

Qatar Navigation Q.P.S.C.
CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2016

Qatar Navigation Q.P.S.C.
CONSOLIDATED FINANCIAL STATEMENTS
As at and for the year ended 31 December 2016

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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.

<u>Impairment of vessels, containers and barges – refer to note 10 in the consolidated financial statements</u>	<u>How the matter was addressed in our audit</u>
<p>We focused on this area because:</p> <ul style="list-style-type: none"> • Vessels, containers and barges including vessels under construction on the consolidated statement of financial position represent 21% of Group's total assets; 	<p>Our audit procedures in this area included, among other things:</p> <ul style="list-style-type: none"> • understanding the Group's process of identifying indicators of impairments in vessels, containers and barges;



INDEPENDENT AUDITOR'S REPORT (CONTINUED)

<ul style="list-style-type: none"> 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. <p>Furthermore, the significant drop in oil prices could adversely affect the vessels (such as diving vessels) servicing the oil and gas industry;</p> <ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> 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 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.
<p><u>Depreciation of vessels, containers and barges</u> – refer to note 10 in the consolidated financial statements</p>	<p><u>How the matter was addressed in our audit</u></p>
<p>We focused on this area because:</p> <ul style="list-style-type: none"> 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. 	<p>Our audit procedures in this area included, among other things:</p> <ul style="list-style-type: none"> 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;



INDEPENDENT AUDITOR'S REPORT (CONTINUED)

	<ul style="list-style-type: none">• 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.
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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.



INDEPENDENT AUDITOR'S REPORT (CONTINUED)

- 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.

25 February 2017
Doha
State of Qatar

Yacoub Hobeika
KPMG
Auditor's Registration No.289

Qatar Navigation Q.P.S.C.
CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2016

	<i>Notes</i>	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
<i>Attributable to:</i>			
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 <i>(attributable to equity holders of the parent expressed in QR per share)</i>	8	6.26	9.63

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

Qatar Navigation Q.P.S.C.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2016

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

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

Qatar Navigation Q.P.S.C.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

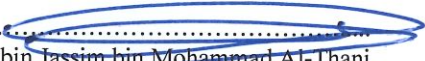
	<i>Notes</i>	2016 QR'000	2015 QR'000
ASSETS			
Non-current assets			
Property, vessels and equipment	10	4,861,611	5,038,783
Investment properties	11	1,140,646	877,986
Intangible assets	12	594,548	193,776
Investment in joint ventures	13	299,350	248,296
Investment in associates	14	4,814,755	4,568,719
Available-for-sale 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
		<u>16,023,759</u>	<u>15,046,874</u>
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
		<u>6,033,819</u>	<u>7,085,251</u>
TOTAL ASSETS		<u>22,057,578</u>	<u>22,132,125</u>
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		<u>14,241,963</u>	<u>13,751,285</u>

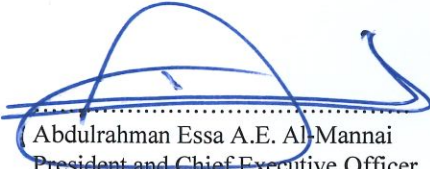
The consolidated statement of financial position continues on the next page.

Qatar Navigation Q.P.S.C.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
As at 31 December 2016

	<i>Notes</i>	<i>2016</i> <i>QR'000</i>	<i>2015</i> <i>QR'000</i>
EQUITY AND LIABILITIES (CONTINUED)			
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	<u>99,840</u>	<u>89,780</u>
		<u>3,042,294</u>	<u>2,943,167</u>
Current liabilities			
Trade and other payables	31	948,120	552,811
Loans and borrowings	28	<u>3,825,201</u>	<u>4,884,862</u>
		<u>4,773,321</u>	<u>5,437,673</u>
Total liabilities		<u>7,815,615</u>	<u>8,380,840</u>
TOTAL EQUITY AND LIABILITIES		<u>22,057,578</u>	<u>22,132,125</u>

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 Chief Executive Officer

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

Qatar Navigation Q.P.S.C.
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2016

	<i>Notes</i>	2016 QR'000	2015 QR'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		703,557	1,109,212
<i>Adjustments for:</i>			
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
<i>Changes in:</i>			
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)

The consolidated statement of cash flows continues on the next page.

Qatar Navigation Q.P.S.C.
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
For the year ended 31 December 2016

	<i>Notes</i>	2016 QR'000	2015 QR'000
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.

Qatar Navigation Q.P.S.C.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2016

	Attributable to the equity holders of the Parent							Non-	Total	
	Share Capital	Treasury shares	Legal reserve	General reserve	Fair value reserve	Hedging reserve	Retained earnings	Total		controlling
										interest
(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
<i>Total comprehensive income:</i>										
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
<i>Transactions with owners of the Group:</i>										
Dividends paid (Note 27)	-	-	-	-	-	-	(624,891)	(624,891)	-	(624,891)
<i>Other equity movements:</i>										
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
<i>Total comprehensive income:</i>										
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
<i>Transactions with owners of the Group:</i>										
Dividends paid (Note 27)	-	-	-	-	-	-	(568,082)	(568,082)	(9,000)	(577,082)
<i>Other equity movements:</i>										
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.

Qatar Navigation Q.P.S.C.
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:

<i>Name of the subsidiary</i>	<i>Country of incorporation</i>	<i>Principal activities</i>	<i>Group effective shareholding</i>	
			<i>2016</i>	<i>2015</i>
Qatar Shipping Company S.P.C.	Qatar	Chartering of vessels and maritime services	100%	100%
Halul Offshore Services W.L.L.	Qatar	Chartering of vessels offshore services	100%	100%
Qatar Quarries and Building Materials Company Q.P.S.C. (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%

Qatar Navigation Q.P.S.C.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at and for the year ended 31 December 2016

1 REPORTING ENTITY (CONTINUED)

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

<i>Name of the subsidiary</i>	<i>Country of incorporation</i>	<i>Principal activities</i>	<i>Group effective shareholding</i>	
			<i>2016</i>	<i>2015</i>
Navigation Marine Service Center S.P.C.	Qatar	Marine services	100%	100%
Milaha Capital W.L.L.	Qatar	Investments	100%	100%
Milaha Real Estate Services S.P.C.	Qatar	Real estate maintenance	100%	100%
Milaha Maritime and Logistics Integrated W.L.L.	Qatar	Maritime and logistic services	100%	100%
Milaha 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

Qatar Navigation Q.P.S.C.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at and for the year ended 31 December 2016

1 REPORTING ENTITY (CONTINUED)

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

<i>Name of subsidiary</i>	<i>Company's ownership percentage</i>	
	<i>31 December</i>	<i>31 December</i>
	<i>2016</i>	<i>2015</i>
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:

<i>Name of subsidiary</i>	<i>Company's ownership percentage</i>	
	<i>31 December</i>	<i>31 December</i>
	<i>2016</i>	<i>2015</i>
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%

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.

2 BASIS OF PREPARATION (CONTINUED)

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 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.

2 BASIS OF PREPARATION (CONTINUED)

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

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:

<i>Effective for year ending 31 December 2017</i>	Amendments to IAS 7 “Disclosure Initiative” Amendments to IAS 12 on recognition of deferred tax assets for unrealised losses
<i>Effective for year ending 31 December 2018</i>	Amendments to IFRS 2 on classification and measurement of share based payment transactions
<i>Effective date to be determined</i>	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 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Leases**

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

Group as a lessee

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, vessels and equipment (continued)

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (continued)

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity accounted investees (continued)

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in securities (continued)

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Trade receivables (continued)

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs (continued)

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedging (continued)

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 m³ and 145,000 m³ 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)

	<i>Fair values</i> <i>QR'000</i>	<i>Carrying values</i> <i>QR'000</i>
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
	<u>641,803</u>	<u>676,503</u>
Liabilities		
Loans and borrowings	506,623	506,623
Trade and other payables	21,534	21,534
	<u>528,157</u>	<u>528,157</u>
Fair value of net assets acquired	113,646	<u>148,346</u>
Gain on bargain purchase arising on acquisition	<u>(2,175)</u>	
Cost of business combination, net of adjustment	<u>111,471</u>	

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4 BUSINESS COMBINATIONS DURING THE YEAR ENDED 2015 (CONTINUED)

4.1 Milaha Ras Laffan Gmbh Company (KG 1) (continued)

	<i>QR'000</i>
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	<u>49,795</u>
	<u>111,471</u>
Net cash outflow on acquisition:	
Net cash acquired with the subsidiary	19,919
Cash paid	<u>(61,676)</u>
	<u>(41,757)</u>

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.

4.2 Milaha Qatar Gmbh & Company (KG 2)

	<i>Fair values QR'000</i>	<i>Carrying values QR'000</i>
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	<u>36,697</u>	<u>36,697</u>
	<u>660,781</u>	<u>684,381</u>
Liabilities		
Loans and borrowings	514,362	514,362
Trade and other payables	<u>21,416</u>	<u>21,416</u>
	<u>535,778</u>	<u>535,778</u>
Fair value of net assets acquired	125,003	<u>148,603</u>
Goodwill arising on acquisition (Note 12)	<u>7,292</u>	
Cost of business combination, net of adjustment	<u>132,295</u>	
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		<u>50,814</u>
		<u>132,295</u>
Net cash outflow on acquisition:		
Net cash acquired with the subsidiary		36,697
Cash paid		<u>(81,481)</u>
		<u>(44,784)</u>

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 BUSINESS COMBINATIONS DURING THE YEAR ENDED 2015 (CONTINUED)**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

	<i>KG 1</i> <i>QR '000</i>	<i>KG 2</i> <i>QR '000</i>	<i>Total</i> <i>QR '000</i>
Customer contracts	102,500	81,500	184,000
Decrease in carrying value of vessels	<u>(137,200)</u>	<u>(105,100)</u>	<u>(242,300)</u>
Net impact on the consolidated statement of financial position	<u>(34,700)</u>	<u>(23,600)</u>	<u>(58,300)</u>

*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)	<u>(7,134)</u>	<u>(7,276)</u>	<u>(14,410)</u>
Net impact on consolidated income statement	<u>(11,373)</u>	<u>(15,407)</u>	<u>(26,780)</u>

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:

	<i>KG 1</i> <i>QR '000</i>	<i>KG 2</i> <i>QR '000</i>	<i>Total</i> <i>QR '000</i>
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	<u>(56,209)</u>	<u>(58,945)</u>	<u>(115,154)</u>
Loss on deemed disposal of investment in associates	<u>(6,414)</u>	<u>(8,131)</u>	<u>(14,545)</u>

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 consolidated income statement.

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5 OPERATING REVENUES

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

	<i>2016</i> <i>QR'000</i>	<i>2015</i> <i>QR'000</i>
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
	<u>2,551,272</u>	<u>2,983,570</u>

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

	<i>2016</i> <i>QR'000</i>	<i>2015</i> <i>QR'000</i>
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
	<u>389,569</u>	<u>472,650</u>

6 OTHER OPERATING EXPENSES

	<i>2016</i> <i>QR'000</i>	<i>2015</i> <i>QR'000</i>
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
	<u>162,523</u>	<u>151,063</u>

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7 MISCELLANEOUS INCOME

	<i>2016</i> <i>QR'000</i>	<i>2015</i> <i>QR'000</i>
Other income	<u>5,582</u>	<u>14,621</u>

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.

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

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

	<i>2016</i>	<i>2015</i>
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)	<u>(909)</u>	<u>(909)</u>
Weighted average numbers of shares during the year (000's)	<u>113,616</u>	<u>113,616</u>

- (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.

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9 COMPONENTS OF OTHER COMPREHENSIVE INCOME

	<i>2016</i> <i>QR'000</i>	<i>2015</i> <i>QR'000</i>
<i>Cash flow hedges</i>		
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)	<u>-</u>	<u>14,410</u>
Total effect on other comprehensive gain resulting from cash flow hedges	<u>176,615</u>	<u>123,834</u>
<i>Available-for-sale financial assets</i>		
Net gain (loss) arising during the year	203,230	(356,608)
Group share of net movement in fair value reserves of equity accounted investees	<u>2,145</u>	<u>(15,394)</u>
Total effect on other comprehensive income (loss) resulting from available-for-sale financial assets	<u>205,375</u>	<u>(372,002)</u>

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10 PROPERTY, VESSELS AND EQUIPMENT

	<i>Land QR'000</i>	<i>Buildings QR'000</i>	<i>Vessels, containers and barges QR'000</i>	<i>Machinery, equipment and tools QR'000</i>	<i>Furniture and Fittings QR'000</i>	<i>Motor vehicles QR'000</i>	<i>Capital work in progress QR'000</i>	<i>Total QR'000</i>
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 (<i>Note iv</i>)	-	-	(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.

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11 INVESTMENT PROPERTIES

	<i>Land</i> <i>QR'000</i>	<i>Buildings</i> <i>QR'000</i>	<i>Investment</i> <i>properties</i> <i>under</i> <i>construction</i> <i>QR'000</i>	<i>Total</i> <i>QR'000</i>
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	<u>161,613</u>	<u>655,478</u>	<u>536,556</u>	<u>1,353,647</u>
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	<u>-</u>	<u>213,001</u>	<u>-</u>	<u>213,001</u>
Net carrying amounts				
At 31 December 2015	<u>161,613</u>	<u>464,734</u>	<u>251,639</u>	<u>877,986</u>
At 31 December 2016	<u>161,613</u>	<u>442,477</u>	<u>536,556</u>	<u>1,140,646</u>

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).

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12 INTANGIBLE ASSETS

	<i>Customer contracts QR'000</i>	<i>Computer software QR'000</i>	<i>Goodwill QR'000</i>	<i>Concession Rights QR'000 (Note 13)</i>	<i>Total QR'000</i>
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	<u>184,000</u>	<u>20,524</u>	<u>7,292</u>	<u>418,600</u>	<u>630,416</u>
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	<u>14,092</u>	<u>19,284</u>	<u>-</u>	<u>2,492</u>	<u>35,868</u>
Net carrying amounts:					
At 31 December 2015	<u>179,303</u>	<u>7,181</u>	<u>7,292</u>	<u>-</u>	<u>193,776</u>
At 31 December 2016	<u>169,908</u>	<u>1,240</u>	<u>7,292</u>	<u>416,108</u>	<u>594,548</u>

13 INVESTMENT IN JOINT ARRANGEMENTS

Investments in joint ventures

The Group has following investments in Joint Ventures:

<i>Name of entity</i>	<i>Country of Incorporation</i>	<i>Group effective ownership</i>	
		<i>2016</i>	<i>2015</i>
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.

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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	<u>289,609</u>	<u>9,741</u>	<u>299,350</u>	<u>246,450</u>	<u>1,846</u>	<u>248,296</u>
Carrying value of investments	<u>289,609</u>	<u>9,741</u>	<u>299,350</u>	<u>246,450</u>	<u>1,846</u>	<u>248,296</u>

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	<u>43,195</u>	<u>7,859</u>	<u>51,054</u>	<u>42,731</u>	<u>(26)</u>	<u>42,705</u>

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)	<u>51,054</u>	<u>42,705</u>
Balance at 31 December	<u>299,350</u>	<u>248,296</u>

13 INVESTMENT IN JOINT ARRANGEMENTS (CONTINUED)

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 cargoes 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.

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:

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

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14 INVESTMENT IN ASSOCIATES

The Group has the following investment in associates:

	<i>Country of incorporation</i>	<i>Ownership %</i>		<i>Profit Sharing %</i>	
		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 m³ 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 m³ Liquefied Natural Gas (LNG) vessel.
- (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.

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14 INVESTMENT IN ASSOCIATES (CONTINUED)

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)
	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)		
	<i>Nakilat</i>	<i>Other associates</i>	<i>Total</i>	<i>Nakilat</i>	<i>Other associates</i>	<i>Total</i>
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)		
	<i>Nakilat</i>	<i>Other associates</i>	<i>Total</i>	<i>Nakilat</i>	<i>Other associates</i>	<i>Total</i>
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

	<i>2016</i> <i>QR'000</i>	<i>2015</i> <i>QR'000</i>
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
	<u>4,065,641</u>	<u>3,829,437</u>

- (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:

	<i>2016</i> <i>QR'000</i>	<i>2015</i> <i>QR'000</i>
Quoted equity investments in local companies	217	1,746
Unquoted equity investments in foreign companies	-	2,150
	<u>217</u>	<u>3,896</u>

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.

<i>Name of LNG/ LPG companies</i>	<i>Company operating the LNG and LPG companies</i>
<ul style="list-style-type: none"> • India LNG Transport Company No.1 Ltd, • Camartina Shipping INC, Liberia • Qatar LNG Transport Ltd., Liberia • India LNG Transport Company No.2 Ltd., Malta • Peninsula LNG Transport No. 1 Ltd, Liberia • Peninsula LNG Transport No. 2 Ltd, Liberia • Peninsula LNG Transport No. 3 Ltd, Liberia • Gulf LPG Transport W.L.L. 	<ul style="list-style-type: none"> • Shipping Corporation of India Ltd • Mitsui OSK Lines • Mitsui OSK Lines • Shipping Corporation of India Ltd • NYK • K Line • Mitsui OSK Lines • Qatar Gas Transportation Company

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

	<i>2016</i> <i>QR'000</i>	<i>2015</i> <i>QR'000</i>
Loan principal	214,041	235,419
Accrued interest	706	94
	<u>214,747</u>	<u>235,513</u>

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17 INVENTORIES

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

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

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

18 TRADE AND OTHER RECEIVABLES

	<i>2016</i> <i>QR'000</i>	<i>2015</i> <i>QR'000</i>
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	<u>73,370</u>	<u>60,946</u>
	<u>742,102</u>	<u>788,315</u>

Note:

(i) Staff receivable 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:

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

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18 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	<i>Total</i> <i>QR'000</i>	<i>Neither past due nor impaired</i> <i>0-60</i> <i>days</i> <i>QR'000</i>	<i>Past due but not impaired</i>			
			<i>61 – 120</i> <i>days</i> <i>QR'000</i>	<i>121 – 180</i> <i>days</i> <i>QR'000</i>	<i>181 – 365</i> <i>days</i> <i>QR'000</i>	<i>>365</i> <i>days</i> <i>QR'000</i>
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

	<i>2016</i> <i>QR'000</i>	<i>2015</i> <i>QR'000</i>
Quoted investments	<u>484,556</u>	<u>499,139</u>

20 INVESTMENTS IN TERM DEPOSITS

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

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:

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

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

22 SHARE CAPITAL

	<i>Number of shares (‘000’)</i>	<i>QR'000</i>
<i>Authorised, issued and fully paid</i>		
At 31 December 2016 and 31 December 2015 :		
Shares with nominal value of QR 10 each	<u>114,525</u>	<u>1,145,252</u>

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).

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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

	<i>Notes</i>	<i>Interest rate %</i>	<i>Maturity</i>	2016 QR'000	2015 QR'000
<i>Parent company:</i>					
Loan 1	(i)	<i>LIBOR + 0.73</i>	<i>Feb 2017</i>	7,973	55,813
Loan 2	(ii)	<i>LIBOR + .50</i>	<i>May 2017</i>	291,200	145,600
Loan 3	(iii)	<i>1.45</i>	<i>Mar 2017</i>	-	742,560
Loan 4	(iv)	<i>LIBOR + 2</i>	<i>Oct 2017</i>	1,820,000	1,820,000
Loan 5	(v)	<i>LIBOR +2.4</i>	<i>Mar 2017</i>	728,000	728,000
Loan 6	(vi)	<i>2.76</i>	<i>Sep 2017</i>	728,300	728,000
Loan 7	(vii)	<i>LIBOR + 2</i>	<i>Jun 2018</i>	364,000	364,000
<i>Subsidiary companies:</i>					
Loan 8	(viii)	<i>LIBOR + 1.75</i>	<i>Jan 2021</i>	206,330	246,805
Loan 9	(ix)	<i>LIBOR + 0.65</i>	<i>Jun 2016</i>	-	2,958
Loan 10	(x)	<i>LIBOR + 0.60</i>	<i>Nov 2016</i>	-	22,750
Loan 11	(xi)	<i>LIBOR + 1.65</i>	<i>Aug 2019</i>	71,559	99,077
Loan 12	(xii)	<i>LIBOR + 1.75</i>	<i>Sep 2021</i>	325,680	363,231
Loan 13	(xiii)	<i>LIBOR + 1.4</i>	<i>Dec 2024</i>	452,088	491,400
Loan 14	(xiv)	<i>LIBOR+1.4</i>	<i>Mar 2025</i>	339,549	368,186
Loan 15	(xv)	<i>LIBOR + 1.75</i>	<i>June 2022</i>	347,984	382,928
Loan 16	(xvi)	<i>LIBOR + 1.7</i>	<i>Dec 2023</i>	938,949	988,034
Loan 17	(xvii)	<i>3.5</i>	<i>June 2016</i>	-	33,562
Loan 18	(xviii)	<i>3.75</i>	<i>April 2016</i>	-	2,645
				6,621,612	7,585,549
<i>Less: Deferred financing costs</i>				(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.

28 LOANS AND BORROWINGS (CONTINUED)*Notes(continued):*

- (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 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.

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28 LOANS AND BORROWINGS (CONTINUED)

Notes(continued):

- (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:

	<i>2016</i> <i>QR'000</i>	<i>2015</i> <i>QR'000</i>
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	<u>102,447</u>	<u>91,969</u>
End of service benefits plans	99,840	89,780
Pension plan (i) (Note 31)	2,607	2,189
At 31 December	<u>102,447</u>	<u>91,969</u>

- (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.

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31 TRADE AND OTHER PAYABLES

	<i>2016</i> <i>QR'000</i>	<i>2015</i> <i>QR'000</i>
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
	<u>948,120</u>	<u>122,079</u>

(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

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

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:

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

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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:

	<i>2016</i> <i>QR'000</i>	<i>2015</i> <i>QR'000</i>
Letters of guarantee	752,580	754,270
Letters of credit	29,633	472,267
	<u>782,213</u>	<u>1,226,537</u>

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:

	<i>2016</i>			
	<i>Sales</i> <i>QR'000</i>	<i>Purchases</i> <i>QR'000</i>	<i>Interest</i> <i>income</i> <i>QR'000</i>	<i>Receipt of</i> <i>loan</i> <i>instalments</i> <i>QR'000</i>
Associates	<u>634</u>	<u>27</u>	<u>16,491</u>	<u>23,281</u>
	<i>2015</i>			
	<i>Sales</i> <i>QR'000</i>	<i>Purchases</i> <i>QR'000</i>	<i>Interest</i> <i>income</i> <i>QR'000</i>	<i>Receipt of loan</i> <i>instalments</i> <i>QR'000</i>
Associates	<u>478</u>	<u>6</u>	<u>19,497</u>	<u>109,187</u>

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35 RELATED PARTY DISCLOSURES (CONTINUED)

Related party balances

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

	<i>2016</i>		<i>2015</i>	
	<i>Receivables QR'000</i>	<i>Payables QR'000</i>	<i>Receivables QR'000</i>	<i>Payables QR'000</i>
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:

	<i>2016 QR'000</i>	<i>2015 QR'000</i>
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.

36 SEGMENT INFORMATION (CONTINUED)

- 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.

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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

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36 SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2015

	<i>Milaha Capital QR'000</i>	<i>Milaha Maritime and Logistics QR'000</i>	<i>Milaha Offshore QR'000</i>	<i>Milaha Trading QR'000</i>	<i>Milaha Gas and Petrochem QR'000</i>	<i>Adjustments relating to Milaha Corporate QR'000</i>	<i>Total segments QR'000</i>	<i>Adjustments and eliminations QR'000</i>	<i>Consolidated QR'000</i>
Operating revenues	491,064	1,165,751	710,973	420,909	401,087	-	3,189,784	(206,214) (i)	2,983,570
Salaries, wages and other benefits	(11,826)	(199,389)	(229,107)	(18,694)	(94,748)	(129,000)	(682,764)	554 (i)	(682,210)
Operating supplies and expenses	(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 equipment	-	(2,412)	4,129	-	(1)	-	1,716	-	1,716
Share of results of joint arrangements	-	-	-	-	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 exchange	(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:

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

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.

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37 FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

a) Financial risk management (continued)

Interest rate risk (continued)

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

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

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.

	<i>Changes in basis points</i>	<i>Effect on profit for the year</i> <i>QR'000</i>
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.

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37 FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

a) Financial risk management (continued)

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:

	<i>2016</i> <i>QR'000</i>	<i>2015</i> <i>QR'000</i>
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
	<u>5,478,021</u>	<u>6,452,511</u>

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.

	<i>On demand</i> <i>QR'000</i>	<i>Less than 1 year</i> <i>QR'000</i>	<i>1 to 5 years</i> <i>QR'000</i>	<i>Over 5 years</i> <i>QR'000</i>	<i>Total</i> <i>QR'000</i>
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	<u>-</u>	<u>4,318,161</u>	<u>1,713,309</u>	<u>1,511,539</u>	<u>7,543,009</u>

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37 FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

a) Financial risk management (continued)

Liquidity risk (continued)

	<i>On demand</i> <i>QR'000</i>	<i>Less than</i> <i>1 year</i> <i>QR'000</i>	<i>1 to 5</i> <i>years</i> <i>QR'000</i>	<i>Over 5</i> <i>years</i> <i>QR'000</i>	<i>Total</i> <i>QR'000</i>
<i>2015</i>					
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

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:

	<i>2016</i> <i>QR'000</i>	<i>2015</i> <i>QR'000</i>
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:

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

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.

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38 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

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:

	<i>2016</i> <i>QR'000</i>	<i>Level 1</i> <i>QR'000</i>	<i>Level 2</i> <i>QR'000</i>	<i>Level 3</i> <i>QR'000</i>
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	-
	<i>2015</i> <i>QR'000</i>	<i>Level 1</i> <i>QR'000</i>	<i>Level 2</i> <i>QR'000</i>	<i>Level 3</i> <i>QR'000</i>
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.

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

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.

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

Estimates and assumptions (continued)

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.