

Qatar Navigation Q.S.C.

**UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

30 JUNE 2014

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

Introduction

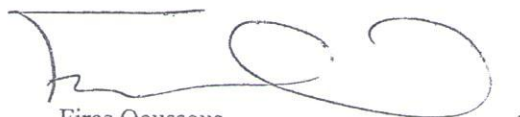
We have reviewed the accompanying interim condensed consolidated financial statements of Qatar Navigation Q.S.C. (the "Company") and its subsidiaries (the "Group") comprising of the interim consolidated statement of financial position as at 30 June 2014 and the related interim consolidated income statement, interim consolidated statement of comprehensive income, interim consolidated statement of cash flows and the interim consolidated statement of changes in equity for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.



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

Date: 20 July 2014
Doha

Qatar Navigation Q.S.C.

INTERIM CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2014

	Notes	<i>For the six months ended 30 June</i>	
		<i>2014</i>	<i>2013</i>
		<i>(Unaudited)</i>	
		<i>QR'000</i>	<i>QR'000</i>
Operating revenues	3	1,244,011	1,240,041
Salaries, wages and other benefits		(308,611)	(306,735)
Operating supplies and expenses		(386,699)	(288,143)
Rent expenses		(28,824)	(33,074)
Depreciation and amortisation		(121,687)	(114,673)
Other operating expenses		(59,138)	(54,999)
OPERATING PROFIT		339,052	442,417
Finance costs		(16,623)	(25,036)
Finance income		29,605	31,313
Gain on disposal of property, vessels and equipment		2,252	9,501
Share of results of associates		142,950	113,506
Share of results of joint ventures		21,349	(5,327)
Miscellaneous income		1,670	5,967
PROFIT FOR THE PERIOD		520,255	572,341
<i>Attributable to:</i>			
Equity holders of the parent		518,286	573,754
Non-controlling interest		1,969	(1,413)
		520,255	572,341
BASIC AND DILUTED EARNINGS PER SHARE			
<i>(attributable to equity holders of the parent)</i>			
<i>(expressed in QR per share)</i>	4	4.56	5.05

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

Qatar Navigation Q.S.C.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Note	<i>For the six months ended 30 June</i>	
		<i>2014</i>	<i>2013</i>
		<i>(Unaudited)</i>	
		<i>QR'000</i>	<i>QR'000</i>
Profit for the period		<u>520,255</u>	<u>572,341</u>
Items to be reclassified to profit or loss in subsequent periods			
Net movement in hedging reserve	5	<u>(155,701)</u>	478,668
Net gain on available-for-sale investments	5	<u>115,062</u>	<u>405,474</u>
Other comprehensive (loss) income for the period		<u>(40,639)</u>	<u>884,142</u>
Total comprehensive income for the period		<u>479,616</u>	<u>1,456,483</u>
<i>Attributable to:</i>			
Equity holders of the parent		<u>477,625</u>	1,457,758
Non-controlling interest		<u>1,991</u>	<u>(1,275)</u>
		<u>479,616</u>	<u>1,456,483</u>

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

Qatar Navigation Q.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

		30 June 2014 (Unaudited) QR'000	31 December 2013 (Audited) QR'000
	Notes		
ASSETS			
Non-current assets			
Property, vessels and equipment	6	3,379,743	3,281,643
Investment properties	7	849,565	765,372
Intangible assets		72,293	55,298
Investment in joint ventures		164,248	143,113
Investment in associates		4,332,731	4,540,060
Available-for-sale investments		3,649,376	3,538,850
Loans to LNG and LPG companies		483,150	534,932
Notes receivable		8,646	2,847
		<u>12,939,752</u>	<u>12,862,115</u>
Current assets			
Inventories		175,411	160,144
Accounts receivable and prepayments		587,428	589,543
Financial assets at fair value through profit or loss		565,026	580,222
Bank balances and cash		1,954,389	1,458,020
		<u>3,282,254</u>	<u>2,787,929</u>
TOTAL ASSETS		<u>16,222,006</u>	<u>15,650,044</u>
EQUITY AND LIABILITIES			
Attributable to equity holders of the parent			
Share capital		1,145,252	1,145,252
Treasury shares		(73,516)	(73,516)
Legal reserve		4,693,986	4,693,986
General reserve		623,542	623,542
Fair value reserve		3,690,076	3,575,036
Hedging reserve		(366,460)	(210,759)
Retained earnings		2,782,888	2,832,684
Equity attributable to equity holders of the parent		<u>12,495,768</u>	<u>12,586,225</u>
Non-controlling interest		57,965	55,974
Total equity		<u>12,553,733</u>	<u>12,642,199</u>

Continued


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

Qatar Navigation Q.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2014

		30 June 2014 (Unaudited) QR'000	31 December 2013 (Audited) QR'000
	Note		
Non-current liabilities			
Interest bearing loans and borrowings	10	1,303,064	1,408,491
Advance from a customer		183,995	187,497
Employees' end of service benefits		88,995	83,865
		<u>1,576,054</u>	<u>1,679,853</u>
Current liabilities			
Accounts payable and accruals		480,462	469,368
Interest bearing loans and borrowings	10	1,609,067	767,323
Obligation under finance leases		-	291
Bank overdrafts		2,690	91,010
		<u>2,092,219</u>	<u>1,327,992</u>
Total liabilities		<u>3,668,273</u>	<u>3,007,845</u>
TOTAL EQUITY AND LIABILITIES		<u>16,222,006</u>	<u>15,650,044</u>


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


Mr. Khalifa bin Ali Al-Hetmi
Chief Executive Officer

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

Qatar Navigation Q.S.C.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	<i>For the six months ended 30 June</i>	
	<i>2014</i>	<i>2013</i>
	<i>(Unaudited)</i>	
	<i>QR'000</i>	<i>QR'000</i>
OPERATING ACTIVITIES		
Profit for the period	520,255	572,341
Adjustment for:		
Depreciation and amortisation	121,687	114,673
Finance costs	16,623	25,036
Gain on disposal of property, vessels and equipment	(2,252)	(9,501)
Share of results of associates	(142,950)	(113,506)
Share of results of joint ventures	(21,349)	5,327
Provision for employees' end of service benefits	11,967	15,644
Finance income	(29,605)	(31,313)
Dividend income	(163,758)	(149,316)
Net fair value gain on financial assets at fair value through profit or loss	(35,191)	(68,707)
Profit on disposal of investments	(12,408)	(41,215)
Operating profit before working capital changes:	263,019	319,463
Inventories	(15,267)	(27,911)
Accounts receivables and prepayments	(3,684)	(78,199)
Accounts payables and accruals	7,592	48,937
Cash flows from operating activities	251,660	262,290
Finance costs paid	(16,623)	(25,036)
Employees' end of service benefits paid	(6,837)	(3,810)
Net cash flows from operating activities	228,200	233,444
INVESTING ACTIVITIES		
Purchase of property, vessels and equipment	(193,641)	(114,566)
Dividend income	163,758	149,316
Finance income	29,605	31,313
Proceeds from disposal of property, vessels and equipment	5,572	13,057
Purchases of investment properties	(97,142)	(35,452)
Additions to dry docking costs	(33,513)	(18,656)
Net movement in loans to LNG and LPG companies	51,782	324,725
Purchase of investment securities	(39,959)	(166,486)
Proceeds from disposal of available-for-sale investments	1,820	45,395
Proceeds from disposal of financial assets at fair value through profit or loss	101,971	99,807
Dividends received from associates	198,292	168,000
Net cash flows from investing activities	188,545	496,453

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

Qatar Navigation Q.S.C.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2014

	<i>Notes</i>	<i>For the six months ended 30 June</i>	
		<i>2014</i>	<i>2013</i>
		<i>(Unaudited)</i>	
		<i>QR'000</i>	<i>QR'000</i>
FINANCING ACTIVITIES			
Dividends paid	9	(568,082)	(429,469)
Net movement in interest bearing loans and borrowings		736,317	276,301
Obligation under finance lease		(291)	(1,986)
Net movement in term deposits maturing after 90 days		(262,675)	(225,732)
Net cash flows used in financing activities		(94,731)	(380,886)
NET INCREASE IN CASH AND CASH EQUIVALENTS		322,014	349,011
Cash and cash equivalents at 1 January		672,930	780,893
CASH AND CASH EQUIVALENTS AT 30 JUNE	8	994,944	1,129,904

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

Qatar Navigation Q.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to the equity holders of the Parent							Non-controlling interest QR '000	Total QR '000
	Share capital QR '000	Treasury shares QR '000	Legal reserve QR '000	General reserve QR '000	Fair value reserve QR '000	Hedging reserve QR '000	Retained earnings QR '000		
Balance at 1 January 2014 (Audited)	1,145,252	(73,516)	4,693,986	623,542	3,575,036	(210,759)	2,832,684	55,974	12,642,199
Profit for the period	-	-	-	-	-	-	518,286	1,969	520,255
Other comprehensive income (loss)	-	-	-	-	115,040	(155,701)	-	22	(40,639)
Total comprehensive income (loss)	-	-	-	-	115,040	(155,701)	518,286	1,991	479,616
Dividends paid (Note 9)	-	-	-	-	-	-	(568,082)	-	(568,082)
Balance at 30 June 2014 (Unaudited)	1,145,252	(73,516)	4,693,986	623,542	3,690,076	(366,460)	2,782,888	57,965	12,553,733

	Attributable to the equity holders of the Parent							Non-controlling interest QR '000	Total QR '000
	Share capital QR '000	Treasury shares QR '000	Legal Reserve QR '000	General reserve QR '000	Fair value reserve QR '000	Hedging reserve QR '000	Retained earnings QR '000		
Balance at 1 January 2013 (Audited)	1,145,252	-	4,693,986	623,542	2,859,694	(935,224)	2,336,105	57,468	10,780,823
Profit for the period	-	-	-	-	-	-	573,754	(1,413)	572,341
Other comprehensive income	-	-	-	-	405,336	478,668	-	138	884,142
Total comprehensive income (loss)	-	-	-	-	405,336	478,668	573,754	(1,275)	1,456,483
Dividends paid (Note 9)	-	-	-	-	-	-	(429,469)	-	(429,469)
Balance at 30 June 2013 (Unaudited)	1,145,252	-	4,693,986	623,542	3,265,030	(456,556)	2,480,390	56,193	11,807,837

The attached notes 1 to 17 form part of these interim condensed 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 Parent company along with its subsidiaries is engaged in marine transport, acting as agent to foreign shipping lines, offshore services, sale of heavy vehicles, ship repair, fabrication and installation of offshore structures, land transport, chartering of vessels and the operation of a travel agency. The Company has a branch in Dubai, United Arab Emirates.

The interim condensed consolidated financial statements include the financial statements of the Company and of its subsidiaries (the "Group") for the six months ended 30 June 2014.

The Company has the following subsidiaries:

<i>Name of the subsidiaries</i>	<i>Country of Incorporation</i>	<i>Nature of business</i>	<i>Ownership percentage</i>	
			<i>30 June 2014</i>	<i>31 December 2013</i>
Qatar Shipping Company S.P.C.	Qatar	Chartering of vessels and maritime services	100%	100%
Halul Offshore Services W.L.L.	Qatar	Chartering of vessels offshore services	100%	100%
Qatar Quarries and Building Materials Company Q.P.S.C.	Qatar	Trading in building materials	50%	50%
Gulf Shipping Investment Company W.L.L.	Qatar	Cargo handling	100%	100%
Qatar Shipping Company (India) Private Limited	India	Own, Hire, Purchase, Sale, Operate and manage all types of ships	100%	100%
Ocean Marine Services W.L.L.	Qatar	Cargo handling, offshore support services	100%	100%
Halul United Business Services L.L.C.	Saudi	Offshore services	100%	100%
Milaha Trading Company W.L.L.	Qatar	Trading in industrial materials	100%	100%
Navigation Travel & Tourism S.P.C.	Qatar	Travel agency	100%	100%
Navigation Trading Agencies S.P.C.	Qatar	Trading in heavy equipment	100%	100%
Navigation Marine Service Center S.P.C.	Qatar	Marine services	100%	100%
Milaha Capital W.L.L.	Qatar	Investments	100%	100%
Milaha Real Estate services S.P.C.	Qatar	Real estate maintenance	100%	100%
Milaha Maritime and Logistics Integrated W.L.L.	Qatar	Maritime and logistic services	100%	100%
Milaha Real Estate Investment S.P.C.	Qatar	Real estate services	100%	-
Milaha for Petroleum and Chemical Product W.L.L.	Qatar	Shipping services	100%	-

1 CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES (CONTINUED)**Interest in joint ventures**

The Group has the following investments in Joint Ventures:

	<i>Country of Incorporation</i>	<i>Group effective ownership</i>	
		<i>30 June 2014</i>	<i>31 December 2013</i>
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%

The interim condensed consolidated financial statements of the Group were authorised for issue by the Board of Directors on 20 July 2014.

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

The interim condensed consolidated financial statements for the six months ended 30 June 2014 have been prepared in accordance with IAS 34 "Interim Financial Reporting".

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

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 December 2013. In addition, results for the six months ended 30 June 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014.

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013, except for the adoption of the new standards and interpretations effective as of 1 January 2014.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact to the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Group.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact to the Group as the Group has not novated its derivatives during the current or prior periods.

Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36

These amendments remove the unintended consequences of IFRS 13 Fair Value Measurement on the disclosures required under IAS 36 Impairment of Assets. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period. These amendments have no impact on the Group.

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (CONTINUED)**2.2 New standards, interpretations and amendments adopted by the Group (continued)****IFRIC 21 Levies**

IFRIC 21 is effective for annual periods beginning on or after 1 January 2014 and is applied retrospectively. It is applicable to all levies imposed by governments under legislation, other than outflows that are within the scope of other standards (e.g., IAS 12 Income Taxes) and fines or other penalties for breaches of legislation. The interpretation clarifies that an entity recognises a liability for a levy no earlier than when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, no liability is recognised before the specified minimum threshold is reached. The interpretation requires these same principles to be applied in interim financial statements.

3 OPERATING REVENUES

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

	<i>Six months ended 30 June</i>	
	<i>2014</i>	<i>2013</i>
	<i>(Unaudited)</i>	
	<i>QR'000</i>	<i>QR'000</i>
Milaha Capital	369,966	419,736
Milaha Maritime and Logistics	330,575	322,629
Milaha Offshore	231,080	281,514
Milaha Trading	195,152	136,031
Milaha Gas and Petrochem	117,238	80,131
	<u>1,244,011</u>	<u>1,240,041</u>

4 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the period attributable to equity holders of the parent by the weighted average number of shares outstanding during the period.

	<i>Six months ended 30 June</i>	
	<i>2014</i>	<i>2013</i>
	<i>(Unaudited)</i>	
Net profit for the year attributable to equity holders of the parent (QR'000)	<u>518,286</u>	<u>573,754</u>
Weighted average number of shares (000's)	<u>113,616</u>	<u>113,616</u>
Basic and diluted earnings per share (QR)	<u>4.56</u>	<u>5.05</u>

4 BASIC AND DILUTED EARNINGS PER SHARE (CONTINUED)

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

	<i>Six months ended 30 June</i>	
	<i>2014</i>	<i>2013</i>
	<i>(Unaudited)</i>	
Total number of shares outstanding (000's)	114,525	114,525
Adjustment for weighted average shares with respect to treasury shares purchased during the year 2013 (000's) (Note)	(909)	(909)
Weighted average numbers of shares during the period (000's)	113,616	113,616

Note:

During the year ended 31 December 2013, one of the subsidiaries invested 908,725 shares in the Parent Company, Qatar Navigation Q.S.C. Therefore, the earnings per share that was previously reported as at 30 June 2013 have been restated for the effects of this transaction.

5 COMPONENTS OF OTHER COMPREHENSIVE INCOME

	<i>Six months ended 30 June</i>	
	<i>2014</i>	<i>2013</i>
	<i>(Unaudited)</i>	
	<i>QR'000</i>	<i>QR'000</i>
Movements of other comprehensive income		
Cash flow hedges		
Movement during the period	(257)	2,441
Group share of net movement in associates	(155,444)	476,227
Total effect on other comprehensive (loss) income resulting from cashflow hedges	(155,701)	478,668
Available-for-sale investments		
Realised gain on disposal of available-for-sale investments	-	(30,098)
Gain arising during the period on revaluation	111,540	430,154
Group share of net movement in associates	3,522	5,418
Total effect on other comprehensive income resulting from available-for-sale investments	115,062	405,474

6 PROPERTY, VESSELS AND EQUIPMENT

	<i>30 June 2014 (Unaudited) QR'000</i>	<i>31 December 2013 (Audited) QR'000</i>
Net book value, beginning balance	3,281,643	3,093,905
Additions	193,641	402,730
Disposals and write off	(3,320)	(8,855)
Transfers and reclassifications	-	(26,969)
Impairment	-	(7,900)
Depreciation charge for the period/ year	(92,221)	(171,268)
Net book value, ending balance	<u>3,379,743</u>	<u>3,281,643</u>

7 INVESTMENT PROPERTIES

	<i>30 June 2014 (Unaudited) QR'000</i>	<i>31 December 2013 (Audited) QR'000</i>
Net book value, beginning balance	765,372	647,382
Additions	97,142	118,069
Transfers and reclassifications	-	23,348
Depreciation charge for the period/ year	(12,949)	(23,427)
Net book value, ending balance	<u>849,565</u>	<u>765,372</u>

8 CASH AND CASH EQUIVALENTS

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

	<i>Six months ended 30 June 2014 (Unaudited) QR'000</i>	<i>2013 (Audited) QR'000</i>
Bank balances and cash	1,954,389	2,126,419
Less: Term deposits maturing after 90 days	(956,755)	(996,515)
Less: Bank overdrafts	(2,690)	-
	<u>994,944</u>	<u>1,129,904</u>

Bank balances and cash include short term deposits of QR 530,455,000 (30 June 2013: QR 435,179,177) with an original maturity of less than 90 days.

9 DIVIDENDS

During the current period, following the approval at the Annual General Assembly held on 26 February 2014, the Company paid a cash dividend of QR 5 per share totalling QR 568 million (2013: QR 3.75 per share, totalling QR 429.5 million) relating to the year 2013.

10 INTEREST BEARING LOANS AND BORROWINGS

During the period ended 30 June 2014, the Company has obtained a short term facility amounting to USD 200,000,000 with the maturity date of 27 March 2015. This facility carries interest at a fixed interest of 1.5%.

Further, during the period ended 30 June 2014, one of the Company's existing short term loan facilities amounting to USD 232,000,000 was further utilised by USD 25,000,000 by converting the bank overdraft facility increasing the total amount utilised to USD 140,000,000. This short term facility carries fixed interest at 1.25%.

11 COMMITMENTS

	<i>30 June 2014 (Unaudited) QR'000</i>	<i>31 December 2013 (Audited) QR'000</i>
Property, vessels and equipment		
Estimated capital expenditure approved but not contracted for as of the reporting date	<u>1,183,916</u>	<u>1,659,854</u>
Operating lease:		
	<i>30 June 2014 (Unaudited) QR'000</i>	<i>31 December 2013 (Audited) QR'000</i>
Within one year	38,206	45,848
After one year but not more than five years	-	15,280
Total operating lease expenditure contracted for at the reporting date	<u>38,206</u>	<u>61,128</u>

12 CONTINGENT LIABILITIES

At 30 June 2014 and 31 December 2013, the Group had letters of guarantees and letters of credit from which it anticipates that no material liabilities will arise amounted to:

	<i>30 June 2014 (Unaudited) QR'000</i>	<i>31 December 2013 (Audited) QR'000</i>
Letters of guarantees	783,189	763,466
Letters of credits	<u>328,290</u>	<u>242,364</u>
	<u>1,111,479</u>	<u>1,005,830</u>

13 DERIVATIVE FINANCIAL INSTRUMENTS**Cash flow hedges:***Halul Offshore Services W.L.L.:*

At 30 June 2014, Halul Offshore Services W.L.L. had an interest rate swap agreement in place with a notional amount of USD 43,470,000 (QR 158,230,800) (31 December 2013: USD 47,250,000) (QR 171,990,000), whereby it receives a variable rate of USD 3 months LIBOR and pays a fixed rate of interest of 1.30% on the notional amount. The swap is being used to hedge the exposure to interest rate fluctuations on its loans. The loan facility and the interest rate swap have the same critical terms. This cash flow hedge is assessed to be highly effective. The fair value of the interest rate swaps are calculated by reference to the market valuation of the swap agreements.

The Group has recognised the negative fair value of the interest rate swaps amounting to QR 1,777,419 as at 30 June 2014 (31 December 2013: QR 2,034,000) in accounts payable and accruals with a corresponding entry to hedging reserve.

14 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group held the following financial instruments measured at fair value at the reporting period:

Assets measured at fair value

	<i>30 June 2014 QR'000</i>	<i>Level 1 QR'000</i>	<i>Level 2 QR'000</i>	<i>Level 3 QR'000</i>
Financial investments at fair value through profit or loss	565,026	565,026	-	-
Available-for-sale investments:				
Quoted investments	3,250,350	3,250,350	-	-
Unquoted investments	2,715	-	-	2,715
Investments in bonds	26,138	-	-	26,138

Liability measured at fair value

Interest rate swaps	1,777	-	1,777	-
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Assets measured at fair value

	<i>31 December 2013 QR'000</i>	<i>Level 1 QR'000</i>	<i>Level 2 QR'000</i>	<i>Level 3 QR'000</i>
Financial investments at fair value through profit or loss	580,222	580,222	-	-
Available-for-sale investments:				
Quoted investments	3,158,816	3,158,816	-	-
Unquoted investments	2,904	-	-	2,904
Investments in bonds	25,983	-	-	25,983

Liability measured at fair value

Interest rate swaps	2,034	-	2,034	-
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14 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Unquoted available-for-sale investments include investments amounting to QR 350,777,000 (2013: QR 351,147,000), carried at cost, as their fair values cannot be reliably estimated, due to the uncertain nature of cash flows.

During the six months period ended 30 June 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

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

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

Fair value hierarchy

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

Level 1 – Quoted market prices

Level 2 – Valuation techniques (market observable)

Level 3 – Valuation techniques (non-market observable)

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Valuation methods and assumptions

The fair value of the financial assets and liabilities is the amount at which the asset could be sold or the liability transferred in a current transaction between market participants, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- Fair value of the quoted notes and bonds is based on price quotations at the reporting date. The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. In addition to being sensitive to a reasonably possible change in the forecast cash flows or the discount rate, the fair value of the equity instruments is also sensitive to a reasonably possible change in the growth rates. The valuation requires management to use unobservable inputs in the model. Management regularly assesses a range of reasonably possible alternatives for those significant unobservable inputs and determines their impact on the total fair value.

- Fair value of the unquoted ordinary shares has been estimated using a DCF model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives are valued using valuation techniques with market observable inputs are mainly interest rate swaps, foreign exchange forward contracts and commodity forward contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves of the underlying commodity. All derivative contracts are fully cash collateralised, thereby mitigating both counterparty and the Group's non-performance risk. As at 30 June 2014 and 31 December 2013, the fair value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.

14 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)*Valuation methods and assumptions (continued)*

- Fair value of remaining available-for-sale financial assets is derived from quoted market prices in active markets.

15 RELATED PARTY DISCLOSURES

The following table provides the total amount of transactions that have been entered into with related parties during the six months ended 30 June 2014 and 2013, as well as balances with related parties as at 30 June 2014 and 31 December 2013:

Related party transactions

	<i>Six months ended 30 June</i>			
	<i>2014</i>		<i>2013</i>	
	<i>Sales</i>	<i>Purchases</i>	<i>Sales</i>	<i>Purchases</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
Associate company	848	9	244	1,107
Directors	5,797	-	2,549	158
	<u>6,645</u>	<u>9</u>	<u>2,793</u>	<u>1,265</u>

Related party balances

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

	<i>30 June 2014</i>		<i>31 December 2013</i>	
	<i>Trade</i>	<i>Trade</i>	<i>Trade</i>	<i>Trade</i>
	<i>receivables</i>	<i>payables</i>	<i>receivables</i>	<i>payables</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
Associate company	509	-	373	-
Directors	5,119	-	3,765	-
Other related parties	251	-	452	-
	<u>5,879</u>	<u>-</u>	<u>4,590</u>	<u>-</u>

Compensation of directors and other key management personnel

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

	<i>Six months ended 30 June</i>	
	<i>2014</i>	<i>2013</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>QR'000</i>	<i>QR'000</i>
Salaries and allowances	5,409	5,321
Employees' end of service benefits	444	433
Board of directors remuneration – cash	20,050	19,640
Board of directors remuneration – in kind	1,100	341
	<u>27,003</u>	<u>25,735</u>

16 SEGMENT INFORMATION

Group is organised into six pillars as follows, which constitute five reportable segments (strategic divisions):

- Milaha Capital - provides corporate finance advisory services to Parent and its subsidiaries, in addition to managing its proprietary portfolio of financial and real estate investments and holding the investment of Qatar Quarries and Building Material 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 27 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 – engaged in trading trucks, heavy equipment, machinery and lubrication brands in Qatar. The segment markets its products and provides critical after sales service. Milaha Trading also owns and operates an IATA-approved travel agency, one of the oldest in the State of Qatar.
- Milaha Gas and Petrochem – owns, manages and operates a 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.

Qatar Navigation Q.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 June 2014

16 SEGMENT INFORMATION (continued)

Six months period ended 30 June 2014 (Unaudited)

	<i>Milaha Capital QR '000</i>	<i>Milaha Maritime and Logistics QR '000</i>	<i>Milaha Offshore QR '000</i>	<i>Milaha Trading QR '000</i>	<i>Milaha Gas and Petrochem QR '000</i>	<i>Adjustments relating to Milaha Corporate QR '000</i>	<i>Total segments QR '000</i>	<i>Adjustments and eliminations QR '000</i>	<i>Consolidated QR '000</i>
Operating revenues	371,788	432,195	234,487	196,299	120,882	-	1,355,651	(111,640) (i)	1,244,011
Salaries, wages and other benefits	(4,763)	(98,605)	(86,309)	(8,599)	(42,746)	(72,056)	(313,078)	4,467 (i)	(308,611)
Operating supplies and expenses	(65,702)	(178,907)	(44,125)	(164,015)	(26,137)	(3,334)	(482,220)	95,521 (i)	(386,699)
Rent expenses	(24,939)	(3,059)	(3,378)	(945)	(1,148)	(5,499)	(38,968)	10,144 (i)	(28,824)
Depreciation and amortisation	(16,278)	(28,731)	(42,746)	(615)	(30,733)	(2,584)	(121,687)	-	(121,687)
Other operating expenses	(5,240)	(13,413)	(18,756)	(1,258)	(14,257)	(7,722)	(60,646)	1,508 (i)	(59,138)
Allocations relating to fleet and technical services	-	(27,890)	-	-	27,890	-	-	-	-
Allocations relating to Milaha Corporate	(12,056)	(38,569)	(14,986)	(11,678)	(13,906)	91,195	-	-	-
OPERATING PROFIT	242,810	43,021	24,187	9,189	19,845	-	339,052	-	339,052
Finance costs	(6,618)	(4,351)	(3,374)	-	(2,280)	-	(16,623)	-	(16,623)
Finance income	16,946	-	22	176	12,461	-	29,605	-	29,605
Gain on disposal of property, vessels and equipment	1,537	701	14	-	-	-	2,252	-	2,252
Share of results of associate	695	226	-	-	142,029	-	142,950	-	142,950
Share of results of joint ventures	-	-	-	-	21,349	-	21,349	-	21,349
Miscellaneous income	-	-	-	-	1,670	-	1,670	-	1,670
PROFIT FOR THE PERIOD	255,370	39,597	20,849	9,365	195,074	-	520,255	-	520,255

Qatar Navigation Q.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2014

16 SEGMENT INFORMATION (continued)

Six months period ended 30 June 2013 (Unaudited)

	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	420,770	429,900	290,014	137,038	81,398	-	1,359,120	(119,079) (i)	1,240,041
Salaries, wages and other benefits	(7,766)	(91,241)	(93,197)	(7,745)	(39,759)	(67,027)	(306,735)	-	(306,735)
Operating supplies and expenses	(64,548)	(166,457)	(41,919)	(111,893)	(15,881)	(2,371)	(403,069)	114,926 (i)	(288,143)
Rent expenses	(24,971)	(2,186)	(2,606)	(639)	(856)	(5,969)	(37,227)	4,153 (i)	(33,074)
Depreciation and amortisation	(15,750)	(31,455)	(38,701)	(640)	(26,805)	(1,322)	(114,673)	-	(114,673)
Other operating expenses	(7,448)	(12,080)	(16,491)	(1,063)	(10,597)	(7,320)	(54,999)	-	(54,999)
Allocations relating to fleet and technical services	-	(25,540)	-	-	25,540	-	-	-	-
Allocations relating to Milaha Corporate	(11,094)	(35,570)	(13,790)	(10,745)	(12,795)	83,994	-	-	-
OPERATING PROFIT	289,193	65,371	83,310	4,313	245	(15)	442,417	-	442,417
Finance costs	(12,605)	(4,964)	(5,113)	-	(2,354)	-	(25,036)	-	(25,036)
Finance income	19,208	-	787	51	11,264	3	31,313	-	31,313
Gain on disposal of property, vessels and equipment	-	9,319	170	-	-	12	9,501	-	9,501
Share of results of associate	746	(17)	-	-	112,777	-	113,506	-	113,506
Share of results of joint ventures	-	-	-	-	(5,327)	-	(5,327)	-	(5,327)
Miscellaneous income	470	-	-	-	5,497	-	5,967	-	5,967
PROFIT FOR THE PERIOD	297,012	69,709	79,154	4,364	122,102	-	572,341	-	572,341

Note:

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

17 COMPARATIVE INFORMATION

Certain reclassifications have been made for the comparative information relating to the consolidated income statement with the objective of improving the quality of information presented these changes did not have an impact on the previously reported revenues, operating profit or profit for the period.