1 Basis of preparation**

The interim condensed consolidated financial statements for the six months ended 30 June 2012 have been prepared in accordance with IAS 34 "Interim Financial Reporting".

The interim condensed consolidated financial statements are prepared in Qatari Riyals ("QR"), which is the Company's functional and presentation currency and all values are rounded to the nearest thousands (QR'000) except otherwise indicated.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 December 2011. In addition, results for the six months ended 30 June 2012 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2012.

2.2 Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011, except for the adoption of the new standards and interpretations as of 1 January 2012, noted below, which did not have any impact on the accounting policies, financial position or performance of the Group.

<i>Standards</i>	<i>Content</i>
IAS 12	Deferred tax : Recovery of underlying assets (Amendment)
IFRS 7	Disclosures- Transfer of financial assets (Amendment)
IFRS 1	Severe hyperinflation removal of fixed dates for first time adopters. (Amendment)

The Group did not early adopt any other standard, interpretation or amendment that has been issued but not yet effective.

3 OPERATING REVENUES

The operating revenues consist of the activities of the following Pillars:

	<i>Six months ended 30 June</i>	
	<i>2012</i>	<i>2011</i>
	<i>(Unaudited)</i>	
	<i>QR'000</i>	<i>QR'000</i>
Milaha Capital	329,886	250,548
Milaha Maritime and Logistics	308,904	279,909
Milaha Offshore	258,623	281,175
Milaha Trading	154,555	221,930
Milaha Gas and Petrochem	112,024	125,440
	<u>1,163,992</u>	<u>1,159,002</u>

4 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the period by the weighted average number of ordinary shares outstanding during the period.

There were no potentially dilutive shares outstanding at any time during the period and, therefore, the dilutive earnings per share is equal to the basic earnings per share.

	<i>Six months ended 30 June</i>	
	<i>2012</i>	<i>2011</i>
	<i>(Unaudited)</i>	
Profit for the period attributable to shareholders of the parent (QR'000)	<u>440,924</u>	<u>418,018</u>
Weighted average number of shares outstanding during the period in thousands	<u>114,525,200</u>	<u>114,525,200</u>
Basic and diluted earnings per share (QR)	<u>3.85</u>	<u>3.65</u>

5 COMPONENTS OF OTHER COMPREHENSIVE INCOME

	<i>Six months ended 30 June</i>	
	<i>2012</i>	<i>2011</i>
	<i>(Unaudited)</i>	
	<i>QR'000</i>	<i>QR'000</i>
Movements of other comprehensive income		
<i>Cash flow hedges</i>		
Losses arising during the period	<u>(52,397)</u>	<u>(39,046)</u>
Total effect on other comprehensive loss resulting from Cashflow hedges	<u>(52,397)</u>	<u>(39,046)</u>
<i>Available-for-sale investments</i>		
Realised gain on disposal of available-for-sale investments	(73,216)	(806)
(Loss) /gain arising during the period on revaluation	(135,618)	95,947
Reclassification adjustments for impairment included in the consolidated income statement	<u>4,596</u>	<u>-</u>
Total effect on other comprehensive (loss) income resulting from available-for-sale investments	<u>(204,238)</u>	<u>95,141</u>

Qatar Navigation Q.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2012

6 PROPERTY, VESSELS AND EQUIPMENT

	<i>30 June 2012 (Unaudited) QR'000</i>	<i>31 December 2011 (Audited) QR'000</i>
Net book value, beginning balance	3,465,514	3,191,026
Additions	247,323	475,908
Disposals and write off	(24)	(1,215)
Transfers to investment properties (Note 7)	-	(3,868)
Depreciation charge for the period/ year	<u>(95,525)</u>	<u>(196,337)</u>
Net book value, ending balance	<u>3,617,288</u>	<u>3,465,514</u>

Notes:

During the six-month period 30 June 2012, the management revised estimates of the useful lives of vessels and building relating to Qatar Navigation Q.S.C. from 20 years to 25 years. Further the management during the six month period ended 30 June 2012 also revised the residual values of the vessels of Halul Offshore Services W.L.L. from nil to 10% of cost of the vessel. Management believes that the revised useful lives and residual values reflect more appropriately the useful lives and residual values of the assets. The change has been adopted on a prospective basis.

Had the management continued to depreciate these assets based on the previous estimates useful life of vessels and buildings and residual values, the depreciation charge for the six month period ended 30 June 2012 would have been higher by QR 6,232,000.

7 INVESTMENT PROPERTIES

	<i>30 June 2012 (Unaudited) QR'000</i>	<i>31 December 2011 (Audited) QR'000</i>
Net book value, beginning balance	684,220	708,460
Additions	1,594	3,463
Transfers from property, vessels and equipment (Note 6)	-	3,868
Depreciation charge for the period/ year	<u>(13,842)</u>	<u>(31,571)</u>
Net book value, ending balance	<u>671,972</u>	<u>684,220</u>

Note:

- (i) During the six month period ended 30 June 2012, the management revised the estimates of the Group's Buildings classified as investment properties from 20 years to 25 years. Management believes that the revised estimated useful lives reflect more appropriately the useful lives of the buildings.

Had the management continued to depreciate the buildings based on the previous estimated useful life, the depreciation charge for the 6 months period would have been higher by QR 3,386,000.

8 INVESTMENT IN ASSOCIATES

During the six-months period ended 30 June 2012, the Group made additional investments in the following associates:

- (i) The Group invested QR 4,239,637 in Qatar Gas Transport Company (NAKILAT) Q.S.C. whereby increasing the aggregate holding in NAKILAT from 30.32% to 30.37%.
- (ii) The Group invested QR 6,120,000 in Man Diesel & Turbo Qatar Navigation W.L.L. in response to a rights issue by the associate company. This investment did not have any impact on the percentage holding in the associate company.

9 CASH AND CASH EQUIVALENTS

For the purpose of the interim consolidated statement of cash flows, cash and cash equivalents comprise the following:

	<i>30 June 2012 (Unaudited) QR'000</i>	<i>30 June 2011 (Unaudited) QR'000</i>
Bank balances and cash	1,526,447	609,685
Less: Term deposits maturing after 90 days	(364,050)	-
	<u>1,162,397</u>	<u>609,685</u>

Bank balances and cash include short term deposit of QR 178,966,348 (30 June 2011: QR 333,433,000) with an original maturity of less than 90 days.

10 DIVIDENDS

During the current period, following the approval at the Annual General Assembly held on 15 April 2012, the Company paid a cash dividend of QR 3.50 per share totalling QR 401 million (2011: QR 4 per share, totalling QR 458 million) relating to the year 2011.

11 INTEREST BEARING LOANS AND BORROWINGS*Parent company:*

During the six -month period ended 30 June 2012, the Company obtained the following interest bearing loans and facilities:

- (i) The Company obtained a revolving loan facility amounting to USD 160,000,000 (QR 582,640,000) for general corporate purposes including refinancing of existing debts and new investments. The facility carries interest at LIBOR + 1.60% per annum serviced at semiannual basis. During the six month period the Company utilized QR 168,896,000 with repayment due on or before February 2013.
- (ii) In accordance with the amended agreement dated 6th June 2012 the Company utilized the additional drawdown amounting to QR 109,200,000 (USD 30 million) thereby increasing the current facility to QR 364,000,000 (USD 100 Million). The purpose of this facility is to finance the working capital and the construction of vessels. This loan carries interest at LIBOR + 1.50% and the facility matures by 30 June 2014, as per the amended agreement.
- (iii) The Company extended one of its loan's repayment period from July 2012 to July 2014 as per the revised agreement. The outstanding balance of this loan as at 30 June 2012 was QR 582,400,000.

11 INTEREST BEARING LOANS AND BORROWINGS (continued)*Subsidiaries:**Qatar Shipping Company S.P.C.:*

During the six months period ended 30 June 2012, the Company obtained a 10 year term loan amounting to QR 400,400,000 to finance the construction of 19 vessels. This loan bears interest of LIBOR + 1.75% per annum, repayable in 27 equal quarterly instalments and one final balloon payment of QR 160M at the end of the 10th year. The first loan instalment is repayable on June 2015. Quarterly interest is payable during the grace period.

Halul OffShore Services W.L.L.:

Halul OffShore Services W.L.L. obtained a loan amounting to QR 220,238,000 for the purpose of financing or refinancing the mortgaged vessels and this loan bears interest at LIBOR + 1.65% per annum and is repayable by March 2020 in 32 quarterly instalments. This loan has been hedged against interest rate exposure. (Please refer Note 14).

12 COMMITMENTS

	<i>30 June 2012 (Unaudited) QR'000</i>	<i>31 December 2011 (Audited) QR'000</i>
Investments		
Uncalled portion of investments	-	134
Property, vessels and equipment		
Estimated capital expenditure approved but not contracted for as of the reporting date	<u>480,875</u>	<u>907,858</u>
Operating lease:		
	<i>30 June 2012 (Unaudited) QR'000</i>	<i>31 December 2011 (Audited) QR'000</i>
Within one year	45,847	45,847
After one year but not more than five years	<u>84,053</u>	<u>106,976</u>
Total operating lease expenditure contracted for at the reporting date	<u>129,900</u>	<u>152,823</u>

13 CONTINGENT LIABILITIES

At 30 June 2012 and 31 December 2011, the Group had letters of guarantees and letters of credit from which it anticipates that no material liabilities will arise amounted to:

	<i>30 June 2012 (Unaudited) QR'000</i>	<i>31 December 2011 (Audited) QR'000</i>
Letters of guarantees	<u>530,243</u>	<u>644,305</u>
Letters of credits	<u>26,510</u>	<u>122,358</u>

14 DERIVATIVE FINANCIAL INSTRUMENTS**Cash flow hedges:**

	<i>30 June 2012 (Unaudited) QR'000</i>	<i>31 December 2011 (Audited) QR'000</i>
Fair value of interest rate swaps of the Group	(4,106)	(925)
Fair value of interest rate swaps of the Associate companies	<u>(1,011,572)</u>	<u>(962,356)</u>
	<u>(1,015,678)</u>	<u>(963,281)</u>

At 30 June 2012, the Group had two cash flow hedges relating to its subsidiaries to hedge their exposure to interest rate risk which are as follows:

Qatar Shipping Company S.P.C.:

At 30 June 2012, Qatar Shipping Company S.P.C. had an interest rate swap agreement in place with a notional amount of USD 8,512,800 (QR 30,983,000) (31 December 2011: USD 9,930,000) (QR 36,146,000), whereby it receives a variable rate equal to USD LIBOR and pays a fixed rate of interest of 3.21% on the notional amount. The swap is being used to hedge the exposure to interest rate fluctuations on one of its loans. The term loan and interest rate swap have the same critical terms. This cash flow hedge is assessed to be highly effective. The fair value of the interest rate swaps are calculated by reference to the market valuation of the swap agreements.

Halul Offshore Services W.L.L.:

At 30 June 2012, Halul Offshore Services W.L.L. had an interest rate swap agreement in place with a notional amount of USD 58,591,000 (QR 213,358,000), whereby it receives a variable rate of USD 3 months LIBOR and pays a fixed rate of interest of 1.30% on the notional amount. The swap is being used to hedge the exposure to interest rate fluctuations on its loans (Note 10). The loan facility and the interest rate swap have the same critical terms. This cash flow hedge is assessed to be highly effective. The fair value of the interest rate swaps are calculated by reference to the market valuation of the swap agreements.

The Group has recognised the negative fair value of the interest rate swaps amounting to QR 4,106,000 as at 30 June 2012 (31 December 2011: QR 925,000) in accounts payable and accruals with a corresponding entry to hedging reserve.

15 FAIR VALUE OF FINANCIAL INSTRUMENTS**Fair value hierarchy**

All financial instruments are carried at fair value and are categorised in three levels, defined as follows:

Level 1 – Quoted market prices

Level 2 – Valuation techniques (market observable)

Level 3 - Valuation techniques (non-market observable)

As at 30 June 2012, the Group held the following financial instruments measured at fair value:

Assets measured at fair value

	<i>30 June 2012 QR'000</i>	<i>Level 1 QR'000</i>	<i>Level 2 QR'000</i>	<i>Level 3 QR'000</i>
Financial investments at fair value through profit or loss	437,686	437,686	-	-
Available-for-sale investments:				
Quoted investments	2,373,461	2,373,461	-	-
Unquoted investments	2,642	-	2,642	-
Investments in bonds	57,094	-	57,094	-
Interest rate swaps	4,106	-	4,106	-
	<i>30 June 2011 QR'000</i>	<i>Level 1 QR'000</i>	<i>Level 2 QR'000</i>	<i>Level 3 QR'000</i>
Financial investments at fair value through profit or loss	213,687	213,687	-	-
Available-for-sale investments:				
Quoted investments	2,430,324	2,430,324	-	-
Unquoted investments	287,480	-	287,480	-
Investments in bonds	83,611	-	83,611	-
Interest rate swaps	1,583	-	1,583	-

During the six months period ended 30 June 2012, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The Group does not hold credit enhancement or collateral to mitigate credit risk. The carrying amount of financial assets therefore represents the potential credit risk.

The tables above illustrate the classification of the Group's financial instruments based on the fair value hierarchy as required for complete sets of financial statements. This classification provides a reasonable basis to illustrate the nature and extent of risks associated with those financial instruments.

16 RELATED PARTY DISCLOSURES

	<i>Six months ended 30 June</i>			
	<i>2012</i>		<i>2011</i>	
	<i>Sales</i>	<i>Purchases</i>	<i>Sales</i>	<i>Purchases</i>
	<i>(Unaudited)</i>		<i>(Unaudited)</i>	
<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	
Associate company	691	5,345	15,008	-
Directors	-	2,258	5,506	955
Other related parties	42,776	-	46,258	10,026
	43,467	7,603	66,772	10,981

Related party balances

Balances with related parties included in the interim consolidated statement of financial position are as follows:

	<i>30 June 2012</i>		<i>31 December 2011</i>	
	<i>Trade</i>	<i>Trade</i>	<i>Trade</i>	<i>Trade</i>
	<i>receivables</i>	<i>payables</i>	<i>receivables</i>	<i>payables</i>
	<i>(Unaudited)</i>		<i>(Audited)</i>	
<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	
Associate company	21	-	1,293	-
Directors	3,152	-	3,967	-
Other related parties	1,027	-	-	-
	4,200	-	5,260	-

Compensation of directors and other key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	<i>Six months ended 30 June</i>	
	<i>2012</i>	<i>2011</i>
	<i>(Unaudited)</i>	
	<i>QR'000</i>	<i>QR'000</i>
Salaries and allowances	6,934	6,878
Employees' end of service benefits	2,423	2,191
	9,357	9,069

17 SEGMENT INFORMATION

During the interim period ended 30 June 2012 the Group has carried out an internal reorganisation resulting in the restatement of the previous reported segments.

The Group is now organised into six pillars as follows, which constitute five reportable segments:

- Milaha Capital - provides corporate finance advisory services to Milaha and its subsidiaries, in addition to managing its proprietary portfolio of financial and real estate investments and holding the investment of Qatar Quarry Company W.L.L.
- Milaha Maritime & Logistics - delivers a comprehensive range of services to major importers, exporters and shipping companies in the region, including oil & gas majors. The activities include logistics services, container feeder shipping, NVOCC operations, bulk shipping, shipping agencies, port management and operations, shipyard and steel fabrication.

17 SEGMENT INFORMATION (continued)

- Milaha Offshore - provides comprehensive offshore support services to the oil and gas industry across the region. The Company currently operates a fleet of more than 30 offshore service vessels, which include safety standby vessels, anchor handling tugs, crew boats, workboats and dynamic positioning (DP) vessels. It provides a complete range of diving services including saturation diving.
- Milaha Trading - represents some of the well-known truck, heavy equipment, machinery and lubrication brands in Qatar. The Company markets its principals' products and provides critical after sales service. Milaha Trading also owns and operates an IATA-approved travel agency, one of the oldest in the State of Qatar.
- Milaha Gas and Petrochem – owns, manages and operates a state-of-the-art fleet of LPG and LNG carriers and provides ocean transportation services to international energy and industrial companies. It further owns and manages a young fleet of product tankers and one crude carrier. The segment also operates a number of product tankers in partnership with international trading and shipping companies.

Adjustments with respect to Milaha corporate represents costs captured and subsequently allocated to various business pillars by way of a laid down methodology. Milaha Corporate provides necessary services to all the pillars to run their respective business. These services are costs of management, corporate development and communications, internal audit, legal affairs, shared services, information technology, procurement, human resources and administration and finance. The costs are subsequently allocated

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Qatar Navigation Q.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2012

17 SEGMENT INFORMATION (continued)

Six months period ended 30 June 2012 (Unaudited)

	<i>Milaha Capital QR'000</i>	<i>Milaha Maritime and Logistics QR'000</i>	<i>Milaha Offshore QR'000</i>	<i>Milaha Trading QR'000</i>	<i>Milaha Gas and Petrochem QR'000</i>	<i>Adjustments relating to Milaha Corporate QR'000</i>	<i>Total segments QR'000</i>	<i>Adjustments and eliminations QR'000</i>	<i>Consolidated QR'000</i>
Operating revenues	351,095	395,540	258,623	209,304	112,024	-	1,326,586	(162,594) (i)	1,163,992
Salaries, wages and other benefits	(8,173)	(94,370)	(83,565)	(6,287)	(35,929)	(29,326)	(257,650)	-	(257,650)
Operating supplies and expenses	(80,332)	(142,199)	(70,112)	(184,985)	(28,107)	(1,682)	(507,417)	151,672 (i)	(355,745)
Rent expenses	(24,230)	(2,921)	(3,642)	(701)	(441)	(6,224)	(38,159)	10,922 (i)	(27,237)
Depreciation and amortization	(18,086)	(33,422)	(34,531)	(579)	(49,303)	(2,124)	(138,045)	-	(138,045)
Other operating expenses	(6,632)	(35,518)	(6)	(1,239)	(3,550)	(18,438)	(65,383)	-	(65,383)
OPERATING PROFIT	213,642	87,110	66,767	15,513	(5,306)	(57,794)	319,932	-	319,932
Finance costs	(6,940)	(5,300)	(3,501)	(46)	(7,615)	(1)	(23,403)	-	(23,403)
Finance income	12,879	-	1,027	-	9,355	-	23,261	-	23,261
Gain on disposal of property, vessels and equipment	(7)	223	4,287	-	-	-	4,503	-	4,503
Share of results of associate	-	192	-	-	115,739	-	115,931	-	115,931
Miscellaneous income	2,118	-	342	-	2,782	-	5,242	-	5,242
Impairment of available-for-sale investments	(4,596)	-	-	-	-	-	(4,596)	-	(4,596)
Allocations relating to Milaha Corporate	(4,572)	(36,135)	(6,686)	(4,459)	(5,943)	57,795	-	-	-
PROFIT FOR THE PERIOD	212,524	46,090	62,236	11,008	109,012	-	440,870	-	440,870

Qatar Navigation Q.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2012

17 SEGMENT INFORMATION (continued)

Six months period ended 30 June 2011 (Unaudited)

	<i>Milaha Capital QR'000</i>	<i>Milaha Maritime and Logistics QR'000</i>	<i>Milaha Offshore QR'000</i>	<i>Milaha Trading QR'000</i>	<i>Milaha Gas and Petrochemicals QR'000</i>	<i>Adjustments relating to Milaha Corporate QR'000</i>	<i>Total segments QR'000</i>	<i>Adjustments and eliminations QR'000</i>	<i>Consolidated QR'000</i>
Operating revenues	266,893	328,859	281,175	248,673	125,440	-	1,251,040	(92,038) ⁽ⁱ⁾	1,159,002
Salaries, wages and other benefits	(6,928)	(84,372)	(78,813)	(5,612)	(38,392)	(20,837)	(234,954)	-	(234,954)
Operating supplies and expenses	(64,187)	(113,823)	(51,897)	(225,479)	(17,033)	(1,358)	(473,777)	80,478 ⁽ⁱ⁾	(393,299)
Rent expenses	(24,583)	(3,282)	(3,155)	(791)	(853)	(5,728)	(38,392)	11,560 ⁽ⁱ⁾	(26,832)
Depreciation and amortization	(19,466)	(37,273)	(33,669)	(368)	(52,868)	(1,203)	(144,847)	-	(144,847)
Other operating expenses	(6,255)	(30,768)	(1)	(1,537)	(3,463)	(16,976)	(59,000)	-	(59,000)
OPERATING PROFIT	145,474	59,341	113,640	14,886	12,831	(46,102)	300,070	-	300,070
Finance costs	(5,219)	(4,742)	(1,399)	(60)	(12,366)	-	(23,786)	-	(23,786)
Finance income	8,792	-	1,564	-	15,963	-	26,319	-	26,319
Gain on disposal of property, vessels and equipment	353	-	-	-	-	-	353	-	353
Share of results of associate	-	(124)	-	-	114,177	-	114,053	-	114,053
Miscellaneous income	450	72	652	(1)	2,169	-	3,342	-	3,342
Allocated expenses from Milaha corporate	(3,552)	(27,405)	(6,130)	(3,710)	(5,305)	46,102	-	-	-
PROFIT FOR THE PERIOD	146,298	27,142	108,327	11,115	127,469	-	420,351	-	420,351

Note:

- (i) Inter-segment revenues are eliminated on consolidation.