Qatar Navigation Q.S.C.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2012

ERNST & YOUNG

P.O. Box 164
Burj Al Gassar, 24th Floor
Majlis Al Taawon Street, Onaiza
West Bay,
Doha, State of Qatar
Tel : +974 4457 4111
Fax : +974 4441 4649
www.ey.com/me

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF QATAR NAVIGATION Q.S.C.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Qatar Navigation Q.S.C. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

Opinion

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

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Company, an inventory count has been conducted in accordance with established principles and the financial statements comply with the Qatar Commercial Companies' Law No. 5 of 2002 and the Company's Articles of Association. We further confirm that the financial information included in the Annual Report of the Board of Directors is in agreement with the books and records of the Company. We have obtained all the information and explanations we required for the purpose of our audit, and are not aware of any violations of the above mentioned law or the Articles of Association having occurred during the year which might have a material effect on the business of the Company or on its financial position.

Firas Qoussous
of Ernst & Young
Auditor's Registration No. 236

Date: 13 March 2013
Doha

ERNST & YOUNG
Doha
محاسبون قانونيون
الدوحة
ارنست ويونغ

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2012

	Notes	*2012* *QR'000*	*2011* *QR'000*
Operating revenues	4	**2,353,051**	2,191,427
Salaries, wages and other benefits		**(579,872)**	(518,717)
Operating supplies and expenses		**(785,789)**	(784,850)
Rent expenses		**(54,616)**	(55,972)
Depreciation and amortization		**(269,259)**	(299,501)
Other operating expenses	5	**(88,291)**	(71,383)
OPERATING PROFIT		**575,224**	461,004
Finance costs		**(52,066)**	(44,219)
Finance income		**59,380**	58,639
Gain on disposal of property, vessels and equipment		**4,549**	8,220
Share of results of associates	13	**227,807**	244,714
Miscellaneous income	6	**52,187**	16,440
Impairment of available-for-sale investments	8	**(30,426)**	(31,795)
PROFIT FOR THE YEAR		**836,655**	713,003
Attributable to:			
Equity holders of the parent		**835,417**	710,990
Non-controlling interest		**1,238**	2,013
		836,655	713,003
BASIC AND DILUTED EARNINGS PER SHARE *(attributable to equity holders of the parent expressed in QR per share)*	7	**7.29**	6.21

The attached notes 1 to 38 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Note	***2012*** ***QR'000***	*2011* *QR'000*
Profit for the year		**836,655**	713,003
Other comprehensive income			
Net movement on hedging reserve	8	**28,057**	(701,291)
Net (loss) gain on available-for-sale investments	8	**(284,047)**	243,419
Other comprehensive loss for the year		**(255,990)**	(457,872)
Total comprehensive income for the year		**580,665**	255,131
Attributable to:			
Equity holders of the parent		**579,419**	253,231
Non-controlling interest		**1,246**	1,900
		580,665	255,131

The attached notes 1 to 38 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Notes	**2012** **QR'000**	2011 QR'000
ASSETS			
Non-current assets			
Property, vessels and equipment	9	**3,688,566**	3,465,514
Investment properties	10	**647,382**	684,220
Intangible assets	11	**42,941**	71,020
Investment in associates	13	**3,752,395**	3,617,194
Available-for-sale investments	14	**2,782,940**	3,282,885
Loans to LNG and LPG companies	15	**358,356**	338,340
Notes receivable		**1,914**	1,821
		11,274,494	11,460,994
Current assets			
Inventories	16	**162,092**	114,851
Accounts receivable and prepayments	17	**597,872**	611,251
Financial investments at fair value through profit or loss	18	**489,290**	202,457
Bank balances and cash	19	**1,558,009**	923,348
		2,807,263	1,851,907
TOTAL ASSETS		**14,081,757**	13,312,901
EQUITY AND LIABILITIES			
Attributable to equity holders of the parent			
Share capital	20	**1,145,252**	1,145,252
Legal reserve	21	**4,693,986**	4,693,986
General reserve	22	**623,542**	623,542
Fair value reserve		**2,859,694**	3,143,749
Hedging reserve		**(935,224)**	(963,281)
Retained earnings		**1,906,636**	1,521,573
Proposed dividends	24	**429,469**	400,838
Equity attributable to equity holders of the parent		**10,723,355**	10,565,659
Non-controlling interest		**57,468**	56,222
Total equity		**10,780,823**	10,621,881

Continued

The attached notes 1 to 38 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Notes	***2012 QR'000***	*2011 QR'000*
Non-current liabilities			
Interest bearing loans and borrowings	25	**1,770,398**	513,722
Advance from a customer	26	**187,497**	187,497
Employees' end of service benefits	27	**69,943**	66,018
Obligation under finance leases	28	**300**	3,451
		2,028,138	770,688
Current liabilities			
Accounts payable and accruals	29	**469,357**	459,742
Interest bearing loans and borrowings	25	**800,322**	1,446,311
Obligation under finance leases	28	**3,080**	6,257
Bank overdrafts	19	**37**	8,022
		1,272,796	1,920,332
Total liabilities		**3,300,934**	2,691,020
TOTAL EQUITY AND LIABILITIES		**14,081,757**	13,312,901

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

Mr. Khalifa bin Ali Al-Hetmi
Chief Executive Officer

MILAHA
F & I

The attached notes 1 to 38 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2012

	Notes	***2012*** ***QR'000***	*2011* *QR'000*
OPERATING ACTIVITIES			
Profit for the year		**836,655**	713,003
Adjustments to reconcile profit to net cash flows:			
Depreciation and amortisation		**269,259**	299,501
Finance costs		**52,066**	44,219
Gain on disposal of property, vessels and equipment		**(4,549)**	(8,220)
Share of results of associates	13	**(227,807)**	(244,714)
Provision for employees' end of service benefits	27	**19,981**	15,915
Finance income		**(59,380)**	(58,639)
Dividend income		**(107,566)**	(103,999)
Net fair value loss (gain) on financial investments at fair value through profit or loss		**7,743**	(22,161)
Impairment loss on available-for-sale investments	8	**30,426**	31,795
Write off of investment properties		**11,717**	-
Profit on disposal of investments		**(139,257)**	(1,301)
Operating profit before working capital changes:		**689,288**	665,399
Inventories		**(47,241)**	29,780
Receivables		**13,286**	(55,275)
Payables		**(7,487)**	190,933
Cash flows from operating activities		**647,846**	830,837
Finance costs paid		**(52,066)**	(44,219)
Employees' end of service benefits paid	27	**(11,472)**	(3,464)
Transfer to pension fund	27	**(4,796)**	(2,968)
Net cash flows from operating activities		**579,512**	780,186
INVESTING ACTIVITIES			
Purchase of property, vessels and equipment	9	**(419,373)**	(475,908)
Dividend income		**107,566**	103,999
Finance income		**59,380**	58,639
Proceeds from disposal of property, vessels and equipment		**9,921**	9,435
Purchases of investment properties	10	**(173)**	(3,463)
Additions to dry docking costs	11	**(24,937)**	(42,006)
Loans to LNG and LPG companies		**(20,016)**	43,904
Purchase of investment securities		**(435,963)**	(326,306)
Proceeds from disposal of available-for-sale investments		**366,992**	36,081
Proceeds from disposal of financial investments at fair value through profit or loss		**88,509**	153,971
Dividends received from an associate		**142,800**	126,000
Investment in associates		**(15,093)**	-
Net cash flows used in investing activities		**(140,387)**	(315,654)

The attached notes 1 to 38 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2012

	Note	**2012** QR'000	2011 QR'000
FINANCING ACTIVITIES			
Dividends paid	24	**(400,838)**	(458,100)
Net movement in interest bearing loans and borrowings		**610,687**	7,259
Obligation under finance lease		**(6,328)**	(5,866)
Net movement in term deposits maturing after 90 days		**(670,089)**	25,452
Net cash flows used in financing activities		**(466,568)**	(431,255)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(27,443)**	33,277
Cash and cash equivalents the beginning of the year	19	**814,632**	781,355
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	19	**787,189**	814,632

The attached notes 1 to 38 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Attributable to the equity holders of the Parent									
	Share capital QR'000	*Legal reserve QR'000*	*General reserve QR'000*	*Fair value reserve QR'000*	*Hedging reserve QR'000*	*Retained earnings QR'000*	*Proposed dividends QR'000*	*Total QR'000*	*Non-controlling interest QR'000*	*Total QR'000*
Balance at 1 January 2011	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 year	-	-	-	-	-	710,990	-	710,990	2,013	713,003
Other comprehensive income (loss)	-	-	-	243,532	(701,291)	-	-	(457,759)	(113)	(457,872)
Total comprehensive income	-	-	-	243,532	(701,291)	710,990	-	253,231	1,900	255,131
Dividends paid (Note 24)	-	-	-	-	-	-	(458,100)	(458,100)	-	(458,100)
Proposed dividends (Note 24)	-	-	-	-	-	(400,838)	400,838	-	-	-
Contribution to social and sports fund (Note 30)	-	-	-	-	-	(17,774)	-	(17,774)	-	(17,774)
Balance at 31 December 2011	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 for the year	-	-	-	-	-	835,417	-	835,417	1,238	836,655
Other comprehensive income (loss)	-	-	-	(284,055)	28,057	-	-	(255,998)	8	(255,990)
Total comprehensive income	-	-	-	(284,055)	28,057	835,417	-	579,419	1,246	580,665
Dividends paid (Note 24)	-	-	-	-	-	-	(400,838)	(400,838)	-	(400,838)
Proposed dividends (Note 24)	-	-	-	-	-	(429,469)	429,469	-	-	-
Contribution to social and sports fund (Note 30)	-	-	-	-	-	(20,885)	-	(20,885)	-	(20,885)
Balance at 31 December 2012	**1,145,252**	**4,693,986**	**623,542**	**2,859,694**	**(935,224)**	**1,906,636**	**429,469**	**10,723,355**	**57,468**	**10,780,823**

The attached notes 1 to 38 form part of these consolidated financial statements

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 registered office of the Company is located in Doha, State of Qatar. The shares of the Company are publically traded at Qatar Exchange. The Parent company along with its subsidiaries is engaged primarily 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, real estate, investments in listed and unlisted securities, trading of building materials and the operation of a travel agency. The Company has a branch in Dubai, United Arab Emirates.

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (together the "Group") as at and for the year ended 31 December 2012.

The consolidated financial statements of the Group were authorised for issue by the Board of Directors on 13 March 2013.

2 BASIS OF PREPARATION AND CONSOLIDATION

2.1 Basis of preparation

The consolidated financial statements are prepared under the historical cost convention except for available-for-sale investments, financial investments at fair value through profit or loss and derivative financial instruments that have been measured at fair value.

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

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

2.2 Basis of consolidation

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated statement income and within equity in the consolidated statement of financial position, separately from parent equity holders' equity. Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

The Group's subsidiaries and the shareholding in subsidiaries are as follows:

	Ownership Percentage	
Name of the subsidiary	***31 December 2012***	*31 December 2011*
Qatar Shipping Company S.P.C.	100%	100%
Halul Offshore Services W.L.L.	100%	100%
Qatar Quarries and Building Materials Company Q.P.S.C. (i)	50%	50%
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%
Halul United Business Services L.L.C.	100%	100%

(i) The Group's exercises control over the financial and operating policies of Qatar Quarries Building Materials Company Q.P.S.C based on the control exercised over the Board of Directors and the Management.

2 BASIS OF PREPARATION AND CONSOLIDATION (continued)

2.2 Basis of consolidation (continued)

In addition to the above subsidiaries the Group has incorporated 9 wholly owned subsidiaries as a result of internal group restructuring which have started operations effective 1 January 2013. The Group is in the process of transferring the related assets and liabilities to these subsidiaries. The newly incorporated subsidiaries are as follows:

	31 December 2012 *% Ownership*
Milaha Trading Company W.L.L.	100%
Navigation Travel & Tourism S.P.C.	100%
Navigation Trading Agencies S.P.C.	100%
Navigation 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%
Qatar Ship Management and Operations W.L.L.	100%
Milaha Maritime and Logistics Integrated W.L.L.	100%

Interest in joint ventures

The Group has interests in joint ventures, which are jointly controlled entities, whereby the venturers have contractual arrangements that establish joint control over the economic activities of the entities. The arrangements require unanimous agreements for financial and operating decisions among the venturers. The Group recognises its interest in the joint ventures using the proportionate consolidation method. The Group combines its proportionate share of each of the assets, liabilities, income and expenses of the joint ventures with similar items, line by line, in its consolidated financial statements. The financial statements of the joint ventures are prepared for the same reporting period as the Group. Adjustments are made, where necessary, to bring the accounting policies in line with those of the Group.

The Group's share of intra-group balances, transactions and unrealised gains and losses on such transactions between the Group and its joint ventures are eliminated on consolidation. Losses on transactions are recognised immediately if there is evidence of a reduction in the net realisable value of current assets or an impairment loss. The joint ventures are proportionately consolidated until the date on which the Group ceases to have joint control over the joint ventures.

Upon loss of joint control, the Group measures and recognises its remaining investment at its fair value. The difference between the carrying amount of the investment upon loss of joint control and the fair value of the remaining investment and proceeds from disposal is recognised in profit or loss. When the remaining investment constitutes significant influence, it is accounted for as an investment in an associate.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following amendments and interpretations which became effective during the year, but were not relevant to the Group's operations:

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

3.2 Standards issued but not yet effective

The standards, amendments and interpretations that are not yet effective, up to the date of issuance of the Group's financial statements and are relevant to the Group are disclosed below:

The Group intends to adopt these standards when they become effective.

Standard/ Interpretation	*Content*	*Effective date*
IAS 1	Presentation of Items of Other Comprehensive Income – Amendments to IAS 1	1 July 2012
IAS 19	Employee Benefits (Revised)	1 January 2013
IAS 28	Investment in Associates and Joint Ventures (as revised in 2011)	1 January 2013
IAS 32	Offsetting financial assets and financial liabilities – Amendments to IAS 32	1 January 2014
IFRS 7	Disclosures - Offsetting financial assets and financial liabilities – Amendments to IFRS 7	1 January 2013
IFRS 9	Financial Instruments: Classification and Measurement	1 January 2015
IFRS 10	Consolidated Financial Statements, IAS 27 Separate Financial Statements	1 January 2013
IFRS 11	Joint arrangements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
	Annual improvements –May 2012	1 January 2013

The Group is currently considering the implications of these new standards, amendments and interpretations which are effective for future accounting periods and has not early adopted any new standard or amendments during the year.

3.3 Summary of significant accounting polices

Revenue recognition
Revenue is recognised on the following basis:

Revenue from chartering of vessels and others:
Revenue from chartering of vessels, equipment and others is recognised on an accrual basis in accordance with the terms of the contract entered into with customers.

Sales of goods and services:
Revenue from sales of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Revenue from rendering of services is recognised when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the transaction at the reporting date.

Cargo transport and container barge income:
The value of all work invoiced during the year as adjusted for uncompleted trips. Attributable profit on uncompleted trips is accounted for on a percentage of completion basis after making due allowance for future estimated losses.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Summary of significant accounting policies (continued)

Shipping agency income:
Shipping agency income is recognised on the completion of all supply requirements for vessels.

Loading, clearance and land transport income:
Loading, clearance and land transport income is recognised only after completion of these services.

Rental income:
Rental income from investment properties is accounted for on a time proportion basis.

Investment income:
Income from investments is accounted for on an accrual basis when right to receive the income is established.

Dividend income:
Dividend income is accounted for on an accrual basis when right to receive the income is established.

Interest income
Interest income is recognised as interest accrues using the effective interest rate method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Group as a lessee
Finance leases that substantially transfer all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the consolidated income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of either estimated useful life of the asset or the lease term.

Operating lease payments are recognised as an operating expense in the consolidated income statement on a straight-line basis over the lease term.

Group as a lessor
Leases in which the Group does not transfer, substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Summary of significant accounting policies (continued)

Property, vessels and equipment
Property, vessels and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any impairment in value. The cost of property, vessels and equipment includes all directly attributable costs including the borrowing costs that are directly attributable to the construction of the asset.

Depreciation is provided on a straight-line basis on all property, vessels and equipment, except freehold land, which is determined to have an indefinite life. The estimated residual value at the end of the estimated useful life is also considered in the depreciation of vessels. The rates of depreciation are based upon the following estimated useful lives:

Buildings	25 years
New vessels	25 years
Used vessels	3-25 years
Barges and containers	10 -20 years
Machinery, equipment and tools	4 -7 years
Furniture and fittings	3-5 years
Motor vehicles	3-7 years

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

Expenditure incurred to replace a component of an item of property, vessels and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, vessels and equipment. All other expenditure is recognised in the consolidated income statement as the expense is incurred.

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

Capital work-in-progress
The costs of capital work-in-progress consist of the contract value, and directly attributable costs of developing and bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management. The costs of capital work-in-progress will be transferred to property, plant and equipment when these assets reach their working condition for their intended use. The carrying values of capital work-in-progress are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Investment properties
Land and buildings are considered as investment properties only when they are being held to earn rentals or for long term capital appreciation or both.

Investment properties are stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated. The cost of property includes all directly attributable costs including the borrowing costs that are directly attributable to the construction of the assets and excludes the cost of day-to-day servicing of an investment property.

Depreciation on buildings is calculated on a straight line basis over the estimated useful life of 25 years.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Summary of significant accounting policies (continued)

Investment properties (continued)
An item of investment property is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognised.

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is at fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Deep sea transportation charter-out contracts and offshore contracts
Deep sea transportation charter-out contracts and offshore contracts that have definite useful lives ranging between 2 – 3 years.

Deferred dry docking costs and special survey
Dry docking costs incurred on vessels are deferred and are amortised over a period of 30 months and special survey over a period of 60 months.

Investment in associates
The Group’s investment in its associates, entities in which the Group has significant influence, are accounted for using the equity method.

Under the equity method, such investments are initially recognised at cost. The carrying amounts of these investments are adjusted to recognise changes in the Group’s share of net assets of the associates since the acquisition date. Goodwill relating to the associates are included in the carrying amounts of the investments and are neither amortised nor individually tested for impairment.

The income statement reflects the Group’s share of the results of operations of the associates. When there has been a change recognised directly in the equity of an associate, the Group recognises its share of any such changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interests in the associates.

The Group’s share of profit or loss of an associate is shown on the face of the income statement and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associates.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Summary of significant accounting policies (continued)

Investment in associates (continued)
The financial statements of the associates are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associates. At each reporting date, the Group determines whether there is objective evidence that the investments in the associate are impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amounts of the associates and their carrying values and recognises the loss as 'Share of losses of associates' in the consolidated income statement.

If there is any loss of significant influence over the associates, the Group measures and recognises any retained investment at its fair value. Any differences between the carrying amounts of the associates upon loss of significant influence and the fair values of the retained investments and proceeds from disposal are recognised in profit or loss.

Investment securities
The Group maintains two separate investment portfolios, as follows:

- Financial investments at fair value through profit or loss
- Available-for-sale investments

All regular way purchases and sales of investments are recognised on the trade date when the Group becomes, or ceases to be, a party to the contractual provisions of the instrument.

All investments are initially recognised at cost being the fair value of the consideration plus transaction costs except to those financial instruments at fair value through profit and loss and is subsequently re-measured based on the classification as follows:

Financial investments at fair value through profit or loss:
Financial investments at fair value through profit or loss include investments held for trading and investments designated upon initial recognition as fair value through profit and loss are carried in the consolidated statement of financial position at fair value with net changes in fair value presented in the consolidated income statement.

Investments are classified as trading investments if they are acquired for the purpose of selling in the near term.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at their initial recognition date and only if the criteria under IAS 39 are satisfied. The Group has not designated any financial assets at fair value through profit or loss.

Available-for-sale investments:
Available-for-sale financial investments include equity investments and debt securities. Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the fair value reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in investment income, or when the investment is determined to be impaired, the cumulative loss is reclassified from the fair value reserve to the consolidated income statement. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the EIR method.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Summary of significant accounting policies (continued)

Investment securities (continued)

Available-for-sale investments: (continued)
The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.
For financial assets reclassified from the available-for-sale category, the related fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated income statement.

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

Impairment and un-collectibility of financial assets
An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated income statement. Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between cost and fair value;
(b) For assets carried at cost, impairment is the difference between cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.
(c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Derecognition of financial assets and liabilities

a) Financial assets

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

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Summary of significant accounting policies (continued)

Derecognition of financial assets and liabilities (continued)

b) Financial liabilities

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

Inventories
Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition, as follows:

Stores, spares and goods for sale	- Purchase cost on a weighted average basis
Work in progress	- Cost of direct materials and labour

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Accounts receivable
Accounts receivable is stated at original invoice amount less provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Notes due from customers are disclosed as a separate item on the consolidated statement of financial position except those with a remaining term to maturity of less than one year, which are included under accounts receivable and prepayments.

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

Impairment of non-financial assets
The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

Interest bearing loans and borrowings
Interest bearing loans and borrowings are recognised initially at fair value of the amount borrowed, less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings and subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the income statement.

Gain or loss is recognised in consolidated income statement when the liability is derecognised.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Summary of significant accounting policies (continued)

Borrowing costs
Borrowing costs are recognised in the period in which they are incurred with unpaid amounts included in "accounts payable and accruals".

Borrowing costs that are directly attributable to the acquisition or construction of investment properties, property and vessels are capitalised and form part of the cost of the assets. The capitalisation of borrowing costs will cease once the asset is ready for its intended use. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Provisions
Provisions are recognised when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Employees' end of service benefits

End of service gratuity plans
The Company provides end of service benefits to its employees in accordance with employment contracts and Qatar Law No. 14 of 2004, the Labour Law. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Pension plan
Under Law No. 24 of 2002 on Retirement and Pension, the Company is required to make contributions to a Government fund scheme for Qatari employees calculated as a percentage of the Qatari employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

Foreign currency translation
Transactions in foreign currencies are recorded at the rate of exchange ruling at date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are reported at the exchange rate ruling at reporting date. Any gain or loss arising from changes in exchange rates is recognised in the consolidated income statement.

Derivative financial instruments and hedging
The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting are taken directly to the consolidated income statement.

The Group uses forward currency contracts to hedge its risks associated with foreign exchange rate fluctuations. These are included in the consolidated statement of financial position at fair value and any subsequent resultant gain or loss on forward currency contracts is recognised in the consolidated income statement. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or unrecognised firm commitment (except for foreign currency risk); or

- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment;

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Summary of significant accounting policies (continued)

Derivative financial instruments and hedging (continued)
At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods of which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:
Fair value hedges
The change in the fair value of a hedging derivative is recognised in the income statement. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognised in profit or loss.

Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the hedging reserve, while any ineffective portion is recognised immediately in the income statement as other operating expenses.

Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts are recognised as other comprehensive income are transferred to the initial carrying amount of the non financial asset or liability.

Fair values
For investments traded in an active market, fair value is determined by reference to quoted market bid prices.

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

For unquoted equity investments, fair value is determined by reference to the market value of a similar investment or is based on the expected discounted cash flows.

4 OPERATING REVENUES

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

	2012 *QR'000*	*2011* *QR'000*
Milaha Capital	**500,276**	385,179
Milaha Maritime and Logistics	**700,793**	600,927
Milaha Offshore	**551,178**	563,065
Milaha Trading	**368,780**	391,353
Milaha Gas and Petrochem	**232,024**	250,903
	2,353,051	2,191,427

Revenues of Milaha capital comprise of the following:

	2012 *QR'000*	*2011* *QR'000*
Dividend income	**105,970**	101,822
Profit on disposal of available-for-sale investments	**138,372**	9,266
Profit on disposal of investments at fair value through profit or loss	**2,262**	7,659
Net fair value (loss) gain on financial investments at fair value through profit or loss	**(6,747)**	19,521
Rental income	**163,273**	155,081
Qatar Quarries	**97,146**	91,830
	500,276	385,179

5 OTHER OPERATING EXPENSES

	2012 *QR'000*	*2011* *QR'000*
Communication and utilities	**12,017**	11,418
Write off of investment properties (Note 10)	**11,717**	-
Claims and insurance	**11,467**	12,252
Office expenses	**10,948**	7,483
Immigration and pass	**7,664**	6,590
Traveling and entertainment	**6,616**	6,047
Cleaning and safety	**5,500**	5,595
Legal and professional fees	**5,395**	14,611
Repairs and maintenance	**4,467**	3,030
Business promotion	**3,342**	2,228
Provision for bad and doubtful debts (Note 17)	**1,264**	1,361
Miscellaneous expenses	**7,894**	768
	88,291	71,383

6 MISCELLANEOUS INCOME

Miscellaneous income includes exit fees amounting to QR 41,270,750 received by a subsidiary, towards the facilitation and arrangement for exit of one of the shareholders from certain LNG companies

7 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year.

	2012 ***QR'000***	*2011* *QR'000*
Profit for the year attributable to equity holders of the Parent (QR'000)	**835,417**	710,990
Weighted average number of shares outstanding during the year (in thousands)	**114,525**	114,525
Basic and diluted earnings per share (QR)	**7.29**	6.21

Note:
There were no potentially dilutive shares outstanding at any time during the year and hence the diluted earnings per share are equal to the basic earnings per share.

8 COMPONENTS OF OTHER COMPREHENSIVE INCOME

	2012 ***QR'000***	*2011* *QR'000*
Movements of other comprehensive income		
Cash flow hedges		
Net movement during the year	**(1,117)**	1,267
Group share of net movement of associates	**29,174**	(702,558)
Total effect on other comprehensive income (loss) resulting from hedging reserve	**28,057**	(701,291)
Available-for-sale investments		
Net movement in fair value reserve of investments	**(173,149)**	211,664
Realised gain on disposal of available-for-sale investments	**(147,251)**	(3,267)
Group share of net movement of associates	**5,927**	3,227
Reclassification adjustments for impairment included in the consolidated statement of comprehensive income	**30,426**	31,795
Total effect on other comprehensive (loss) income resulting from available-for-sale investments	**(284,047)**	243,419

9 PROPERTY, VESSELS AND EQUIPMENT

	Land QR'000	*Buildings QR'000*	*Vessels, containers and barges QR'000*	*Machinery, equipment and tools QR'000*	*Furniture and fittings QR'000*	*Motor vehicles QR'000*	*Capital work in progress QR'000*	*Total QR'000*
Cost:								
At 1 January 2012	6,299	124,826	3,743,978	344,494	40,762	55,660	514,608	4,830,627
Additions	-	80	8,753	14,252	1,857	1,890	392,541	419,373
Transfers	-	3,476	218,102	-	69	1,087	(222,734)	-
Disposals and write off	-	(28)	(13,220)	(6,661)	(3,245)	(1,249)	(3,384)	(27,787)
At 31 December 2012	6,299	128,354	3,957,613	352,085	39,443	57,388	681,031	5,222,213
Accumulated depreciation:								
At 1 January 2012	-	72,466	976,693	247,322	29,056	39,576	-	1,365,113
Depreciation charge for the year	-	5,244	143,543	30,694	4,674	7,562	-	191,717
Relating to disposals and write off	-	(28)	(13,132)	(5,596)	(3,213)	(1,214)	-	(23,183)
At 31 December 2012	-	77,682	1,107,104	272,420	30,517	45,924	-	1,533,647
Net carrying amounts:								
At 31 December 2012	**6,299**	**50,672**	**2,850,509**	**79,665**	**8,926**	**11,464**	**681,031**	**3,688,566**

9 PROPERTY, VESSELS AND EQUIPMENT (continued)

	Land QR'000	*Buildings QR'000*	*Vessels, containers and barges QR'000*	*Machinery, equipment and tools QR'000*	*Furniture and fittings QR'000*	*Motor vehicles QR'000*	*Capital work in progress QR'000*	*Total QR'000*
Cost:								
At 1 January 2011	8,498	135,183	3,557,072	336,091	42,831	52,951	259,450	4,392,076
Additions	-	8,339	74,503	9,178	3,630	3,207	377,051	475,908
Transfers	-	890	115,120	2,181	3,196	506	(121,893)	-
Transfers to investment properties (Note 10)	(2,199)	(19,418)	-	-	(7,001)	-	-	(28,618)
Disposals and write off	-	(168)	(2,717)	(2,956)	(1,894)	(1,004)	-	(8,739)
At 31 December 2011	6,299	124,826	3,743,978	344,494	40,762	55,660	514,608	4,830,627
Accumulated depreciation:								
At 1 January 2011	-	85,244	831,089	217,792	33,144	33,781	-	1,201,050
Depreciation charge for the year	-	4,734	147,264	33,372	4,208	6,759	-	196,337
Transfers	-	915	-	(953)	-	38	-	-
Relating to transfers to investment properties (Note 10)	-	(18,288)	-	-	(6,462)	-	-	(24,750)
Relating to disposals and write off	-	(139)	(1,660)	(2,889)	(1,834)	(1,002)	-	(7,524)
At 31 December 2011	-	72,466	976,693	247,322	29,056	39,576	-	1,365,113
Net carrying amounts:								
At 31 December 2011	6,299	52,360	2,767,285	97,172	11,706	16,084	514,608	3,465,514

9 PROPERTY, VESSELS AND EQUIPMENT (continued)

Notes:

(i) The encumbrances and liens on vessels, containers and barges are disclosed in Note 25.

(ii) During the year 2012 borrowing costs amounting to QR 4,541,156 (2011: QR 834,524) were capitalised.

(iii) During the year 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 year ended 31 December 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 of useful life of vessels and buildings and residual values, the depreciation charge for the year ended 31 December 2012 would have been higher by QR 5.7 million

10 INVESTMENT PROPERTIES

	Land	*Buildings*	*Property under construction*	*Total*
	QR'000	*QR'000*	*QR'000*	*QR'000*
Cost:				
At 1 January 2012	161,363	625,793	8,050	795,206
Additions during the year	-	173	-	173
Transfers	-	7,850	(7,850)	-
Disposals	-	(833)	(200)	(1,033)
Write off	-	(24,086)	-	(24,086)
At 31 December 2012	161,363	608,897	-	770,260
Accumulated depreciation:				
At 1 January 2012	-	110,986	-	110,986
Charge for the year	-	25,090	-	25,090
Disposals	-	(829)	-	(829)
Relating write off	-	(12,369)	-	(12,369)
At 31 December 2012	-	122,878	-	122,878
Net carrying amounts:				
At 31 December 2012	**161,363**	**486,019**	**-**	**647,382**

10 INVESTMENT PROPERTIES (continued)

	Land *QR'000*	*Buildings* *QR'000*	*Property under construction* *QR'000*	*Total* *QR'000*
Cost:				
At 1 January 2011	159,164	599,374	4,587	763,125
Additions during the year	-	-	3,463	3,463
Transfers from property, vessels and equipment (Note 9)	2,199	26,419	-	28,618
At 31 December 2011	161,363	625,793	8,050	795,206
Accumulated depreciation:				
At 1 January 2011	-	54,665	-	54,665
Charge for the year	-	31,571	-	31,571
Transfers from property vessels and equipment (Note 9)	-	24,750	-	24,750
At 31 December 2011	-	110,986	-	110,986
Net carrying amounts:				
At 31 December 2011	161,363	514,807	8,050	684,220

Notes:

(i) Investment properties are located in the State of Qatar.

(ii) Investment properties with a carrying value of QR 647,382,000 as of 31 December 2012 (31 December 2011: QR 684,220,000) were appraised by an accredited independent appraiser, DTZ, at a fair value of QR 2,447,939,000 (31 December 2011: QR 2,411,997,000). The appraiser is an industry specialist in valuing these types of investment properties.

(iii) The Company earned rental income amounting to QR 146,417,000 for the year ended 31 December 2012 (31 December 2011: QR. 150,407,560). Direct operating expenses related to the investment properties (including depreciation) amounting to QR 35,098,000 (31 December 2011: QR 42,349, 000) have been reflected under operating expenses.

(iv) During the year ended 31 December 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 year would have been higher by QR 6,770,914.

(vi) Write off of investment properties represents the write off of a building, classified as investment property by a subsidiary as a result of the demolition of the building.

11 INTANGIBLE ASSETS

	Deferred dry dock and special survey QR'000	*Deep sea and Offshore contracts QR'000*	*Total QR'000*
Cost:			
At 1 January 2012	167,684	77,242	244,926
Additions	24,937	-	24,937
Write off	(2,056)	-	(2,056)
At 31 December 2012	190,565	77,242	267,807
Amortisation:			
At 1 January 2012	111,606	62,300	173,906
Charge for the year	37,510	14,942	52,452
Relating to write off	(1,492)	-	(1,492)
At 31 December 2012	147,624	77,242	224,866
Net carrying amounts:			
At 31 December 2012	**42,941**	**-**	**42,941**

	Deferred dry dock and special survey QR'000	*Deep sea and Offshore contracts QR'000*	*Total QR'000*
Cost:			
At 1 January 2011	125,678	77,242	202,920
Additions	42,006	-	42,006
At 31 December 2011	167,684	77,242	244,926
Amortisation:			
At 1 January 2011	73,113	29,200	102,313
Charge for the year	38,493	33,100	71,593
At 31 December 2011	111,606	62,300	173,906
Net carrying amounts:			
At 31 December 2011	56,078	14,942	71,020

12 INTEREST IN JOINT VENTURES

The Group has following investments in Joint Ventures:

	Country of Incorporation	*Group effective ownership*	
		2012	***2011***
QM Tanker Company L.L.C.	Cayman Islands	50%	50%
Qatar Engineering and Technology Company W.L.L.	Qatar	51%	51%
Qatar Ship Management Company W.L.L.	Qatar	51%	51%
Gulf LPG Transport Company W.L.L.	Qatar	50%	50%

QM Tanker Company L.L.C.
QM Tanker Company L.L.C. ("QM Tanker") is a limited liability company established with Exxon Mobil. QM Tanker was incorporated on 12 November 1997. During 2008, the Company sold its ships and become dormant since then.

Qatar Engineering and Technology Company W.L.L.
Qatar Engineering and Technology Company W.L.L. ("Q-Tech") is a limited liability company established with Aban Constructions Pvt. Ltd., India. Q-Tech was incorporated on 27 April 2002 with the objective of carrying out engineering and other related services. The Company had decided on 11 January 2005 to terminate this Joint Venture agreement and is in the process of negotiation for recovery of its dues.

Qatar Ship Management Company W.L.L.
Qatar Ship Management Company W.L.L. ("QSMC") is a limited liability company which has been established with Mitsui O.S.K. Lines Ltd, Japan (MOL) (16.5%), Nippon Yusen Kabushiki Kaisha, Japan (NYK) (16.5%), Kawasaki Kisen Kaisha Ltd, Japan (K-LINE) (8.25%) and Mitsui & Co. Japan (7.75%). QSMC was incorporated on 16 October 2003, with the objective of operating and managing LNG vessels.

Gulf LPG Transport Company W.L.L.
Gulf LPG Transport Company W.L.L is a limited liability company established with Qatar Gas Transport Company (NAKILAT). Gulf LPG aims to provide various activities of owning, managing and operating liquid gas transporting ships.

The Group's share of assets and liabilities as at 31 December 2012 and 2011 and income and expenses of jointly controlled entities for the years ended 31 December 2012 and 2011, which are proportionately consolidated in the consolidated financial statements, are as follows:

	2012 QR'000	*2011 QR'000*
Share of the joint venture's statement of financial position:		
Current assets	**28,003**	47,739
Non-current assets	**594,660**	613,402
Current liabilities	**(1,098)**	(7,499)
Non-current liabilities	**(486,442)**	(522,858)
Equity	**135,123**	130,784

12 INTEREST IN JOINT VENTURES (continued)

	2012 *QR'000*	*2011* *QR'000*
Share of the joint venture's revenue and profit:		
Operating revenue	**62,218**	57,650
Salaries, wages and other benefits	**(16,085)**	(16,539)
Operating supplies and expenses	**(13,873)**	(14,916)
Depreciation and amortization	**(18,742)**	(18,690)
Other operating expenses	**(878)**	(1,285)
Operating income	**12,640**	6,220
Finance costs	**(9,178)**	(7,546)
Finance income	**5**	8
Profit (loss) for the year	**3,467**	(1,318)

13 INVESTMENT IN ASSOCIATES

The Group has the following investment in associates:

	Country of incorporation	*Ownership*		*Profit Share*	
		2012	*2011*	***2012***	*2011*
Cargotec Qatar W.L.L. (i),(xi)	Qatar	**51.0%**	51.0%	**40.0%**	40.0%
Iraq-Qatar Transport and Shipping Services Com. L.T.D. (ii), (xi)	Iraq	**51.0%**	51.0%	**51.0%**	51.0%
United Arab Shipping Agency Company W.L.L. (iii)	Qatar	**40.0%**	40.0%	**40.0%**	40.0%
Qatar Gas Transport Company Limited (NAKILAT) (Q.S.C.) (iv)	Qatar	**30.3%**	30.4%	**30.3%**	30.4%
Camartina Shipping INC. (v)	Liberia	**29.4%**	29.4%	**29.4%**	29.4%
Peninsula LNG Transport No. 1 Ltd. (vi)	Liberia	**29.4%**	29.4%	**29.4%**	29.4%
Peninsula LNG Transport No. 2 Ltd. (vi)	Liberia	**29.4%**	29.4%	**29.4%**	29.4%
Peninsula LNG Transport No. 3 Ltd. (vi)	Liberia	**29.4%**	29.4%	**29.4%**	29.4%
Qatar LNG Transport Ltd. (vii)	Liberia	**20.0%**	20.0%	**20.0%**	20.0%
QIM Transport INC. (viii)	Panama	**33.3%**	33.3%	**33.3%**	33.3%
KS Membrane 1 & 2 (x)	Germany	**40%**	25%	**40%**	25%
Man Diesel & Turbo Qatar Navigation W.L.L. (ix), (xi)	Qatar	**51.0%**	51.0%	**35.0%**	35.0%

Notes:

(i) Cargotec Qatar W.L.L. is engaged in providing maintenance and repair of marine and land based cargo access, fluid power and control system to off-shore and on-shore oil services and gas facilities.

(ii) Iraq-Qatar Transport and Shipping Services Company L.T.D. is engaged in providing transportation and shipping logistics.

(iii) United Arab Shipping Agency Company W.L.L. is engaged in providing cargo and shipping services.

13 INVESTMENT IN ASSOCIATES (continued)

(iv) Qatar Gas Transport Company Limited (Nakilat) (Q.S.C.) is engaged in the sector of gas transportation either through its own ocean going vessels or by investing in joint ventures with other parties. The Group's share of this associate has been pledged against loan for working capital purposes (refer to note 24). During the year ended 31 December 2012, the Group invested an additional amount of QR 8,973,382, whereby increasing the aggregate holding from 30.32% to 30.42%.

(v) Camartina Shipping INC. was established to acquire, own, operate, and time charter a 135.000 m³ Liquefied Natural Gas (LNG) vessel.

(vi) Peninsula LNG Transport Ltd No's 1, 2 & 3 were established to acquire, own, operate, and time charter Liquefied Natural Gas (LNG).

(vii) Qatar LNG Transport Ltd. was established to acquire, own, operate, and time charter a 135.000 m³ Liquefied Natural Gas (LNG) vessel.

(viii) QIM Transport INC was formed with the intention of transporting chemicals out of Qatar.

(ix) Man Diesel & Turbo Qatar Navigation W.L.L. is engaged in trading and maintenance of marine engines, equipments and spare parts. During the year 2012, the Group invested an additional amount of QR 6,120,000 in response to a rights issue. However, this investment did not have any impact on the percentage holding in this associate company.

(x) KS Membrane 1 &2 was established to acquire, own, operate, and time charter of 138,130 m³ and 145,000 m³ Liquefied Natural Gas (LNG) vessel. During the current year the Group obtained an additional stake of 15% as a result of exit of one of the shareholders.

(xi) The Companies listed under (ii), (iii) and (ix) above are not consolidated with the Group's results as the Group does not exercise control over their operations and activities.

The carrying amount of the Group's investment in associates is as follows:

	2012	*2011*
	QR'000	*QR'000*
Balance at 1 January	**3,617,194**	4,197,811
Additional capital contribution in an associate	**6,120**	-
Share of net movement in effective portions of other comprehensive income	**35,101**	(699,331)
Dividends received from associates	**(142,800)**	(126,000)
Share of results of associates	**227,807**	244,714
Increase in ownership in an associate	**8,973**	-
Balance at 31 December	**3,752,395**	3,617,194

The Group's share of the results of associates and its aggregated assets (including goodwill) and liabilities are as follows:

	2012	*2011*
	QR'000	*QR'000*
Current assets	**877,256**	901,383
Non-current assets	**12,299,885**	12,536,464
Current liabilities	**(243,705)**	(451,101)
Non-current liabilities	**(9,181,041)**	(9,369,552)
	3,752,395	3,617,194
Share of associate's revenue and profit:		
Revenue	**1,076,418**	1,127,104
Profits	**227,807**	244,714

14 AVAILABLE-FOR-SALE INVESTMENTS

	2012 *QR'000*	*2011* *QR'000*
Quoted equity investments in local companies	**2,397,220**	2,540,695
Unquoted investments in local companies	**67,612**	344,836
Unquoted investments in foreign companies	**287,356**	340,260
Investments in bonds	**30,752**	57,094
	2,782,940	3,282,885

Notes:

(i) Available-for-sale investments represent investments in shares, bonds and investments with fund managers.

(ii) Included in available-for-sale investments are quoted shares in local companies with a fair value of QR 26,100,000 as of 31 December 2012 (2011: QR 27,820,000), which are restricted due to directors' memberships in investee companies held by the Company.

(iii) Also included in available-for-sale investments are restricted shares in local companies with a fair value of QR 64,950,000 as of 31 December 2012 (2011: QR 67,693,000) as they represent establishment shares in investee companies.

(iv) The unquoted investments represent investments in companies in which the Company is a founding shareholder.

15 LOANS TO LNG AND LPG COMPANIES

The Group has provided loans to the following LNG and LPG companies through one of its 100% owned subsidiaries. These loans carry annual interest rates ranging from 6% to 8%.

Name of LNG/ LPG companies	***Company operating the LNG and LPG companies***
• India LNG Transport Company No.1 Ltd,	• Shipping Corporation of India Ltd
• Camartina Shipping INC, Liberia	• Mitsui OSK Lines
• K S Membrane-I, Germany	• LNG AS1
• Qatar LNG Transport Ltd., Liberia	• Mitsui OSK Lines
• India LNG Transport Company No.2 Ltd., Malta	• Shipping Corporation of India Ltd
• Peninsula LNG Transport No. 1 Ltd, Liberia	• NYK
• Peninsula LNG Transport No. 2 Ltd, Liberia	• K Line
• Peninsula LNG Transport No. 3 Ltd, Liberia	• Mitsui OSK Lines
• K S Membrane-II, Germany	• LNG AS 2

The loans to the above LNG and LPG companies included the following:

	2012 *QR'000*	*2011* *QR'000*
Loans	**348,922**	330,805
Accrued Interest	**9,434**	7,535
	358,356	338,340

16 INVENTORIES

	2012 *QR'000*	*2011* *QR'000*
Heavy vehicles and spares	**60,442**	68,661
Gabbro and aggregate	**91,792**	36,828
Other goods for resale	**19,242**	20,695
	171,476	126,184
Provision for slow-moving inventories	**(9,384)**	(11,333)
	162,092	114,851

Movements in the provision for slow-moving inventories are as follows:

	2012 *QR'000*	*2011* *QR'000*
At 1 January	**11,333**	7,404
Charge for the year	**2**	3,929
Reversal	**(1,951)**	-
At 31 December	**9,384**	11,333

17 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2012 *QR'000*	*2011* *QR'000*
Trade accounts receivable (net)	**335,099**	399,234
Notes receivable	**9,836**	4,722
Accrued income	**115,124**	63,661
Staff receivables (i)	**34,366**	32,299
Prepaid expenses	**41,733**	42,955
Amounts due from related parties (Note 33)	**4,046**	5,260
Amounts due from Ministry of Municipality and Urban Planning *(ii)*	**1,999**	3,979
Advances to suppliers	**12,747**	25,542
Other receivables	**42,922**	33,599
	597,872	611,251

Trade receivables are non-interest bearing and generally have settlement terms of 30 to 90 days. As at 31 December 2012, trade accounts receivable at nominal value of QR 22,574,000 (2011: QR 21,310,000) were impaired. Movement in the allowance for impairment of trade receivables was as follows:

	2012 *QR'000*	*2011* *QR'000*
At 1 January	**21,310**	19,949
Charge for the year	**1,264**	1,361
At 31 December	**22,574**	21,310

17 ACCOUNTS RECEIVABLE AND PREPAYMENTS (continued)

As at 31 December, the ageing of unimpaired trade accounts receivables is as follows:

			Past due but not impaired			
	Total QR'000	*Neither past due nor impaired 0-60 days QR'000*	*61 – 120 days QR'000*	*121 - 180 days QR'000*	*181 – 365 days QR'000*	*>365 days QR'000*
2012	**335,099**	**113,519**	**135,011**	**60,866**	**23,844**	**1,859**
2011	399,234	168,562	153,992	36,066	40,614	-

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and the vast majority are, therefore, unsecured.

Notes:

(i) Included in staff receivables are loans against end of service benefits amounting to QR 27,403,693 (31 December 2011: QR 26,149,037).

(ii) These amounts represent the outstanding amounts relating to the receivable from the Ministry of Municipality and Urban Planning for taking over the assets of the Group's subsidiary.

18 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2012 QR'000	*2011 QR'000*
Quoted investments in local companies	**489,290**	202,457

19 CASH AND CASH EQUIVALENTS

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

	2012 QR'000	*2011 QR'000*
Bank balances and cash	**73,150**	406,374
Short term deposits with banks	**1,484,859**	516,974
Bank balances and cash	**1,558,009**	923,348
Less: Term deposits maturing after 90 days	**(770,783)**	(100,694)
Less: Bank overdrafts	**(37)**	(8,022)
	787,189	814,632

Notes:

(i) Short-term deposits earn interest ranging from 1.8% to 2.85% (2011: from 1.75% to 4.5%) per annum.

20 SHARE CAPITAL

	2012	2011
	2012 No of shares Thousand	*2011 No of shares thousand*
Authorised		
Shares of QR 10 each	**114,525**	114,525
	Number of shares thousand	***QR'000***
Issued and fully paid		
At 31 December 2012 and 31 December 2011		
Shares of QR 10 each.	**114,525**	1,145,252

21 LEGAL RESERVE

In accordance with Qatar Commercial Companies Law No.5 of 2002 and Articles of Association, 10% of the profit for the year should be transferred to legal reserve. The Company may resolve to discontinue such annual transfer when the reserve totals 50% of the capital. Accordingly the Company has resolved to discontinue such annual transfers to the legal reserve.

The legal reserve includes QR 360,000,000 and QR 661,050,000 relating to share premium arising from the rights issue of shares in 2004 and 2008 respectively. The legal reserve also includes QR 3,495,400 relating share premium arising from the issue of new shares in 2010.

The reserve is not available for distribution except in the circumstances stipulated in the Companies' law.

22 GENERAL RESERVE

In accordance with clause (41) of the Company's Articles of Association, the general assembly based on the board of directors' proposal may decide to transfer a portion of the net profit to a general reserve. This reserve may be used in any manner as decided by the General Assembly.

23 DERIVATIVE FINANCIAL INSTRUMENTS

Hedging activities

Cash flow hedges:

At 31 December 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 31 December 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 December 31, 2012, Halul Offshore Services W.L.L. had an interest rate swap agreement in place with a notional amount of USD 54,810,000 (QR 199,590,615), 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 16). 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.

24 DIVIDENDS

The Board of Directors have proposed a 37.5% cash dividend of QR 3.75 per share totalling QR 429.5 million for the year 2012, which is subject to the approval of the equity holders at the Annual General Assembly.

During the year, following the approval at the Annual General Assembly held on 15 April 2012, the Company paid a 35% cash dividend of QR 3.50 per share totalling QR 400.8 million relating to the year 2011 (2010: QR 4 per share, totalling QR 458.1 million).

25 INTEREST BEARING LOANS AND BORROWINGS

	Effective Interest rate %	*Maturity*	***2012 QR'000***	*2011 QR'000*
Parent company:				
Loan 1 (i)	*LIBOR + 0.70*	*Oct 2015*	**18,711**	25,315
Loan 2 (ii)	*LIBOR + 0.73*	*Feb 2017*	**199,333**	247,173
Loan 3 (iii)	*Note (iii)*	*Jun 2014*	**364,000**	254,800
Loan 4 (iv)	*LIBOR + 0.50*	*Jan 2012*	**-**	18,200
Loan 5 (v)	*LIBOR + 1.15*	*Jul 2014*	**582,400**	582,400
Loan 6 (vi)	*LIBOR + 1.60*	*Dec 2013*	**486,304**	413,504
Subsidiary companies:				
Loan 7 (vii)	*LIBOR + 0.70*	*May 2013*	**1,606**	8,033
Loan 8 (viii)	*LIBOR + 0.65*	*Nov 2015*	**10,621**	17,701
Loan 9 (ix)	*LIBOR + 0.70*	*Feb 2015*	**13,709**	20,564
Loan 10 (x)	*LIBOR + 0.60*	*Jun 2016*	**20,711**	26,628
Loan 11 (xi)	*LIBOR + 0.60*	*Mar 2017*	**91,036**	113,797
Loan 12 (xii)	*LIBOR + 1.65*	*Mar 2020*	**199,591**	-
Loan 13 (xiii)	*LIBOR + 0.80*	*Sep 2013*	**15,491**	36,147
Loan 14 (xiv)	*LIBOR + 0.75*	*Apr 2016*	**145,479**	195,771
Loan 15 (xv)	*LIBOR + 1.75*	*June 2022*	**397,547**	-
Loan 16 (xvi)		-	**24,181**	-
			2,570,720	1,960,033

Presented in the consolidated statement of financial position as follows:		
Current portion	**800,322**	1,446,311
Non-current portion	**1,770,398**	513,722
	2,570,720	1,960,033

Notes:

(i) Loan 1 was obtained to finance the construction of a showroom and villa complex. The Company is not allowed to assign or transfer any or all of its rights, benefits or obligations under the loan without the bank's approval. This loan is secured by a lien of the showroom and villa properties and repayable on a monthly basis.

(ii) Loan 2 was obtained to finance the construction of Qatar Navigation tower. The loan is secured by a first priority mortgage on the Tower and is repayable in monthly instalments.

(iii) Loan 3 represents unsecured loans and is used for working capital and construction of vessels. In accordance with the amended agreement dated 6th June 2012 the Company utilised 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 loan carries interest at 0.6% the first year and carries interest at LIBOR + 1.50% from the second year, the facility matures by 30 June 2014, as per the amended agreement.

(iv) Loan 4 represents unsecured loans obtained to finance working capital and building of vessels. This loan has been fully settled during the year 2012.

(v) Loan 5 is obtained to finance for working capital and building of vessels. The Company extended this loan's repayment period from July 2012 to July 2014 as per revised agreement. The loan is pledged by 53,400,000 shares of Qatar Gas Transport Company (NAKILAT) with a fair value of QR 813,816,000 at 31 December 2012 (31 December 2011: QR 934,500,000).

25 INTEREST BEARING LOANS AND BORROWINGS (continued)

(vi) Loan 6 was obtained for general corporate purposes including refinancing of existing debts and new investments and is secured by a corporate guarantee of the Company. The loan is repayable on semi-annual installments. The total loan facility is USD 232,000,000 and at the reporting date the drawn, down was as USD 133,600,000.

(vii) Loan 7 was obtained to finance the purchase of nine vessels. The loan is repayable in quarterly installments. This loan is secured by assignment of the revenue from each vessel to an account held with the respective lending bank. Any insurance proceeds in respect of the vessels will be assigned to the lending bank.

(viii) Loan 8 was obtained to finance the purchase of two anchor handling tug vessels. The loan is repayable in semi-annual installments. This loan is secured by assignment of the revenue from each vessel to an account held with the respective lending banks. Any insurance proceeds in respect of the vessels will be assigned to the lending bank.

(ix) Loan 9 was obtained to finance the purchase of two vessels. The loan is repayable in semi-annual installments. This loan is secured by assignment of the revenue from each vessel to an account held with the respective lending banks. Any insurance proceeds in respect of the vessels will be assigned to the lending bank.

(x) Loan 10 was obtained to finance the purchase of 4 utility standby safety vessels. The loan is re-payable in semi-annual installments. This loan is secured by assignment of the revenue from each vessel to an account held with the respective lending banks. Any insurance proceeds in respect of the vessels will be assigned to the lending bank.

(xi) Loan 11 was obtained to finance the purchase of two platform supply vessels, which are currently under construction. The loan is repayable in semi-annual installments.

(xii) Loan 12 amounting to QR 220,238,000 million was obtained for the purpose of financing or refinancing the mortgaged vessels and is repayable by March 2020 in 32 quarterly installments. This loan has been hedged against interest rate exposure. (Note 23)

(xiii) Loan 13 was obtained to finance the construction of two clean product tankers namely, Jinan and Dukhan. It is secured by a first priority mortgage over the above tankers. The loan is repayable in equal quarterly installments. The Group has entered into an interest swap to hedge the interest rate exposure on this loan (Note 23).

(xiv) Loan 14 was obtained to partially finance construction of two LPG/ Ammonia carrier and six Aframax size crude/clean tankers. The loan is secured by a first priority mortgage over the vessels. The loan is repayable in quarterly installments.

(xv) Loan 15 amounting to QR 400,400,000 was obtained to finance the construction of 19 vessels and is repayable in 27 equal quarterly installments commencing June 2015 and one final balloon payment of QR 160M at the end of the 10th year. Interest is served on a quarterly basis.

(xvi) These represent short term revolving facilities used for working capital purposes. This facility carry interest at floating rates and secured by contract proceeds.

26 ADVANCE FROM A CUSTOMER

During 2011, the Group has received QR 187,497,000 an interest free advance from a customer for the construction of harbour tugs, pilot boats, mooring boat services and service boat services. The advance payment shall be repaid through deductions from the certified interim invoices. 10% of the invoices amount will be deducted to settle from each invoice until such time the full amount of the advance payment has been repaid.

27 EMPLOYEES' END OF SERVICE BENEFITS

	2012 *QR'000*	*2011* *QR'000*
Movements in the provision recognised in the consolidated statement of financial position are as follows:		
Provision as at 1 January	**68,921**	59,438
Provided during the year	**19,981**	15,915
End of service benefits paid	**(11,472)**	(3,464)
Transferred to the Pension fund	**(4,796)**	(2,968)
Provision as at 31 December	**72,634**	68,921
Employees' end of service benefits		
End of service benefits plans	**69,943**	66,018
Pension plan (Note 29)	**2,691**	2,903
Provision as at 31 December	**72,634**	68,921

The pension scheme is a defined contribution pension plan and pension obligations are payable on demand to a Government pension fund. Accordingly, the amounts payable have been disclosed as a current liability.

28 OBLIGATION UNDER FINANCE LEASES

Finance leases relate to the Group's Non Vessel Operating Common Carrier (NVOCC) operations for containers with lease terms ranging from 3 to 5 years. The Group has the option to purchase the containers for a nominal amount at the conclusion of the lease agreements.

	Minimum lease Payments		*Present value of Payments*	
	2012 ***QR'000***	*2011* *QR'000*	***2012*** ***QR'000***	*2011* *QR'000*
Within 1 year	**3,231**	6,835	**3080**	6,257
More than 1 year and less than 5 years	**317**	3,548	**300**	3,451
	3,548	10,383	**3,380**	9,708
Less future finance charges	**(168)**	(675)	-	-
Present value of minimum lease payments	**3,380**	9,708	**3,380**	9,708

Included in the consolidated statement of financial position as follows:

	2012 ***QR'000***	*2011* *QR'000*
Current portion	**3,080**	6,257
Non-current portion	**300**	3,451
	3,380	9,708

29 ACCOUNTS PAYABLE AND ACCRUALS

	2012	*2011*
	QR'000	*QR'000*
Trade accounts and notes payable	**109,297**	116,270
Accrued expenses	**151,163**	134,841
Pension plan (Note 27)	**2,691**	2,903
Advances from customers	**50,511**	59,065
Contribution to social and sports fund (Note 30)	**20,885**	17,774
Negative fair value of IRS	**4,496**	925
Provision for liquidated damages *(i)*	**9,594**	3,210
Other payables	**120,720**	124,754
	469,357	459,742

Note:

(i) Provision for liquidated damages relates to liquidated damages on account of the late delivery of vessels for hire for one of the Group's subsidiary.

30 PROVISION FOR CONTRIBUTION TO SOCIAL AND SPORTS FUND

In accordance with Law No. 13 of 2008, the Group made an appropriation of profit of QR 20,885,000 (2011: 17,774,000) equivalent to 2.5% of the consolidated profit for the year for the support of sports, cultural, social and charitable activities.

31 COMMITMENTS

Capital commitments

	2012	*2011*
	QR'000	*QR'000*
Investments		
Uncalled portion of investments	**-**	134
Property, vessels and equipment		
Estimated capital expenditure approved but not contracted as of the reporting date	**474,930**	907,858

31 COMMITMENTS (continued)

Operating lease commitments
The Company has entered into rent contracts. These contracts are accounted for as operating leases. The future lease commitments in respect of the above rent contracts are as follows:

	2012 ***QR'000***	*2011* *QR'000*
Within one year	**45,848**	45,847
After one year but not more than five years	**61,128**	106,976
Total operating lease expenditure contracted for at the reporting date	**106,976**	152,823

32 CONTINGENT LIABILITIES

At 31 December 2012, the Group had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise amounting to QR 892,604,000 (31 December 2011: QR 766,663,000) as follows:

	2012 ***QR'000***	*2011* *QR'000*
Letters of guarantee	**751,582**	644,305
Letters of credit	**141,022**	122,358
	892,604	766,663

33 RELATED PARTY DISCLOSURES

Related party transactions
Related parties represent associated companies, affiliate entities, major equity holders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

Transactions with related parties included in the consolidated income statement are as follows:

	2012		*2011*	
	Sales ***QR'000***	***Purchases*** ***QR'000***	*Sales* *QR'000*	*Purchases* *QR'000*
Associate company	**460**	**6,198**	691	1,184
Directors	**5,273**	**1,430**	8,366	1,682
Other related parties	**-**	**-**	49,375	6,676
	5,733	**7,628**	58,432	9,542

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

	2012		*2011*	
	Trade receivables ***QR'000***	***Trade payables*** ***QR'000***	*Trade receivables* *QR'000*	*Trade payables* *QR'000*
Associate companies	**636**	**-**	1,293	-
Directors	**2,366**	**-**	3,967	-
Other related parties	**1,044**	**-**	-	-
	4,046	**-**	5,260	-

33 RELATED PARTY DISCLOSURES (continued)

Related party balances (continued)
The sales to and purchases from related parties are made at normal market prices. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2012, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2011: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Loans due from associates
Loans to LNG and LPG companies amounting to QR 358,356,000 (2011:QR 338,340,000) is disclosed as part of Note 15.

Compensation of directors and other key management personnel
The remuneration of directors and other members of key management during the year were as follows:

	2012 QR'000	*2011 QR'000*
Short-term benefits	**18,112**	12,658
Employees' end of service benefits	**2,852**	2,622
Board of directors remuneration – cash	**28,200**	21,700
Board of directors remuneration of subsidiaries – cash	**10,000**	10,000
Board of directors remuneration – in kind	**682**	495
	59,846	47,475

34 SEGMENT INFORMATION

During the year ended 31 December 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.

- 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.

34 SEGMENT INFORMATION (continued)

- 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 represent 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.

34 SEGMENT INFORMATION (continued)

Year ended 31 December 2012

	Milaha Capital QR'000	*Milaha Maritime and Logistics QR'000*	*Milaha Offshore QR'000*	*Milaha Trading QR'000*	*Milaha Gas and Petrochem QR'000*	*Adjustments relating to Milaha Corporate QR'000*	*Total segments QR'000*	*Adjustments and eliminations QR'000*		*Consolidated QR'000*
Operating revenues	**596,715**	**849,626**	**551,178**	**433,578**	**232,023**	**-**	**2,663,120**	**(310,069)**	*(i)*	**2,353,051**
Salaries, wages and other benefits	**(17,039)**	**(197,103)**	**(184,380)**	**(13,029)**	**(71,457)**	**(96,864)**	**(579,872)**	**-**		**(579,872)**
Operating supplies and expenses	**(150,711)**	**(346,468)**	**(128,210)**	**(385,411)**	**(60,443)**	**(2,771)**	**(1,074,014)**	**288,225**	*(i)*	**(785,789)**
Rent expenses	**(48,611)**	**(5,931)**	**(7,257)**	**(1,413)**	**(800)**	**(12,448)**	**(76,460)**	**21,844**	*(i)*	**(54,616)**
Depreciation and amortization	**(33,145)**	**(66,753)**	**(72,737)**	**(1,044)**	**(93,012)**	**(2,568)**	**(269,259)**	**-**		**(269,259)**
Other operating expenses	**(27,309)**	**(36,710)**	**(13)**	**(3,531)**	**(10,430)**	**(10,298)**	**(88,291)**	**-**		**(88,291)**
OPERATING PROFIT	**319,900**	**196,661**	**158,581**	**29,150**	**(4,119)**	**(124,949)**	**575,224**	**-**		**575,224**
Finance costs	**(17,900)**	**(11,613)**	**(7,459)**	**(123)**	**(14,971)**	**-**	**(52,066)**	**-**		**(52,066)**
Finance income	**30,257**	**-**	**1,187**	**-**	**27,936**	**-**	**59,380**	**-**		**59,380**
Gain on disposal of property, vessels and equipment	**(845)**	**874**	**4,505**	**-**	**15**	**-**	**4,549**	**-**		**4,549**
Share of results of associate	**-**	**574**	**-**		**227,233**	**-**	**227,807**	**-**		**227,807**
Miscellaneous income	**4,634**	**-**	**630**	**-**	**46,923**	**-**	**52,187**	**-**		**52,187**
Impairment of available-for-sale investments	**(30,426)**	**-**	**-**	**-**	**-**	**-**	**(30,426)**	**-**		**(30,426)**
Allocations relating to Milaha Corporate	**(10,033)**	**(76,473)**	**(15,198)**	**(9,757)**	**(13,488)**	**124,949**	**-**	**-**		**-**
PROFIT FOR THE YEAR	**295,587**	**110,023**	**142,246**	**19,270**	**269,529**	**-**	**836,655**	**-**		**836,655**

34 SEGMENT INFORMATION (continued)

Year ended 31 December 2011

	Milaha Capital QR'000	*Milaha Maritime and Logistics QR'000*	*Milaha Offshore QR'000*	*Milaha Trading QR'000*	*Milaha Gas and Petrochemicals QR'000*	*Adjustments relating to Milaha Corporate QR'000*	*Total segments QR'000*	*Adjustments and eliminations QR'000*	*Consolidated QR'000*
Operating revenues	462,521	703,549	563,065	451,877	250,903	-	2,431,915	(240,488) (i)	2,191,427
Salaries, wages and other benefits	(15,647)	(181,810)	(172,948)	(11,246)	(70,735)	(66,500)	(518,886)	169 (i)	(518,717)
Operating supplies and expenses	(128,526)	(283,238)	(115,797)	(409,988)	(57,365)	(2,697)	(997,611)	212,761 (i)	(784,850)
Rent expenses	(48,564)	(6,540)	(7,689)	(1,554)	(1,952)	(14,220)	(80,519)	24,547 (i)	(55,972)
Depreciation and amortization	(39,048)	(77,809)	(67,427)	(868)	(111,518)	(3,001)	(299,671)	170 (i)	(299,501)
Other operating expenses	(6,908)	(33,987)	(7)	(7,079)	(6,960)	(19,283)	(74,224)	2,841 (i)	(71,383)
OPERATING PROFIT	223,828	120,165	199,197	21,142	2,373	(105,701)	461,004	-	461,004
								-	
Finance costs	(11,998)	(9,479)	(2,585)	(135)	(20,022)	-	(44,219)	-	(44,219)
Finance income	23,414	-	2,860	-	32,365	-	58,639	-	58,639
Gain on disposal of property, vessels and equipment	2,773	-	3,631	-	1,816	-	8,220	-	8,220
Share of results of associate		(171)		-	244,885	-	244,714	-	244,714
Miscellaneous income	8,765	217	1,890	-	5,568	-	16,440	-	16,440
Impairment of available-for-sale investments	(31,795)	-	-	-	-	-	(31,795)	-	(31,795)
Allocations relating to Milaha Corporate	(8,666)	(63,553)	(13,187)	(8,488)	(11,807)	105,701	-	-	-
PROFIT FOR THE YEAR	206,321	47,179	191,806	12,519	255,178	-	713,003	-	713,003

34 SEGMENT INFORMATION (continued)

Note:

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

Geographic segments
The Group provides services in the State of Qatar and United Arab Emirates (UAE). Operating revenues and profits of the Group after the elimination of intercompany segments are as follows:

	2012			*2011*		
	Qatar QR'000	***UAE QR'000***	***Total QR'000***	*Qatar QR'000*	*UAE QR'000*	*Total QR'000*
Operating revenues	**2,189,399**	**163,652**	**2,353,051**	2,086,108	105,319	2,191,427
Profit (loss) for the year	**828,418**	**8,237**	**836,655**	714,765	(1,762)	713,003

35 FINANCIAL RISK MANAGEMENT

Objective and policies
The Group's principal financial liabilities comprise interest bearing loans and borrowings, obligation under finance leases, bank overdrafts, trade accounts payable, amounts due to related parties and other payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as trade accounts receivable, amounts due from related parties, loans to LNG and LPG companies, available for sale investments and cash and bank balances, which arise directly from its operations.

The main risks arising from the Group's financial instruments are market risk, credit risk and liquidity risk. Market risk is the risk that changes in market prices, such as interest rates, foreign currency exchange rates and equity price will affect the Group's income, equity or the value of its holdings of financial instruments. The management reviews and agrees policies for managing each of these risks which are summarised below.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest bearing loans and borrowings and short term deposits with floating interest rates.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's financial assets and liabilities with floating interest rates and fixed interest instruments. To manage the risk of changes in floating interest rate on its interest bearing loan, the Group has entered into interest rate swaps as explained in Note 23. Under the swap agreements, the Group will pay an agreed fixed interest rate and receive a floating interest rate.
The following table demonstrates the sensitivity of the consolidated income statement to reasonably possible changes in interest rates by 25 basis points, with all other variables held constant. The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates for one year, based on the floating rate financial assets and financial liabilities held at 31 December 2012. The effect of decreases in interest rates is expected to be equal and opposite to the effect of the increases shown.

	Changes in basis points	*Effect on profit for the year QR*
2012		
Floating interest rate instruments	**+25**	**(4,725)**
2011		
Floating interest rate instruments	+25	(4,442)

35 FINANCIAL RISK MANAGEMENT (continued)

Currency risk
Currency risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. Most of the Group’s balances are denominated in US Dollars and UAE Dirhams as the Qatari Riyal is pegged to the US Dollars, the balances in US Dollars and UAE dirhams are not considered to represent significant currency risk to the Group.

Equity price risk
The Group's listed and unlisted investments are susceptible to equity price risk arising from uncertainties about future values of the investments. Reports on the equity portfolio are submitted to the Group's senior management are reviewed by the Group’s senior management on a regular basis.

At the reporting date, the Group’s exposure to listed equity securities at fair value includes both available-for-sale investments and held-for-trading investments. An increase or decrease of 5% on the Qatar Exchange (QE) index would have an impact of approximately QR 24,465,000 (2011: QR 10,123,000) on the consolidated statement of income in respect of held for trading investments. In respect of available-for-sale investments, a decrease of 5% on the QE index would have an impact of approximately QR 119,861,000 (2011: QR127,035,000) on the consolidated statement of income or equity attributable to the Group, depending on whether or not the decline is significant and prolonged. An increase of 5% in the value of the listed securities would impact equity in a similar amount but will not have an effect on income unless there is an impairment charge associated with it.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group’s exposure to credit risk is as indicated by the carrying amount of its assets which consist principally of accounts receivable, loans to LNG and LPG companies and bank balances.

The Group seeks to limit its credit risk with respect to clients and customers by setting credit limits for individual client and monitoring outstanding receivables. As it deals with credit worthy clients and the dues are collected based on the specified terms in the contracts, the Group’s exposure to credit risk is minimal.

With respect to credit risk arising from the other financial assets of the Group, the Group’s exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments are as follows:

	2012	*2011*
	QR’000	*QR’000*
Loans to LNG and LPG Companies (Note 15)	**358,566**	338,340
Trade account receivables	**335,099**	399,234
Notes receivables	**11,750**	6,543
Amounts due from Ministry of Municipality and Urban Planning	**1,999**	3,979
Staff receivables	**34,366**	32,299
Amounts due from related parties	**4,046**	5,260
Other receivables	**42,922**	33,599
Bank balances (excluding cash)	**1,724,392**	921,769
	2,513,140	1,741,023

35 FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet financial obligations as they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group limits its liquidity risk by ensuring bank facilities are available. The Group's terms of revenue require amounts to be settled within its specified terms in the contracts. Trade accounts payable are normally settled within the terms of purchase from the supplier.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2012 based on contractual undiscounted payments.

	On demand QR'000	***Less than 1 year QR'000***	***1 to 5 years QR'000***	***Over 5 years***	***Total QR'000***
2012					
Bank overdrafts	**37**	**-**	**-**	**-**	**37**
Trade accounts and notes payable	**-**	**109,297**	**-**	**-**	**109,297**
Other payables	**-**	**120,720**	**-**	**-**	**120,720**
Contribution to social and sport fund	**-**	**20,885**	**-**	**-**	**20,885**
Interest bearing loans and borrowings	**-**	**765,129**	**1,612,039**	**308,173**	**2,685,341**
Obligation under finance lease	**-**	**3,070**	**310**	**-**	**3,380**
Total	**37**	**1,019,101**	**1,612,349**	**308,173**	**2,939,660**

	On demand QR'000	*Less than 1 year QR'000*	*1 to 5 years QR'000*	*Over 5 years*	*Total QR'000*
2011					
Bank overdrafts	8,022	-	-	-	8,022
Trade accounts and notes payable	-	116,270	-	-	116,270
Contribution to social and sport fund	-	17,774	-	-	17,774
Other payables	-	124,754	-	-	124,754
Interest bearing loans and borrowings	-	1,465,375	523,177	-	1,988,552
Obligation under finance lease	-	6,339	3,484	-	9,708
Total	8,022	1,730,512	526,661	-	2,265,080

35 FINANCIAL RISK MANAGEMENT (continued)

Capital management

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic and business conditions and equity holders' expectation. To maintain or adjust the capital structure, the Company may adjust the dividend payment to equity holders or increase capital. No changes were made in the objectives, policies or processes during the year end 31 December 2012 and 31 December 2011.

The Company monitors capital using a gearing ratio, which is net debt divided by equity attributable to the equity holders of the Parent.

The gearing ratio as at 31 December is as follows:

	2012 ***QR'000***	*2011* *QR'000*
Debt (i)	**2,570,720**	1,960,033
Less: Cash and bank balances	**(1,558,009)**	(923,348)
Net debt	**1,012,711**	1,036,685
Equity attributable to equity holders of the Parent	**10,723,355**	10,565,659
Gearing ratio	**9.4%**	9.8%

(i) Debt comprises of interest bearing loans and borrowings as detailed in Note 25

36 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets, financial liabilities and derivative financial instruments.

Financial assets consist of bank balances and cash,available-for-sale investments, financial investments at fair value through profit or loss other financial assets and receivables. Financial liabilities consist of bank overdrafts, interest bearing loans and borrowings, accounts payable and accrued expenses. Derivative financial instruments consist of interest rate swaps.

A comparison by class of the carrying value and fair value of the Company's financial instruments that are carried in the financial statements are set out below:

	Carrying amount		*Fair value*	
	2012	*2011*	***2012***	*2011*
	QR'000	*QR'000*	***QR'000***	*QR'000*
Financial assets				
Bank balances and cash	**1,558,009**	923,348	**1,558,009**	923,348
Available-for-sale investments	**2,782,940**	3,282,885	**2,782,940**	3,282,885
Financial investments at fair value through profit or loss	**489,290**	202,457	**489,290**	202,457
Loans to LNG and LPG companies	**358,356**	338,340	**358,356**	338,340
Notes receivables	**11,750**	6,543	**11,750**	6,543
Trade accounts and other receivables	**418,432**	515,291	**418,432**	515,291
	5,618,777	5,268,864	**5,618,777**	5,268,864

	Carrying amount		*Fair value*	
	2012	*2011*	***2012***	*2011*
	QR'000	*QR'000*	***QR'000***	*QR'000*
Financial liabilities				
Bank overdrafts	**37**	8,022	**37**	8,022
Interest bearing loans and borrowings	**2,570,720**	1,960,033	**2,570,720**	1,960,033
Obligations under finance leases	**3,380**	9,708	**3,380**	9,708
Trade and other payables	**250,902**	262,008	**250,902**	262,008
Pension plan	**2,691**	2,903	**2,691**	2,903
Interest rate swaps	**4,496**	925	**4,496**	925
	2,832,226	2,243,599	**2,832,226**	2,243,599

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Cash and cash equivalents, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

- Fair value of available-for-sale investments and financial assets at fair value through profit or loss is derived from quoted market prices in active markets.

- Fair value of unquoted available-for-sale financial assets is estimated using appropriate valuation techniques.

36 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

- Loans to LNG and LPG companies are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. As at 31 December 2012, the carrying amounts of such receivables are not materially different from their calculated fair values.

- The Company enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives are valued based on market valuation provided by the respective counterparties.

Fair value hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

At 31 December the Group held the following financial instruments measured at fair value:

	2012	***Level 1***	***Level 2***	***Level 3***
	QR'000	***QR'000***	***QR'000***	***QR'000***
Assets measured at fair value				
Financial investments at fair value through profit or loss	**489,290**	**489,290**	-	-
Available-for-sale financial investments:				
Quoted shares	**2,397,220**	**2,397,220**	-	-
Unquoted shares	**2,613**	-	**2,613**	
Investments in bonds	**30,752**	-	**30,752**	-
Liabilities measured at fair value				
Interest rate swaps	**4,496**	**4,496**	**-**	**-**

	2011	*Level 1*	*Level 2*	*Level 3*
	QR'000	*QR'000*	*QR'000*	*QR'000*
Assets measured at fair value				
Financial investments at fair value through profit or loss	202,457	202,457	-	-
Available-for-sale financial assets:				
Quoted shares	2,540,695	2,540,695	-	-
Unquoted shares	302,162	-	302,162	
Investments in bonds	57,094	-	57,094	-
Liabilities measured at fair value				
Interest rate swaps	925	-	925	-

36 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)
Unquoted available-for-sale investments include investments amounting to QR 352,355,000 (2011: QR 382,934,000), carried at cost, as their fair values cannot be reliably estimated, due to the uncertain nature of cash flows.

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.

During the year ended 31 December 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.

37 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements
In the process of applying the Group's accounting policies, management has made the following judgements, which has the most significant effect on the amounts recognised in the consolidated financial statements:

Operating lease commitments - Group as lessor
The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of available-for-sale equity investments
The Group treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Impairment of trade accounts receivable
An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

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

37 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Useful lives of property, vessel and equipment and investment properties
The Group's management determines the estimated useful lives of its property, vessel and equipment and investment properties for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Classification of investment securities
On acquisition of an investment security, the Group decides whether it should be classified as "investments at fair value through profit or loss" or "available-for-sale". The Group follows the guidance of IAS 39 on classifying its investments.

Fair value of unquoted equity investments
Where the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Going concern
The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

38 COMPARATIVE INFORMATION

During the current financial year, certain of the previously has reported amounts have been reclassified to conform with the current year presentation, with the objective of improving the quality of information presented. Such re-classifications did not have an impact on the previously reported profits, equity or assets of the Group.