ANNUAL REPORT 2016

MILAHA

The information contained in this Annual Report has been prepared in good faith, solely for the purpose of providing information to the shareholders and to other interested parties about Milaha. However, this Annual Report contains forward-looking statements. Such statements are subject to risks and uncertainties as various factors, many of which are beyond Milaha's control, may cause actual developments and results to differ materially from expectations contained in the Annual Report.

No representation is made or guarantee given (either expressed or implied) as to the completeness or accuracy of the said forward-looking statements.

His Highness
Sheikh Hamad Bin Khalifa Al-Thani
Father Emir

His Highness
Sheikh Tamim Bin Hamad Al-Thani
Emir of the State of Qatar

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ABOUT MILAHA

Milaha is one of the largest and most diversified maritime and logistics companies in the middle east with a focus on providing marine transport and services, as well as supply chain solutions.

Milaha has a rich history, starting as a shipping agent in 1957, and strategically building a strong regional foothold in transportation and logistics through a diverse fleet of vessels, state-of-the art equipment, dedicated staff and world-class partners.

VISION

To be the partner of choice in the maritime & logistics sector, with a dominant share in our home market and a strong international presence; to deliver sustainable growth to our shareholders

MISSION

To consistently deliver reliable services by focusing on safety, quality and our customers; to provide an enriching work environment and to always live our values

HISTORY & MILESTONES

1957

Founding of Qatar National Navigation & Transport Company (QNNTC), the first shipping agent in Qatar

1974

Launch of marine transport services in Doha Port, consisting of lighterage, berthing and towage

1978

Established a branch in Dubai by royal decree

2011

Strategic transformation and launch of Milaha brand

Appointed operator of Doha Port

2015

Launch of first direct container service between Qatar and India

2016

Launch of Singapore office for Milaha Offshore

Launch of QTerminals to operate Hamad Port

1982

Inaugurated the first fully integrated ship repair and fabrication facility in Mesaieed

1992

Co-founded Qatar Shipping with an equity share of 15%

2000

Co-founded Halul Offshore Services through a 50-50 joint venture with Qatar Shipping

2001

Merged land transport, cranage, freight forwarding customs clearance and warehousing into Navigation Freight Services

2005

Equity investment in Qatar Gas Transport Company Limited (Nakilat)

2010

Acquisition of Qatar Shipping (and Halul Offshore Services as a result)

BOARD OF DIRECTORS

Sheikh Ali bin Jassim bin Mohammad Al-Thani
Chairman

Sheikh Khalid bin Khalifa Al-Thani
Deputy Chairman

Sheikh Jassim bin Hamad bin Jassim Al-Thani
Board Member

Adil Ali Bin Ali
Board Member

Ali Ahmad Al-Kuwari
Board Member

Saad Mohammad Al-Romaihi
Board Member

Sulaiman Haidar Sulaiman
Board Member

Ali Hussain Al-Sada
Board Member

Hamad Mohammad Al-Mana
Board Member

Dr. Mazen Jassim Jaidah
Board Member

Salman Abdullah Abdulghani
Board Member

BOARD OF DIRECTORS' REPORT

THE COMPANY DEVELOPED A MULTI-YEAR STRATEGY FOCUSED ON GROWTH, AND CONTINUED TO INVEST IN NEW MARKETS AND NEW CAPABILITIES WITH AN EYE TOWARDS MEDIUM AND LONG TERM GROWTH.

In the Name of Allah, Most Gracious, Most Merciful

Dear Shareholders,

It is my pleasure to present to you an overview of Milaha's Annual Report.

2016 was a challenging year for many of the industries and sectors in which Milaha operates. The weakness in the global economy and the decrease in E&P spending in the oil and gas sector provided the greatest challenges, and their impact was felt directly and indirectly across most of our businesses.

Despite the difficult market conditions, I'm pleased to say that Milaha generated a healthy net profit of QAR 711 million. We achieved an operating profit of QAR 555 million in 2016, while many of our peers in various sectors struggled much to achieve profitability.

The company also developed a multi-year strategy focused on growth, and continued to invest in new markets and new capabilities with an eye towards medium and long term growth. Within this pursuit we have set up operations in Singapore to target the South East Asian market, and made significant investments in state-of-the-art warehousing in Qatar, all of which should bear fruit in the years to come. Most importantly, we signed an agreement with Qatar Ports Management Company (Mwani Qatar) to form a new entity, QTerminals, to manage Phase 1 of Qatar's new Hamad Port. We are proud to have this opportunity to manage such an important part of Qatar's long term infrastructure.

In addition to investing in new markets and capabilities, Milaha undertook a significant effort to further improve its corporate governance in preparation for growth. The Board of Directors evaluated the company's strategy, approved its multi-year growth plans and implemented a cost management plan. The company also expanded its efforts to ensure compliance with audit and regulatory requirements, in order to realize more transparency and governance while implementing its medium and long term growth plans.

While we expect the challenging market conditions to persist in the medium term, the company remains strong, both financially and operationally. The multi-year plan, defined by Milaha's management team and approved by the Board of Directors, will ensure that we continue to invest for the future, to expand our core and non-core activities, and further strengthen our capabilities to serve our customers more effectively and efficiently.

As Milaha prepares to celebrate its 60th anniversary this year, I would like to express my sincere gratitude to each and every one of our shareholders and clients for their support of the company over the years. Milaha is a stronger and more valuable company today because of this support. I would also like to thank the management and staff of Milaha for their perseverance and diligence over the years.

And finally, on behalf of my fellow members of the Board of Directors, executive management and all the employees of Milaha, I wish to express my appreciation to His Highness the Emir Sheikh Tamim bin Hamad Al Thani and to His Highness the Father Emir, Sheikh Hamad bin Khalifa Al Thani, for their vision and guidance, which have contributed greatly to the success and growth of the company.

Ali bin Jassim bin Mohammad Al-Thani
Chairman of the Board of Directors

MANAGEMENT DISCUSSION & ANALYSIS

2016 Performance Overview

Abdulrahman Essa Al-Mannai
President & CEO

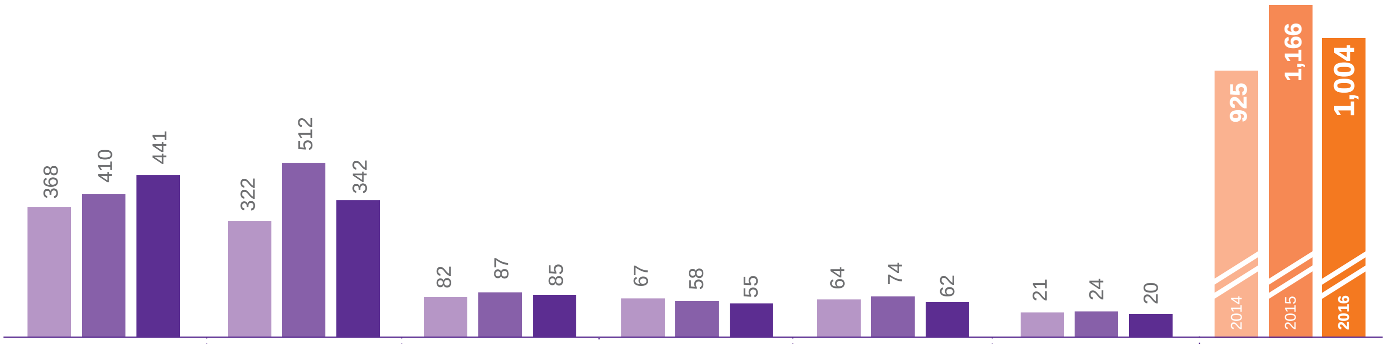
Despite the multiple macroeconomic and sector-specific challenges that we faced in 2016, Milaha remained profitable, achieving a net profit of QAR 711 million, at a time when many of our peers reported significant losses. EBITDA declined 19% from QAR 1.51 billion in 2015 to QAR 1.22 billion in 2016.

We experienced significant rate pressure across the board in our various marine transport segments, including container, gas and tanker shipping. In addition, the offshore marine services sector is in the midst of a historic downturn driven by reduced E&P spending globally and oversupply of vessels. In this difficult environment, we focused on maintaining utilisation and closely managing operating costs.

Beyond the short term numbers, as part of our multi-year growth strategy, we entered new markets, enhanced and expanded our service offerings across several sectors, and added new assets to our portfolio.

Maritime & Logistics

Operating Revenue (QR mn)



Container Shipping
- Fleet of 6 fully owned and operated vessels servicing UAE-Qatar and India-Qatar trades, along with in-chartered vessels
- Controls +90% of import feeder market & +70% of total imports
- +95% control of backhaul petchem exports from Mesaieed

Port Services
- Operate Hamad Port through a jointly owned entity (QTerminals)
- Operate Container Terminal 7 and general cargo berths in Mesaieed

Logistics
- Qatar-based land transport, freight forwarding, warehousing, contract logistics
- Will operate 3 large warehouses being developed in Qatar (2017)
- Warehousing and 3PL activities in Jebel Ali

Shipyard
- Own & operate 2 floating dock shiplifts in Messaieed
- Services include ship repairs as well as onshore fabrication services
- Caters to Milaha's own vessels as well as 3rd parties

Bulk Shipping
- Own & operate 1 Bulk Carrier
- Activities also include voyage and time chartering of vessels to fulfill COA's, largely aggregate related

Shipping Agencies
- Provide agency and chandlering services to ships calling Qatari ports
- +50% market share

Total

Fleet

Business Unit	No.	Year	Capacity
	2	2003	515 (TEU)
Container Shipping	3	2009	1,015 (TEU)
	1	2010	1,015 (TEU)
Bulk Shipping	1	2009	57,000 (DWT)

2016 Review

Net profit for the segment was QAR 144 million for the year compared to QAR 264 million in 2015, mainly as a result of lower revenue from our Port Services unit, which was affected by a drop in storage and general/bulk cargo revenue, and rate pressure in our Container Shipping unit, which still managed to grow its market share and volumes.

Container Shipping:

Increase in volumes of +20%, leading to an increase in UAE-Qatar market share from 65% to +90% by end 2016

Reduction in per TEU slot cost as fleet was gradually "upsized" throughout the year

A decline in rates per TEU affected revenue and overall profitability

Awarded a 14-month export contract by Qatalum at the end of the year

Port Services:

Revenue and profitability impacted by a decline in storage fees revenue in Doha Port. Revenue also impacted by transfer of Ro-Ro and livestock cargo to Hamad port for the full year

Reduction in general/project cargo volumes relative to 2015 with container volumes flat relative to 2016

Joined hands with Qatar Ports Management Company (Mwani Qatar) to launch QTerminals, a new entity to manage Phase 1 of Hamad Port on a 15-year concession

Awarded a 3-year contract extension to manage CT7 in Mesaieed Port

Logistics:

Improved freight forwarding profitability by over 20%, which was offset by a decline in land transport and contract logistics activities

Became the exclusive agent in Qatar for global logistics firm DSV and gained access to their global network

Awarded long term contracts by RasGas and Qatar Chemical Company (Q-Chem)

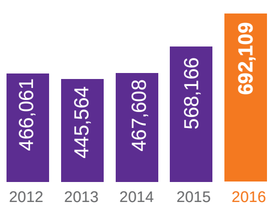
Year of significant restructuring in preparation for growth

Others:

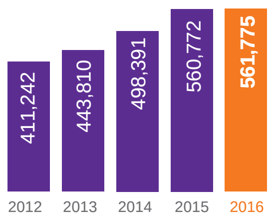
Agency and chandlering activities negatively impacted by decrease in vessel calls into Qatar, especially by key customers in the offshore sector

Awarded license to begin agency operations in Ras Laffan Port from 2017

Shipyard improved profitability due to a 25% increase in volume of non-marine work, particularly shutdowns



TEUs Carried by Container Feeder

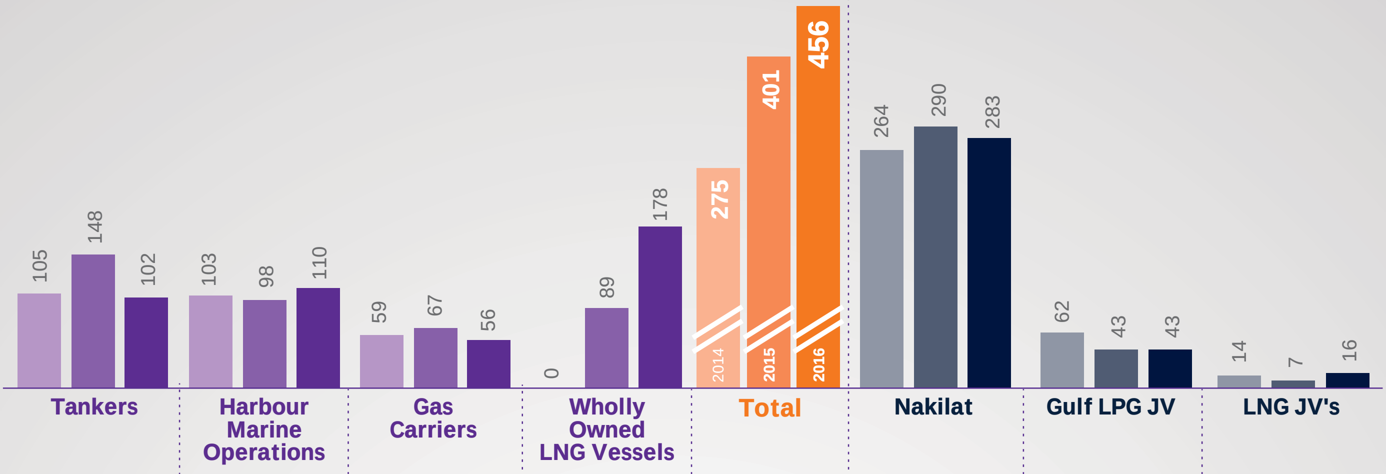


TEUs Handled by Port Services

Gas & Petrochem

Operating Revenue (QR mn)

Share of Results of JV's & Associates (QR mn)



Tankers
- Own & operate 4 Handy / LR product tankers & 1 Aframax crude carrier

Harbour Marine Operations
- Own & operate 19 mooring / pilot/tug boats in 20 yr, QR 1.9B contract in Mesaieed Port
- Own & operate 8 older boats

Gas Carriers
- Own & operate 2 LPG/ammonia carriers

Wholly Owned LNG Vessels
- Own & operate 2 LNG carriers, under long term charter contracts

Nakilat
- Own 30% of Nakilat (largest shareholder)

Gulf LPG JV
- Own 50% of 4 VLGC's in partnership with Nakilat
- All 4 built in 2008 & 2009

LNG JV's
- Own 15-30% share of 7 LNG carriers, with global players
- 25 yr charter contracts

Fleet

Business Unit	Type	No.	Year	Capacity
Tankers	Product	2	2003	37,285 (DWT)
	Product	2	2006	106,000 (DWT)
	Crude	1	2006	106,000 (DWT)
Gas Carriers	LPG/Ammonia	2	2004	22,500 (CBM)
LNG Vessels	LNG	1	2004	113,000 (CBM)
	LNG	1	2006	127,500 (CBM)

Fleet

Business Unit	Type	No.	Year
Harbour Marine Operations	Pilot Boats	2	2000
	Harbour Towage Tugs	4	2001
	Tanker Berthing Assistance Tugs	1	2004
	Pilot Boats	1	2007
	Mooring/Service Boats	10	2013
	Pilot Boat/Harbour Towage Tugs	9	2014

2016 Review

The segment's net profit was QAR 415 million for the year compared to QAR 457 million in 2015, mainly due to a slump in both tanker and gas carrier charter rates. The decline was partially offset by the full year impact of increasing our ownership in two LNG carriers – Milaha Ras Laffan & Milaha Qatar – from 40% to 100% during 2015.

Fully-owned Tanker & Gas Carrier Fleet:

Positive full year impact on profit from the increase in our share of two LNG carriers from 40% to 100%

Weak year for crude and tanker carriers as rates declined sharply after Q1 due to oversupply and lack of arbitrage opportunities

Handy size gas / ammonia carrier rates declined from the middle of 2016 and remained depressed for the rest of 2016

Harbour Marine Operations:

Maintained 100% utilisation for vessels servicing the 20-year Mesaieed harbour operations contract

Additional revenues in 2016 from deployment of older, idle vessels on one-year contract

JVs & Associates:

Overall JV's & Associates posted a 12% decline relative to 2015

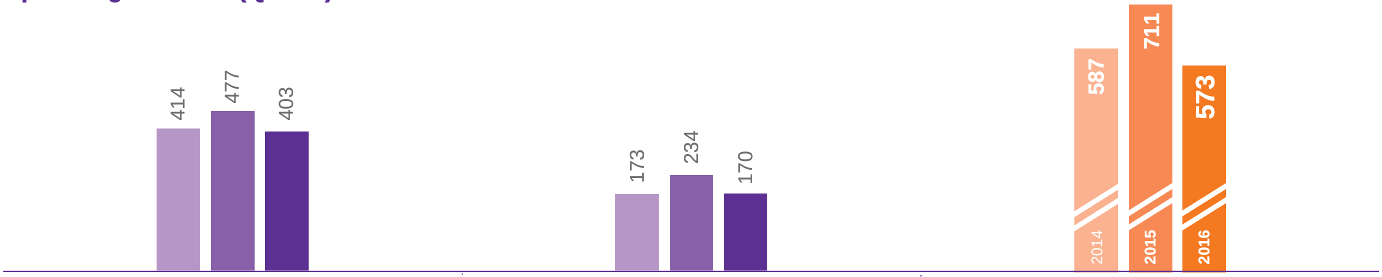
Declines in profits from Tanker, LPG and Nakilat partnerships were partially offset by stronger results from 7 LNG JV's

Market Rates for Tankers and Gas Carriers in 2016

Vessel Type Unit	LR2 Tankers USD/day	Aframax Tankers USD/day	Handy Clean Tankers USD/day	Handy LPG/ Ammonia USD '000/month	VLGCs USD '000/month
Rate in Jan 2016	34,000	35,000	20,000	830,000	1,500,000
Year high	34,000	35,000	21,000	830,000	1,700,000
Year low	8,000	7,000	3,000	430,000	380,000
Rate end Dec 2016	15,000	21,000	15,000	430,000	400,000
Source	Clarksons	Clarksons	Clarksons	Braemer ACM	Poten & Partners

Offshore

Operating Revenue (QR mn)



Vessel Chartering

- Own and/or operate a diverse fleet of offshore support vessels

Services

- Provide subsea and topside maintenance & repair services to offshore oil & gas sector
- Includes team of experienced divers/ engineers
- Support well intervention and plug & abandonment (P&A) activities for mature fields through project management and other ancillary services

Total

Fleet

Type	# Year Built				
	< 2000	2000 - 2005	2006 - 2011	2011 - 2016	Total
Safety Standby Vessels		4	4		8
Anchor Handling Tugs		4	5		9
Construction Support Vessels	2		1	2	5
Diving Support Vessels	1		1	1	3
Platform Support Vessels			1	4	5
DP2 Anchor Handling Tugs Supply Vessels			1	3	4
Wireline Support Vessels		2			2
Multi-Purpose Support Vessels		1	1	1	3
Liftboat Vessels				1	1
Total	**3**	**11**	**14**	**12**	**40**

2016 Review

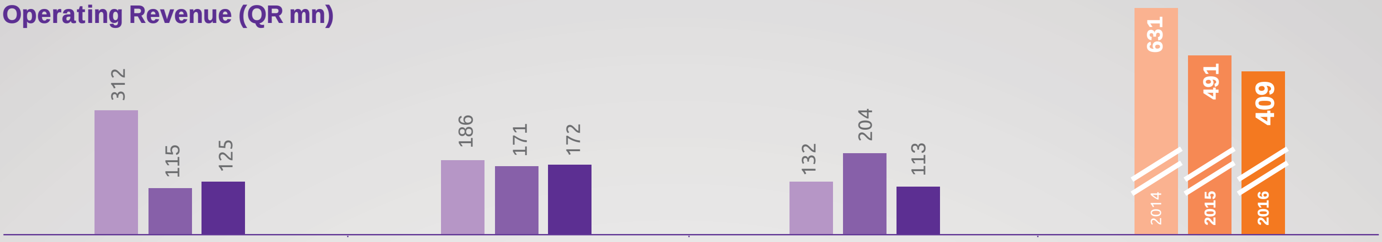
Milaha Offshore recorded a net loss of QAR 115 million for the year ended 2016 compared to a net profit of QAR 93 million for the year ended 2015, with one time impairments amounting to QAR 161 million being the primary driver. Reduced exploration and production spending by both international and national oil companies contributed to a historically-depressed market environment. However, the company continued to focus on maximising fleet utilization, which remained well above the market average, diversification of its client base, and cost optimization, which resulted in a cost reduction of over QAR 60 million relative to 2015.

Looking beyond the short term, Milaha Offshore launched an office in Singapore to cater to the South East Asian market with more specialized offshore marine solutions; increased its operations in India; and expanded its activities into the well services sector. The company also took delivery of new vessel, 'Milaha Explorer', a 300-pax liftboat which was successfully deployed in South East Asia.

Last but not least and for the first time in its history, Halul Offshore achieved 6 million man hours without a major incident as a result of its continuous focus on safety. In recognition of its efforts to maintain operational and financial success, the company won the prestigious 'Offshore Marine Award for Owners & Operators' for the second year in a row at the Seatrade Maritime Awards covering Middle East, Indian Subcontinent and Africa.

Capital

Operating Revenue (QR mn)



Investments

- Consists of Qatari equities
- QR 4.1B Available for Sale Portfolio; limited activity
- QR 485M Held for Trading Portfolio actively managed & traded inhouse
- Profit & Loss impacted by market fluctuations related to HFT portfolio only, as well as Dividend income from both portfolios

Real Estate

- Portfolio of Commercial & Residential development & land in Qatar
- Flagship 52 story Tower on 10 yr lease (2010-2020) for QR 1.1B
- Smaller properties generating rental income
- Work in Progress projects include warehousing in Al Thumama and a residential compound

Qatar Quarries

- Company involved in aggregate import trade
- Milaha owns 50% share; financials consolidated line by line

Total

2016 Review

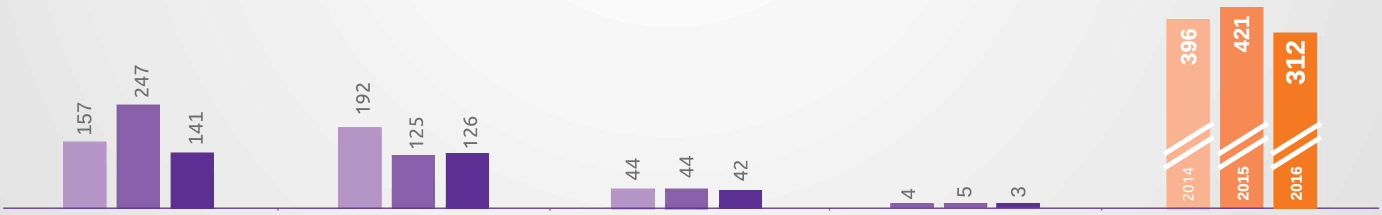
Milaha Capital's net profit for the year ended 2016 inched up 1% higher compared to the year ended 2015, with both its Financial Investments as well as its Real Estate arms holding steady in a volatile year.

Milaha's Financial Investments vastly consist of Qatari equities, and as such, performance is directly correlated to the Qatar Exchange index. The company however takes pride in having out-performed the index in previous years, and 2016 was no exception.

During 2016, Milaha's Real Estate arm continued work on two projects – warehousing in Al Thumama and a residential development in Ein Khaled – and completed the development of a technical workshop in Ras Laffan Industrial City. The warehouses in Al Thumama are expected to be handed over for operations by the 2nd half of 2017.

Trading

Operating Revenue (QR mn)



Equipment Trading Agencies

- Dealer / distributor for trucks and heavy equipment
- Principals include Hino, Doosan, Fassi, Sennebogen, Terberg

Bunker Sales

- Distribute bunker to vessels calling Qatari waters
- Pass through revenue with small margin

Marine Sales & Service

- Distributor for marine equipment - including engines, spares - and lubricants
- Principals include Doosan, Castrol, Fuchs

Travel & Tourism

- Operate a Qatar-based travel agency

Total

2016 Review

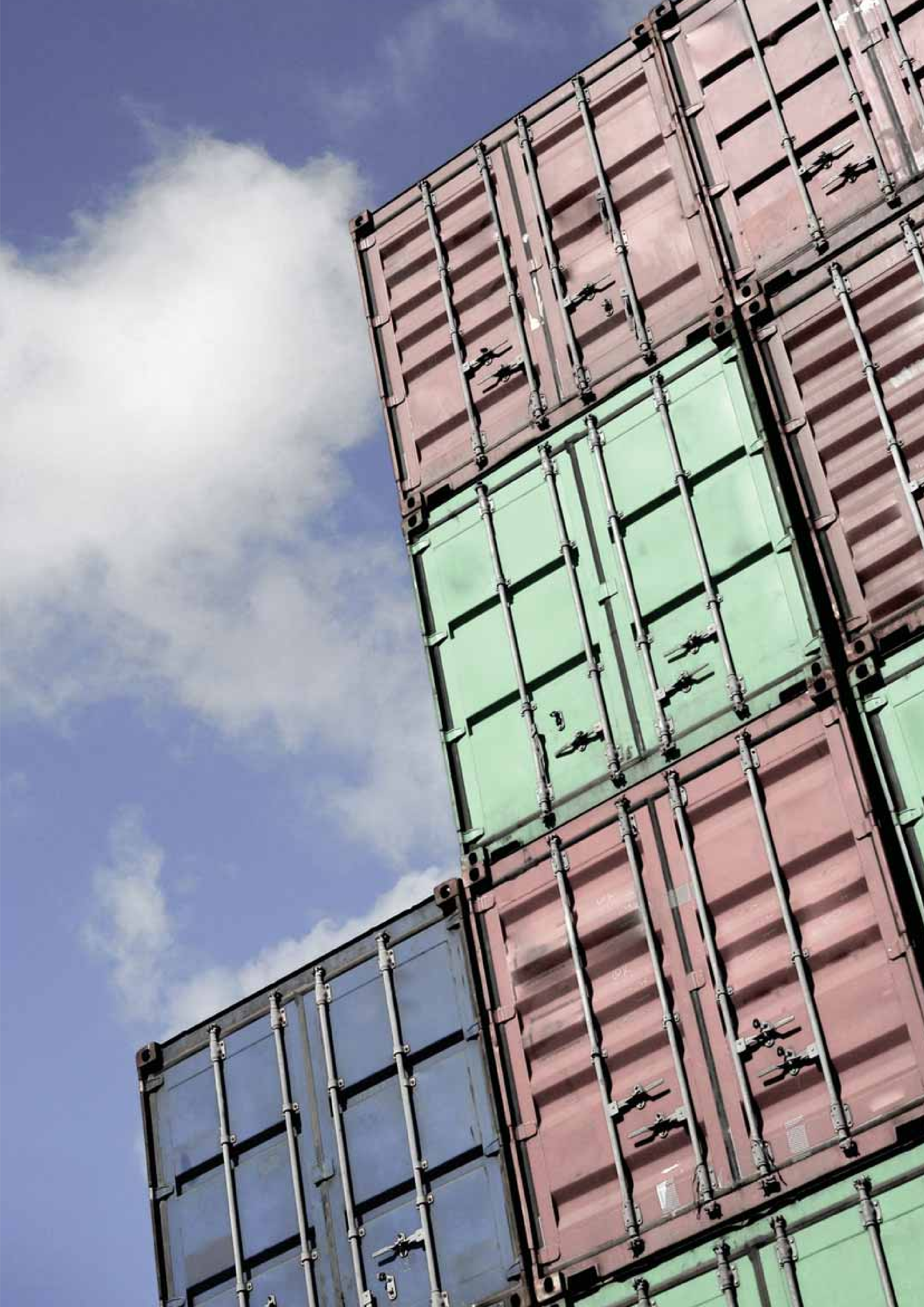
Milaha Trading's net profit was QAR 8 million for the year compared to QAR 24 million in 2015 as a result of a significantly weaker market for commercial trucks and heavy equipment, which in turn was due to a slowdown in new construction projects in Qatar during 2016.

Trading Agencies:
Sharp decline in sales of trucks and heavy equipment for the construction sector, across the Qatar market

Bunker:
Bunker sales and profits both increased relative to 2015 as a result of higher volumes

Marine Sales & Service:
Volume of lubricants increased relative to 2015, however margins were impacted by lower market prices

Travel & Tourism:
Significant decline in the Qatar travel market, as a result of reduced corporate travel and well as a shift from premium to economy seats



CORPORATE GOVERNANCE
for the financial year ending 31 December 2016

Brief History

Qatar Navigation (Milaha) Q.P.S.C (the Company) was incorporated on 5 July 1957 as a Qatari Shareholding Company and its shares are publicly traded in Qatar Exchange. The company's operational and commercial activities include marine transport, acting as agent for foreign shipping lines, providing overseas services, selling transportation vehicles and industrial equipment, repairing ships, manufacturing and installation of offshore facilities, conducting land transport, chartering vessels, and investing in real estate. The Company has a branch in Dubai, UAE which is engaged in various trading activities.

The Company acquired all the shares of Qatar Shipping Company in 2010. Prior to that, the Company had owned 15% of Qatar Shipping Company. The remaining 85% of the share capital was acquired in 2010. As a result of the acquisition, the Company gained full ownership of Halul Offshore Services Company as well, subsequent to the acquisition of Qatar Shipping Company.

The authorized and fully paid up capital of the Company amounts Qatari Riyals 1,145,252,000; accordingly the number of shares is 114,525,200. Presently the total number of Company employees approximates 3, 019.

1. Preface

The Company's Corporate Governance requires the determining of certain regulations and processes necessary for implementing the policies, procedures and measures that will establish relations between the management and the stakeholders. The objectives of Corporate Governance are to increase the returns to the stakeholders and various parties through exercising effective guidance on and control over the Company's activities, while maintaining integrity and objectivity. In broader terms, governance describes why developing an organizational structure can enable a company to better manage its resources within a legal framework. It also describes how adopting international standards will enable a company to realize transparency, integrity, and trust in the Company's financial statements and thereby boosting the confidence of debtors and lenders in the company and encouraging them to enter into transactions with the Company within their strategies. Qatar Navigation believes that applying a proper corporate governance framework and principles is essential to assist the Company in achieving its goals and realizing better performance; moreover that would improve its working environment internally and externally, protect the interests of shareholders, and assist the company in distributing the roles and responsibilities perfectly.

2. Compliance with Governance Principles

Qatar Navigation is committed to strengthening its Corporate Governance practices in line with local and global standards. The Board of Directors is committed to the setting of proper governance rules which involve the highest standards of independence, supervision, and transparency in order to maintain the confidence of current and future investors. In order to substantiate this commitment, the Board sought the help of an international firm for setting a mechanism for monitoring adherence to Corporate Governance Practices and improve internal control. The Governance report sheds light on the main elements of the control system which were designed and implemented during the fiscal year from 1 January 2016 to 31 December 2016.

3. Board of Directors

The Company's Governance system includes the Board of Directors' Charter adopted by the Board members, which outlines the duties and responsibilities of the Board. One of the most important trustworthy duties of the Board of Directors is to be loyal to the interests of the Company and its shareholders. This duty requires the Board to side with the interests of the Company and shareholders counter to their personal interests, always and faithfully. The Board of Directors is required to rely on clear and transparent information and with due diligence, and act effectively to the interest of the Company and shareholders.

The Board of Directors is also responsible for directing the general investment policy of Milaha, supervising the Company's management activities, and setting the Company's strategic targets. Under Qatar's Commercial Companies Law and the Company's Articles of Association full powers and authorities have been vested on the Board of Directors for managing and running the whole Company's business.

3.1. Formation of Board of Directors

The Board of Directors consists of eleven members, and the membership term for each Director is three years. Election of the Board members may occur as per the Company's Articles of Association and the Qatari Commercial Companies Law. The Board of Directors' current term began in April 2015 for a period of three years (i.e. 2015- 2016- 2017).

The following table presents information relating to the Board members:

No.	Name	Membership since	Position in the Board	Function	Representation in other companies	Number of Shares
1.	Sheikh Ali bin Jassim bin Mohammad Al-Thani	2003	Chairman	Non–Executive		101,574
2.	Sheikh Khalid bin Khalifa Al-Thani	2012	Deputy Chairman	Non-executive and non-Independent	Qatar Petroleum	9,863,964
3.	Sheikh Jassim bin Hamad bin Jassim Jabor Al-Thani	2000	Member	Non-executive and non-Independent		144,403
4.	Mr. Adil Ali Bin Ali	1994	Member	Non-executive and non-Independent	Ali bin Ali Organization	1,863,034
5.	Mr. Sulaiman Haidar Sulaiman	2003	Member	Independent and Non-executive		40,000
6.	Mr. Ali Ahmad Al-Kuwari	2005	Member	Non-executive and non-Independent		51,000
7.	Mr. Saad Mohammad Saad Al-Romaihi	2010	Member	Non-executive and non-Independent		46,000
8.	Mr. Ali Hussain Al-Sada	2010	Member	Non-executive and non-Independent		1,070,180
9.	Mr. Hamad bin Mohammad Al-Mana	2009	Member	Non-executive and non-Independent		969,262
10.	Dr. Mazen Jassim Mohammad Jaidah	2009	Member	Non-executive and non-Independent		98,326
11.	Mr. Salman Abdullah Abdulghani	2015	Member	Non-executive and non-Independent		84,824

3.2. Authority of the Board of Directors

The Board of Directors has the widest authorities necessary for reviewing and setting the Company's strategic goals and targets, and it is responsible for achieving these objectives and targets by monitoring the implementation of the policies, through the executive management. Under Qatar's Commercial Companies Law and the Company's Articles of Association, the Board of Directors invites the shareholders for attending the ordinary or extraordinary general assembly meetings in order to obtain their approval on issues and resolutions which are not within the Board's authority. The Chairman will practice his responsibilities independent of the responsibilities of the President and CEO of the Company, who is appointed by the Board of Directors. The organizational structure of the Company reflects the official responsibilities of either of them separately.

Duties of the Chairman

According to the Company's Articles of Association and the Board's Charter, the duties of the Chairman include, for example but not limited to, the steering of the Board's work efficiently and effectively, including that he should ensure that the Board members are obtaining timely full information on the Board's work, and that essential issues are discussed properly and effectively as per the agenda of each meeting, and that any issue proposed by any Board member is taken into consideration. The Chairman may delegate this role to another Board member.

3.3. Board Meetings

The Board holds its periodic meetings according to a pre-approved schedule. At least six meetings should be held annually as per the Articles of Association of the Company and according to the Qatari Commercial Companies Law No. 15 of 2015.

A Board meeting is held upon a call from the Chairman or his deputy (in the Chairman's absence) shall invite for the meeting. A meeting may also be invited for when two Board members so request. Invitations should be sent at least seven days prior to the scheduled meeting date along with a detailed agenda. The Board of directors has held five meetings, in addition to some resolutions adopted off-meeting, during the fiscal year ending 31 December 2016.

3.4. Secretary of the Board

The Board has appointed a lawyer to act as the Board Secretary working under the direct supervision of the Board's Chairman. The Board Secretary has experience in preparing the Board meeting agenda, ensuring that the invitations for Board meetings are delivered to all Board members, as well as recording, maintaining, and distributing the meeting minutes to the members of the Board. After the Board approves the minutes, the Secretary distributes them to the relevant departments. The Secretary is also assigned with the task of following up on the implementation of the Board's decisions and presenting a report on the findings to the Board in every meeting for their review. The report will either provide a confirmation that all decisions issued by the Board are executed, or present the reasons behind the failure to execute the decision(s). The Secretary is also responsible for ensuring the distribution of information relating to the Company as and when requested by members of the Board.

The Board members have the right to utilize the services of the Board Secretary and his/her advice. The Board's Secretary can only be appointed or dismissed by a Board of Directors resolution.

3.5. The Board Committees

The Board of Directors establishes Committees reporting to Board which will assess the performance of each of the committees based on standards set in the corporate governance charter. Generally, the Board committees do assist the Board in performing its duties, and carrying out the overall responsibilities of the Board in managing the Company.

The Board of Directors has established four committees for assistance and to facilitate the execution of the Board's obligations and responsibilities. The committees were:

1. Executive Committee
2. Audit Committee
3. Incentive and Remuneration Committee
4. Nomination Committee

The tables below show the formation of the Committees with brief description of the duties assigned to each:

3.5.1. Executive Committee

This committee was initially formed in March 2009, then it has been reformed in the subsequent terms of the Board. The most important duties of the Committee, according the Executive Committee's Charter Is overseeing the investment activities, which are outside the authority of the Chairman and the Chief Executive Officer, in order to protect the interests of the Company from potential risks.

No.	Name of the Member	Position
1.	Sheikh Khalid bin Khalifa Al-Thani	Vice Chairman Chairman of the Executive Committee
2.	Sheikh Jassim bin Hamad bin Jassim Jabor Al-Thani	Board member Member of the Executive Committee
3.	Mr. Adil Ali Bin Ali	Board member Member of the Executive Committee
4.	Mr. Ali Ahmad Al-Kuwari	Board member Member of the Executive Committee
5.	Mr. Hamad bin Mohammad Al-Mana	Board member Member of the Executive Committee

3.5.2. Audit Committee

This committee was initially established in 2003, and then has been repeatedly reformed in all subsequent terms of the Board. The duties of the committee include assisting the Board in carrying out its supervisory responsibilities by reviewing the financial data presented to the shareholders and other relevant parties. The Audit Committee also oversees and reviews the findings and comments in the audit reports prepared by the Internal Audit and External Auditors. The committee monitors the compliance of Departments with the Board policies and applicable laws, regulations, and authoritative instructions. The committee also submits periodical reports about the results of its activities to the Board. The committee does not include any member who was previously employed with the Company's external auditor. The committee held four meetings in the year 2016.

No.	Name of the Member	Position
1.	Mr. Sulaiman Haider Sulaiman	Board member Chairman of Audit Committee
2.	Dr. Mazen Jassim Jaidah	Board member Member of Audit Committee
3.	Mr. Salman Abdullah Abdulghani	Board member Member of Audit Committee

3.5.3. Incentive and Remuneration Committee

This Incentive and Remuneration Committee was formed by the Board in September 2010, and then it has been repeatedly reformed in all subsequent terms of the Board. Its duties include setting the remuneration policy for Board members and Company's employees, and ensuring proper implementation of these policies. The remuneration for the executive management will be based on the profit recognized at the end of the fiscal year.

No.	Name of the Member	Position
1.	Mr. Adil Ali Bin Ali	Board member Chairman of the Remuneration Committee
2.	Mr. Saad Mohammad Al-Romaihi	Board member Member of the Remuneration Committee
3.	Mr. Sulaiman Haider Sulaiman	Board member Member of the Remuneration Committee

3.5.4. Nomination Committee

The Nomination Committee was formed in the last quarter of 2014. The duties of the committee include reviewing the nominations for the Board of Directors' membership and monitoring adherence to Qatar's Commercial Companies Law, Company's Articles of Association, and standard corporate governance rules. The Nomination Committee presents the list of nominees for election in the General Meeting. The Nomination Committee also performs an annual self-assessment of the Board.

No.	Name of the Member	Position
1.	Saad Mohammad Al-Romaihi	Board member Chairman of Nomination Committee
2.	Dr. Mazen Jassim Jaidah	Board member Member of Nomination Committee
3.	Mr. Ali Hussain Al-Sada	Board member Member of Nomination Committee

3.6. Board Remuneration

The remuneration for the Board members is determined in accordance with Article (40) of the Company's Articles of Association and Article (119 of Qatar's Commercial Companies Law. Moreover, the Board recommends the amount of cash compensation for the Board members assigned with management responsibilities in the Company.

In addition to the Board committees, as part of the overall governance framework, the Company has formed management committees to oversee the main business activities.

4. Conflict of Interests and Insider Trading

In addition to the provisions of Milaha's Articles of Association and the Board of Director's Charter, the company adopts the policy detailed below regarding its transactions, for deterring the conflict of interests and insider trading:

4.1. The Company's policy for preventing conflict of interests and insider trading comprise general rules and procedures that govern the Company's involvement in any commercial transaction with a related party. In general the company may not enter into any commercial transaction or contract with a related party, without fully observing the terms and conditions provided for in the Commercial Companies Law and the Company's policy on related parties, including the principles of transparency, equity, and disclosure.

4.2. In the event of presenting to the Board's meeting an issue of conflict of interests or a commercial transaction between the Company and a member of the Board or a related party, this matter should be discussed in the absence of the concerned Board member. The member should never participate in voting on the transaction, and the transaction should be made according to market prices and on absolute commercial basis, and without including conditions contrary to the interests the Company.

4.3. On the occurrence of such transactions they should be disclosed in the annual report which will be presented in the General Assembly meeting following these commercial transactions.

4.4. The trading in the Company's shares and other securities by members of the Board, executive management and key personnel should be disclosed. The Company is adopting obvious rules and procedures governing such trading based on the procedures in force in Qatar Exchange.

5. Duties and Other Obligations of The Board

5.1. Ensuring the attendance of the members of the Executive Committee, Incentives & Remuneration Committee, Nomination Committee, Audit Committee and internal auditor, and representatives of the external auditors in the General Assembly Meetings.

5.2. To hold induction session for the new Board members in order that they attain understanding of the Company's activities and operations, and become fully aware of their obligations.

5.3. The Board members are responsible for understanding their role and duties and for educating themselves about the financial, commercial, and industrial issues, and the operations and activities of the Company. For this purpose, the Board should approve and implement adequate and official training courses aimed at augmenting the skills and knowledge of the Board members.

5.4. The Board members should always be aware of the latest developments in the area of governance and of the best relevant practices.

5.5. The Board members should regularly attend the meetings of the Board. In the event of absence, the provisions of Article No. (36) of the Company's Articles of Association and the Board's Charter will be applied.

6. Appointing The Board Members - Nomination Committee

As per the conditions mentioned in the Commercial Companies Law and the Company's Articles of Association, the following should be observed:

6.1. Nomination and appointment of the Board members should take place in accordance with the procedures stated in the Commercial Companies Law and the Company Articles of Association.

6.2. The Board of Directors formed a Nomination Committee in 2014 which has been re-formed in 2015 from among the Board members prior to the next election of the Board members. The Nomination Committee is required to verify the applications of nomination to the membership of the Board of Directors, ensure the application's conformity with the conditions provided for in the Commercial Companies Law, Company's Articles of Association, as well as the stipulation of Clause no. (15) of the Governance charter. (The nomination through the Committee does not prevent any shareholder of the company from standing by himself or from being nominated to the election)

6.3. Nomination should take into account, among other things, the ability of candidates to departing ample time for carrying out their duties as Board members, in addition to own skill, knowledge, experience, qualifications (professional, technical and academic), and personality. Nominations should also take into account "the appropriate guidelines for nominating the Board members" which are subject to changes by the Authority from time to time.

6.4. The Nomination Committee should approve and publish its framework in a way which accurately describes its authority and its role, in accordance with the Nomination Charter approved by the Board of Directors.

6.5. The role of the Nomination Committee will include conducting an annual self-assessment of the Board's performance. Board self-assessment mechanism has been developed and the self-assessment exercise will be performed in 2016.

6.6. The Nomination Committee must observe any conditions or requirements in connection with nominating, electing, or appointing Board members issued by any other authority.

7. Internal Audit

7.1. Roles and Responsibilities of the Internal Audit Department

The Internal Audit Department is responsible for providing Milaha's Board of Directors with reasonable assurance on the effectiveness of the governance system, internal controls, and risk management systems pertaining to Milaha and all its subsidiaries.

The Internal Audit Department enjoys full independence in order to perform without limitations and express its opinion objectively, owing to its reporting directly to the Audit Committee formed by Milaha's Board of Directors. The management of Milaha is responsible for supporting the Internal Audit Department in order to ensure its independence.

The Internal Audit Department is responsible for performing an independent review on the Company's financial statements, records, regulations, procedures, and internal regulations in the Company's head office or any other premises, and for submitting the findings to the Audit Committee.

The Internal Audit department is responsible for evaluating the internal controls responsible for preventing the misusing of the company's assets and properties. The Department also conducts surprise warehouse inventory stock taking and cash counts at different locations. These activities are conducted to verify the existence of the fixed assets and ensure that they are recorded properly. The internal audit is responsible for ensuring that the operational processes are in line with approved policies and procedures which involve robust internal controls corresponding to each process of operations. The Internal Audit function is the strengthening of the integrity and effectiveness of the various business units of the company.

The Internal Audit Department is responsible for ensuring that all the Company activities are compatible with the Company's policies and procedures, applicable laws in the State of Qatar, and the obligations set out in the contracts signed by the company, and also responsible for ensuring that the Company follows the best standards and business benchmarks.

The Internal Audit Department is responsible evaluating the Company's operational procedures and identifying to what extent the results are matching with set targets, and identifying the extent the procedures implemented are matching with the plans.

The Internal Audit Department is responsible for evaluating the design of the data processing electronic systems of the Company, and for the essential modifications to the current systems required for determining the efficiency and effectiveness of the internal control system.

7.2. Audit Plan

At the beginning of every fiscal year, the Vice President - Internal Audit prepares a risk based internal audit plan and an audit program and present them to the Audit Committee for approval.

The audit plan and the audit program cover the Company and all its business units and no activity is excluded from the scrutiny of internal audit. The internal audit staff members have full freedom to examine any documents or records they deem necessary for carrying out their obligation.

The Internal Audit Department is responsible for executing the audit plans and programs approved by the Audit Committee and submitting periodic reports which include their observations and recommendations to the Audit Committee. The Audit Committee periodically presents reports to the Board on significant audit issues and provides assurance to the Board about the existence of a sound internal control system in the Company.

8. The External Auditor

The external auditors are appointed by the General Assembly upon recommendations of the Board of Directors. In the General Assembly meeting held on 16 March2016 the shareholders approved the appointment of M/s KPMG as the company's external auditor for the year 2016. KPMG are certified auditors working independently from the Board of Directors and the Company's management.

The Company usually ensures the absence of any conflict of interests between the Company and the external auditors before their appointment. If it appeared, after their appointment, that the matter had been otherwise, the external auditor should be replaced. The external auditor or any of his staff may not be a member of the Board or occupy any position in the Company.

The external auditors perform an independent audit of the annual financial statements and a review of the half yearly financial statements prepared as per International Financial Reporting Standards (IFRS). The financial reports are published in local newspapers in both Arabic and English languages and are also posted on the Company's website and Qatar Exchange's website to allow the shareholders and the public in general to access the Company's information.

The external auditors have the right to examine any records, books and documents in the Company and to ask for any information deemed necessary to perform their duty as auditor.

Further, the external auditors has to attend meetings with the Audit Committee and with the Board. They also attend the General Assembly meetings to answer questions raised by the shareholders regarding the Company's financial statements.

9. Disclosures

The Company is fully committed to abiding by QFMA disclosure requirements. The major events of the Company should be disclosed to Qatar Exchange and to the media according to the instructions of QFMA and requirements of the company's Articles of Association. A summary of the financial statements is sent to the shareholders prior to the General Assembly meeting. The annual report should be distributed to the shareholders in the General Assembly meeting. The annual report will include important information pertaining to the Company's activities and the financial statements prepared as per the International Financial Reporting Standards. Disclosed below is the number of shares held by the Board members and by major shareholders as of 31/12/2016:

- Number of shares held by the Board members : 14,332,567
- Number of shares held by major shareholders : 37,357,299

10. Records of Assets

10.1. The Company maintains up-to-date accurate records of the shareholdings based on information obtained from Qatar Exchange.

10.2. According to the instructions issued by Qatar Exchange to listed companies, the shareholder records are deposited with Qatar Securities Central Depositary Authority which is the party responsible for shareholder affairs. The Company has delegated the task of maintaining and organizing this record, in accordance with Articles (159) and (160) of the Commercial Companies Law. Any shareholder has the right to approach Qatar Securities Central Depositary Authority for viewing the record book as per the controls issued by Qatar Financial Markets authority.

11. Obtaining of Information

11.1. Every shareholder has the right to view the company's Memorandum of Association and the Articles of Association and obtain general information about the Company as per the controls provided for in this regard.

11.2. Milaha has a website where, according to law, charter, and relevant rules, all disclosures and general information that should be made public are posted.

12. Shareholder Rights Regarding Distribution of Dividends

The Board of Directors presents to the General Assembly a clear policy on the distribution of dividends as per the company's Articles of Association and Commercial Companies Law, and justifies such policy based on the benefit of both the Company and the shareholders.

13. Capital Structure, Shareholders Rights, and Major Transactions

13.1. The Capital structure is disclosed in the Company's Annual Report. Which is presented to the shareholders General Assembly according to International Accounting and Auditing standards. The Company's authorized and fully paid-up capital amounts to QR 1,145,252,000 corresponding to 114,525,000 shares.

13.2. In the event that substantial transactions are approved while the minority shareholders voted against them, the Board of Directors should ensure the protection of the minority shareholders.

13.3. The Board is abiding by Article (7) of the company's Articles of Association through a mechanism that ensures equal rights for all the shareholders in the sense that ownership of a single shareholder, whether being a natural or legal person, may not exceed 10 % of the share capital.

14. Rights of Other Stakeholders

The Company's executive management is safeguarding the rights of the stakeholders and related parties (i.e. shareholders, employees, creditors, clients, customers, suppliers, investors, etc.)

The Board of Director do ensure the application of principles of fairness and equality among all employees without discrimination on the basis of race, gender or religion.

The higher executive management is also undertaking the role of distributing incentives to the employees according to the remuneration policy approved by the Board.

Under the provisions of the Company's Personnel Regulations the executive management is required to encourage the employees by boosting positive work environment in the Company, and resolve their problems without negatively affect their productivity and performance, encourage them to unfold their problems freely to their managers.

The Board has adopted a mechanism allowing employees of the company to notify the Board about any suspicious behavior which may constitute legal violations or cause damages to the Company. The Board do ensure confidentiality to such employees and will protect them from any harmful reaction by their managers or other employees.

15. Shareholder Rights

The shareholders do enjoy the rights secured to them by the Commercial Companies Law and the Articles of Association, and Governance Charter of the Company. Each shareholder who attends the General Assembly meeting has the right to discuss the topics listed in the agenda and direct questions to the Board members and the auditors. The Board members must respond to the questions and inquiries raised by the shareholders to the extent that does not endanger the Company's interest.

The shareholders also have to exercise their voting rights at the General Assembly meeting, and may also delegate their voting right to another member who is attending the meeting.

The annual General Assembly meeting of shareholders is held in accordance with Article (49) of the Company's Articles of Association and the provisions of Commercial Companies Law. The shareholders will receive notification of this meeting in advance. The notification will be sent to the stakeholders, Qatar Exchange, and QFMA and published in the local newspapers and the company's website. Copies of the Annual Report and the financial statements will be provided to shareholders before the scheduled meeting to allow them to discuss the contents of the report with the Board of Directors.

16. Investor Relations

The Company maintains good relations with the shareholders through open and transparent communication channels. Information is regularly provided to the existing and prospective investors and related parties through the website of Qatar Exchange and various media outlets in addition to the company's website: www.milaha.com. The website provides detailed information to the shareholders about the Company's governance, financial statements and other important information. This will be through accessing the Shareholders & Investor Relations window on the Company's website.

17. Compliance with Law and Regulations

The Company has never been subject to any fines or penalties from regulatory authorities for non-compliance with laws and regulations during the fiscal period. Such fines or penalties, if any, would have impaired the shareholders' rights.

Corporate Governance Checklist

Article #	Item #	Compliance	Non-compliance	N/A	Governance applications	Non-compliance justifications
Article 1 Definitions	Definitions for the following items adopted by the company (in governance policies) in compliance with Article 1: • Independent Board Member • Non-executive Board Member • Major Transaction • Substantial Commercial or Financial Transactions • Related Party • Relative	√			• The Company has adopted the definitions referred to in the corporate governance code for companies listed on Qatar Exchange, and regulated by Qatar Financial Markets Authority (QFMA).	
Article 2 Comply or Clarify	Governance Report is prepared which defines the company's compliance with QFMA standards and provides explanations for items not complied with and the reasons and rationale for non-compliance	√			• The report has been prepared in accordance with QFMA corporate governance code, which is based on the principle of " " comply or explain the reasons for failing to comply"	
Article 3 The company should adhere to the principles of governance	3-1 The Board shall ensure the company's compliance with QFMA Code	√			• The Board of Directors has the authority for reviewing and updating the Company's strategic targets and is responsible for achieving these targets through monitoring the application of the strategies by executive management, as outlined in Qatar's Commercial Companies Law and the Company's Articles of Association.	
	3-2 The Board shall review and update the approved governance applications regularly	√				
	3-3 The Board shall set and periodically review rules of professional conduct for Board members, company employees and consultants. (Such Rules of Professional Conduct may include but not limited to the Board's Charter, Audit Committee Charter, Company Regulations, policy of Related Party Transactions and Insider Trading), the board shall also review the rules of professional conduct periodically for ensuring that such rules are reflecting the best practices and fulfill the requirements of the company	√				
Article 4 Board's charter	The Board shall approve its charter, which should detail the responsibilities and duties of the board members that they should fully adhere to. The charter should be drafted in accordance with the provisions of this system and as per the guidelines attached to the system. When reviewing the charter, the amendments intro-duced by the Authority from time to time should be considered, the charter should be published by the board on the company's website, available to the public	√			• The Board's Charter has been published on the Company's website.	

Corporate Governance Checklist (Continued)

Article #	Item #	Compliance	Non-compliance	N/A	Governance applications	Non-compliance justifications
Article 5 Board's role & responsibilities	5-1 The company shall be managed effectively by the board of directors which shall be individually and collectively responsible for management of the company appropriately	√			• The Board of Directors is also responsible for directing the general investment policy of the Company, supervising the Company's management activities, and setting the Company's strategic targets. Both Qatar's Commercial Companies Law and the Company's Articles of Association gave the Board of Directors full control and authority for managing the Company • The Board of Directors has the authority to set and revise the Company's strategic targets and is responsible for achieving these targets through monitoring the implementation of the strategies by the executive management as stipulated in Qatar's Commercial Companies Law and the Company's Articles of Association. • The Board of Directors has already developed appropriate governance rules which include the highest controls of independence, supervision, and transparency in order to maintain the confidence of current and future investors. • The Board of Directors is undertaking the role of forming subordinate Committees and assessing the performance of these committees on the basis of the standards set out in the Corporate Governance Charter. Generally the Committees assist the Board in carrying out its responsibilities & duties in managing the Company. The Board of Directors has formed four committees for this purpose.	
	5-2 In addition to the board obligations and responsibilities stated in the board of directors' charter, the board shall undertake the following tasks:	√				
	5-2-1 Approving the company's strategic targets, appointing the mangers, determining their compensations and way of replacing them, reviewing the performance of the management and ensuring that plans for succession to the company's administration are in place	√				
	5-2-2 Ensuring the company's compliance with the relevant laws and regulations and the compliance with the company's articles of association, the board shall also be responsible for protecting the company from any illegal, abusive or inappropriate actions and practices.	√				
	5-3 The board has the right to delegate some of its powers to special committees to undertake certain duties; and the committees shall perform their tasks under clear written instructions regarding the nature of tasks. In all cases the board is held responsible for the powers or authorities it delegates and for the actions of these committees.	√				

Corporate Governance Checklist (Continued)

Article #	Item #	Compliance	Non-compliance	N/A	Governance applications	Non-compliance justifications
Article 6 The fiduciary obligations of the Board members	6-1 The board shall represent all shareholders , carry out due diligence in managing the company, and comply with the corporate authority as outlined in relevant laws and regulations including this system and the board's charter	√			• The Company's Governance Structure, including the charter adopted by the Board of Directors, is compiled in accordance with the provisions of Article no. (4) of QFMA Corporate Governance Code, which outlines the duties and responsibilities of the Board. One of the most important duties entrusted to a Board of Directors is to act to the best interest of the Company & shareholders. This duty requires the Board to place the interests of the Company and its shareholders above their own interests and to perform always faithfully and with due diligence. • Board members shall always act on clear information, faithfully to protect the interests of the company and shareholders	
	6-2 Board members shall always act on clear information, faithfully to protect the interests of the company and shareholders	√				
	6-3 The board members should act effectively to fulfill their responsibilities towards the company	√				
Article 7 Segregation of the positions of Chairman and the CEO	7-1 The same person may not hold or exercise both the position of chairman with the position of CEO or any other executive position in the company	√			• The Chairman fulfils his responsibilities independently from the responsibilities of the President & CEO	
	7-2 In all cases, no single person shall have unfettered decision making power.	√				
Article 8 Duties of the chairman	8-1 The chairman shall be responsible for ensuring the proper functioning of the board in an appropriate and effective manner including the board members' timely receipt of complete and accurate information	√			• According to the Company's Articles of Association and the Board's charter, the duties of the Chairman include, but are not limited to, ensuring that Board members are adequately informed of all Board-related matters timely, ensuring that essential issues are discussed properly and effectively as per the agenda of each meeting, and taking into consideration any issue proposed by any member in the Board. The Chairman may assign this responsibility to another Board member,	
	8-2 The chairman may not be a member of any board committees mentioned in this code	√				
	8-3 The duties and responsibilities of the chairman, along with the duties mentioned in this code, shall include but not limited to the following: 1. Ensure that the board discusses all main issues in an efficient and timely manner	√				

Corporate Governance Checklist (Continued)

Article #	Item #	Compliance	Non-compliance	N/A	Governance applications	Non-compliance justifications
Article 8 Duties of the chairman	2. Approve the agenda of every board meeting taking in consideration any matter proposed by any board member, this task may be delegated by the chairman to a board member but the chairman shall remain solely responsible for any actions performed by the board member	√			however the Chairman remains responsible for ensuring that the assigned Board member performs his task properly. The Chairman encourages all Board members to participate effectively in the Board activities to ensure that the Board is functioning in the best possible way. The Chairman also ensures that effective communication with the shareholders is maintained and that the opinions of shareholders are conveyed to the Board. • In 2016 the Nomination Committee completed the mechanism for assessing the Board.	
	3. Encourage all board members to fully and effectively participate in performing the duties assigned to the board to ensure that the board is functioning to achieve the interests of the company	√				
	4. Ensure that effective communication channels are in place with the shareholders and that their points of view are received by the Board.	√				
	5. Allow effective participation of the non-executive board members in particular and encourage any constructive relations between executive and non-executive board members	√				
	6. Ensure the completion of annual assessment of the Board's performance.	√				
Article 9 Board composition	9-1 The board's composition shall be outlined in the company's articles of association, such composition must include executive and non-executive board members as well as independent board members to ensure that decisions of the board are not dominated by an individual or by a small group	√			• Election of the Board members may take place as per the Company's Articles of Association and Qatar's Commercial Companies Law as amended and it is currently in force. • One of the most important duties entrusted to the Board of Directors is to work for benefit of the Company and its shareholders.	• This is due to the amendment of the terms and conditions included in the Corporate Governance System for listed companies on 27 January 2009 which resulted in altering the stipulation of the Article from addressing the period of membership of a Board's member to providing for the percentage of shareholding of an independent Board member. Accordingly, the percentage of shareholding of an independent member shall not exceed the number of shares required for ensuring his membership in the Board of Directors
	9-2 At least one third of the board members must be independent members, and the majority of members must be non-executive members		√			
	9-3 A Board member must have adequate experience and knowledge to efficiently perform his duty to achieve the interests of the company, and he should give ample time for working to achieve the company targets	√				
	9-4 The candidate to a position of independent board member shall not be holding shares more than the number of shares required to ensure his membership in the board of directors		√			

Corporate Governance Checklist (Continued)

Article #	Item #	Compliance	Non-compliance	N/A	Governance applications	Non-compliance justifications
Article 10 Non-executive board members	10-1 Duties of non-executive board members include but not limited to the following: 10-1-1 Participation in the board meetings and give their independent opinion in relation to strategic issues, policy, performance, accountability, resources, key appointments and work standards	√			• Duties of non-executive members of the Board of Directors include, but not limited to, the following: Non-executive Board members participate in Board meetings and provide independent opinion on the strategic issues, performance and accountability, key appointments, and work standards etc. They also give priority to the interests of the Company and shareholders in the existence of conflicting interests. They participate in the Company's audit committee to evaluate the Company's progress towards achieving its agreed targets. This involves reviewing performance reports which include annual, bi-annual and quarterly reports. They also oversee the developing of the corporate governance policies and procedures and oversee the application of these policies and procedures depending on their skills, experiences, specializations, and qualifications. This is achieved through their association with various committees, regular attendance of the Board meetings, their effective participation in the general assemblies, and their understanding of the shareholders' requirements and opinions. Usually most of non-executive Board members seek the opinion of independent consultants on issues of the Company.	
	10-1-2 Ensuring that priority shall be given to the company's and shareholders' interests in case of conflict of interest	√				
	10-1-3 Participation in the company's audit committee	√				
	10-1-4 Monitoring the company's performance for realizing the targets agreed upon and reviewing its performance reports including the annual, half yearly and quarterly reports	√				
	10-1-5 Overseeing the laying down of procedural rules of Corporate Governance and ensure that such rules are implemented in accordance with such rules	√				
	10-1-6 Making their skills, experiences and diverse specializations available to the board of directors and its different committees through their regular presence in the board meetings and their effective participation in the GA meetings and understanding the shareholders' opinions in balanced and appropriate ways.	√				
	10-2 The majority of the non-executive board members may ask for obtaining the opinion of independent external consultant at the company's expense, in relation to any issue relevant to the company	√				

Corporate Governance Checklist (Continued)

Article #	Item #	Compliance	Non-compliance	N/A	Governance applications	Non-compliance justifications
Article 11 Board meetings	11-1 The board shall hold meetings regularly to ensure that the board is effectively performing its duties. The board should hold at least 6 meetings annually, minimum one meeting every 2 months	√			• The Board holds periodic meetings according to a pre-approved schedule. No less than six meetings should be held annually as per the Articles of Association of the Company and the Qatari Commercial Companies Law. • A Board meeting is held upon a call from the Chairman or his deputy (in case of Chairman's absence). A meeting may also be held if two Board members call for a meeting. Invitations should be sent at least seven days before the meeting date along with a detailed agenda. During the fiscal year ending 31 December 2016 the Board of directors did hold 5 meetings in addition to some resolutions adopted off meeting	
	11-2 The board shall meet when invited by the chairman or upon a written request presented by 2 board members, the invitation and the agenda shall be sent to the board members at least one week before the scheduled meeting, given that any board member have the right to add any issue to the meeting's agenda	√				
Article 12 Secretary of the Board	12-1 The board shall appoint a board secretary to perform the following duties: recording the minutes of board meetings and maintain the board decisions in a special record in a serial number, and reports raised to the board. The board's secretary shall, under the chairman's supervision, maintain and distribute the working papers of the meetings and the documents and the information and the agenda and shall coordinate with the board members and other stakeholders including the shareholders , the management and employees	√			• The Board appointed a lawyer as Board Secretary to work under the direct supervision of the Board Chairman. The Board Secretary is well experienced in preparing the Board meeting agenda, ensuring that Board meeting invitations are delivered to all Board members, and in recording, maintaining, and distributing the meeting minutes to the Board. After the Board approves the minutes, the Secretary distributes them to the relevant departments. The Secretary is also assigned the task of following up on the implementation of the Board's decisions and submitting a report on the findings to the Board at every meeting for their review. The report will either provide a confirmation that all decisions issued by the Board are executed, or present the reasons behind the failure to execute the decision(s). The Secretary is also responsible for ensuring the distribution of information relating to the Company as and when required by members of the Board.	
	12-2 The board secretary shall ensure that board members are having full and timely access to the minutes of board meetings, information, documents and records pertaining to the board of directors	√				
	12-3 Board members shall have access to the services and advises of the board secretary	√				
	12-4 the board shall have the sole right to appoint or remove the board's secretary	√				

Corporate Governance Checklist (Continued)

Article #	Item #	Compliance	Non-compliance	N/A	Governance applications	Non-compliance justifications
Article 12 Secretary of the Board	12-5 It's preferable that the board secretary be a staff of a professional accredited accounting firm or a member of a recognized or chartered body of corporate secretaries or a lawyer or a graduate from a recognized university or equivalent, having at least 3 years of experience in handling the affairs of a public listed company.	√			The Board members have the right to utilize the services of the Board Secretary and request his advice. The Secretary can only be appointed or dismissed by resolution of the Board of Directors.	
Article 13 Conflict of interests and insider trading	13-1 The company shall adopt and announce its general rules and procedures that govern the company's transactions with related parties (known as the general policy of the company regarding related parties). In all cases, the company may not conclude any transaction with related parties unless the company is fully complying with the aforementioned policy, such policy include the principles of transparency, equity and disclosure in addition to obtaining the approval of the General Assembly before concluding any transaction with a related party	√			• The Company's policy for preventing conflict of interests and insider trading includes general rules and procedures governing a Company's transaction with any related party. The Company may not conclude any commercial transaction with a related party without ensuring that the terms and conditions are in line with the Commercial Companies Law and the Company's policy concerning related parties and follow the principles of transparency, equity and disclosure. Before the Company approves any deal with a related party, it must secure majority vote of the shareholders provided the concerned party does not participate in the voting exercise. • If an issue of conflict of interests or a commercial deal between the Company and a member of the Board or a related party is being considered, the matter should be discussed in the Board meeting in the absence of the concerned Board member. The member shall never participate in voting for the deal, and the deal should be made on market prices and on pure commercial basis and not including conditions impairing the Company's interests. • Such transactions should be disclosed in the Annual Report and shall be indicated specifically in the General Assembly following the commercial transactions.	
	13-2 If the company's board is discussing any issue relevant to the conflict of interests is raised or any commercial transaction between the company and any of its board members or any related party who is in relation to any of the board members, then such discussion should take place in the absence of the concerned board member	√				
	13-3 In all cases, such transactions shall be disclosed in the company's annual report and shall be informed to the general assembly following such transaction	√				
	13-4 Any trading transactions by board members in the company's shares and securities should be disclosed and the company shall adopt clear rules and procedures to control such transactions performed by the board members or any of its employees	√				

Corporate Governance Checklist (Continued)

Article #	Item #	Compliance	Non-compliance	N/A	Governance applications	Non-compliance justifications
Article 13 Conflict of interests and insider trading					• The Board members' trading in the Company's shares and other securities is disclosed. The Company has adopted clear rules and procedures governing the trading of the Board members and employees in the company's shares as per the instructions issued by Qatar Exchange.	
Article 14 Board's other duties and tasks	14-1 Board members shall have full and immediate access to information, documents and records of the company to enable them perform their duties and have a full knowledge about all the aspects relevant to the business, the executive management shall provide the board and its committees with all required documents and information	√			• The Board of Directors must rely on accurate information in order to realize the interests of the Company and its shareholders. • Ensuring the attendance of members of the Executive Committee, Remuneration Committee, and Audit Committee, internal auditors and representatives of external auditors in the General Assembly Meetings. • To set a training program for the recently-appointed Board members to ensure their proper understanding the progress of the Company's business and its operations, and of their responsibilities. • Board members are responsible for understanding their role and duties, educating themselves about financial, commercial, and industrial issues and the operations and activities of the Company. For this purpose, the Board should adopt and implement adequate and official training courses aimed at enhancing the skills and knowledge of the Board members. • Board members should, at all times, be acquainted with the latest governance developments and best governance practices.	
	14-2 The board members shall ensure the attendance of the nomination, remuneration and audit committees, board members, and representatives of the external auditor in the General Assembly meetings.	√				
	14-3 The board shall develop an induction program for the newly appointed board members in order to ensure that they are fully aware of the company's businesses and operations as well as their duties and responsibilities	√				
	14-4 The board members are responsible for having an appropriate understanding of their role and duties and for educating themselves in financial, business and industry practices as well as the company's operations and businesses. For this purpose, the board shall adopt an appropriate formal training to enhance the skills and knowledge of its members	√				
	14-5 The board of directors shall always be aware and updated of the latest developments and the best practices in Governance, the board may delegate the audit committee or the Governance committee or any other body as appropriate to perform the duty of updating.	√				

Corporate Governance Checklist (Continued)

Article #	Item #	Compliance	Non-compliance	N/A	Governance applications	Non-compliance justifications
Article 14 Board's other duties and tasks	14-6 The company's articles of association shall include clear procedures for dismissing the board members in the event of absence from the board meetings	√				
Article 15 Board committees	The board shall evaluate the advantages of forming special committees to supervise the progress and performance of core functions, and decide the committees to be formed.	√			• The Board of Directors forms Board Committees and assesses the performance of each based on the standards set out in the Corporate Governance charter. Generally the Board committees assist the Board in executing its duties and responsibilities in managing the Company. The Board of Directors has formed four committees to support and facilitate the carrying out of the Board's duties and responsibilities. The Board committees are as follows: • Executive Committee - Audit Committee - Remunerations Committee - Nomination Committee	
Article 16 Appointment of board members – nomination committee	16-1 Nomination and appointment of board members shall be made according to formal, rigorous and transparent procedures	√			• Nomination and appointment of Board members should be made in accordance with the procedures stated in the Commercial Companies Law and the Company's Articles of Association. • The Board of Directors has formed the Nomination in Q3 2014 and reformed in 2015 of three members including Head of the Committee to evaluate the nominees to the Board's membership and to ensure the conformity with Commercial Companies Law, Company's Articles of Association, and conditions set forth in Article no. (15) of the governance charter. Nomination by the committee does not prevent any shareholder from nominating himself or be nominated.	* All members of the Committee are non-executives, as the Board of Directors is currently unable to form the majority of the Committee from independent members because most of the existing members are non-independent. This is due to the stipulation of paragraph 4 of Article (9).
	16-2 The board shall form a nomination committee chaired by an independent board member and shall comprise independent board members who will in return recommend the appointment and re-nomination of board members by the general assembly (for avoiding any doubt, nomination by the committee does not deprive any shareholder from his right to nominate himself or to be nominated)		√			
	16-3 Nomination shall take into consideration, among other things, the candidates' ability to perform their duties as board members in addition to their skills, knowledge and experience as well as their professional, technical and academic qualifications and personality, and should be based on "fit and proper" guidelines for nominating board members annexed to this code which may be amended by the authority	√				

Corporate Governance Checklist (Continued)

Article #	Item #	Compliance	Non-compliance	N/A	Governance applications	Non-compliance justifications
Article 16 Appointment of board members – nomination committee	16-4 The nomination committee, when formed, shall approve and deploy its duties and roles in a way that clarifies its powers and role	√			• Nominations should take into account , among other things, the ability of the candidates to assign time for carrying out their duties as Board members, in addition to their skill, knowledge, experience, qualification (professional, technical and academic), and personality. And can rely on the annexed guidelines on nominating members of boards of directors, subject to amending by the Authority from time to time. • The Nomination Committee should approve and publish its scope of work in a way that accurately shows its powers and role.	* The condition regarding the number of shares required from independent members for ensuring their membership in the Board of Directors, stated in the existing Governance System, will be considered in the first extraordinary General Assembly meeting, after the Board of Directors will adequately study this in the light of the Commercial Companies Law No (11) of 2015, and present it to the extraordinary General Assembly meeting for approval.
	16-5 Further, the role of the nomination committee shall include carrying out of annual appraisal of the board's performance.	√				
	16-6 Banks and other companies shall observe any conditions or requirements relating to the nomination, election or appointment of board members issued by QCB or another authority			√		
Article 17 Remuner-ations of the board members – remuneration committee	17-1 The board shall form a remuneration committee comprising 3 non-executive members at least provided that the majority are independent members		√		• This Remuneration Committee was formed by the Board in September 2010, then was repeatedly reformed in subsequent terms of the Board. The committee's is mainly is determining the policy for remunerating the Board members, Company's employees, and ensuring adherence to these policies. Executive management remuneration depends on the profit achieved at the end of the fiscal year.	* All members of the Committee are non-executives, as the Board of Directors is currently unable to form the majority of the Committee from independent members because most of the existing members are non-independent. This is due to the stipulation of paragraph 4 of Article (9). * The condition on the number of shares required from independent members for ensuring their membership in the Board of Directors, stated in the existing Governance System, will be considered
	17-2 The remuneration committee, when formed, shall deploy its scope of its roles, duties and main responsibilities and work accordingly	√				
	17-3 The remuneration's committee key role shall include determining the company's remuneration policy covering the remuneration of the chairman, board members, and high executive management	√				
	17-4 The board members' remuneration policy and principles shall be disclosed in the company's annual report	√				

Corporate Governance Checklist (Continued)

Article #	Item #	Compliance	Non-compliance	N/A	Governance applications	Non-compliance justifications
Article 17 Remunerations of the board members – remuneration committee	17-5 The remuneration committee shall take the responsibilities and duties of the Chairman, board members, and high executive management members and the performance of the company in consideration. The remunerations may include a fixed portion and performance-related portion, noting that performance related components should be based on the company's long-term performance	√				in the first extraordinary General Assembly meeting, after the Board of Directors will adequately study this in the light of the Commercial Companies Law No (11) of 2015, and present it to the extraordinary General Assembly meeting for approval
Article 18 The Audit committee	18-1 The board of directors shall establish audit committee comprising 3 members at least the majority from independent members, the audit committee shall at least include one member having financial experience, in audit.	√			• The committee is made up of 3 members (1 Independent and 2 Non-executive). • The Audit Committee was initially established in 2003, and then was re-constituted by the Board in March 2015. The committee's duties include assisting the Board in carrying out its supervisory responsibilities by reviewing the financial data presented to the shareholders and other relevant parties. The Audit Committee also oversees and reviews the findings set forth in the audit reports developed by internal audit and external audit. The committee monitors the compliance of Departments with Board policies and applicable laws, regulations, and authoritative instructions. The committee also submits periodic reports about the results of its activities to the Board. The committee does not include any member who was previously employed with the Company's external auditor. The committee held four meetings during the year 2016.	
	18-2 In all cases, any person who is or was employed by the company's external auditors within the last 2 years may not be member of the audit committee	√				
	18-3 The audit committee may consult, at the company's expense, any independent expert or consultant	√				
	18-4 The audit committee shall meet when needed, but at least once every 3 months and should record the minutes of its meetings.	√				
	18-5 In the event of any disagreement between the audit committee recommendations and the board's decision, including when the board refuses to adopt the committee's recommendations in connection with the external auditor, then the board shall prepare the governance report including a statement describing clearly such recommendations and the reasons behind the board's decision to reject the committee's recommendations	√				

Corporate Governance Checklist (Continued)

Article #	Item #	Compliance	Non-compliance	N/A	Governance applications	Non-compliance justifications
Article 18 The Audit committee	18-6 The audit committee, when established, shall approve and publish its scope of work and key roles and responsibilities in the form of a charter. The responsibilities shall include the following in particular: a. Adopt a policy for appointing the external auditors. The committee shall report to the board all matters that, in the committee's opinion, require taking certain arrangements, and provide recommendations on the arrangements ought to be taken.	√			• The Internal Audit Department is responsible for providing the Audit Committee assurance on the effectiveness of the governance structure, internal controls, and risk management framework pertaining to the Company and its subsidiaries. The Internal Audit Department acts independently in order to ensure audit activities are carried out without any restrictions and with objectivity. The Internal Audit Department reports directly to the Company's Audit Committee • At the beginning of every fiscal year, the Vice President - Internal Audit prepares a risk-based Internal Audit plan and an audit program and present them to the Audit Committee for approval. The audit plan and the audit program cover the Company and all its business units and no activity is excluded from the scrutiny of internal audit. The internal audit staff has the full freedom to examine any documents or records they deem necessary to execute their responsibility. The Internal Audit Department is responsible for executing the audit plans and programs approved by the Audit Committee and submitting periodic reports which include their observations and recommendations to the Audit Committee. The Audit Committee periodically provides the Board with details on significant audit issues and provides assurance to the Board about the existence of an acceptable internal control system.	
	b. To monitor and follow up on the independence and objectivity of the external auditors, and discuss with them the nature, scope, and efficiency of the audit in accordance with the international standards on audit and the international financial reporting standards	√				
	c. Oversee the accuracy and validity of the financial statements and the annual, interim and quarterly reports and review such statements and reports. In this regard, the committee shall particularly focus on the following: 1. Any changes to the accounting policies and practices	√				
	2. Matters subject to discretional judgments by the high executive management	√				
	3. Significant changes resulting from the audit	√				
	4. The continuation of the company as a going concern	√				
	5. Compliance with the accounting standards determined by the Authority	√				
	6. Compliance with disclosure rules and any other requirements in connection with the preparation of financial reports	√				
	7. Compliance with applicable listing rules	√				
	d. Coordination with the board of directors, high executive management and the company's CFO or the person acting for him, and meeting with the external auditors at least once a year.	√				

Corporate Governance Checklist (Continued)

Article #	Item #	Compliance	Non-compliance	N/A	Governance applications	Non-compliance justifications
Article 18 The Audit committee	e. Consider any significant and abnormal issues included or to be included in the financial reports and accounts, and to give due consideration to any issues raised by the company's CFO or the person acting for him, the company's compliance officer, or external auditors.	√				
	f. Review the financial and internal controls or risk management systems	√				
	g. Discuss the internal controls with the management and ensure that the management is performing its duties towards developing effective internal controls	√				
	h. Consider the findings of main investigations on internal control issues assigned to the committee by the board of directors or carried out by the committee as approved by the board.	√				
	i. Ensure the coordination between internal and external auditors, ensure the availability of necessary resources and the effectiveness of internal controls	√				
	j. Review the company's financial and accounting policies and procedures	√				
	k. Review the letter appointing the external auditor, the work plan of the external auditor and any significant queries it requests from the high management in connection with accounting records, financial accounts or controls, as well as the replies of the executive management.	√				
	l. Provide the board of directors with immediate reply to any queries and issues raised by the letters or reports of the external auditors.	√				
	m. Development of rules whereby the employees can confidentially report their suspensions regarding the financial reports or internal controls or any other suspicious matters, and to ensure the availability of the suitable arrangements that allow independent and fair investigation on such matters, while ensuring that confidentiality and protection are secured to the employees from any reprisals; these rules shall be presented to the board for approval	√				

Corporate Governance Checklist (Continued)

Article #	Item #	Compliance	Non-compliance	N/A	Governance applications	Non-compliance justifications
Article 18 The Audit committee	n. Oversee the company's compliance with the rules of professional ethics.	√				
	o. Ensure that the rules of business relevant to such duties and powers as delegated by the board of directors are applied appropriately.	√				
	p. Submit a report to the board of directors on the matters included in this Article.	√				
	q. Study any issues as determined by the board of directors	√				
Article 19 Compliance with internal controls; and Internal Auditor	19-1 The company shall adopt internal controls, after being approved by the board of directors, to be used in the assessment of the methods and procedures of the risk management and for the implementation of the company's corporate governance approved by the company and the compliance with relevant laws and regulations. The internal controls should include clear standards for the responsibility and accountability of the company's departments	√			• The Board of Directors is committed with setting proper rules for governance which includes the highest measures of independence, supervision and transparency in order to retain the confidence of current and future investors. In order to achieve this objective, the Board has sought the help of a global firm to set a mechanism for monitoring the extent of compliance with Corporate Governance Practices and enhance internal control. • Roles and responsibilities of the Internal Audit Department: The Internal Audit Department is responsible for providing the Audit Committee with assurance on the effectiveness of the governance structure, internal controls, and risk management framework regarding Company and its subsidiaries. The Internal Audit Department works independently in order to ensure audit activities are carried out without restrictions and with objectivity. The Internal Audit Department reports directly to the Audit Committee.	
	19-2 Internal controls shall include effective and independent risk assessment and management functions as well as financial and operational internal audit functions in addition to the external audit, the internal controls shall ensure that all related party transactions are handled in accordance with the relevant controls.	√				
	19-3 The company shall have an internal audit unit with clearly defined functions and roles. In particular, the internal audit unit shall be assigned with the following: 1. To verify the internal control system and oversee their application.	√				
	2. Should be managed by a qualified, operationally independent, and appropriately-trained work team.	√				
	3. The internal audit unit shall submit its reports to the board of directors directly or indirectly through the board's audit committee and shall be report to the board	√				

Corporate Governance Checklist (Continued)

Article #	Item #	Compliance	Non-compliance	N/A	Governance applications	Non-compliance justifications
Article 19 Compliance with internal controls; and Internal Auditor	4. The internal audit shall be able to access all activities of the company.	√			The management is responsible for ensuring that the Internal Audit Department is working independently in reviewing the Company's financial statements in addition to the financial records, regulations, procedures, and internal regulations followed by Company's main office and branches, as well as submitting its reports to the audit committee. The Internal Audit Department is responsible for evaluating the design and effectiveness of the internal controls on the Company's fixed assets for detecting or preventing misuse of group assets, controlling and managing the use of the Company's the fixed assets. The Department also conducts surprise stock taking and cash counts at different locations. These activities are conducted to verify the existence of the fixed assets and ensure that they are recorded properly. The internal audit is responsible for preventing the misuse of company assets, ensuring that the operational processes are aligned with approved policies and procedures. The Internal Audit Function aims at enhancing the integrity and effectiveness of the Company's commercial units. The Internal Audit Department is responsible for ensuring that all the Company activities are compatible with the Company's policies and procedures, applicable laws in the State of Qatar, and the Company's obligations set out in its contracts. The Department is also responsible for ensuring that the Company follows the leading commercial practices.	
	5. The internal audit unit shall be independent even from doing day to day work, and enhance its independent by, for example, the remunerations of its members shall be determined by the Board directly.	√				
	19-4 The internal audit unit shall comprise one internal auditor at least appointed by the board of directors, and shall report to the board of directors.	√				
	19-5 The internal auditor shall prepare and submit the internal audit report to the audit committee and the board including a review and assessment of the internal controls of the company. The scope of the report shall be defined by agreement between the board (as recommended by the audit committee) and the internal auditor; provided that the report shall include the following in particular: - Procedures of monitoring and supervising the financial affairs, investments and risk management	√				
	- Comparing the development of risk factors in the company and the existing systems for combating the unexpected radical changes in the market	√				
	- Assessment of the performance of the board and high level management regarding the application of the internal control system including the number of times the board was informed about monitoring issues (including risk management) and the way the board addressed these issues.	√				
	- Failure in applying internal controls or the weaknesses or contingencies that have affected or may affect the company's financial performance and the procedures followed by the company in addressing the internal control failures (especially the issues disclosed in the annual reports and the financial statements of the company)	√				

Corporate Governance Checklist (Continued)

Article #	Item #	Compliance	Non-compliance	N/A	Governance applications	Non-compliance justifications
Article 19 Compliance with internal controls; and Internal Auditor	- The company's compliance with internal controls when defining and managing risks	√			The Internal Audit Department bears the responsibility of evaluating the Company's operational procedures and determining the extent of compatibility of the results with the set targets, and whether or not the operational processes are implemented in line with the set targets. The Internal Audit Department is undertaking the responsibility of assessing the IT systems of the Company, the electronic data that is generated by it, the essential modifications to the current systems prior to implementation in order to determine the extent of efficiency of the internal control system. • At the beginning of every fiscal year, the Vice President - Internal Audit prepares a risk-based annual Internal Audit plan and an audit program and presents them to the Audit Committee for approval. The audit plan and the audit program cover the Company and all its business units and no activity is excluded from the scrutiny of internal audit. The internal audit staff has the full freedom to examine any documents or records they deem necessary to execute their responsibility. The Internal Audit Department is responsible for executing the audit plans and programs approved by the Audit Committee and submitting periodic reports which include their observations and recommendations to the Audit Committee. The Audit Committee periodically provides the Board with details on significant audit issues and provides assurance to the Board about the existence of a sound internal control system in the Company.	
	- All relevant information that describe the company's risk management processes.	√				
	19-6 The internal audit report shall be prepared every three months	√				

Corporate Governance Checklist (Continued)

Article #	Item #	Compliance	Non-compliance	N/A	Governance applications	Non-compliance justifications
Article 19 Compliance with internal controls; and Internal Auditor					• The Audit Committee also oversees and reviews the findings set forth in the audit reports developed by internal audit and external audit. The committee monitors the compliance of Departments with Board policies and applicable laws, regulations, and authoritative instructions. The committee also submits periodic reports about the results of its activities to the Board. Four internal audit reports were raised during 2016.	
Article 20 External auditor	20-1 The external auditor shall be independent and qualified; appointed by a General Assembly resolution upon the recommendation of the audit committee to the board of directors. The external auditor shall perform annual and interim independent audit of the financial information. The audit aims at providing the board and the shareholders with assurance that the financial statements are prepared in accordance with the governance system, relevant laws & regulations, international financial reporting standards, and that it accurately represents the financial position and performance of the company in all material respects	√			• External Audit: The external auditors are appointed by the General Assembly based upon the recommendation of the Board. During the General Assembly meeting held on 16 March 2016, the shareholders have appointed KPMG, certified accountants. KPMG is an entity independent from the Company and its Board of Directors. The Company should ensure that there is no conflict of interests between the Company and the external auditors before their appointment. If a conflict of interests appeared after their appointment, the external auditor must be replaced. The external auditor or any of his staff may not be a member of the Board or occupy any position in the Company. The external auditors perform an independent audit of the annual financial statements and a review of the bi-annual financial statements that are prepared as per International Financial Reporting Standards. The financial reports are published in local newspapers in the Arabic and English languages and are also published on the Company's website and the Qatar Exchange website	
	20-2 The external auditors shall comply with the highest professional standards and the company shall not assign them to provide any advice or services other than the financial audit of the company, the external auditors should be fully independent from the company and its board members and shall not have any conflict of interests with the company	√				
	20-3 The external auditor should attend the company's annual general assembly meeting for presenting their annual report and answer any queries	√				

Corporate Governance Checklist (Continued)

Article #	Item #	Compliance	Non-compliance	N/A	Governance applications	Non-compliance justifications
Article 20 External auditor	20-4 The external auditors are accountable to the shareholders and the company for applying their best professional care while carrying out their audit work. The external auditors shall be responsible for informing the Authority or any other regulatory body when the board fails to take appropriate action regarding any suspicious matter raised by the auditors.	√			for to provide shareholders and the public in general with access to the Company's information. The external auditors is obliged to attend meetings with the Audit Committee and the Board. They also attend the General Assembly meetings for answering the questions raised by the shareholders with regards to the Company's financial statements.	
	20-5 All listed companies shall change their external auditors every five years as maximum.	√				
Article 21 Disclosure	21-1 The company shall comply with all disclosure requirements including the submission of financial reports and the disclosure of the number of shares owned by the board members, key executives of the company, and major shareholders or the controlling shareholders. The company shall also disclose all the information about the board members including their CVs describing his/her respective education, profession, membership in other boards of directors, if any, as well as disclosure of member names of various committees formed by the board in accordance with article 5-3 along with the composition of such committees	√			• The Company is fully abiding by all disclosure requirements imposed by the QFMA. Major events related to the Company should be disclosed to the Qatar Exchange and the media according to the requirements of QFMA and the Company's Articles of Association. A summary of the financial statements should be sent to the shareholders prior to the General Assembly meeting. The annual report should be distributed to the shareholders in the General Assembly meeting. The annual report will include important information about Company's activities and the financial statements that are prepared as per the International Financial Reporting Standards. The following is a disclosure of the number of shares held by Board members and the major shareholders as of 31/12/2016: - Number of shares held by the Board members: (14,332,567) - Number of shares held by major shareholders: (37,357,573)	
	21-2 The board shall ensure that all disclosures made by the company provide accurate and true information and are not miss-leading	√				
	21-3 The company's financial reports shall comply with the requirements of IFRS/IAS and ISA standards, the reports of the external auditors shall include a statement whether the external auditor obtained the required information and whether the company is in compliance with the IFRS/IAS standards and whether the audit was performed in accordance to IAS standards	√				
	21-4 The audited financial reports of the company shall be disseminated to all shareholders	√				

Corporate Governance Checklist (Continued)

Article #	Item #	Compliance	Non-compliance	N/A	Governance applications	Non-compliance justifications
Article 22 The rights of shareholders and main ownership elements	The shareholders shall enjoy all the rights conferred to them by relevant laws and regulations including this governance system and the company's articles of association, the board shall ensure the protection of shareholders rights fairly and equitably.				• The shareholders do enjoy all their rights under the Commercial Companies law, Company's Articles of Association, and Corporate Governance Charter.	
Article 23 Ownership records	23-1 The company shall keep valid and updated ownership records	√			• The Company maintains up-to-date accurate records of its shares based on the information obtained from Qatar Exchange • According to the regulations issued by Qatar Exchange for listed companies, shareholder records are maintained by QE administration which is the body responsible for shareholder affairs. The Company delegated the task of maintaining and organizing the records to QE administration in line with Articles (159) and (160) of the Commercial Companies Law. The shareholders shall approach QE when the wish to check and ensure that the records are maintained as per the relevant approved legislations.	
	23-2 Shareholders shall have the right to review and access the shareholders record for free during the company's working hours or as determined in the procedures for obtaining information set out by the company	√				
	23-3 A shareholder shall have the right to receive a copy of the following documents: board members record, the company's memorandum of association and articles of association, the documents that create liens or rights on the company's assets, contracts of related party transactions, and any other document required by the Authority from time to time, against fees fixed by the Authority.	√				
Article 24 Access to information	24-1 The company shall include in its memorandum and articles of association the procedure for obtaining information in a way that ensures the shareholders rights of getting company documents and information timely manner on regular basis is protected. The procedure for obtaining information should be clear and detailed and shall determine the following: 1. The obtainable company Information including the nature of information continuously available to the shareholders who represent a low percentage of share capital.	√			• Every shareholder has the right to view the company's Memorandum of Association and the Articles of Association and to obtain general information about the Company as per Articles (22-3) and (23-1) of the Corporate Governance Charter. The shareholder must submit a written application to the Company's General Manager listing the documents he wishes to review and the information he wishes to obtain so that the Company can provide the documents and information within reasonable time.	
	2. A clear and explicit procedure for obtaining such information	√`				

Corporate Governance Checklist (Continued)

Article #	Item #	Compliance	Non-compliance	N/A	Governance applications	Non-compliance justifications
Article 24 Access to information	24-2 The company shall have a website where all relevant and public information shall be posted, this include all information required to be made public under this charter or any other relevant laws and regulations	√			• All disclosures and general information required to be made public according to the CGC, laws and other statutory requirements are published on the company website.	
Article 25 Sharehold-ers' rights in connection with General Assemblies	The company's memorandum and articles of association shall include provisions ensuring the shareholders' right in calling for general assembly to be held in a reasonable time, right to enlist items in the agenda, right to ask questions and get answers, and the right in decision making as being fully informed about the issues under discussion	√			• Shareholders do enjoy the rights and provided for by the Commercial Companies Law, Company's Articles of Association, and the Corporate's Governance Charter. Each shareholder attending the General Assembly meeting has the right to discuss the subjects listed in the agenda and direct questions to the Board members and the auditors. The Board members must respond to the questions and inquiries raised by the shareholders as these do constitute risk to the Company's interest.	
Article 26 Equitable treatment of shareholders and exercise of voting rights	26-1 All shares of same class shall have the same rights	√				
	26-2 Proxy voting is allowed in accordance with the relevant laws and regulations	√				
Article 27 Sharehold-ers' rights in electing members to the board of directors	27-1 The company's memorandum & articles of association should include provisions ensuring that the shareholders shall be given, before the election, information about the candidates to the membership of the board involving description of their professional and technical skills, their experience and other qualifications	√			• Updated memo on the item refers to the voting mechanism as per the Commercial Companies Law	- Relying on the circular issued by the Authority on 10.2.2016 regarding the mechanism of voting in electing members of the board of directors, taking into consideration the provision of Article (72) of the company's articles of association.
	27-2 Shareholders shall have the right to elect the board members by accumulative voting		√			

Corporate Governance Checklist (Continued)

Article #	Item #	Compliance	Non-compliance	N/A	Governance applications	Non-compliance justifications
Article 28 Shareholders rights regarding the dividend	The board of directors shall provide the general assembly a clear policy governing the dividends. The policy shall include a detailed description based on serving both interests of the company and shareholders	√			• The Board of Directors presents to the General Assembly its recommendation based on the approved policy on distribution of dividends, under the Commercial Companies Law and company's articles of association approved by the General assembly	
Article 29 Capital structure, shareholders' rights and major transactions	29-1 The capital structure shall be disclosed and the companies should define the type of shareholders agreements ought to be disclosed	√			• The capital structure is disclosed in the Company's Annual Report, which has been presented to the General Assembly and to the shareholders according to international accounting and auditing standards. The Company's authorized and paid-up capital amounts Qatari Riyals 1,145,252,000 corresponding to 114,525,000 shares. • In the event that substantial transactions are approved while the minority shareholders vote against, the Board should recommend to the extraordinary GA to revise the Company's Articles of Association for ensuring the protection of minority shareholders' rights.	Under general provisions, Article (72) of the company's articles of association states that the provisions of the Commercial Companies Law No. (11) of 2015 shall apply on the matters not provided for specifically in the AOA. All the amendments made to the law shall be considered as supplementing or amending clauses to this AOA. - A proposal has been tabled to the extraordinary GA to be held during current year 2017, for introducing a provision in the AOA involving the protection of the minority shareholders' rights.
	29-2 Companies shall include in their memorandum of association and/or articles of association certain provisions for protecting the minority shareholders in the event of approving a substantial transaction which the minority shareholders vote against.		√			
	29-3 Companies shall include in their memorandum of association and/or articles of association a mechanism that ensures the offering of a public sale or ensures the practice of parity rights in the sale of shares in the event of ownership change exceeding a specific percentage (ceiling). On determining the ceiling, consideration shall be given to the shares owned by a third party but are under the control the shareholder who is disclosing, including the shares involved under shareholders' agreements which must be disclosed as well.		√			
Article 30 Rights of other stakeholders	30-1 The company shall respect the rights of the other stakeholders. Where the stakeholders participate in the governance, they shall have access to relevant, sufficient and reliable information timely and regularly.	√			• The Company's Executive Management aims at protecting the rights of the stakeholders and related parties (shareholders, creditors, employees, customers, clients, suppliers, investors, etc.). The board of directors ensures that company employees are treated as per justice and equality principles without discrimination on grounds of the race, gender, or	

Corporate Governance Checklist (Continued)

Article #	Item #	Compliance	Non-compliance	N/A	Governance applications	Non-compliance justifications
Article 30 Rights of other stake-holders	30-2 The board of directors shall ensure that employees of the company are treated as per justice and equality principles without discrimination on grounds of the race, gender, or religion	√			religion. The executive management is responsible for distributing incentives to employees according to the bonus policy approved by the Board. The Board has adopted a mechanism allowing employees in the Company to notify the Board about any suspicious behavior which may constitute legal violations or cause damage to the Company. The board does ensure to the employees reporting as such to the board confidentiality and protection from any mischief or negative reaction by other employees or by their superiors.	
	30-3 The board shall develop a policy on bonus for granting incentives to the employees and management of the company which would always help the company's interest. This policy shall take into consideration the long-term performance of the company	√				
	30-4 The board shall adopt a mechanism that allows the employees of the company to report any suspicious behavior to the board if such behavior is unethical, illegal or detrimental to the company. The board shall ensure to the employees reporting as such to the board confidentiality and protection from any mischief or negative reaction by other employees or by their superiors	√				
	30-5 Companies shall comply fully with the provisions of this article, as it is excluded from the principle of compliance or justifying the failure to comply.	√				
Article 31 Governance report	31-1 The board shall prepare annual corporate governance report signed by the chairman	√				
	31-2 The governance report shall be forwarded annually to the Authority, and any time the Authority so requires, along with the annual report prepared by the company in compliance with the periodical disclosure obligation.	√				
	31-3 "Governance Report" item shall be included in the agenda of the ordinary GA meeting and copy of the report shall be distributed to all the shareholders during the meeting	√				

Corporate Governance Checklist (Continued)

Article #	Item #	Compliance	Non-compliance	N/A	Governance applications	Non-compliance justifications
Article 31 Governance report	31-4 The governance report shall include all the information in connection with the implementation of the provisions of the Governance system, for example but not limited to the following: 1. The procedures followed by the company in this respect	√				
	2. Disclosure of any violations committed during the fiscal year, respective reasons, remedial method, and ways of avoiding the same in the future	√				
	3. Disclosure of the names of the board members, board committees' members, and their responsibilities and activities during the year as per their categories and powers; in addition to the methods used in determining the remunerations of the board members and key executive management of the company	√				
	4. Disclosure of the internal control measures including the supervision over the financial affairs, investments and risk management	√				
	5. Disclosure of the procedures followed by the company in identifying the significant risks encountered, and the methods of assessing and managing them, and disclosure of comparative analysis of the elements of risk encountered by the company and discussion of the systems adopted for facing the radical or unexpected market changes	√				
	6. Disclosure of the performance of the board and the key management in implementing the internal controls including the number of times the board was notified about control issues (including risk management) and the way the board addressed such issues.	√				

Corporate Governance Checklist (Continued)

Article #	Item #	Compliance	Non-compliance	N/A	Governance applications	Non-compliance justifications
Article 31 Governance report	7. Disclosure of the instances of failing to apply the internal controls totally or partially, the weaknesses in applying them, or disclosure of the contingencies that have affected or may affect the company's financial performance, and the procedure followed by the company in addressing the instances of failure in remedying the internal controls, particularly the problems disclosed in the company's annual reports and financial statements	√				
	8. Disclosure of the company's compliance with valid listing systems and disclosure of the rules and requirements of listing	√				
	9. The disclosure of the company's compliance with the internal controls for identifying and managing the risks	√				
	10. All relevant information describing the processes of the company's risk management and the internal controls applied by the company	√				

CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Qatar Navigation Q.P.S.C.
Doha, State of Qatar

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Qatar Navigation Q.P.S.C. (the "Company") and its subsidiaries (together with the Company, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated income statement, the consolidated statements of comprehensive income, cash flows and changes in equity for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the Group's consolidated financial statements in the State of Qatar, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of vessels, containers and barges – refer to note 10 in the consolidated financial statements	**How the matter was addressed in our audit**
We focused on this area because: • Vessels, containers and barges including vessels under construction on the consolidated statement of financial position represent 21% of Group's total assets; • As a result of the deceleration of the shipping industry due to the general downturn in global economy, there is increased likelihood of impairment of these assets. Furthermore, the significant drop in oil prices could adversely affect the vessels (such as diving vessels) servicing the oil and gas industry;	Our audit procedures in this area included, among other things: • understanding the Group's process of identifying indicators of impairments in vessels, containers and barges; • assessing the competence and capabilities of the people in the Group who performed the technical assessment of recoverable amounts; • involving our own valuation specialists to support us in challenging the recoverable amounts derived by the Group, in particular: - assessing the appropriateness of the methodology used by the Group to assess impairment; - assessing the Discounted Cash Flow calculations produced by the Group (value in

- The Group had a order of 5 vessels included within capital work-in-progress with a shipbuilder, whose delivery was delayed. As a result the Group cancelled the orders, but it could face challenges recovering the cost of construction in progress to date;
- There is increased complexity in forecasting future cash flows in the shipping industry due to the cyclical nature of its operation; and
- The Group makes subjective judgements for determining the assumptions to be used in estimating the recoverable amounts of these assets.

use of assets) by evaluating key inputs and assumptions in the cash flow projections, such as estimates of future sales volumes (utilization of vessels) and prices (based on spot or chartered rates of vessels), operating costs, terminal value growth rates, and the weighted-average cost of capital (discount rate);
  - assessing the appropriateness of the key assumptions used in the impairment reports provided by the Group on which management has based its reported amounts of the Group's vessels in the consolidated financial statements; and
  - identifying fair values less cost of disposal of vessels tested for impairment through one or more independent brokers, where possible;
- assessing, with respect to the vessels whose orders were cancelled, the fair value calculations performed by management, including obtaining the legal perspective of the case from the lawyers of the Group; and
- assessing the adequacy of the Group's disclosures in relation to the impairment of vessels, containers and barges by reference to the requirements of the relevant accounting standards.

Depreciation of vessels, containers and barges – refer to note 10 in the consolidated financial statements

We focused on this area because:

- The depreciation of vessels, containers and barges represents a 12% of the total expenses of the Group; and
- The determination of depreciation charge requires management to make considerable judgments and estimations. In particular for the shipping industry, the useful economic lives of vessels, containers and barges as well as their residual values at the time of their disposal are highly judgmental and are complicated by the long engineering lives of vessels, the uncertainty over the future market conditions in which the vessels will operate, the fleet deployment and operating cycles, the future technological changes, and the repairs and maintenance policies.

How the matter was addressed in our audit

Our audit procedures in this area included, among other things:

- assessing the competence and capabilities of the people in the Group who are responsible for the maintenance of the fixed asset register;
- evaluating the key controls around the Group's fixed asset register;
- evaluating the Group's process of estimation of the useful economic lives and the residual values of vessels, containers and barges;
- comparing the residual values with the recent sales of vessels of the Group to identify the appropriateness of the residual values;
- recalculating the depreciation charge, and comparing it with the depreciation charge reported in the consolidated financial statements; and
- assessing the adequacy of the Group's disclosures in relation to the useful economic lives and residual values of vessels, containers and barges by reference to the requirements of the relevant accounting standards.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Other Information
The Board of Directors is responsible for the other information. The other information comprises the information included in the Company's annual report for the year 2016 (the "Annual Report") but does not include the consolidated financial statements and our auditor's report thereon. Prior to the date of this auditor's report, we obtained the report of the Board of Directors which forms part of the Annual Report; the remaining sections of the Annual Report are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether this other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. We have nothing to report in respect of the report of the Board of Directors.

If, when we read the Annual Report, we conclude that there is a material misstatement therein, we are required to report that fact. We have nothing to report in this regard as at the date of this report.

Responsibilities of the Board of Directors for the Consolidated Financial Statements
The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as the Board of Directors determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. "Reasonable assurance" is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended 31 December 2016 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2015 were audited by another auditor, who expressed an unmodified opinion on those consolidated financial statements on 23 February 2016.

Report on Other Legal and Regulatory Requirements

We have obtained all the information and explanations we considered necessary for the purposes of our audit. The Company has maintained proper accounting records and its consolidated financial statements are in agreement therewith. Furthermore, the physical count of inventories was carried out in accordance with established principles. We have read the report of the Board of Directors to be included in the Annual Report, and the financial information contained therein is in agreement with the books and records of the Company. We are not aware of any violations of the Qatar Commercial Companies Law No. 11 of 2015 or the terms of the Company's Articles of Association and any amendments thereto having occurred during the year which might have had a material adverse effect on the Company's consolidated financial position or performance as at and for the year ended 31 December 2016.

Yacoub Hobeika
KPMG
Auditor's Registration No. 289

25 February 2017
Doha
State of Qatar

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 QR'000	2015 QR'000
Operating revenues	5	**2,551,272**	2,983,570
Salaries, wages and other benefits		**(635,769)**	(682,210)
Operating supplies and expenses		**(851,211)**	(969,480)
Rent expenses		**(15,774)**	(18,198)
Depreciation and amortisation		**(330,756)**	(307,776)
Other operating expenses	6	**(162,523)**	(151,063)
OPERATING PROFIT		**555,239**	854,843
Finance cost		**(175,086)**	(106,363)
Finance income		**161,082**	114,481
Net gain on disposal of property, vessels and equipment		**588**	1,716
Share of results of joint arrangements	13	**19,329**	56,941
Share of results of associates	14	**296,015**	299,572
Net gain on foreign exchange		**1,687**	726
Step-up acquisition of associates	4.3	**-**	(26,780)
Impairment of available-for-sale financial assets	15	**(217)**	(3,896)
Impairment of vessels and contract work in progress	10	**(160,662)**	(96,649)
Miscellaneous income	7	**5,582**	14,621
PROFIT FOR THE YEAR		**703,557**	1,109,212
Attributable to:			
Equity holders of the parent		**711,461**	1,094,533
Non-controlling interest		**(7,904)**	14,679
		703,557	1,109,212
BASIC AND DILUTED EARNINGS PER SHARE (attributable to equity holders of the parent expressed in QR per share)	8	**6.26**	9.63

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 QR'000	2015 QR'000
Profit for the year		**703,557**	1,109,212
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Net movement in hedging reserve	9	**176,615**	123,834
Net gain (loss) on available-for-sale financial assets	9	**205,375**	(372,002)
Other comprehensive gain (loss) for the year		**381,990**	(248,168)
Total comprehensive income		**1,085,547**	861,044
Attributable to:			
Equity holders of the parent		**1,093,416**	846,828
Non-controlling interest		**(7,869)**	14,216
		1,085,547	861,044

The attached notes 1 to 40 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Notes	2016 QR'000	2015 QR'000
ASSETS			
Non-current assets			
Property, vessels and equipment	10	**4,861,611**	5,038,783
Investment properties	11	**1,140,646**	877,986
Intangible assets	12	**594,548**	193,776
Investment in joint ventures	13	**299,350**	248,296
Investment in associates	14	**4,814,755**	4,568,719
Available-for-sale financial assets	15	**4,065,641**	3,829,437
Loans granted to LNG and LPG companies	16	**214,747**	235,513
Other assets		**32,461**	54,364
		16,023,759	15,046,874
Current assets			
Inventories	17	**125,579**	211,919
Trade and other receivables	18	**742,102**	788,315
Financial assets at fair value through profit or loss	19	**484,556**	499,139
Investment in term deposits	20	**3,578,722**	4,733,142
Cash and cash equivalents	21	**1,102,860**	852,736
		6,033,819	7,085,251
TOTAL ASSETS		**22,057,578**	22,132,125
EQUITY AND LIABILITIES			
Attributable to equity holders of the parent			
Share capital	22	**1,145,252**	1,145,252
Treasury shares	23	**(73,516)**	(73,516)
Legal reserve	24	**4,693,986**	4,693,986
General reserve	25	**623,542**	623,542
Fair value reserve		**4,064,661**	3,859,321
Hedging reserve		**(122,720)**	(299,335)
Retained earnings		**3,855,436**	3,729,844
Equity attributable to equity holders of the parent		**14,186,641**	13,679,094
Non-controlling interest		**55,322**	72,191
Total equity		**14,241,963**	13,751,285
Liabilities			
Non-current liabilities			
Loans and borrowings	28	**2,789,820**	2,692,735
Advance from a customer	29	**152,634**	160,652
Provision for employees' end of service benefits	30	**99,840**	89,780
		3,042,294	2,943,167
Current liabilities			
Trade and other payables	31	**948,120**	552,811
Loans and borrowings	28	**3,825,201**	4,884,862
		4,773,321	5,437,673
Total liabilities		**7,815,615**	8,380,840
TOTAL EQUITY AND LIABILITIES		**22,057,578**	22,132,125

The Group's consolidated financial statements for the year ended 31 December 2016 were authorised for issue by the Board of Directors on 25 February 2017 and signed on its behalf by the following:

Ali bin Jassim bin Mohammad Al-Thani
Chairman

Abdulrahman Essa A.E. Al-Mannai
President and CEO

The attached notes 1 to 40 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 QR'000	2015 QR'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		**703,557**	1,109,212
Adjustments for:			
Depreciation of property, vessels and equipment	10	**287,777**	271,744
Depreciation of investment properties	11	**25,408**	24,645
Amortisation of intangible assets	12	**17,571**	11,387
Gain on disposal of property, vessels and equipment		**(588)**	(1,716)
Share of results of joint arrangements	13	**(19,329)**	(56,941)
Share of results of associates	14	**(296,015)**	(299,572)
Provision for employees' end of service benefits	30	**25,447**	20,661
Dividend income	5	**(129,838)**	(173,259)
Net fair value loss on financial assets at fair value through profit or loss	5	**6,675**	61,551
Allowance for impairment of trade receivables	6	**5,069**	9,153
Provision for slow moving and obsolete inventories	6	**4,186**	1,136
Loss on deemed disposal of investment in associates	4.5	**-**	14,545
Loss on cash flow hedges recycled to income statement	4.6	**-**	14,410
Impairment of vessels and capital work in progress	10	**160,662**	96,649
Gain on bargain purchase arising on acquisition	4.1	**-**	(2,175)
Profit on disposal of investment securities		**(1,630)**	(3,917)
Finance cost		**175,086**	106,363
Finance income		**(161,082)**	(114,481)
Operating profit before working capital changes		**802,956**	1,089,395
Changes in:			
Inventories		**82,154**	(6,879)
Trade and other receivables		**63,052**	(79,177)
Trade and other payables		**(68,739)**	42,639
Cash flows generated from operating activities		**879,423**	1,045,978
Finance cost paid		**(175,086)**	(106,363)
Employees' end of service benefits paid	30	**(10,129)**	(10,486)
Net cash flows from operating activities		**694,208**	929,129
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, vessels and equipment	10	**(285,451)**	(440,287)
Additions to intangible assets	12	**(556)**	(1,401)
Dividend income	5	**129,838**	173,259
Finance income		**161,082**	114,481
Proceeds from disposal of property, vessels and equipment		**15,568**	38,048
Purchase of investment properties	11	**(288,068)**	(111,569)
Net movement in loans granted to LNG and LPG companies		**20,766**	102,815
Purchase of investment securities		**(42,672)**	(14,985)
Proceeds from disposal of available-for-sale financial assets		**-**	1,449
Proceeds from disposal of financial assets at fair value through profit or loss		**16,295**	81,052
Net movement in investment in term deposits	20	**1,154,420**	(2,352,694)
Dividends received from associates	14	**214,352**	204,198
Net cash outflow on acquisition of subsidiaries	4.1 & 4.2	**-**	(86,541)
Net cash flows from (used in) investing activities		**1,095,574**	(2,292,175)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		**(577,082)**	(624,891)
Net movement in loans and borrowings		**(962,576)**	2,091,917
Net cash flows (used in) from financing activities		**(1,539,658)**	1,467,026
NET INCREASE IN CASH AND CASH EQUIVALENTS		**250,124**	103,980
Cash and cash equivalents at 1 January		**852,736**	748,756
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	21	**1,102,860**	852,736

The attached notes 1 to 40 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Attributable to the equity holders of the Parent								Non-controlling interest	
	Share Capital	**Treasury shares**	**Legal reserve**	**General reserve**	**Fair value reserve**	**Hedging reserve**	**Retained earnings**	**Total**		**Total**
	(Note 22) QR'000	**(Note 23)** QR'000	**(Note 24)** QR'000	**(Note 25)** QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000
At 1 January 2015	1,145,252	(73,516)	4,693,986	623,542	4,230,860	(423,169)	3,287,565	13,484,520	57,975	13,542,495
Total comprehensive income:										
Profit for the year	-	-	-	-	-	-	1,094,533	1,094,533	14,679	1,109,212
Other comprehensive (loss) income	-	-	-	-	(371,539)	123,834	-	(247,705)	(463)	(248,168)
Total comprehensive (loss) income	-	-	-	-	(371,539)	123,834	1,094,533	846,828	14,216	861,044
Transactions with owners of the Group:										
Dividends paid (Note 27)	-	-	-	-	-	-	(624,891)	(624,891)	-	(624,891)
Other equity movements:										
Contribution to Social and Sports Fund (Note 32)	-	-	-	-	-	-	(27,363)	(27,363)	-	(27,363)
At 31 December 2015/ 1 January 2016	1,145,252	(73,516)	4,693,986	623,542	3,859,321	(299,335)	3,729,844	13,679,094	72,191	13,751,285
Total comprehensive income:										
Profit (loss) for the year	**-**	**-**	**-**	**-**	**-**	**-**	**711,461**	**711,461**	**(7,904)**	**703,557**
Other comprehensive income (loss)	**-**	**-**	**-**	**-**	**205,340**	**176,615**	**-**	**381,955**	**35**	**381,990**
Total comprehensive income (loss)	**-**	**-**	**-**	**-**	**205,340**	**176,615**	**711,461**	**1,093,416**	**(7,869)**	**1,085,547**
Transactions with owners of the Group:										
Dividends paid (Note 27)	**-**	**-**	**-**	**-**	**-**	**-**	**(568,082)**	**(568,082)**	**(9,000)**	**(577,082)**
Other equity movements:										
Contribution to Social and Sports Fund (Note 32)	**-**	**-**	**-**	**-**	**-**	**-**	**(17,787)**	**(17,787)**	**-**	**(17,787)**
At 31 December 2016	**1,145,252**	**(73,516)**	**4,693,986**	**623,542**	**4,064,661**	**(122,720)**	**3,855,436**	**14,186,641**	**55,322**	**14,241,963**

The attached notes 1 to 40 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

1. REPORTING ENTITY

Qatar Navigation Q.P.S.C. (the “Company”) or (the “Parent”) was incorporated on 5 July 1957 as a Qatari Shareholding Company, with the Commercial Registration number 1 issued by the Ministry of Economy and Commerce. The registered office of the Company is located in Doha, State of Qatar. The shares of the Company are publicly traded at the Qatar Exchange since 26 May 1997. In line with the revision to the Article of Association of the Company, following the extra ordinary general meeting dated 16 March 2016 the legal status of the Company, was changed to Qatar Navigation Q.P.S.C. from Qatar Navigation Q.S.C.

These consolidated financial statements comprise the Company and its subsidiaries (collectively referred as the “Group”).

The principal activities of the Group, which remain unchanged from the previous year, include the provision of 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 aggregates, building materials and the operation of a travel agency.

The consolidated financial statements of the Group were authorised for issue by the Board of Directors on 25 February 2017.

The Company had the following active subsidiaries as at the current and the comparative reporting dates:

Name of the subsidiary	Country of incorporation	Principal activities	*Group effective shareholding* 2016	*Group effective shareholding* 2015
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. (i)	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 (ii)	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%

1. REPORTING ENTITY (CONTINUED)

Name of the subsidiary	Country of incorporation	Principal activities	*Group effective shareholding* 2016	2015
Milaha Ras Laffan Verwaltungs GMBH (ii)	Germany	Managing the business activities of KG companies	**100%**	100%
Milaha Qatar Verwaltungs GMBH (ii)	Germany	Managing the business activities of KG companies	**100%**	100%
Milaha Real Estate Investment S.P.C.	Qatar	Real estate services	**100%**	100%
Milaha for Petroleum and Chemical Product W.L.L.	Qatar	Shipping services	**100%**	100%
Milaha Ras Laffan Gmbh & Co. KG (KG1) (ii)	Germany	LNG transportation	**100%**	100%
Milaha Qatar Gmbh & Co. KG (KG2) (ii)	Germany	LNG transportation	**100%**	100%
Qatar Shipping Company (France) (ii)	France	Investments	**100%**	100%
Milaha Offshore Holding Co. PTE LTD (ii)	Singapore	Offshore support services	**100%**	-
Milaha Explorer PTE LTD (ii)	Singapore	Offshore support services	**100%**	-
Milaha Offshore Services Co PTE LTD (ii)	Singapore	Offshore support services	**100%**	-

(i) The Group controls Qatar Quarries Building Materials Company Q.P.S.C. through its power to control that company's Board of Directors.

(ii) The consolidated financial statements have been prepared based on the management accounts of these entities as of the reporting date.

(iii) The Group is in the administrative process of changing the status of all "S.P.C" companies in Qatar to "W.L.L" companies in line with the Qatar Commercial Law No. 11 of 2015

The Company's shareholding in the above subsidiaries are the same as the Group effective shareholding except for the following material subsidiaries:

Name of subsidiary	31 December 2016	31 December 2015
Halul Offshore Services Company W.L.L.	**50%**	50%
Qatar Quarries and Building Materials Company Q.P.S.C.	**25%**	25%
Milaha Trading Company W.L.L.	**99.5%**	99.5%
Milaha Capital W.L.L.	**99.5%**	99.5%
Milaha Integrated Maritime and Logistics W.L.L.	**99.5%**	99.5%

The Company also had the following inactive subsidiaries as at the current and the comparative reporting dates:

Name of subsidiary	31 December 2016	31 December 2015
Milaha Technical & Logistics Services S.P.C.	**100%**	100%
Milaha Offshore Support Services Company L.L.C.	**99.5%**	99.5%
Milaha for Petroleum and Chemical Product W.L.L.	**99.5%**	99.5%
Milaha Warehousing S.P.C.	**100%**	100%
Milaha Capital Real Estate Complex	**100%**	100%
Milaha for Ships and Boats S.P.C.	**100%**	100%
Milaha Ship Management & Operation Company S.P.C.	**100%**	100%
Halul Ship Management & Operation S.P.C.	**100%**	100%

1. REPORTING ENTITY (CONTINUED)

All subsidiaries undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent do not differ from the proportion of the ordinary shares held.

The Company also had the following registered branch in Dubai as at the current and the comparative reporting dates:

Name of branch	Principal activity
Qatar Navigation (Dubai Branch)	Marine services

The results and the assets and liabilities of the above branch have been combined in the consolidated financial statements of the Group.

2. BASIS OF PREPARATION

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in compliance with the Qatar Commercial Law No. 11 of 2015.

b) Basis of measurement

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

c) Functional and presentation currency

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.

d) Use of judgments and estimates

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about significant areas that involve a higher degree of judgment or complexity, or areas where assumptions or estimates have a significant risk of resulting in a material adjustment to the amounts recognised in the consolidated financial statements are disclosed in Note 39.

e) Newly effective standard and amendments and improvements to standards

During the current year, the below new and amended International Financial Reporting Standards (standards), and improvements to standards became effective for the first time for financial years ending 31 December 2016:

- Amendments to IFRS 11 on accounting for acquisitions of interests in Joint Ventures
- Amendments to IAS 16 and IAS 38 on clarification of acceptable methods of depreciation and amortization
- Amendments to IAS 27 on equity method in Separate Financial Statements
- Annual improvements to IFRSs 2012-2014 cycle
- Amendments to IFRS 10, IFRS 12 and IAS 28 on investment entities applying the consolidation exception
- Amendments to IAS 1 on Disclosure Initiative

The adoption of the above new and amended standards and improvements to standards had no significant impact on the Group's consolidated financial statements.

f) New and amended standards not yet effective, but available for early adoption

The below new and amended International Financial Reporting Standards (standards) that are available for early adoption for financial years ending 31 December 2016 are not effective until a later period, and they have not been applied in preparing these consolidated financial statements.

Adoption expected to impact the Group's consolidated financial statements:
IFRS 9 ***"Financial Instruments" (Effective for year ending 31 December 2018)***
IFRS 9 published in July 2014, replaces the existing IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial

2. BASIS OF PREPARATION (CONTINUED)

f) New and amended standards not yet effective, but available for early adoption (continued)

instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is assessing the potential impact on its financial statements resulting from the application of IFRS 9.

IFRS 15 "Revenue from Contracts with Customers" (Effective for year ending 31 December 2018)
IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 "Revenue", IAS 11 "Construction Contracts" and IFRIC 13 "Customer Loyalty Programs". IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is assessing the potential impact on its financial statements resulting from the application of IFRS 15.

IFRS 16 "Leases" (Effective for year ending 31 December 2019)
IFRS 16 requires most leases to present right-of-use assets and liabilities on the statement of financial position. IFRS 16 also eliminates the current dual accounting model for leases, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 introduces a single on-balance sheet accounting model that is similar to the current accounting for finance leases. The lessor accounting will remain similar to the current practice, i.e. the lessors will continue to classify leases as finance and operating leases. The Group is assessing the potential impact on its financial statements resulting from the application of IFRS 16. Early adoption is permitted only if IFRS 15 is also adopted.

Adoption not expected to impact the Group's consolidated financial statements:

Effective for year ending 31 December 2017	Amendments to IAS 7 "Disclosure Initiative" Amendments to IAS 12 on recognition of deferred tax assets for unrealised losses
Effective for year ending 31 December 2018	Amendments to IFRS 2 on classification and measurement of share based payment transactions
Effective date to be determined	Amendments to IFRS 10 and IAS 28 on sale or contribution of assets between an investor and its associate or joint venture

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies of the Group applied in the preparation of these consolidated financial statements are set out below. These policies have been applied consistently to both years presented in these consolidated financial statements.

Basis of consolidation
Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:
- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed off during the year are included in the consolidated income statement and consolidated statement of other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. These consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Business combination

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combination (continued)

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

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Revenue recognition

Revenue is measured at fair value of consideration received or receivable and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be measured reliably; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities listed below. The Group bases its estimate by reference to historical results taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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.

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 the right to receive the income is established.

Dividend income:
Dividend income is accounted for on an accrual basis when the 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain benefit after the end of the lease term, the asset is depreciated over 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

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 for freehold land which is not depreciated. 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 on the following estimated useful lives of the depreciable assets:

Buildings	25 - 35 years
New vessels	20 - 40 years
Used vessels	3 - 25 years
Barges and containers	10 - 20 years
Machinery, equipment and tools	4 - 10 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. Dry-docking and special survey costs are recognised in the carrying amount of ships when incurred and depreciated over the period until the next dry-docking which is generally over a period of 3 to 5 years.

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 consolidated income statement in the year the asset is derecognised.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

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. Capital work-in-progress in terms of vessels consist of cost recognised based on the milestones of the progress of work done as per contracts entered into by the Group with shipbuilders.

The costs of capital work-in-progress will be transferred to property, vessel 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 consolidated 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 their useful economic lives and assessed for impairment whenever there is an indication that an 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 consolidated income statement as the expense category that is consistent with the function of the intangible assets.

The useful life of intangible assets acquired on business combination is amortized over the expected duration of the contract which is over a period of 19 & 21 years.

Concession rights are amortized over the expected duration of the contract.

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 consolidated income statement when the asset is derecognised.

Equity accounted investees

Investment in associates and joint ventures

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

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

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group’s investments in its associates and joint ventures are accounted for using the equity method.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity accounted investees (continued)

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated income statement reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated income statement outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture 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 associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired.

If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss as 'Share of profit of an associate and a joint venture' in the consolidated income statement.

Upon loss of significant influence over an associate or joint control over a joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of an associate or a joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Joint operations

A jointly controlled operation is a venture, where the parties to the joint operation contribute towards a common objective. The consolidated financial statements include those assets contributed and controlled by the Group and recognizes liabilities that it incurs in the course of pursuing the joint operation. The expenses that the Group incurred and its share of the income that it earns is included as part of the share of results of joint arrangements.

Investments in securities

The Group maintains two separate investment portfolios as follows:

- Financial assets at fair value through profit or loss; and
- Available-for-sale financial assets.

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 assets at fair value through profit and loss and is subsequently re-measured based on the classification as follows:

Financial assets at fair value through profit or loss:

Financial assets at fair value through profit or loss include investments held for trading 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in securities (continued)

Available-for-sale financial assets:

Available-for-sale financial assets include equity investments and debt securities. Available-for-sale financial assets are either designated in this category or not classified in any other categories of financial assets. 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. Available-for-sale financial assets are recognised initially at fair value plus transaction costs.

After initial measurement, available-for-sale financial assets 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 assets is reported as interest income using the Effective Interest Rate (EIR) method.

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, their related carrying amount at the date of reclassification becomes their 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 granted 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-collectability 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; and

(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

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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets and liabilities (continued)

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, labour and direct overheads

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

Trade receivables

Trade receivable are 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.

Trade payables and other payables

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

Loans and borrowings

Loans and borrowings are recognised initially at fair value of the amount borrowed, less directly attributable transaction costs. After initial recognition, 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 consolidated income statement.

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

Borrowing costs

Borrowing costs are finance costs and other costs that the Group incurs in connection with the borrowing of funds. The Group capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. A qualifying asset for finance cost capitalisation is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. The Group recognises other borrowing costs as an expense in the period incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs (continued)

The Group begins capitalising borrowing costs as part of the cost of a qualifying asset on the commencement date. The commencement date for capitalisation is the date when the Group first meets all of the following conditions:

(a) incurs expenditures for the asset;

(b) incurs borrowing costs; and

(c) undertakes activities that are necessary to prepare the asset for its intended use or sale.

To the extent that the Group borrows funds specifically for the purpose of obtaining a qualifying asset, the Group determines the amount of borrowing costs eligible for capitalisation as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings, if any.

The borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than those specific borrowings mentioned above as made specifically for the purpose of obtaining a qualified asset, are capitalised by applying a capitalisation rate to the expenditures on that asset.

The amount of borrowing costs that the Group capitalises during the period cannot exceed the amount of borrowing costs it incurred during that period. The Group suspends capitalisation of borrowing costs during extended periods in which it suspends active development of a qualifying asset, and ceases capitalising borrowing costs when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

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.

Provision for employees' end of service benefits

End of service gratuity plans

The Group 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 Group is required to make contributions to a Government fund scheme for Qatari employees calculated as a percentage of the Qatari employees' salaries. The Group'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.

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that financial position;

(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(c) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedging

The Group uses derivative financial instruments such as 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.

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 in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group 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 consolidated 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 consolidated 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.

Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees, if any.

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Group's Top Management (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

Current versus non-current classification

The Group presents assets and liabilities based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Current versus non-current classification (continued)

A liability is current when:
- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Fair value measurement

The Group measures financial instruments, such as derivatives, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements 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.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in its own equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented separately in the equity.

4. BUSINESS COMBINATIONS DURING THE YEAR ENDED 2015

Step-up acquisition of Milaha Ras Laffan Gmbh & Company and Milaha Qatar Gmbh & Company

Effective from 1 July 2015, Qatar Shipping Company S.P.C., a fully owned subsidiary of the Group, acquired the residual 60% shareholding interest in its associates, Milaha Ras Laffan Gmbh Company ("KG 1") and Milaha Qatar Gmbh & Company ("KG 2"), based on the share purchase agreement concluded with the previous shareholders. Upon completion of legal formalities in respect of the acquisition, the Group obtained the legal ownership rights on 1 July 2015.

KG 1 and KG 2 are engaged in the operation of time charter of 138,130 m^3 and 145,000 m^3 Liquefied Natural Gas (LNG) vessels respectively.

The acquisitions were accounted for using the acquisition method. The fair values of the identifiable assets and liabilities as at the acquisition date are stated below:

4.1 Milaha Ras Laffan Gmbh Company (KG 1)

	Fair values QR'000	Carrying values QR'000
Assets		
Property, vessels and equipment (Note 10)	503,849	641,049
Customer contracts (Note 12)	102,500	-
Other non-current assets	11,505	11,505
Trade and other receivables	4,030	4,030
Cash and cash equivalents	19,919	19,919
	641,803	676,503
Liabilities		
Loans and borrowings	506,623	506,623
Trade and other payables	21,534	21,534
	528,157	528,157
Fair value of net assets acquired	113,646	148,346
Gain on bargain purchase arising on acquisition	(2,175)	
Cost of business combination, net of adjustment	111,471	

Cost of business combination, net of adjustment is arrived as follows:	
Cash paid for business combination	61,676
Add: Acquisition date fair value of previously held equity interests in associate	49,795
	111,471
Net cash outflow on acquisition:	
Net cash acquired with the subsidiary	19,919
Cash paid	(61,676)
	(41,757)

From the date of acquisition, KG 1 contributed QR 44,552,000 and QR 6,897,000 to the operating revenue and profit of the Group, for the year ended 2015 respectively.

4. BUSINESS COMBINATIONS DURING THE YEAR ENDED 2015 (CONTINUED)

4.2 Milaha Qatar Gmbh & Company (KG 2)

	Fair values QR'000	Carrying values QR'000
Assets		
Property, vessels and equipment (Note 10)	527,772	632,872
Customer contracts (Note 12)	81,500	-
Other non-current assets	11,739	11,739
Trade and other receivables	3,073	3,073
Cash and cash equivalents	36,697	36,697
	660,781	684,381
Liabilities		
Loans and borrowings	514,362	514,362
Trade and other payables	21,416	21,416
	535,778	535,778
Fair value of net assets acquired	125,003	148,603
Goodwill arising on acquisition (Note 12)	7,292	
Cost of business combination, net of adjustment	132,295	

Cost of business combination, net of adjustment is arrived as follows:	
Cash paid for business combination	81,481
Add: Acquisition date fair value of previously held equity interests in associate	50,814
	132,295
Net cash outflow on acquisition:	
Net cash acquired with the subsidiary	36,697
Cash paid	(81,481)
	(44,784)

Goodwill arising on the acquisition of KG 2 amounting to QR 7,292,000 comprises the value of expected synergies as a result of the above business combination. From the date of acquisition, KG 2 contributed QR 44,573,000 and QR 10,456,000 to the operating revenue and profit of the Group, for the year ended 2015 respectively.

4.3 Purchase price allocation

Following the business combination in year 2015, management completed the allocation of the purchase price for the business combination to its identifiable assets and liabilities. The results of this exercise affecting the consolidated financial statement as at and for the year ended 2015 are as follows:

Effect on the Consolidated Statement of Financial Position

	KG 1 QR'000	KG 2 QR'000	Total QR'000
Customer contracts	102,500	81,500	184,000
Decrease in carrying value of vessels	(137,200)	(105,100)	(242,300)
Net impact on the consolidated statement of financial position	(34,700)	(23,600)	(58,300)
Effect on the Consolidated Income Statement			
Amounts relating to step up acquisition			
Gain on Bargain Purchase (Note 4.1)	2,175	-	2,175
Loss on deemed disposal of investment in associates (Note 4.5)	(6,414)	(8,131)	(14,545)
Loss on cash flow hedges recycled to income statement on deemed disposals of associates (Note 4.6)	(7,134)	(7,276)	(14,410)
Net impact on consolidated income statement	(11,373)	(15,407)	(26,780)

4. BUSINESS COMBINATIONS DURING THE YEAR ENDED 2015 (CONTINUED)

4.4 Shareholders' loans

Equity accounted carrying value of investment in associates includes the shareholders' loans, which were accounted by the Group previously as part of loans granted to LNG and LPG companies amounting to QR 40,451,000 and QR 46,538,000 for KG1 and KG2 respectively. Following the business combination, these loans have been considered as an extension of investments in the subsidiaries as the Group does not expect loan repayments in the foreseeable future.

4.5 Loss on deemed disposal of investment in associates

Loss on deemed disposal of investment in associates has been arrived as follows:

	KG 1 QR'000	KG 2 QR'000	Total QR'000
Acquisition date fair value of previously held equity interests in associates	49,795	50,814	100,609
Less: Equity accounted carrying value of investment in associates	(56,209)	(58,945)	(115,154)
Loss on deemed disposal of investment in associates	(6,414)	(8,131)	(14,545)

4.6 Share of hedge reserve of the acquired associates

Following the business combination, share of associates' hedging reserve, previously recorded as part of equity (Hedging reserve) amounting to QR 7,134,000 and QR 7,276,000 for KG1 and KG2 respectively, has been recycled to the consoldiated income statement.

5. OPERATING REVENUES

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

	2016 QR'000	2015 QR'000
Milaha Capital (1)	**389,569**	472,650
Milaha Maritime and Logistics	**883,811**	1,037,611
Milaha Offshore	**568,761**	710,972
Milaha Trading	**253,623**	361,250
Milaha Gas and Petrochem	**455,508**	401,087
	2,551,272	2,983,570

(1) Revenues of Milaha Capital comprise of the following:

	2016 QR'000	2015 QR'000
Rental income	**152,099**	152,948
Dividend income	**129,838**	173,259
Revenue of Qatar Quarries and Building Material Company W.L.L.	**112,677**	204,077
Net fair value loss on financial assets at fair value through profit or loss	**(6,675)**	(61,551)
Profit on disposal of financial assets at fair value through profit or loss	**421**	2,950
Profit on disposal of available-for-sale financial assets	**1,209**	967
	389,569	472,650

6. OTHER OPERATING EXPENSES

	2016 QR'000	2015 QR'000
Claims and insurance	**32,428**	30,055
Registration, certifications and formalities	**20,102**	20,489
Communication and utilities	**20,107**	19,075
Professional fees	**38,917**	13,759
Office supplies and expenses	**3,059**	12,894
Travel and entertainment	**6,459**	9,600
Allowance for impairment of trade receivables (Note 18)	**5,069**	9,153
Security and safety	**5,938**	7,179
Marketing, sponsorship and gifts	**3,423**	4,482
Provision for slow moving inventories (Note 17)	**4,186**	1,136
Miscellaneous expenses	**22,835**	23,241
	162,523	151,063

7. MISCELLANEOUS INCOME

	2016 QR'000	2015 QR'000
Other income	**5,582**	14,621

Year 2016
Mainly consists of insurance claims received for the Petrochemical segment.

Year 2015
Mainly consists of proceeds from the liquidation of the KS entities amounting to QR 8.4 million, which relates to the Petrochemical segment. Further, there were liquidated damages received from one of the ship builders amounting to QR 4.8 million. These liquidated damages, which relate to the offshore segment, were received to compensate the Group for the loss in revenue due to delays in the delivery of a vessel.

8. BASIC AND DILUTED EARNINGS PER SHARE

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

The diluted earnings per share based on the issued shares are equal to the basic earnings per share.

	2016	2015
Net profit for the year attributable to equity holders of the parent (QR'000)	**711,461**	1,094,533
Weighted average number of shares (000's)	**113,616**	113,616
Basic and diluted earnings per share (QR)	**6.26**	9.63

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

	2016	2015
Total number of shares outstanding (000's)) (Note 22)	**114,525**	114,525
Adjustment for weighted average shares with respect to treasury shares (000's) (i) (Note 23)	**(909)**	(909)
Weighted average numbers of shares during the year (000's)	**113,616**	113,616

(i) During the year 2013, one of the subsidiaries acquired 908,725 shares in the Company. Accordingly, these shares have been adjusted in arriving the weighted average numbers of shares.

9. COMPONENTS OF OTHER COMPREHENSIVE INCOME

	2016 QR'000	2015 QR'000
Cash flow hedges		
Net movement during the year	**14,387**	3,102
Group share of net movement in cash flow hedges of associates	**162,228**	106,322
Loss on cash flow hedges recycled to income statement on deemed disposals of associates (Note 4.6)	**-**	14,410
Total effect on other comprehensive gain resulting from cash flow hedges	**176,615**	123,834
Available-for-sale financial assets		
Net gain (loss) arising during the year	**203,230**	(356,608)
Group share of net movement in fair value reserves of equity accounted investees	**2,145**	(15,394)
Total effect on other comprehensive income (loss) resulting from available-for-sale financial assets	**205,375**	(372,002)

10. 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 2015	6,299	205,650	4,672,812	313,372	36,529	73,032	616,904	5,924,598
Additions	-	23,585	32,454	11,849	7,838	315	364,246	440,287
Acquisition of subsidiaries (Notes 4.1& 4.2)	-	-	1,031,621	-	-	-	-	1,031,621
Transfers and reclassifications	-	101,804	176,584	9,898	1,314	2,099	(292,938)	(1,239)
Disposals and write offs	-	(15)	(88,944)	(3,457)	(124)	(8,596)	-	(101,136)
Impairment	-	-	(62,497)	-	-	-	(34,152)	(96,649)
At 31 December 2015 / 1 January 2016	6,299	331,024	5,762,030	331,662	45,557	66,850	654,060	7,197,482
Additions	-	4,352	98,970	2,784	1,580	1,573	176,192	285,451
Transfers and reclassifications	-	175	214,713	6,588	(861)	-	(219,719)	896
Disposals and write offs	-	(211)	(63,462)	(8,245)	(210)	(194)	(2,240)	(74,562)
Impairment (Note iv)	-	-	(58,680)	-	-	-	(101,982)	(160,662)
At 31 December 2016	6,299	335,340	5,953,571	332,789	46,066	68,229	506,311	7,248,605
Accumulated depreciation								
At 1 January 2015	-	115,814	1,465,544	266,581	35,113	69,024	-	1,952,076
Charge for the year	-	10,785	229,775	27,214	2,259	1,711	-	271,744
Transfers and reclassifications	-	-	-	(2,315)	-	2,051	-	(264)
Disposals and write offs	-	(15)	(52,781)	(3,381)	(85)	(8,595)	-	(64,857)
At 31 December 2015/ 1 January 2016	-	126,584	1,642,538	288,099	37,287	64,191	-	2,158,699
Charge for the year	-	10,780	253,336	20,259	2,284	1,118	-	287,777
Transfers and reclassifications	-	175	100	687	(862)	-	-	100
Disposals and write offs	-	(211)	(51,680)	(7,360)	(205)	(126)	-	(59,582)
At 31 December 2016	-	137,328	1,844,294	301,685	38,504	65,183	-	2,386,994
Net carrying amounts								
At 31 December 2015	6,299	204,440	4,119,492	43,563	8,270	2,659	654,060	5,038,783
At 31 December 2016	**6,299**	**198,012**	**4,109,277**	**31,104**	**7,562**	**3,046**	**506,311**	**4,861,611**

10. PROPERTY, VESSELS AND EQUIPMENT (CONTINUED)

Notes:

(i) The encumbrances and liens on property, vessels and equipment are disclosed in Note 28.

(ii) Capital work in progress includes costs incurred on construction of 5 vessels (2015:7 vessels) recognised based on milestones of the progress of work done as per the contracts entered into by the Group with ship builders. The vessels under constructions also include borrowing costs capitalised during the year amounting to QR 2.62 million (2015: QR 8.7 million).

(iii) Included as part of capital work in progress during the current financial year are two assets (2015: two assets) under construction amounting to QR 158,576,024 (2015: QR 154,336,000 (USD 42.4 million)). The total value of these assets is USD 74 million (2015:USD 74 million), of which 75% payment obligation lies with the Group and the remaining 25% lies with a foreign based third party subject to a Memorandum of Understanding (MoU) signed on 3 June 2014 and an addendum to the MoU signed on 23 July 2014. The subsequent arrangement and operation of the assets will be subject to a Master Services Joint Agreement which was not finalised as at the reporting date.

(iv) Impairment losses relate to 8 vessels within “vessels, containers and barges” and 5 vessels, including an equipment under construction included within “capital work in progress” as at the reporting date. The construction of the vessels within capital work in progress has been halted (Note 34) and, consequently, they were written down by QR 98,855,120, which was determined by reference to the vessels’ fair value. The value of the equipment included in “capital work in progress” was written down by QR 3,127,000 which was determined by reference to the fair value of the equipment. The vessels included within “vessels, containers and barges” were written down by QR 58,680,000 following an exercise performed to compare the recoverable amount of the vessels and their respective carrying values at the reporting date. The values assigned to the key assumptions represent management’s assessment of future trends in the shipping industry, cash flow projection of revenues and costs per vessel and the weighted average cost of capital to discount the future cash flows to present value. The key assumptions used in the estimation of the recoverable amount are set out in Note 39.

11. INVESTMENT PROPERTIES

	Land QR'000	Buildings QR'000	Investment properties under construction QR'000	Total QR'000
Cost				
At 1 January 2015	161,613	603,646	188,751	954,010
Additions during the year	-	3,524	108,045	111,569
Transfers and reclassifications	-	45,157	(45,157)	-
At 31 December 2015/ 1 January 2016	161,613	652,327	251,639	1,065,579
Additions during the year	-	950	287,118	288,068
Transfers and reclassifications	-	2,201	(2,201)	-
At 31 December 2016	161,613	655,478	536,556	1,353,647
Accumulated depreciation				
At 1 January 2015	-	162,948	-	162,948
Charge for the year	-	24,645	-	24,645
At 31 December 2015/ 1 January 2016	-	187,593	-	187,593
Charge for the year	-	25,408	-	25,408
At 31 December 2016	-	213,001	-	213,001
Net carrying amounts				
At 31 December 2015	161,613	464,734	251,639	877,986
At 31 December 2016	**161,613**	**442,477**	**536,556**	**1,140,646**

11. INVESTMENT PROPERTIES (CONTINUED)

Notes:

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

(ii) As at 31 December 2016 the fair value of investment properties was QR 3,147,665,000 (2015: QR 3,439,785,000). Investment properties have been fair valued by an accredited independent valuer with recognised and relevant professional qualifications and recent experience in the location and category of investment properties being valued.

(iii) During the year the Group earned rental income amounting to QR 144,113,119 (2015: QR 149,941,201) from its investment properties. Direct operating expenses related to investment properties (including depreciation) amounting to QR 32,777,767 (2015: QR 35,985,434) have been included within operating expenses.

(iv) As at 31 December 2016 the cost of investment properties under construction build on leasehold land was QR 424,385,700 (2015: QR 166,104,102).

12. INTANGIBLE ASSETS

	Customer contracts QR'000	Computer software QR'000	Goodwill QR'000	Concession Rights QR'000 (Note 13)	Total QR'000
Cost					
At 1 January 2015	-	18,423	-	-	18,423
Resulting from business combination (Notes 4.1& 4.2)	184,000	-	7,292	-	191,292
Additions	-	1,401	-	-	1,401
Transfers	-	1,240	-	-	1,240
Disposals and write off	-	(100)	-	-	(100)
At 31 December 2015/ At 1 January 2016	184,000	20,964	7,292	-	212,256
Additions	-	556	-	418,600	419,156
Transfers	-	(896)	-	-	(896)
Disposals and write off	-	(100)	-	-	(100)
At 31 December 2016	184,000	20,524	7,292	418,600	630,416
Amortisation:					
At 1 January 2015	-	6,876	-	-	6,876
Charge for the year	4,697	6,690	-	-	11,387
Relating to transfers	-	264	-	-	264
Relating to disposal and write off	-	(47)	-	-	(47)
At 31 December 2015/ At 1 January 2016	4,697	13,783	-	-	18,480
Charge for the year	9,395	5,684	-	2,492	17,571
Transfers	-	(100)	-	-	(100)
Disposals and write off	-	(83)	-	-	(83)
At 31 December 2016	14,092	19,284	-	2,492	35,868
Net carrying amounts:					
At 31 December 2015	179,303	7,181	7,292	-	193,776
At 31 December 2016	**169,908**	**1,240**	**7,292**	**416,108**	**594,548**

13. INVESTMENT IN JOINT ARRANGEMENTS

Investments in joint ventures

The Group has following investments in Joint Ventures:

Name of the subsidiary	Country of incorporation	Group effective ownership 2016	2015
Qatar Engineering and Technology Company W.L.L. (i)	Qatar	**51%**	51%
Qatar Ship Management Company W.L.L. (i)	Qatar	**51%**	51%
Gulf LPG Transport Company W.L.L.	Qatar	**50%**	50%
Aliago W.L.L.	Qatar	**50%**	50%

Qatar Engineering and Technology Company W.L.L.

Qatar Engineering and Technology Company W.L.L. ("Q-Tech") is a limited liability company established together 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.

Qatar Ship Management Company W.L.L.

Qatar Ship Management Company W.L.L. ("QSMC") is a limited liability company which has been established together with Mitsui O.S.K. Lines Ltd, Japan (MOL), Nippon Yusen Kabushiki Kaisha, Japan (NYK), Kawasaki Kisen Kaisha Ltd, Japan (K-LINE) and Mitsui & Co. Japan. 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 ("GLPG") is a limited liability company established together with Qatar Gas Transport Company (NAKILAT). Gulf LPG aims to provide various activities of owning, managing and operating liquid gas transporting ships.

Aliago W.L.L

Aliago W.L.L is a limited liability company established together with Cargill International under the commercial registration number 5285. Aliago W.L.L.'s main aim is to provide management and operational support for the vessels. The company is yet to commence its commercial operations. During the year, the Group is in the process of completing the legal formalities of obtaining the counter party's share in this venture.

Award of new Hamad Port Agreement

Upon the award of the rights to operate the new Hamad Port to the Group. Milaha and Mwani agreed to manage and operate Hamad port, through the incorporation of a new entity, QTerminals ("under incorporation"). The shareholding structure of Qterminals is 51% owned by MWANI and 49% owned by Milaha.

The entity under incorporation is accounted for under IFRS 11- Joint Arrangements.

Milaha, is contractually liable for the one-time payment for the rights of the concession as at the reporting date. This amount is recorded under intangibles, as concession rights and it amounts to QR 418,600,000. This intangible asset is amortised on a straight line basis over the expected useful economic life of 14 years, this is assessed for impairment whenever there is an indication. The corresponding liability is disclosed under Note 31.

(i) The consolidated financial statements have been prepared based on the management accounts of these entities as of the reporting date.

13. INVESTMENT IN JOINT ARRANGEMENTS (CONTINUED)

Investments in joint ventures (continued)

Summarised statement of financial position:

	2016 (QR'000)			2015 (QR'000)		
	GLPG	**Other joint ventures**	**Total**	GLPG	Other joint ventures	Total
Current assets	**66,713**	**21,905**	**88,618**	13,017	1,980	14,997
Non-current assets	**522,353**	**1,157**	**523,510**	545,971	-	545,971
Current liabilities	**(25,919)**	**(13,321)**	**(39,240)**	(20,646)	(134)	(20,780)
Non-current liabilities	**(273,538)**	**-**	**(273,538)**	(291,892)	-	(291,892)
Net assets	**289,609**	**9,741**	**299,350**	246,450	1,846	248,296
Carrying value of investments	**289,609**	**9,741**	**299,350**	246,450	1,846	248,296

Share of joint ventures' summarised income statement and statement of comprehensive income :

	2016 (QR'000)			2015 (QR'000)		
	GLPG	**Other joint ventures**	**Total**	GLPG	Other joint ventures	Total
Operating revenue	**107,549**	**19,514**	**127,063**	104,761	-	104,761
Salaries, wages and other benefits	**(30,472)**	**(2,035)**	**(32,507)**	(31,039)	-	(31,039)
Operating supplies and expenses	**-**	**(8,732)**	**(8,732)**	-	(27)	(27)
Depreciation and amortisation	**(24,228)**	**(37)**	**(24,265)**	(21,508)	-	(21,508)
Other operating expenses	**(1,838)**	**(857)**	**(2,695)**	(1,888)	(4)	(1,892)
Operating profit	**51,011**	**7,853**	**58,864**	50,326	(31)	50,295
Finance costs	**(7,816)**	**-**	**(7,816)**	(7,595)	-	(7,595)
Finance income	**-**	**6**	**6**	-	5	5
Profit (loss) for the year	**43,195**	**7,859**	**51,054**	42,731	(26)	42,705

Reconciliation of the summarised financial information presented to the carrying amount of its investment in joint ventures:

	2016 QR'000	2015 QR'000
Balance at 1 January	**248,296**	205,591
Share of results of joint ventures (excludes results from joint operations)	**51,054**	42,705
Balance at 31 December	**299,350**	248,296

Interests in joint operations

The Group has following joint operations:

Cargill International SA (CISA)

The Group entered into an agreement with Cargill International SA (CISA) during the year 2012 where parties agreed to cooperate with each other in chartering and finding cargoes for vessels able to carry liquid products, and to share profits and losses generated by such cooperation equally.

During March 2016, the Group entered into another joint agreement with CISA whereby parties will enter into a time charter-party agreement for a very large crude carrier (VLCC). The parties will source cargos of liquid products suitable for carriage by the VLCC or commercially decide to re-let. The Group accounts for the respective transaction in the consolidated financial statements to the extent of its liability and asset.

13. INVESTMENT IN JOINT ARRANGEMENTS (CONTINUED)

Interests in joint operations (continued)

The Group's share in the results of the joint operations amounted to a loss of QR 31,725,000 in 2016 (2015: Profit of QR 14,236,000).

The composition of the share of results of joint arrangement disclosed as part of the consolidated income statement is as follows:

	2016 QR'000	2015 QR'000
Share of result from joint operations	**(31,725)**	14,236
Share of result from joint ventures	**51,054**	42,705
Share of result of joint arrangements	**19,329**	56,941

14. INVESTMENT IN ASSOCIATES

The Group has the following investment in associates:

	Country of incorporation	*Ownership %*		*Profit Sharing %*	
		2016	2015	**2016**	2015
Cargotec Qatar W.L.L. (i),(ix), (x)	Qatar	**51.0%**	51.0%	**40.0%**	40.0%
Iraq-Qatar Transport and Shipping Services Com. Ltd. (ii), (ix), (x)	Iraq	**51.0%**	51.0%	**51.0%**	51.0%
United Arab Shipping Agency Company W.L.L. (iii), (x)	Qatar	**40.0%**	40.0%	**40.0%**	40.0%
Qatar Gas Transport Company Limited (NAKILAT) Q.S.C. (iv)	Qatar	**30.3%**	30.3%	**30.3%**	30.3%
Camartina Shipping INC. (v),(x)	Liberia	**29.4%**	29.4%	**29.4%**	29.4%
Peninsula LNG Transport No. 1 Ltd. (vi),(x)	Liberia	**29.4%**	29.4%	**29.4%**	29.4%
Peninsula LNG Transport No. 2 Ltd. (vi),(x)	Liberia	**29.4%**	29.4%	**29.4%**	29.4%
Peninsula LNG Transport No. 3 Ltd. (vi),(x)	Liberia	**29.4%**	29.4%	**29.4%**	29.4%
Qatar LNG Transport Ltd. (vii)	Liberia	**20.0%**	20.0%	**20.0%**	20.0%
Man Diesel & Turbo Qatar Navigation W.L.L.(viii),(ix), (x)	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, land based cargo access and control system to off-shore and on-shore oil services and gas facilities.

(ii) Iraq-Qatar Transport and Shipping Services Company Ltd. is engaged in providing transportation and shipping logistics and is yet to commence commercial operations.

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

(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.

(v) Camartina Shipping INC. is engaged in operation of a time charter of 135,000 m^3 Liquefied Natural Gas (LNG) vessel.

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

(vii) Qatar LNG Transport Ltd. was established to acquire, own, operate a time charter of 135,000 m^3 Liquefied Natural Gas (LNG) vessel.

14. INVESTMENT IN ASSOCIATES (CONTINUED)

(viii) Man Diesel & Turbo Qatar Navigation W.L.L. is engaged in trading and maintenance of marine engines, equipment's and spare parts.

(ix) Even though the share ownership in the companies listed in point (i), (ii) and (viii) is more than 50%, the Group has only a significant influence over financial and operating policies. Therefore these companies have not been considered as subsidiaries of the Group.

(x) The consolidated financial statements have been prepared based on the management accounts of these entities as of the reporting date.

Reconciliation of the summarised financial information presented to the carrying amount of its interests in associates:

	2016 QR'000	2015 QR'000
Balance at 1 January	**4,568,719**	4,396,173
Share of net movement in other comprehensive income (Note 9)	**164,373**	105,338
Dividends received	**(214,352)**	(204,198)
Share of results	**296,015**	299,572
Deemed disposal	**-**	(28,166)
Balance at 31 December	**4,814,755**	4,568,719

Set out below are the summarised financial information for investments in associates which are accounted for using equity method.

Summarised statement of financial position:

	2016 (QR'000)			2015 (QR'000)		
	Nakilat	Other associates	Total	Nakilat	Other associates	Total
Current assets	**870,946**	**137,459**	**1,008,405**	922,630	135,168	1,057,798
Non-current assets	**8,540,394**	**617,217**	**9,157,611**	8,399,006	658,300	9,057,306
Current liabilities	**(433,962)**	**(48,287)**	**(482,249)**	(392,648)	(58,576)	(451,224)
Non-current liabilities	**(7,162,766)**	**(542,487)**	**(7,705,253)**	(7,579,294)	(352,108)	(7,931,402)
Interest in associate	**1,814,612**	**163,902**	**1,978,514**	1,349,694	382,784	1,732,478
Goodwill	**2,836,241**	**-**	**2,836,241**	2,836,241	-	2,836,241
Carrying value of investment	**4,650,853**	**163,902**	**4,814,755**	4,185,935	382,784	4,568,719

Share of associates' summarised income statement and statement of comprehensive income:

	2016 (QR'000)			2015 (QR'000)		
	Nakilat	Other associates	Total	Nakilat	Other associates	Total
Operating revenue	**1,141,430**	**102,291**	**1,243,721**	1,106,007	174,464	1,280,471
Profit *	**282,680**	**13,335**	**296,015**	290,388	9,184	299,572
Other comprehensive income	**175,344**	**(10,971)**	**164,373**	108,608	(3,270)	105,338
Dividends received	**210,000**	**4,352**	**214,352**	201,600	2,598	204,198

** Share of profit from Nakilat has been computed after the deduction of 2.5% for social and sports fund.*

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016 QR'000	2015 QR'000
Quoted equity investments in local companies (ii)	**3,695,236**	3,458,088
Unquoted equity investments in foreign companies (iv), (v)	**284,089**	285,768
Unquoted equity investments in local companies (iii), (iv), (v)	**64,479**	63,422
Investments in bonds	**21,837**	22,159
	4,065,641	3,829,437

(i) Available-for-sale financial assets comprise direct investments in shares, investments with fund managers and investment in bonds.

(ii) Quoted shares in local companies with a fair value of QR 50,804,000 as of 31 December 2016 (2015: QR 53,127,000) are frozen for trading.

(iii) Unquoted investments in local companies include restricted shares with a fair value of QR 63,379,297 as of 31 December 2016 (2015: QR 63,379,297) as they represent establishment shares in investee companies.

(iv) Unquoted investments comprise shares in companies in which the Group is a founder shareholder.

(v) Unquoted investments include investments amounting to QR 348,568,416 (2015: QR 349,190,000) carried at cost, as their fair values cannot be reliably estimated, due to the uncertain nature of cash flows.

(vi) The available-for-sale financial assets impaired during the year are as follows:

	2016 QR'000	2015 QR'000
Quoted equity investments in local companies	**217**	1,746
Unquoted equity investments in foreign companies	**-**	2,150
	217	3,896

16. LOANS GRANTED TO LNG AND LPG COMPANIES

The Group has provided loans to the following LNG and LPG companies. These loans carry interest at market rates.

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
• 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
• Gulf LPG Transport W.L.L.	• Qatar Gas Transportation Company

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

	2016 QR'000	2015 QR'000
Loan principal	**214,041**	235,419
Accrued interest	**706**	94
	214,747	235,513

17. INVENTORIES

	2016 QR'000	2015 QR'000
Heavy vehicles and spare parts	**82,925**	94,486
Gabbro and aggregate	**35,957**	104,980
Other goods for resale	**17,497**	19,161
	136,379	218,627
Provision for slow-moving inventories (1)	**(10,800)**	(6,708)
	125,579	211,919

(1) The movements in the provision for slow-moving inventories were as follows:

	2016 QR'000	2015 QR'000
At 1 January	**6,708**	5,720
Charge for the year (Note 6)	**4,186**	1,136
Amounts written-off	**(94)**	(148)
At 31 December	**10,800**	6,708

18. TRADE AND OTHER RECEIVABLES

	2016 QR'000	2015 QR'000
Trade receivable (net)	**397,778**	432,457
Notes receivable	**30,600**	38,103
Accrued income	**144,251**	164,925
Staff receivables (i)	**53,747**	43,935
Prepaid expenses	**23,051**	32,888
Advances to suppliers	**18,315**	9,958
Receivables from related parties (Note 35)	**990**	5,103
Other receivables	**73,370**	60,946
	742,102	788,315

Note:

(i) Staff receivables consists of loans obtained against end of service benefits.

Trade receivables are non-interest bearing and generally have settlement terms within 30 to 90 days. As at 31 December 2016, trade receivable with nominal value of QR 36.57 million (2015: QR 31.65 million) were impaired.

Movement in the allowance for impairment of trade receivables were as follows:

	2016 QR'000	2015 QR'000
At 1 January	**31,654**	26,679
Charge for the year (Note 6)	**5,069**	9,153
Amounts written off	**(152)**	(4,178)
At 31 December	**36,571**	31,654

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

As at 31 December, the ageing of trade receivables, (net of allowances for impairment) is as follows:

	Total QR'000	*Neither past due nor impaired* 0-60 days QR'000	*Past due but not impaired* 61-120 days QR'000	121-180 days QR'000	181-365 days QR'000	>365 days QR'000
2016	**397,778**	**311,741**	**27,161**	**22,687**	**25,026**	**11,163**
2015	432,457	305,427	68,104	20,510	17,178	21,238

Unimpaired trade 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.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 QR'000	2015 QR'000
Quoted investments	**484,556**	499,139

20. INVESTMENTS IN TERM DEPOSITS

	2016 QR'000	2015 QR'000
Term deposits with banks	**4,386,788**	4,733,142
Less: Term deposits maturing before 90 days (Note 21)	**(808,066)**	-
Term deposits maturing after 90 days (i)	**3,578,722**	4,733,142

Note:

(i) Short-term deposits earn interests at market rates and these are with an original maturity of over 90 days.

(ii) Short term deposits have been predominantly financed using loans and borrowings.

21. CASH AND CASH EQUIVALENTS

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

	2016 QR'000	2015 QR'000
Cash in hand	**7,249**	3,788
Bank balance – term deposits (i) (Note 20)	**808,066**	-
Bank balance – current accounts	**287,545**	848,948
Cash and cash equivalents in the consolidated statement of financial position	**1,102,860**	852,736

(i) Represents deposits with an original maturity of less than 90 days with commercial market rates.

22. SHARE CAPITAL

	Number of Shares ('000)	QR'000
Authorised, issued and fully paid		
At 31 December 2016 and 31 December 2015 :		
Shares with nominal value of QR 10 each	**114,525**	**1,145,252**

23 TREASURY SHARES

During the year 2013, one of the subsidiaries of the Group, invested 908,725 shares amounting to QR 73,516,000 in the Parent. These treasury shares are recognised at cost and deducted from the equity.

24. LEGAL RESERVE

In accordance with Qatar Commercial Law No.11 of 2015 and Company's Articles of Association, 10% of the profit for the year should be transferred to legal reserve. The Company has resolved to discontinue such annual transfers as reserve totals 50% of the issued capital.

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

The reserve is not available for distribution except in the circumstances stipulated in the Qatar Commercial Law No. 11 of 2015.

25. GENERAL RESERVE

In accordance with the Company's Articles of Association, the general assembly based on a 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.

26. DERIVATIVE FINANCIAL INSTRUMENTS

Hedging activities

Cash flow hedges:

At 31 December 2016, the Group had cash flow hedges to hedge their exposure to interest rate risk which is as follows:

Halul Offshore Services W.L.L.:

At 31 December 2016, Halul Offshore Services Company W.L.L. had an interest rate swap agreement in place with a notional amount of USD 19,658,976 (translated to QR 71,558,674), 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 swap is calculated by reference to the market valuation of the swap agreements.

Halul Offshore Services Company W.L.L. has recognised a fair value loss on its interest rate swap of QR 44,159 as at 31 December 2016 (31 December 2015: QR 449,000) within trade and other payables and in equity in respect of the effective portion of hedge.

Milaha Ras Laffan GmbH & Co. KG ("KG 1") and Milaha Qatar GmbH & Co. KG ("KG 2"):

As a result of the business combination of KG 1 and KG 2 entities (Note 4), the interest rate swap agreements entered by these two entities were absorbed by the Group. KG 1 and KG 2 had an interest rate swap agreement in place with a notional amount of USD 127,698,155 (translated to QR 464,821,284) and USD 130,254,936 (translated to QR 474,127,967), respectively, whereby it receives a variable rate of USD 3 months LIBOR and pays a fixed rate interest of 2.685% on the notional amount. The swap is being used to hedge the exposure to interest rate fluctuations on the loans. The loan facilities and the interest rate swaps have the same critical terms. These cash flow hedges are 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.

KG1 and KG2 recognised fair value losses on its interest rate swaps of USD 1,901,210 (translated to QR 6,920,404) and USD 1,939,277 (translated to QR 7,058,968) as at 31 December 2016 within trade and other payables with a corresponding entry to the hedging reserve. As at 31 December 2016, the carrying values of the interest rate swaps for KG 1 and KG 2 amounts to negative USD 4,109,987 (translated to QR 14,960,353) and negative USD 4,192,277 (translated to QR 15,259,888).

27. DIVIDENDS

Dividend proposed

The Board of Directors have proposed a 35% cash dividend of QR 3.50 per share totaling QR 398 million for the year 2016 which is subject to the approval of the equity holders at the Annual General Assembly.

Dividend declared and paid during the year, for the comparative year:

	2016 QR'000	2015 QR'000
Final Dividend (i)	**568,082**	624,891

(i) During the year, following the approval at the Annual General Assembly held on 16 March 2016, the company paid 50% cash dividend of QR 5 per share totaling QR 568 million relating to the year 2015. (2015: QR 5.5 per share, totaling QR 625 million relating to year 2014).

28. LOANS AND BORROWINGS

	Notes	Interest rate %	Maturity	2016 QR'000	2015 QR'000
Parent company:					
Loan 1	(i)	LIBOR + 0.73	Feb 2017	**7,973**	55,813
Loan 2	(ii)	LIBOR + 0.5	May 2017	**291,200**	145,600
Loan 3	(iii)	1.45	Mar 2017	**-**	742,560
Loan 4	(iv)	LIBOR + 2	Oct 2017	**1,820,000**	1,820,000
Loan 5	(v)	LIBOR +2.4	Mar 2017	**728,000**	728,000
Loan 6	(vi)	2.76	Sep 2017	**728,300**	728,000
Loan 7	(vii)	LIBOR + 2	Jun 2018	**364,000**	364,000
Subsidiary companies:					
Loan 8	(viii)	LIBOR + 1.75	Jan 2021	**206,330**	246,805
Loan 9	(ix)	LIBOR + 0.65	Jun 2016	**-**	2,958
Loan 10	(x)	LIBOR + 0.60	Nov 2016	**-**	22,750
Loan 11	(xi)	LIBOR + 1.65	Aug 2019	**71,559**	99,077
Loan 12	(xii)	LIBOR + 1.75	Sep 2021	**325,680**	363,231
Loan 13	(xiii)	LIBOR + 1.4	Dec 2024	**452,088**	491,400
Loan 14	(xiv)	LIBOR+1.4	Mar 2025	**339,549**	368,186
Loan 15	(xv)	LIBOR + 1.75	June 2022	**347,984**	382,928
Loan 16	(xvi)	LIBOR + 1.7	Dec 2023	**938,949**	988,034
Loan 17	(xvii)	3.5	June 2016	**-**	33,562
Loan 18	(xviii)	3.75	April 2016	**-**	2,645
				6,621,612	7,585,549
Less: Deferred financing costs				**(6,591)**	(7,952)
				6,615,021	7,577,597
Presented in the consolidated statement of financial position as follows:					
Current portion				**3,825,201**	4,884,862
Non-current portion				**2,789,820**	2,692,735
				6,615,021	7,577,597

Notes:

(i) Loan 1 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 equal monthly installments of QR 3,986,667.

(ii) An original dollar denominated facility of QR 145,600,000 was increased to QR 343,518,000 during the year end 2016. The amount utilised as at the reporting date was QR 291,200,000. This facility carries interest at 0.5% + LIBOR subject to a minimum of 1.15%. This facility matures in two tranches in April 2017 (USD 40,000,000) and in May 2017 (USD 40,000,000).

(iii) During the year, the Group fully settled this existing loan of USD 204,000,000 ahead of its maturity date in March 2017. This facility carried a fixed interest rate of 1.45% per annum.

(iv) Loan 4 was obtained for the purpose of bridging the finance expenses related to the advance and construction of vessels in foreign shipyards and other working capital requirements. This loan has

28. LOANS AND BORROWINGS (CONTINUED)

Notes: (continued)

been fully drawn down to the maximum amount as at the reporting date. This loan is currently fully utilised and settlement is due with a bullet payment at the end of the loan maturity. This loan facility was extended during the current year.

(v) Loan 5 represents a revolving Murabaha facility with a limit amounting to USD 200,000,000. The purpose of this facility is for general corporate purposes. The facility requires settlement in full towards the end of its maturity while profits of the Bank are serviced on a monthly basis. This loan facility was extended during the current year.

(vi) The Group entered into a loan facility of QR 728,300,000 which was used to settle the existing USD 200,000,000 loan facility from the same bank. The facility is fully utilized as at the reporting date. This new facility carries a fixed interest rate of 2.76% per annum. The maturity of this loan facility is one year from the draw down date. This loan facility was extended during the current year.

(vii) Loan 7 was obtained for the purpose of bridging finance expenses related to the advance and construction of vessels in foreign shipyards and other working capital requirements. This loan was fully drawn down to the maximum amount during year 2016.

(viii) Loan 8 represents a dollar denominated Islamic financing facility obtained for the purpose of re-financing the loans obtained for the 8 container vessels. The facility has been secured against the related vessels. The loan is repayable in 32 quarterly installments of USD 2,145,161 (translated to QR 7,808,000) with a final payment of USD 26,354,848 (translated to QR 95,931,000). During June 2016, the Group prepaid a portion of the dollar denominated Islamic facility in advance, which represents the encumbrances of one vessel that was disposed during the year. The total amount of the repayment in addition to the loan instalment amounts to USD 2,538,856.

(ix) Loan 9 was obtained to finance the purchase of 4 utility standby safety vessels. The loan was settled during the year.

(x) Loan 10 was obtained to finance the purchase of two platform supply vessels. The loan was settled during the year.

(xi) Loan 11 represents a QR 220 million facility obtained for the purpose of financing or refinancing the mortgaged vessels and is repayable by 32 quarterly installments amounting to USD 1,890,000 (translated to QR 6,879,600) commencing from June 2012. This loan is secured against the mortgage of the vessels for which the loan was obtained. The loan has been hedged against interest rate exposure.

(xii) During the year 2013, the Group obtained a loan amounting to USD 123,000,000 (translated to QR 447,720,000) for the purpose of financing acquisition of vessels and refinancing the mortgaged vessels. This loan is repayable in 31 equal quarterly instalments of QR 9.38 million and a final balloon payment of QR 156.7 million. The loan is secured against the mortgage of the vessels for which the loan was obtained.

(xiii) Loan 13 represents a facility of USD 135,000,000 (translated to QR 491,400,000). The full draw down of this facility was during March 2015. The repayment will be made in 35 equal quarterly instalments of USD 2,700,000 and a bullet payment for the remaining amount at the final instalment. At the reporting date, the full amount of the facility was utilized. This facility has a mortgage over 8 vessels.

(xiv) Loan 14 represents a Murabaha facility of USD 135,000,000 (translated to QR 491,400,000) initially taken to finance the construction of vessels which was subsequently reduced to USD 101 million at the request of the Group. The repayment will be made in 36 equal quarterly instalments of USD 1,966,806 and a bullet payment at maturity of the facility. At the reporting date, the facility was fully utilised to the extent of USD 101,150,000.

(xv) Loan 15 was obtained to finance the construction of 19 vessels and is repayable in 27 equal quarterly instalments commencing from September 2015 and one final balloon payment of QR 164 million at the end of the loan period.

(xvi) These loans are recognised as a result of the business combination that occurred during the year 2015 (Note 4). These loans are repayable in 40 quarterly instalments over the period of ten years and a final balloon payment of approximately 50% of the principal borrowed. These loans are secured by the primary mortgage over the vessels and a priority pledge of all the issued interest of the entity and issued shares of the General Partner, who manages the vessel operations.

(xvii) Loan 17 represents a trust receipt facility obtained to finance working capital requirements and is repayable within six months and carries interest at commercial rates. The loan was fully settled during the year.

(xviii) Loan 18 represents a term loan obtained to finance working capital requirements. This loan carries interest at 3.75% per annum and is repayable in equal monthly instalments of QR 745,000. The last installment for the loan was completed during the year.

29. ADVANCE FROM A CUSTOMER

During year 2011, the Group received an interest free advance from a customer of QR 187,497,000 for the construction of harbour tugs, pilot boats, mooring boats and service boats. These boats are in service by the customer. The advance payment is repayable through deductions from the certified interim sales invoices to be raised by the Group to customer. An amount equal to 10% of the invoiced amounts will be deducted to settle from each invoice until such time the full amount of the advance payment has been repaid. Based on the work completed to date the amount of the long term payable amounts to QR 152,634,000 (2015: QR 160,652,000).

30. PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision recognised in the consolidated statement of financial position are as follows:

	2016 QR'000	2015 QR'000
At 1 January	**91,969**	87,652
Provided during the year	**25,447**	20,661
End of service benefits paid	**(10,129)**	(10,486)
Transferred to the pension fund	**(4,840)**	(5,858)
At 31 December	**102,447**	91,969
End of service benefits plans	**99,840**	89,780
Pension plan (i) (Note 31)	**2,607**	2,189
At 31 December	**102,447**	91,969

(i) The Pension plan is a defined contribution pension plan and pension obligations that are payable on demand to a Government Pension Fund. Accordingly, these amounts have been disclosed as a current liability.

31. TRADE AND OTHER PAYABLES

	2016 QR'000	2015 QR'000
Trade accounts and notes payable	**170,309**	213,494
Accrued expenses	**121,789**	95,362
Advances from customers	**46,418**	47,002
Payables to related parties (Note 35)	**142**	671
Negative fair value of interest rate swaps (Note 26)	**30,264**	44,651
Contribution to social and sports fund (Note 32)	**17,787**	27,363
Pension plan (Note 30)	**2,607**	2,189
Payable for concession right (i)	**418,600**	-
Other payables	**140,204**	122,079
	948,120	552,811

(i) Concessions rights payable amounting to QR 418,600,000 represents the contractual liability as at the reporting date, relating to the concession rights for operating and managing the new Hamad Port. This liability is on account of the agreement signed with MWANI during the month of November 2016 (Note 13).

32. PROVISION FOR CONTRIBUTION TO SOCIAL AND SPORTS FUND

In accordance with Law No. 13 of 2008 and related clarifications issued in January 2010, the Group is required to contribute 2.5% of its annual net consolidated profit to the Social and Sports Fund (S.S.F). The clarification relating to Law No. 13 requires the payable amount to be recognised as distribution of income. Hence, this is recognised in the consolidated statement of changes in equity.

During the year, the Group appropriated an amount of QR 17.8 million (2015: QR 27.3 million) to the S.S.F representing 2.5% of the consolidated net profit for the year.

33. COMMITMENTS

	2016 QR'000	2015 QR'000
Capital commitments - Property, vessels and equipments		
Estimated capital expenditure approved and contracted as at the reporting date	**687,798**	1,670,050

Operating lease commitments

The Group 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:

	2016 QR'000	2015 QR'000
Within one year	**11,763**	7,911
After one year but not more than five years	**11,889**	10,210
Total operating lease expenditure contracted for at the reporting date	**23,652**	18,121

34. CONTINGENT LIABILITIES

At 31 December 2016, the Group had the following 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:

	2016 QR'000	2015 QR'000
Letters of guarantee	**752,580**	754,270
Letters of credit	**29,633**	472,267
	782,213	1,226,537

Litigation and arbitration at the reporting date

As at the reporting date, the Group had issued a notice of rescission to one of the shipbuilders for the failure to deliver 5 vessels in accordance with the contractual terms of the related agreement. In response, the shipbuilder issued a notice of arbitration to the Group. The carrying amounts of those vessels subject to the above arbitration almost equates, to the advance payment guarantees received from the shipbuilder at the commencement of the ship construction agreement amounting to QR 397,420,000. The Group believes as the proceedings for arbitration is at its inception, it is pre-mature to forecast the outcome of the arbitration as at the reporting date.

35. RELATED PARTY DISCLOSURES

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

Related party transactions

Transactions with related parties during the year are as follows:

	Sales QR'000	Purchase QR'000	Interest income QR'000	Receipt of loan instalments QR'000
2016				
Associates	**634**	**27**	**16,491**	**23,281**
2015				
Associates	478	6	19,497	109,187

35. RELATED PARTY DISCLOSURES (CONTINUED)

Related party balances

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

	2016		2015	
	Receivables QR'000	Payables QR'000	Receivables QR'000	Payables QR'000
Associates	**93**	**17**	326	-
Directors	**897**	**68**	4,483	498
Other related parties	**-**	**57**	294	173
	990	**142**	5,103	671

The amounts receivable and payable to related parties are disclosed in Note 18 and Note 31 respectively.

Sales to and purchases from related parties are made at normal market prices. Outstanding balances at the year-end are unsecured, and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. During the year the Group has not recorded any impairment of receivables relating to amounts due from related parties (2015: 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 214,747,000 (2015: QR 235,513,000) is disclosed as part of Note 16.

Compensation of directors and other key management personnel

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

	2016 QR'000	2015 QR'000
Board of Directors remuneration – cash	**13,950**	13,950
Short-term benefits	**7,901**	11,939
Employees' end of service benefits & Pensions	**525**	818
	22,376	26,707

36. 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 the 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 group 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 is 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.
- 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. Adjustments with respect to Milaha Corporate represent costs captured and subsequently allocated to various business pillars by way of a laid down methodology.

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.

36. SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2016

	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	409,111	1,003,934	573,031	312,005	455,506	-	2,753,587	(202,315) (i)	2,551,272
Salaries, wages and other benefits	(7,773)	(200,420)	(179,116)	(18,977)	(102,906)	(127,057)	(636,249)	480 (i)	(635,769)
Operating supplies and expenses	(131,575)	(443,608)	(113,575)	(263,094)	(74,260)	(8,406)	(1,034,518)	183,307 (i)	(851,211)
Rent expenses	(4,117)	(7,898)	(6,725)	(2,208)	(3,954)	(9,876)	(34,778)	19,004 (i)	(15,774)
Depreciation and amortisation	(35,967)	(42,342)	(115,448)	(914)	(131,636)	(4,449)	(330,756)	-	(330,756)
Other operating expenses	(10,994)	(34,346)	(54,698)	(6,207)	(34,081)	(21,721)	(162,047)	(476) (i)	(162,523)
Allocations relating to fleet and technical services	-	(53,421)	-	-	53,421	-	-	-	-
Allocations relating to Milaha Corporate	(17,586)	(73,515)	(34,372)	(16,096)	(29,902)	171,471	-	-	-
OPERATING PROFIT	201,099	148,384	69,097	4,509	132,188	(38)	555,239	-	555,239
Finance costs	(87,896)	(9,928)	(24,692)	-	(52,570)	-	(175,086)	-	(175,086)
Finance income	136,799	1	465	4,113	19,704	-	161,082	-	161,082
Net gain (loss) on disposal of property, vessels and equipment	2,228	(2,872)	1,223	-	-	9	588	-	588
Share of results of joint arrangements	-	7,905	-	-	11,424	-	19,329	-	19,329
Share of results of associates	235	943	-	-	294,837	-	296,015	-	296,015
Net (loss) gain on foreign exchange	(1,449)	(738)	(334)	(196)	4,375	29	1,687	-	1,687
Impairment on available-for-sale financial assets	(217)	-	-	-	-	-	(217)	-	(217)
Impairment of vessels & an equipment	-	-	(160,662)	-	-	-	(160,662)	-	(160,662)
Miscellaneous income	379	-	-	-	5,203	-	5,582	-	5,582
PROFIT FOR THE YEAR	251,178	143,695	(114,903)	8,426	415,161	-	703,557	-	703,557

Note: (i) Inter-segment revenues are eliminated on consolidation

36. SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2015

	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	491,064	1,165,751	710,973	420,909	401,087	-	3,189,784	(206,214 (i)	2,983,570
Salaries, wages and other bene-fits	(11,826)	(199,389)	(229,107)	(18,694)	(94,748)	(129,000)	(682,764)	554 (i)	(682,210)
Operating supplies and ex-penses	(171,278)	(430,598)	(138,454)	(357,299)	(54,034)	(5,864)	(1,157,527)	188,047 (i)	(969,480)
Rent expenses	(5,580)	(9,631)	(6,615)	(2,253)	(4,377)	(7,619)	(36,075)	17,877 (i)	(18,198)
Depreciation and amortisation	(35,656)	(51,030)	(110,132)	(916)	(105,971)	(4,071)	(307,776)	-	(307,776)
Other operating expenses	(11,293)	(35,789)	(50,473)	(3,946)	(37,725)	(11,573)	(150,799)	(264) (i)	(151,063)
Allocations relating to fleet and technical services	-	(61,856)	-	-	61,856	-	-	-	-
Allocations relating to Milaha Corporate	(17,432)	(67,536)	(30,723)	(16,838)	(25,930)	158,459	-	-	-
OPERATING PROFIT	237,999	309,922	145,469	20,963	140,158	332	854,843	-	854,843
Finance costs	(49,665)	(7,888)	(12,837)	-	(35,974)	1	(106,363)	-	(106,363)
Finance income	86,643	1	272	2,848	25,080	(363)	114,481	-	114,481
Net (Loss) gain on disposal of property, vessels and equip-ment	-	(2,412)	4,129	-	(1)	-	1,716	-	1,716
Share of results of joint arrange-ments	-	-	-	-	56,941	-	56,941	-	56,941
Share of results of associates	587	2,050	-	-	296,936	(1)	299,572	-	299,572
Net (loss) gain on foreign ex-change	(833)	273	514	107	635	30	726	-	726
Amounts relating to step-up acquisition of associates	-	-	-	-	(26,780)	-	(26,780)	-	(26,780)
Impairment on available-for-sale financial assets	(3,896)	-	-	-	-	-	(3,896)	-	(3,896)
Impairment of vessels & an equipment	-	(37,892)	(49,140)	-	(9,617)	-	(96,649)	-	(96,649)
Miscellaneous income	3	-	4,849	-	9,768	1	14,621	-	14,621
PROFIT FOR THE YEAR	270,838	264,054	93,256	23,918	457,146	-	1,109,212	-	1,109,212

Note: (i) Inter-segment revenues are eliminated on consolidation

36. SEGMENT INFORMATION (CONTINUED)

Geographic segments

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

	Qatar	UAE QR'000	Germany QR'000	Total QR'000
	2016			
Operating revenues	**2,238,364**	**134,745**	**178,163**	**2,551,272**
Profit for the year	**664,041**	**4,815**	**34,701**	**703,557**
	2015			
Operating revenues	2,756,379	138,066	89,125	2,983,570
Profit (loss) for the year	1,140,439	(48,580)	17,353	1,109,212

37. FINANCIAL RISK AND CAPITAL MANAGEMENT

a) Financial risk management

Objective and policies

The Group's principal financial liabilities comprise loans and borrowings, trade payables and notes payable, payables to related parties, negative fair value of interest rate swaps and contribution to social and sports funds. 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 receivables and notes receivable, receivables from related parties, loans granted to LNG and LPG companies, financial assets at fair value through profit or loss, available for sale financial assets, staff and other receivables 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 loans and borrowings and short term deposits with floating interest rates.

To manage the risk of changes in floating interest rate on its interest bearing loans, the Group has entered into interest rate swaps as explained in Note 26. Under the swap agreements, the Group will pay an agreed fixed interest rate and receive a floating interest rate.

At the reporting date, the interest rate profile of the Group's interest bearing financial instruments are as follows:

	2016 QR'000	2015 QR'000
Floating interest rate instruments		
Financial assets	**34,621**	84,025
Financial liabilities	**(5,893,312)**	(3,650,087)
	(5,858,691)	(3,566,062)
Fixed interest rate instruments		
Financial assets	**3,578,722**	4,733,142
Financial liabilities	**(728,300)**	(3,935,444)
	2,850,422	797,698

37. FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

a) Financial risk management (Continued)

Interest rate risk (continued)

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. 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'000
2016		
Floating interest rate instruments	**+25**	**(14,647)**
2015		
Floating interest rate instruments	+25	(8,915)

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 Qatari Riyals (presentation currency), US Dollars and UAE Dirhams. As the Qatari Riyal is pegged to the US Dollars and UAE Dirhams, the balances in US Dollars and UAE Dirhams are not considered to represent any 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 management for their review on a regular basis.

At the reporting date, the Group's exposure to listed equity securities at fair value includes both available-for-sale financial assets and financial assets at fair value through profit or loss. An increase or decrease of 5% on the Qatar Exchange (QE) index would have an impact of approximately QR 24 million (2015: QR 25 million) on the consolidated income statement in respect of financial assets at fair value through profit or loss. In respect of available-for-sale financial assets, a decrease of 5% on the QE index would have an impact of approximately QR 185 million (2015: QR 173 million) on the consolidated income statement or consolidated statement of changes in equity, 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.

The Group also has unquoted investments carried at cost where the impact of changes in equity prices will be only reflected when the instruments is sold or deemed to be impaired.

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 trade and notes receivable, staff and other receivables, receivables from related parties, loans granted to LNG and LPG companies and bank balances.

The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers 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:

37. FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

a) Financial risk management (Continued)

Credit risk (continued)

	2016 QR'000	2015 QR'000
Loans granted to LNG and LPG Companies (Note 16)	**214,747**	235,513
Trade receivable (Note 18)	**397,778**	432,457
Notes receivable (Note 18)	**30,600**	38,103
Staff receivables (Note 18)	**53,747**	43,935
Receivables from related parties (Note 35)	**990**	5,103
Other receivables (Note 18)	**73,370**	60,946
Non-current assets	**32,456**	54,364
Term deposits with banks (Note 20)	**4,386,788**	4,733,142
Bank balance – current accounts (Note 21)	**287,545**	848,948
	5,478,021	6,452,511

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 adequate bank facilities are available. The Group's terms of revenue require amounts to be settled within its specified terms in the contracts. Trade payables 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 based on contractual undiscounted payments.

	On demand QR'000	Less than 1 year QR'000	1 to 5 years QR'000	Over 5 years QR'000	Total QR'000
2016					
Trade and other payables	**-**	**170,309**	**-**	**-**	**170,309**
Contribution to Social and Sport Fund	**-**	**17,787**	**-**	**-**	**17,787**
Loans and borrowings	**-**	**4,129,923**	**1,683,045**	**1,511,539**	**7,324,507**
Payables to related parties	**-**	**142**	**-**	**-**	**142**
Interest rate swaps	**-**	**-**	**30,264**	**-**	**30,264**
Total	**-**	**4,318,161**	**1,713,309**	**1,511,539**	**7,543,009**
2015					
Trade and other payables	-	213,494	-	-	213,494
Contribution to Social and Sport Fund	-	27,363	-	-	27,363
Loans and borrowings	-	5,228,852	958,239	1,994,547	8,181,638
Payables to related parties	-	671	-	-	671
Interest rate swaps	-	-	44,651	-	44,651
Total	-	5,470,380	1,002,890	1,994,547	8,467,817

37. FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

b) Capital management

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.

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 greater than the weighted average interest expense on interest bearing loans and borrowings.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic and business conditions and 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 2016 and 31 December 2015.

The Group 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 calculated as follows:

	2016 QR'000	2015 QR'000
Debt (i)	**6,615,021**	7,577,597
Less: Cash and cash equivalents (Note 21)	**(1,102,860)**	(852,736)
Less: Investments in term deposits (Note 20)	**(3,578,722)**	(4,733,142)
Net debt	**1,933,439**	1,991,719
Equity attributable to equity holders of the Parent	**14,186,641**	13,679,094
Gearing ratio	**13.6%**	14.6%

(i) Debt comprises of loans and borrowings as detailed in Note 28.

38. 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, investment in term deposits, available-for-sale financial assets, financial assets at fair value through profit or loss, other financial assets and receivables. Financial liabilities consist of bank overdrafts, loans and borrowings and payables. Derivative financial instruments consist of interest rate swaps.

A comparison by class of the carrying value and fair value of the Group's financial instruments that are carried in the consolidated statement of financial position are set out below:

	Carrying amount		Fair value	
	2016 QR'000	2015 QR'000	2016 QR'000	2015 QR'000
Financial assets at fair value through profit or loss				
Financial assets at fair value through profit or loss	**484,556**	499,139	**484,556**	499,139
Financial assets (liabilities) at fair value through other comprehensive income				
Available-for-sale financial assets	**4,065,641**	3,829,437	**4,065,641**	3,829,437
Interest rate swaps (cash flow hedge)	**(30,264)**	(44,651)	**(30,264)**	(44,651)
	4,035,377	3,784,786	**4,035,377**	3,784,786

38. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of financial assets and liabilities other than those disclosed above approximates their carrying amounts at reporting date.

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, investment in term deposits, 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 financial assets 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.
- Loans granted 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 2016, 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 financial institution.

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:

	2016 QR'000	Level 1 QR'000	Level 2 QR'000	Level 3 QR'000
Assets measured at fair value				
Financial assets at fair value through profit or loss	**484,556**	**484,556**	**-**	**-**
Available-for-sale financial assets:				
Quoted shares	**3,695,236**	**3,695,236**	**-**	**-**
Unquoted shares	**1,034**	**-**	**-**	**1,034**
Investments in bonds	**21,837**	**-**	**-**	**21,837**
Liabilities measured at fair value				
Interest rate swaps	**30,262**	**-**	**30,262**	**-**

	2015 QR'000	Level 1 QR'000	Level 2 QR'000	Level 3 QR'000
Assets measured at fair value				
Financial assets at fair value through profit or loss	499,139	499,139	-	-
Available-for-sale financial assets:				
Quoted shares	3,458,088	3,458,088	-	-
Unquoted shares	1,713	-	-	1,713
Investments in bonds	22,159	-	-	22,159
Liabilities measured at fair value				
Interest rate swaps	44,649	-	44,649	-

During the year, 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 (2015: None).

39. 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 - 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 non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a Discounted Cash Flows ("DCF") model. The cash flows are derived from the budget for the useful life of the assets along with the available approved cash flows. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different Cash Generating Unites ("CGUs") include discount rates, operating cash flow, price inflation, expected utilisation and residual values of the assets. The impairment exercise is usually performed at the lowest CGU level, in case of vessels it is performed at the vessel's CGU level.

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.

Useful life of concession right

The useful life concession right with finite life is determined by the Group's management based on their estimate of the period over which the concession right is expected to be available for use by the Group. This estimate is reviewed and adjusted if appropriate at each financial year end. This may result in a change in the useful economic lives and therefore amortisation expense in future periods

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 receivable

An estimate of the collectible amount of trade 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.

39. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Estimates and assumptions (continued)

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.

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 valuation of investment property
The fair value of investment property is determined by valuations from an external professional real estate valuer using recognised valuation techniques and the principles of IFRS 13 "Fair Value Measurement". These valuations entail significant estimates and assumptions about the future, which could result in significant differences in the valuations.

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.

Provisions and liabilities
Provisions and liabilities are recognized in the period only to the extent management considers it probable that there will be a future outflow of funds resulting from past operations or events and the amount of cash outflow can be reliably estimated. The timing of recognition and quantification of the liability require the application of judgment to existing facts and circumstances, which can be subject to change. Since the actual cash outflows can take place in subsequent years, the carrying amounts of provisions and liabilities are reviewed regularly and adjusted to take account of changing facts and circumstances. A change in estimate of a recognized provision or liability would result in a charge or credit to profit or loss in the period in which the change occurs.

Legal proceedings
From time to time, the Group is subject to legal proceedings the ultimate outcome of each being always subject to many uncertainties inherent in litigation. Management applies significant assumptions in measuring the risks of exposure to contingent liabilities related to existing legal proceedings and other unsettled claims. Management's judgment is required in estimating the probability of a successful claim against the Group or crystallising of a material obligation, and in determining the probable amount of the final settlement or obligation. As at the date of reporting, based on an assessment made by the internal / external legal advisors, management does not believe that the outcome of these matters will have a material effect on the Group's financial position.

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.

40. COMPARATIVE INFORMATION

The comparative figures for the previous year have been reclassified, where necessary, in order to conform to the current year's presentation. Such reclassifications do not affect the previously reported net profits, net assets or equity.