Qatar Navigation Q.P.S.C.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2017

Qatar Navigation Q.P.S.C.
CONSOLIDATED FINANCIAL STATEMENTS
As at and for the year ended 31 December 2017

CONTENTS **Page(s)**

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 2017, the consolidated income statement and 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 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Key Audit Matters

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

Impairment of vessels (including vessels under construction), containers and barges – refer to note 9 of the consolidated financial statements	How the matter was addressed in our audit
We focused on this area because: • Vessels (including vessels under construction), containers and barges, that are included within "Property, vessels and equipment" shown on the consolidated statement of financial position, represent 21% of Group's total assets; • As a result of the deceleration of the shipping industry due to the general downturn in global economy, there is increased likelihood of impairment of these assets;	Our audit procedures in this area included, among other things: • understanding the Group's process of identifying indicators of impairments in vessels, containers and barges; • assessing the competence and capabilities of the people in the Group who performed the technical assessment of recoverable amounts;

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (Continued)

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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.

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involving our own valuation specialists to support us in challenging the recoverable amounts derived by the Group, in particular:

assessing the appropriateness of the methodology used by the Group to assess impairment;
assessing the Discounted Cash Flow calculations produced by the Group (value in 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; 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.

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<tr><td><u>Depreciation of vessels, containers and barges </u>– refer to note 9 of the consolidated financial statements</td><td><u>How the matter was addressed in our audit</u></td></tr>
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We focused on this area because:

The depreciation of vessels, containers and barges represents a 11% 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.

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

assessing the competence and capabilities of the people in the Group who are responsible for the maintenance of the fixed asset register;
evaluating the key controls around the Group's fixed asset register;
evaluating the Group's process of estimation of the useful economic lives and the residual values of vessels, containers and barges;
comparing the residual values with the recent sales of vessels of the Group to identify the appropriateness of the residual values;

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Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (Continued)

	• 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.

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 2017 (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 Company'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 Company 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)

Report on the Audit of the Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (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 Company'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 Company 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 2017 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.

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 2017.

26 February 2018	Yacoub Hobeika
Doha	KPMG
State of Qatar	Qatar Auditor's Registration No.289
	Licensed by QFMA : External Auditor's License No. 120153

	Notes	*2017* *QR'000*	*2016* *QR'000*
Operating revenues	4	**2,491,009**	2,551,272
Salaries, wages and other benefits		**(575,708)**	(635,769)
Operating supplies and expenses		**(977,715)**	(851,211)
Rent expenses		**(14,206)**	(15,774)
Depreciation and amortisation		**(322,518)**	(330,756)
Other operating expenses	5	**(152,686)**	(162,523)
OPERATING PROFIT		**448,176**	555,239
Finance cost		**(195,187)**	(175,086)
Finance income		**143,227**	161,082
Net (loss) gain on disposal of property, vessels and equipment		**(6,648)**	588
Share of results of joint arrangements	12	**125,821**	19,329
Share of results of associates	13	**262,318**	296,015
Net (loss) gain on foreign exchange		**(12,293)**	1,687
Impairment of available-for-sale financial assets	14	**(20,978)**	(217)
Impairment of vessels and capital work in progress	9	**(283,339)**	(160,662)
Miscellaneous income	6	**22,754**	5,582
PROFIT FOR THE YEAR		**483,851**	703,557
Attributable to:			
Equity holders of the Parent		**469,828**	711,461
Non-controlling interest		**14,023**	(7,904)
		483,851	703,557
BASIC AND DILUTED EARNINGS PER SHARE *(attributable to equity holders of the Parent expressed in QR per share)*	7	**4.14**	6.26

The attached notes 1 to 39 form part of these consolidated financial statements.

	Note	***2017*** ***QR'000***	*2016* *QR'000*
Profit for the year		**483,851**	703,557
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Net gain resulting from cash flow hedges	8	**170,152**	176,615
Net (loss) gain on available-for-sale financial assets	8	**(874,748)**	205,375
Other comprehensive (loss) income for the year		**(704,596)**	381,990
Total comprehensive (loss) income		**(220,745)**	1,085,547
Attributable to:			
Equity holders of the Parent		**(234,523)**	1,093,416
Non-controlling interest		**13,778**	(7,869)
		(220,745)	1,085,547

	Notes	*2017* **QR'000**	*2016* *QR'000*
ASSETS			
Non-current assets			
Property, vessels and equipment	9	**4,196,429**	4,861,611
Investment property	10	**1,277,575**	1,140,646
Intangible assets	11	**168,315**	594,548
Investments in joint ventures	12	**883,124**	299,350
Investments in associates	13	**5,041,236**	4,814,755
Available-for-sale financial assets	14	**3,423,915**	4,065,641
Loans granted to LNG companies	15	**183,604**	214,747
Other assets		**28,706**	32,461
		15,202,904	16,023,759
Current assets			
Inventories	16	**106,777**	125,579
Trade and other receivables	17	**917,845**	742,102
Financial assets at fair value through profit or loss	18	**523,208**	484,556
Investments in term deposits	19	**1,680,694**	3,578,722
Cash and cash equivalents	20	**373,943**	1,102,860
		3,602,467	6,033,819
Total assets		**18,805,371**	22,057,578
EQUITY AND LIABILITIES			
Attributable to equity holders of the Parent			
Share capital	21	**1,145,252**	1,145,252
Treasury shares	22	**(73,516)**	(73,516)
Legal reserve	23	**4,693,986**	4,693,986
General reserve	24	**623,542**	623,542
Fair value reserve		**3,190,158**	4,064,661
Hedging reserve		**47,432**	(122,720)
Retained earnings		**3,915,860**	3,855,436
Equity attributable to equity holders of the Parent		**13,542,714**	14,186,641
Non-controlling interest		**69,100**	55,322
Total equity		**13,611,814**	14,241,963

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

	Notes	***2017 QR'000***	*2016 QR'000*
EQUITY AND LIABILITIES (CONTINUED)			
Liabilities			
Non-current liabilities			
Loans and borrowings	27	**3,039,548**	2,789,820
Advance from a customer	28	**123,672**	152,634
Provision for employees' end of service benefits	29	**101,104**	99,840
		3,264,324	3,042,294
Current liabilities			
Trade and other payables	30	**558,210**	948,120
Loans and borrowings	27	**1,371,023**	3,825,201
		1,929,233	4,773,321
Total liabilities		**5,193,557**	7,815,615
Total equity and liabilities		**18,805,371**	22,057,578

The Group's consolidated financial statements for the year ended 31 December 2017 were authorised for issue by the Company's Board of Directors on 26 February 2018 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 39 form part of these consolidated financial statements.

	Notes	*2017* *QR'000*	*2016* *QR'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		**483,851**	703,557
Adjustments for:			
Depreciation of property, vessels and equipment	9	**284,018**	287,777
Depreciation of investment property	10	**27,783**	25,408
Amortisation of intangible assets	11	**10,717**	17,571
Loss (gain) on disposal of property, vessels and equipment		**6,648**	(588)
Share of results of joint arrangements	12	**(125,821)**	(19,329)
Share of results of associates	13	**(262,318)**	(296,015)
Provision for employees' end of service benefits	29	**17,811**	25,447
Dividend income	4	**(135,254)**	(129,838)
Net fair value loss on financial assets at fair value through profit or loss	4	**79,902**	6,675
Provision for impairment of trade receivables	5	**7,398**	5,069
Provision for slow moving inventories	5	**2,153**	4,186
Impairment of vessels and capital work in progress	9	**283,339**	160,662
Impairment on available-for-sale financial assets	14	**20,978**	217
Profit on disposal of investment securities		**(220,591)**	(1,630)
Finance cost		**195,187**	175,086
Finance income		**(143,227)**	(161,082)
Operating profit before working capital changes		**532,574**	803,173
Changes in:			
Inventories		**16,650**	82,154
Trade and other receivables		**(179,385)**	62,835
Trade and other payables		**(57,580)**	(77,739)
Cash flows generated from operating activities		**312,259**	870,423
Finance cost paid		**(195,187)**	(175,086)
Employees' end of service benefits paid	29	**(10,423)**	(10,129)
Net cash flows from operating activities		**106,649**	685,208
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, vessels and equipment	9	**(205,256)**	(285,451)
Additions to intangible assets	11	**(167)**	(556)
Dividend income	4	**135,254**	129,838
Finance income		**143,227**	161,082
Proceeds from disposal of property, vessels and equipment		**295,938**	15,568
Purchase of investment property	10	**(164,642)**	(288,068)
Net movement in loans granted to LNG companies		**31,143**	20,766
Purchase of investment securities		**(442,224)**	(42,672)
Proceeds from disposal of available-for-sale financial assets		**293,621**	-
Proceeds from disposal of financial assets at fair value through profit or loss		**30,419**	16,295
Net movement in investment in term deposits	19	**1,898,028**	1,154,420
Investment in joint venture	12	**(421,008)**	-
Dividends received from associates	13	**172,209**	214,352
Net cash flows from investing activities		**1,766,542**	1,095,574

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

	Notes	***2017 QR'000***	*2016 QR'000*
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to the Company's shareholders	26	**(397,658)**	(568,082)
Net movement in loans and borrowings		**(2,264,450)**	(962,576)
Net cash flows used in financing activities		**(2,662,108)**	(1,530,658)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(788,917)**	250,124
Cash and cash equivalents at 1 January		**1,102,860**	852,736
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	20	**313,943**	1,102,860

Qatar Navigation Q.P.S.C.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2017

	Attributable to the equity holders of the Parent								*Non-controlling interest*	
	Share Capital	***Treasury shares***	***Legal reserve***	***General reserve***	***Fair value reserve***	***Hedging reserve***	***Retained earnings***	***Total***		***Total***
	(Note 21)	*(Note 22)*	*(Note 23)*	*(Note 24)*						
	QR'000	*QR'000*	*QR'000*	*QR'000*	*QR'000*	*QR'000*	*QR'000*	*QR'000*	*QR'000*	*QR'000*
At 1 January 2016	1,145,252	(73,516)	4,693,986	623,542	3,859,321	(299,335)	3,729,844	13,679,094	72,191	13,751,285
Total comprehensive income:										
Profit (Loss) for the year	-	-	-	-	-	-	711,461	711,461	(7,904)	703,557
Other comprehensive income	-	-	-	-	205,340	176,615	-	381,955	35	381,990
Total comprehensive income (loss)	-	-	-	-	205,340	176,615	711,461	1,093,416	(7,869)	1,085,547
Transactions with owners of the Company:										
Dividends paid (Note 26)	-	-	-	-	-	-	(568,082)	(568,082)	(9,000)	(577,082)
Other equity movement:										
Contribution to Social and Sports Fund (Note 31)	-	-	-	-	-	-	(17,787)	(17,787)	-	(17,787)
At 31 December 2016/ 1 January 2017	**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**
Total comprehensive income:										
Profit for the year	-	-	-	-	-	-	469,828	469,828	14,023	483,851
Other comprehensive (loss) income	-	-	-	-	(874,503)	170,152	-	(704,351)	(245)	(704,596)
Total comprehensive (loss) income	-	-	-	-	(874,503)	170,152	469,828	(234,523)	13,778	(220,745)
Transactions with owners of the Company:										
Dividends paid (Note 26)	-	-	-	-	-	-	(397,658)	(397,658)	-	(397,658)
Other equity movement:										
Contribution to Social and Sports Fund (Note 31)	-	-	-	-	-	-	(11,746)	(11,746)	-	(11,746)
At 31 December 2017	**1,145,252**	**(73,516)**	**4,693,986**	**623,542**	**3,190,158**	**47,432**	**3,915,860**	**13,542,714**	**69,100**	**13,611,814**

The attached notes 1 to 39 form part of these consolidated financial statements.

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 on the Qatar Stock Exchange since 26 May 1997.

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 in aggregates and 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 26 February 2018

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

			Group effective shareholding	
Name of the subsidiary	***Country of incorporation***	***Principal activities***	***2017***	*2016*
Qatar Shipping Company W.L.L.	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 W.L.L.	Qatar	Travel agency	**100%**	100%
Navigation Trading Agencies W.L.L.	Qatar	Trading in heavy equipment	**100%**	100%

1 REPORTING ENTITY (CONTINUED)

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

Name of the subsidiary	*Country of incorporation*	*Principal activities*	***Group effective shareholding*** ***2017***	*2016*
Navigation Marine Service Center W.L.L.	Qatar	Marine services	**100%**	100%
Milaha Capital W.L.L.	Qatar	Investments	**100%**	100%
Milaha Real Estate Services W.L.L.	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 W.L.L.	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%**	100%
Milaha Explorer PTE LTD (ii)	Singapore	Offshore support services	**100%**	100%
Milaha Offshore Services Co PTE LTD (ii)	Singapore	Offshore support services	**100%**	100%
Milaha (FZC) L.L.C. (ii)	Oman	Logistic services	**100%**	-

(i) The Group controls Qatar Quarries and 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.

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:

Name of subsidiary	***Company's ownership percentage***	
	31 December 2017	*31 December 2016*
Halul Offshore Services Company W.L.L.	**50%**	50%
Qatar Quarries and Building Materials Company Q.P.S.C.	**25%**	25%
Milaha Trading Company W.L.L.	**99.5%**	99.5%
Milaha Capital W.L.L.	**99.5%**	99.5%
Milaha Integrated Maritime and Logistics W.L.L.	**99.5%**	99.5%

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

Name of subsidiary	***Company's ownership percentage***	
	31 December 2017	*31 December 2016*
Milaha Technical & Logistics Services W.L.L.	**100%**	100%
Milaha Offshore Support Services Company W.L.L.	**99.5%**	99.5%
Milaha for Petroleum and Chemical Product W.L.L.	**99.5%**	99.5%
Milaha Warehousing W.L.L.	**100%**	100%
Milaha Capital Real Estate Complex W.L.L.	**100%**	100%
Milaha for Ships and Boats W.L.L.	**100%**	100%
Milaha Ship Management & Operation Company W.L.L.	**100%**	100%
Halul Ship Management & Operation W.L.L.	**100%**	100%
Halul 49 L.L.C.	**100%**	-
Halul 68 L.L.C.	**100%**	-
Halul 69 L.L.C.	**100%**	-
Halul 70 L.L.C.	**100%**	-
Halul 71 L.L.C.	**100%**	-
Halul 80 L.L.C.	**100%**	-
Halul 81 L.L.C.	**100%**	-
Halul 82 L.L.C.	**100%**	-
Halul 83 L.L.C.	**100%**	-
Halul 90 L.L.C.	**100%**	-
Halul 100 L.L.C.	**100%**	-
Halul 101 L.L.C.	**100%**	-

All subsidiaries undertakings are included in the consolidation.

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

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

b) Basis of measurement

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

c) Functional and presentation currency

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

d) Use of judgments and estimates

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

Information about significant areas that involve a higher degree of judgment or complexity, or areas where assumptions or estimates have a significant risk of resulting in a material adjustment to the amounts recognised in the consolidated financial statements are disclosed in Note 38.

e) Newly effective amendments and improvements to standards

During the current year, the below amended International Financial Reporting Standards ("IFRS" or "standards") and improvements to standards became effective for the first time for financial years ending 31 December 2017:

- Amendments to IAS 7 "Disclosure Initiative"
- Amendments to IAS 12 on recognition of deferred tax assets for unrealised losses
- Annual improvements to IFRSs 2014-2016 cycle – various standards

The adoption of the above 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 ("IFRS" or "standards") that are available for early adoption for financial years ending 31 December 2017 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 Management has assessed the potential impact on the Group consolidated financial statements resulting from the initial application of IFRS 9, and the estimated impact as at 1 January 2018 is summarized in the table below:

2 BASIS OF PREPARATION (CONTINUED)

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

Line item impacted in the financial statements	**As reported at 31 December 2017** ***QR'000***	**Estimated adjustment due to adoption of IFRS 9** ***QR'000***	**Estimated adjusted opening balances as at 1 January 2018** ***QR'000***
Trade and other receivables *(i)*	441,966	(22,044)	419,922
Fair value reserve *(ii)*	3,190,158	(55,000)	3,135,158
Retained earnings	3,915,860	32,956	3,948,816

(i) The above decrease in trade and other receivables is due to additional impairment losses resulting from the expected credit loss model introduced by IFRS 9.
(ii) The above decrease in fair value reserve is due to the adoption of IFRS 9 and is relating to the reversal of impairment losses.

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 consolidated financial statements resulting from the application of IFRS 16. Early adoption is permitted only if IFRS 15 is also adopted.

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

Effective for year ending 31 December 2018	• Amendments to IFRS 2 on classification and measurement of share based payment transactions. • IFRS 15 "Revenue from Contract with Customers"
Effective date to be determined	• Amendments to IFRS 10 and IAS 28 on sale or contribution of assets between an investor and its associate or joint venture

3 SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation
Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee) ;
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- 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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combination (continued)
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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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
Used containers	3 - 5 years
Machinery, equipment and tools	4 - 10 years
Furniture and fittings	3 - 5 years
Motor vehicles	3 - 7 years

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, vessels and equipment (continued)
The carrying amounts 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 amounts exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Expenditure incurred to replace a component of an item of property, vessels and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, vessels and equipment. All other expenditure is recognised in the consolidated income statement as the expense is incurred. Dry-docking and special survey costs are recognised in the carrying amount of ships when incurred and depreciated over the period until the next dry-docking which is generally over a period of 3 to 5 years.

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

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

Capital work-in-progress
The costs of capital work-in-progress consist of the contract value and directly attributable costs of developing and bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management. Capital work-in-progress in terms of vessels consist of cost recognised based on the milestones of the progress of work done as per contracts entered into by the Group with shipbuilders.

The costs of capital work-in-progress will be transferred to property, vessel and equipment when these assets reach their working condition for their intended use. The carrying amounts 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 amounts 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 amounts 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

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

Equity accounted investees

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

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

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

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

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired.

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

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

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

Investments in securities
The Group maintains two separate investment portfolios as follows:

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

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

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

Financial assets at fair value through profit or loss:
Financial assets at fair value through profit or loss comprise 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity.

Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For financial assets reclassified from the available-for-sale category, their related carrying amount at the date of reclassification becomes their new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated income statement.

Loans granted to LNG 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Trade receivables
Trade receivable are stated at original invoice amount less provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.
Notes due from customers are disclosed as a separate item on the consolidated statement of financial position except those with a remaining term to maturity of less than one year, which are included under trade and other receivables.

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(a) incurs expenditures for the asset;
(b) incurs borrowing costs; and
(c) undertakes activities that are necessary to prepare the asset for its intended use or sale.

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

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

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

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

Provision for employees' end of service benefits

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

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation (continued)
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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Segment reporting

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

Current versus non-current classification

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

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

All other assets are classified as non-current.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (continued)

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

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

Share capital

Ordinary shares

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

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

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

4 OPERATING REVENUES

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

	2017 ***QR'000***	*2016* *QR'000*
Milaha Capital (1)	**649,787**	389,569
Milaha Maritime and Logistics	**826,949**	883,811
Milaha Offshore	**450,875**	568,761
Milaha Trading	**176,151**	253,623
Milaha Gas and Petrochem	**387,247**	455,508
	2,491,009	2,551,272

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

	2017 ***QR'000***	*2016* *QR'000*
Rental income	**156,034**	152,099
Dividend income	**135,254**	129,838
Revenue of Qatar Quarries and Building Material Company Q.P.S.C.	**217,810**	112,677
Net fair value loss on financial assets at fair value through profit or loss	**(79,902)**	(6,675)
(Loss) profit on disposal of financial assets at fair value through profit or loss	**(4,091)**	421
Profit on disposal of available-for-sale financial assets	**224,682**	1,209
	649,787	389,569

5 OTHER OPERATING EXPENSES

	2017 QR'000	2016 QR'000
Claims and insurance	**26,540**	32,428
Registration, certifications and formalities	**18,922**	20,102
Communication and utilities	**17,900**	20,107
Professional fees	**33,534**	38,917
Office supplies and expenses	**2,392**	3,059
Travel and entertainment	**6,151**	6,459
Provision for impairment of trade receivables (Note 17)	**7,398**	5,069
Provision for unbilled receivables	**9,943**	-
Security and safety	**5,964**	5,938
Marketing, sponsorship and gifts	**3,467**	3,423
Provision for slow moving inventories (Note 16)	**2,153**	4,186
Inventory adjustments	**534**	(231)
Miscellaneous expenses	**17,788**	23,066
	152,686	162,523

6 MISCELLANEOUS INCOME

	2017 QR'000	2016 QR'000
Other income	**22,754**	5,582

Year 2017
Major share of the miscellaneous income represents compensation for the early termination of four vessels based on the contractual terms. The compensation was relating to Gas and Petrochemical segment.

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

7 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.

	2017	2016
Net profit for the year attributable to equity holders of the Parent (QR'000)	**469,828**	711,461
Weighted average number of shares (000's)	**113,616**	113,616
Basic and diluted earnings per share (QR)	**4.14**	6.26

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

	2017	2016
Total number of shares outstanding *(000's))* (Note 21)	**114,525**	114,525
Adjustment for weighted average shares with respect to treasury shares *(000's) (i)* (Note 22)	**(909)**	(909)
Weighted average numbers of shares during the year *(000's)*	**113,616**	113,616

(i) During 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.

8 COMPONENTS OF OTHER COMPREHENSIVE INCOME

	2017 *QR'000*	*2016* *QR'000*
Cash flow hedges		
Net movement during the year	**6,700**	14,387
Group share of net movement in cash flow hedges of associates	**163,452**	162,228
Total effect on other comprehensive gain resulting from cash flow hedges	**170,152**	176,615
Available-for-sale financial assets		
Net (loss) gain arising during the year	**(666,629)**	203,230
Reclassified to income statement on disposal	**(181,039)**	-
Group share of net movement in fair value reserves of equity accounted investees	**(27,080)**	2,145
Total effect on other comprehensive income resulting from available-for-sale financial assets	**(874,748)**	205,375

9 PROPERTY, VESSELS AND EQUIPMENT

	Land QR'000	*Buildings QR'000*	*Vessels, containers and barges QR'000*	*Machinery, equipment and tools QR'000*	*Furniture and Fittings QR'000*	*Motor vehicles QR'000*	*Capital work in progress QR'000*	*Total QR'000*
Cost								
At 1 January 2016	6,299	331,024	5,762,030	331,662	45,557	66,850	654,060	7,197,482
Additions	-	4,352	98,970	2,784	1,580	1,573	176,192	285,451
Transfers and reclassifications	-	175	214,713	6,588	(861)	-	(219,719)	896
Disposals and write offs	-	(211)	(63,462)	(8,245)	(210)	(194)	(2,240)	(74,562)
Impairment *(Note iv)*	-	-	(58,680)	-	-	-	(101,982)	(160,662)
At 31 December 2016/ 1 January 2017	6,299	335,340	5,953,571	332,789	46,066	68,229	506,311	7,248,605
Additions	-	2,357	48,027	12,841	336	959	140,736	205,256
Transfers and reclassifications	-	499	582	3,755	-	102	(5,364)	(426)
Disposals and write offs	-	-	(153,522)	(8,761)	(780)	(3,423)	(277,264)	(443,750)
Impairment *(Note iv)*	-	-	(227,140)	-	-	-	(56,199)	(283,339)
At 31 December 2017	6,299	338,196	5,621,518	340,624	45,622	65,867	308,220	6,726,346
Accumulated depreciation								
At 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/ 1 January 2017	-	137,328	1,844,294	301,685	38,504	65,183	-	2,386,994
Charge for the year	-	10,813	252,679	17,189	2,262	1,075	-	284,018
Transfers and reclassifications	-	-	-	(32)	-	102	-	70
Disposals and write offs	-	-	(128,335)	(8,758)	(764)	(3,308)	-	(141,165)
At 31 December 2017	-	148,141	1,968,638	310,084	40,002	63,052	-	2,529,917
Carrying amounts								
At 31 December 2016	6,299	198,012	4,109,277	31,104	7,562	3,046	506,311	4,861,611
At 31 December 2017	**6,299**	**190,055**	**3,652,880**	**30,540**	**5,620**	**2,815**	**308,220**	**4,196,429**

9 PROPERTY, VESSELS AND EQUIPMENT (CONTINUED)

Notes:

(i) The encumbrances and liens on property, vessels and equipment are disclosed in Note 27.

(ii) Capital work in progress includes costs incurred on construction and advance payment of 10 vessels (2016: 7 vessels) recognised based on milestones of the progress of work done as per the contracts entered into by the Group with ship builders. During the current year there were no borrowing cost incurred (2016: QR 2.62 million)

(iii) Included as part of capital work in progress as at 2017 were two assets under construction amounting to QR 158,652,783 (2016: QR 158,576,023 (USD 43.45 million)). The total value of these assets is USD 74 million (2016: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. During the year the parties reached a settlement agreement whereby the obligations and rights relating to an asset is transferred to Milaha, raising its stake from 75% to 100% on the asset.

(iv) Impairment losses relate to 39 vessels (2016: 8 vessels) included in "vessels, containers and barges" and an equipment under construction included in "capital work in progress" as at the reporting date. The value of the equipment included in "capital work in progress" was written down by QR 32 million (2016: QR 3 million) 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 227 million (2016: QR 59 million) 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 38. The 5 vessels under arbitration during 2016, were written down by a further QR 22 million (2016: QR 99 million) that was determined by reference to the vessels' fair value. The remaining dues for these vessels from the shipbuilders, were fully settled during the year 2017. In addition to the above IT software and equipment included under capital work in progress amounting to QR 2 million was impaired.

10 INVESTMENT PROPERTIES

	Land *QR'000*	*Buildings* *QR'000*	*Investment properties under construction* *QR'000*	*Total* *QR'000*
Cost				
At 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/ 1 January 2017	161,613	655,478	536,556	1,353,647
Additions during the year	-	179	164,463	164,642
Transfers and reclassifications	-	30,161	(30,161)	-
At 31 December 2017	161,613	685,818	670,858	1,518,289
Accumulated depreciation				
At 1 January 2016	-	187,593	-	187,593
Charge for the year	-	25,408	-	25,408
At 31 December 2016/ 1 January 2017	-	213,001	-	213,001
Charge for the year	-	27,783	-	27,783
Transfers and reclassifications	-	(70)	-	(70)
At 31 December 2017	-	240,714	-	240,714
Carrying amounts				
At 31 December 2016	161,613	442,477	536,556	1,140,646
At 31 December 2017	**161,613**	**445,104**	**670,858**	**1,277,575**

Notes:

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

(ii) As at 31 December 2017 the fair value of investment properties was QR 2,771,145,000 (2016: QR 3,147,665,000). 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 136,102,579 (2016: QR 144,113,119) from its investment properties. Direct operating expenses related to investment properties (including depreciation) amounting to QR 33,056,176 (2016: QR 32,777,767) have been included within operating expenses.

(iv) As at 31 December 2017 the cost of investment properties under construction build on leasehold land was QR 540,627,847 (2016: QR 424,385,700).

11 INTANGIBLE ASSETS

	Customer contracts QR'000	*Computer software QR'000*	*Goodwill QR'000*	*Concession Rights QR'000 (Note 12)*	*Total QR'000*
Cost					
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/ At 1 January 2017	184,000	20,524	7,292	418,600	630,416
Additions	-	167	-	-	167
Transfers	-	426	-	(418,600)	(418,174)
Disposals and write off	-	(100)	-	-	(100)
At 31 December 2017	184,000	21,017	7,292	-	212,309
Amortisation					
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)
Disposal and write off	-	(83)	-	-	(83)
At 31 December 2016/ At 1 January 2017	14,092	19,284	-	2,492	35,868
Charge for the year	9,394	1,323	-	-	10,717
Transfers	-	-	-	(2,492)	(2,492)
Disposals and write off	-	(99)	-	-	(99)
At 31 December 2017	23,486	20,508	-	-	43,994
Carrying amounts					
At 31 December 2016	169,908	1,240	7,292	416,108	594,548
At 31 December 2017	**160,514**	**509**	**7,292**	**-**	**168,315**

12 INVESTMENTS IN JOINT ARRANGEMENTS

Investments in joint ventures

The Group has following investments in Joint Ventures:

Name of entity	*Country of Incorporation*	*Group effective ownership*	
		2017	*2016*
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%
QTerminals L.L.C (i)	Qatar	49%	-

a) 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.

b) 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.

c) 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 Q.P.S.C. (NAKILAT). Gulf LPG aims to provide various activities of owning, managing and operating liquid gas transporting ships.

d) 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.

e) QTerminals L.L.C.

QTerminals L.L.C. (QTerminals) was legally incorporated on 10 May 2017 with the Commercial Registration number 98511. The shareholding structure of QTerminals is 51% owned by Qatar Ports Management Company ("Mwani Qatar") and 49% owned by Milaha. The purpose of the company is to operate ports, managing the port activities including the new Hamad Port based on an agreement signed between Milaha and Mwani Qatar during December 2016.

Based on the concession agreement dated 1 October 2017, Qterminals L.L.C. accepted the delegation of the concession rights. The concession agreement compliments the terms of the shareholders' agreement signed by the by the shareholders of Qterminals, which requires the incorporation of a new company (Qterminals L.L.C.). In line with the overall arrangement, the Group transferred the concession rights to Qterminals amounting to QR 416,108,000. Accordingly the delegated concession rights has been accounted for as an investment in the books of Milaha. The concession agreement stipulates in the event of force majeure, the concession rights reverts back to Milaha.

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

12 INVESTMENTS IN JOINT ARRANGEMENTS (CONTINUED)

Investments in joint ventures (continued)

Summarised statement of financial position:

	2017 (QR'000)			*2016 (QR'000)*		
	Qterminals (Note 11)	***Other joint ventures***	***Total***	*Qterminals (under incorporation)*	*Other joint ventures*	*Total*
Current assets	**363,168**	**80,475**	**443,643**	19,716	68,902	88,618
Non-current assets	**4,463**	**498,169**	**502,632**	1,307	522,203	523,510
Current liabilities	**(203,802)**	**(20,275)**	**(224,077)**	(13,119)	(26,121)	(39,240)
Non-current liabilities	**-**	**(255,182)**	**(255,182)**	-	(273,538)	(273,538)
Net assets	**163,829**	**303,187**	**467,016**	7,904	291,446	299,350
Concession rights	**416,108**	**-**	**416,108**	-	-	-
Carrying value of investments	**579,937**	**303,187**	**883,124**	7,904	291,446	299,350

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

	2017 (QR'000)			*2016 (QR'000)*		
	Qterminals (Note 11)	***Other joint ventures***	***Total***	*Qterminals (under incorporation)*	*Other joint ventures*	*Total*
Operating revenue	**362,327**	**74,600**	**436,927**	19,514	107,549	127,063
Salaries, wages and other benefits	**(38,697)**	**(16,381)**	**(55,078)**	(2,036)	(30,471)	(32,507)
Operating supplies and expenses	**(148,713)**	**(11,579)**	**(160,292)**	(8,732)	-	(8,732)
Depreciation and amortisation	**(15,995)**	**(24,183)**	**(40,178)**	(37)	(24,228)	(24,265)
Other operating expenses	**(7,898)**	**(1,900)**	**(9,798)**	(805)	(1,890)	(2,695)
Operating profit	**151,024**	**20,557**	**171,581**	7,904	50,960	58,864
Finance costs	**-**	**(8,815)**	**(8,815)**	-	(7,816)	(7,816)
Finance income	**-**	**-**	**-**	-	6	6
Profit for the year	**151,024**	**11,742**	**162,766**	7,904	43,150	51,054

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

	2017 QR'000	*2016 QR'000*
At 1 January	**299,350**	248,296
Share of results of joint ventures (excludes results from joint operations)	**162,766**	51,054
Investment	**421,008**	-
At 31 December	**883,124**	299,350

12 INVESTMENTS 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 clean liquid products, and to share profits and losses generated by such cooperation equally.

The Group entered into another agreement with Cargill International SA (CISA) during the year 2016 where parties agreed to cooperate with each other in chartering very large crude carriers (VLCC) and finding cargoes for vessels able to carry crude liquid products, and to share profits and losses generated by such cooperation equally.

The Group's share in the results of the joint operations amounted to a loss of QR 36,945,216 in 2017 (2016: Loss of QR 31,725,000).

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

	2017 ***QR'000***	*2016* *QR'000*
Share of result from joint operations	**(36,945)**	(31,725)
Share of result from joint ventures	**162,766**	51,054
Share of result of joint arrangements	**125,821**	19,329

13 INVESTMENTS IN ASSOCIATES

The Group has the following investment in associates:

	Country of incorporation	*Ownership %*		*Profit Sharing %*	
		2017	*2016*	***2017***	*2016*
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.P.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.P.S.C. is engaged in the sector of gas transportation either through its own ocean going vessels or by investing in joint ventures with other parties.

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

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

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

(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.

13 INVESTMENTS IN ASSOCIATES (CONTINUED)

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

	2017 QR'000	*2016 QR'000*
At 1 January	**4,814,755**	4,568,719
Share of net movement in other comprehensive income (Note 8)	**136,372**	164,373
Dividends received	**(172,209)**	(214,352)
Share of results	**262,318**	296,015
At 31 December	**5,041,236**	4,814,755

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

Summarised statement of financial position:

	2017 (QR'000)			*2016 (QR'000)*		
	Nakilat	***Other associates***	***Total***	*Nakilat*	*Other associates*	*Total*
Current assets	**962,709**	**151,736**	**1,114,445**	870,946	137,459	1,008,405
Non-current assets	**8,312,091**	**576,658**	**8,888,749**	8,540,394	617,217	9,157,611
Current liabilities	**(478,462)**	**(55,352)**	**(533,814)**	(433,962)	(48,287)	(482,249)
Non-current liabilities	**(6,796,408)**	**(467,977)**	**(7,264,385)**	(7,162,766)	(542,487)	(7,705,253)
Interest in associate	**1,999,930**	**205,065**	**2,204,995**	1,814,612	163,902	1,978,514
Goodwill	**2,836,241**	**-**	**2,836,241**	2,836,241	-	2,836,241
Carrying value of investment	**4,836,171**	**205,065**	**5,041,236**	4,650,853	163,902	4,814,755

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

	2017 (QR'000)			*2016 (QR'000)*		
	Nakilat	***Other associates***	***Total***	*Nakilat*	*Other associates*	*Total*
Operating revenue	**1,097,072**	**103,595**	**1,200,667**	1,141,430	102,291	1,243,721
Profit *	**249,544**	**12,774**	**262,318**	282,680	13,335	296,015
Other comprehensive income	**118,526**	**17,846**	**136,372**	175,344	(10,971)	164,373
Dividends received	**168,000**	**4,209**	**172,209**	210,000	4,352	214,352

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

14 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017	*2016*
	QR'000	*QR'000*
Quoted equity investments in local companies (ii)	**3,075,166**	3,695,236
Unquoted equity investments in foreign companies (iv), (v)	**263,192**	284,089
Unquoted equity investments in local companies (iii), (iv), (v)	**63,810**	64,479
Investments in bonds	**21,747**	21,837
	3,423,915	4,065,641

(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 40,378,000 as of 31 December 2017 (2016: QR 50,804,000) are frozen for trading.

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

(iv) Unquoted investments include investments amounting to QR 327,001,700 (2016: QR 348,568,416) carried at cost, as their fair values cannot be reliably estimated, due to the uncertain nature of cash flows.

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

	2017	*2016*
	QR'000	*QR'000*
Quoted equity investments in local companies	**80**	217
Unquoted equity investments in foreign companies	**20,898**	-
	20,978	217

15 LOANS GRANTED TO LNG COMPANIES

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

Name of LNG companies	***Company operating the LNG companies***
• India LNG Transport Company No.1 Ltd	• Shipping Corporation of India Ltd
• Camartina Shipping INC, Liberia	• Mitsui OSK Lines
• Qatar LNG Transport Ltd., Liberia	• Mitsui OSK Lines
• India LNG Transport Company No.2 Ltd., Malta	• Shipping Corporation of India Ltd
• Peninsula LNG Transport No. 1 Ltd, Liberia	• NYK
• Peninsula LNG Transport No. 2 Ltd, Liberia	• K Line
• Peninsula LNG Transport No. 3 Ltd, Liberia	• Mitsui OSK Lines

The loans to the above LNG companies included the following:

	2017	*2016*
	QR'000	*QR'000*
Loan principal	**183,506**	214,041
Accrued interest	**98**	706
	183,604	214,747

16 INVENTORIES

	2017	2016
	QR'000	*QR'000*
Heavy vehicles and spare parts	**64,942**	82,925
Gabbro and aggregate	**18,705**	35,957
Other goods for resale	**30,521**	17,497
	114,168	136,379
Provision for slow-moving inventories (1)	**(7,391)**	(10,800)
	106,777	125,579

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

	2017	2016
	QR'000	*QR'000*
At 1 January	**10,800**	6,708
Provision made (Note 5)	**2,153**	4,186
Provision utilised	**(5,562)**	(94)
At 31 December	**7,391**	10,800

17 TRADE AND OTHER RECEIVABLES

	2017	2016
	QR'000	*QR'000*
Trade receivable (net)	**441,966**	397,778
Notes receivable	**14,513**	30,600
Accrued income	**133,953**	144,251
Staff receivables (i)	**46,385**	53,747
Prepaid expenses	**28,916**	23,051
Advances made to suppliers	**33,010**	18,315
Receivables from related parties (Note 34)	**146,447**	15,290
Other receivables	**72,655**	59,070
	917,845	742,102

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

Trade receivables are non-interest bearing and generally have settlement terms within 30 to 90 days. As at 31 December 2017, trade receivable with nominal value of QR 39.43 million (2016: QR 36.57 million) were impaired.

The movements in the provision for impairment of trade receivables were as follows:

	2017	2016
	QR'000	*QR'000*
At 1 January	**36,571**	31,654
Provision made (Note 5)	**7,398**	5,069
Provision utilised	**(4,543)**	(152)
At 31 December	**39,426**	36,571

17 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

		Neither past due nor impaired	*Past due but not impaired*			
	Total	*0-60 days*	*61 – 120 days*	*121 – 180 days*	*181 – 365 days*	*>365 days*
	QR'000	*QR'000*	*QR'000*	*QR'000*	*QR'000*	*QR'000*
2017	*441,966*	*306,305*	*67,970*	*41,118*	*16,761*	*9,812*
2016	*397,778*	*311,741*	*27,161*	*22,687*	*25,026*	*11,163*

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.

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017	*2016*
	QR'000	*QR'000*
Quoted investments	**523,208**	484,556

19 INVESTMENTS IN TERM DEPOSITS

	2017	*2016*
	QR'000	*QR'000*
Term deposits with banks	**1,680,694**	4,386,788
Less: Term deposits maturing before 90 days (Note 20)	**-**	(808,066)
Term deposits maturing after 90 days (i)	**1,680,694**	3,578,722

Notes:
(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.

20 CASH AND CASH EQUIVALENTS

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

	2017	*2016*
	QR'000	*QR'000*
Cash at bank – current accounts	**368,026**	287,545
Cash in hand	**5,917**	7,249
Cash at bank – term deposits (i) (Note 19)	**-**	808,066
Cash and cash equivalents in the consolidated statement of financial position	**373,943**	1,102,860
Bank overdraft (Note 27 (x))	**(60,000)**	-
Cash and cash equivalents in the consolidated statement of cash flows	**313,943**	1,102,860

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

21 SHARE CAPITAL

	Number of shares ('000')	*QR'000*
Authorised, issued and fully paid shares		
At 31 December 2017 and 31 December 2016 :		
shares with nominal value of QR 10 each	**114,525**	**1,145,252**

All shares have equal rights.

22 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.

23 LEGAL RESERVE

In accordance with Qatar Commercial Companies 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 Companies Law No. 11 of 2015.

24 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.

25 DERIVATIVE FINANCIAL INSTRUMENTS

Hedging activities

Cash flow hedges:
At 31 December 2017, 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 2017, Halul Offshore Services Company W.L.L. had an interest rate swap agreement in place with a notional amount of USD 113,400,000 (translated to QR 412,776,000), whereby it receives a variable rate of USD 3 months LIBOR and pays a fixed rate of interest of 1.985% 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 5,010,882 as at 31 December 2017 (31 December 2016: QR 44,159) within trade and other payables and in equity in respect of the effective portion of hedge.

25 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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 , 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 120,653,844 (translated to QR 439,179,993) and USD 123,069,583 (translated to QR 447,973,284), 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 gain on its interest rate swaps of USD 1,586,647 (translated to QR 5,775,395) and USD 1,618,415 (translated to QR 5,891,031) as at 31 December 2017 within trade and other payables with a corresponding entry to the hedging reserve. As at 31 December 2017, the carrying values of the interest rate swaps for KG 1 and KG 2 amounts to negative USD 2,523,340 (translated to QR 9,184,958) and negative USD 2,573,862 (translated to QR 9,368,858).

26 DIVIDENDS

Dividend proposed
The Board of Directors have proposed a 35% cash dividend of QR 3.5 per share totaling QR 398 million for the year 2017 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:

	2017 QR'000	*2016 QR'000*
Final Dividend (i)	**397,658**	568,082

(i) During the year, following the approval at the Annual General Assembly held on 15 March 2017, the company paid 35% cash dividend of QR 3.5 per share totaling QR 398 million relating to the year 2016. (2016: QR 5 per share, totaling QR 568 million relating to year 2015).

27 LOANS AND BORROWINGS

	Notes	Interest rate %	Maturity	2017 QR'000	2016 QR'000
Parent company:					
Loan 1	(i)	*LIBOR + 0.73*	*Feb 2017*	**-**	7,973
Loan 2	(ii)	*LIBOR + 0.50*	*May 2017*	**-**	291,200
Loan 3	(iii)	*LIBOR + 2.75*	*Mar 2019*	**365,000**	1,820,000
Loan 4	(iv)	*LIBOR +2.4*	*Mar 2017*	**-**	728,000
Loan 5	(v)	*2.76*	*Sep 2017*	**-**	728,300
Loan 6	(vi)	*LIBOR + 1.5*	*Jun 2018*	**365,000**	364,000
Loan 7	(vii)	*4*	*Jan 2019*	**510,000**	-
Loan 8	(viii)	*LIBOR + 1.6*	*Nov 2018*	**146,000**	-
Loan 9	(ix)	*LIBOR + 1.5*	*Sep 2018*	**547,500**	-
Loan 10	(x)	*4*	*Apr 2018*	**60,000**	-
Subsidiary companies:					
Loan 11	(xi)	*LIBOR + 1.75*	*Jan 2021*	**162,321**	206,330
Loan 12	(xii)	*LIBOR + 1.65*	*Aug 2019*	**44,161**	71,559
Loan 13	(xiii)	*LIBOR + 1.75*	*Sep 2021*	**288,921**	325,680
Loan 14	(xiv)	*LIBOR + 1.4*	*Dec 2024*	**413,910**	452,088
Loan 15	(xv)	*LIBOR+1.4*	*Mar 2025*	**311,766**	339,549
Loan 16	(xvi)	*LIBOR + 1.75*	*June 2022*	**313,900**	347,984
Loan 17	(xvii)	*LIBOR + 1.7*	*Dec 2023*	**887,153**	938,949
				4,415,632	6,621,612
Less: Deferred financing costs				**(5,061)**	(6,591)
				4,410,571	6,615,021

Presented in the consolidated statement of financial position as follows:		
Current portion	**1,371,023**	3,825,201
Non-current portion	**3,039,548**	2,789,820
	4,410,571	6,615,021

Notes:

(i) Loan 1 was obtained to finance the construction of Qatar Navigation Tower. The loan was secured by a first priority mortgage on the Tower .The last instalment of this loan was paid in February 2017.

(ii) During the month of May 2017, the group fully settled a dollar denominated short term facility of USD 80 million which carried an interest of 0.5% + LIBOR.

(iii) Loan 3 was obtained for the purpose of bridging the finance requirements related to the construction of vessels in foreign shipyards and other working capital requirements. During the reporting period, the company has settled USD 400 million from this facility. The maturity date of this facility has been re-scheduled to March 2019.

(iv) Loan 4 represents a revolving Murabaha facility with a limit amounting to USD 200,000,000. The purpose of this facility is for general corporate purposes. This loan facility was settled fully during the year.

(v) 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 was fully settled during September 2017.

(vi) Loan 6 was obtained for the purpose of bridging finance requirements 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 2017 and the maturity date was re-scheduled to June 2018.

(vii) During the year, the Company entered into a new dollar denominated Islamic facility of USD 300 million. The company has utilized part of this facility in two separate tranches.
First tranche of QR 510 million carries a profit rate of 4% per annum and is payable in January 2019.

27 LOANS AND BORROWINGS (CONTINUED)

(viii) The second tranche utilised from Loan 7 is an amount of USD 40 million which carries a profit rate of 1.6% + 3 months LIBOR and is payable in November 2018 as a bullet payment.

(ix) During the year, the Company entered into a revolving facility arrangement for USD 150 million from a local bank which carries interest of LIBOR + 1.5% subject to a minimum of 1.5%.

(x) During the year, the Company was granted an overdraft credit facility of QR 100 million which carries interest of 4%. As at the reporting date, QR 40 million of this facility was settled (Note 20).

(xi) Loan 11 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 2017, 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.

(xii) Loan 12 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.

(xiii) 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.

(xiv) Loan 14 represents a facility of USD 135,000,000 (translated to QR 491,400,000). The full draw down of this facility was during March 2016. 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.

(xv) Loan 15 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.

(xvi) Loan 16 was obtained to finance the construction of 19 vessels and is repayable in 27 equal quarterly instalments commencing from September 2016 and one final balloon payment of QR 164 million at the end of the loan period.

(xvii) These loans are recognised as a result of the business combination that occurred during the year 2015. 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.

28 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 123,672,000 (2016: QR 152,634,000).

29 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

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

	2017 ***QR'000***	*2016* *QR'000*
At 1 January	**102,447**	91,969
Provision made	**17,811**	25,447
Provision used	**(10,423)**	(10,129)
Transferred to the pension fund	**(7,337)**	(4,840)
At 31 December	**102,498**	102,447
End of service benefits plans (i)	**101,104**	99,840
Pension plan (ii) (Note 30)	**1,394**	2,607
At 31 December	**102,498**	102,447

(i) The Group has no expectation of settling its employees' end of service benefits obligation within 12 months from the reporting date and, therefore, it has classified the obligation within non-current liabilities in the statement of financial position. The provision is not discounted to present value as the effect of the time value of money is not expected to be significant.

(ii) 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.

30 TRADE AND OTHER PAYABLES

	2017 ***QR'000***	*2016* *QR'000*
Trade accounts and notes payable	**122,883**	170,309
Accrued expenses	**116,860**	86,789
Advances received from customers	**47,400**	46,418
Payables to related parties (Note 34)	**71**	142
Negative fair value of interest rate swaps (Note 25)	**23,565**	30,264
Contribution to social and sports fund (Note 31)	**11,746**	17,787
Pension plan (Note 29)	**1,394**	2,607
Payable for concession right (i)	**-**	418,600
Other payables (ii)	**234,291**	175,204
	558,210	948,120

(i) Concessions rights payable amounting to QR 418,600,000 represents the contractual liability, relating to the concession rights for operating and managing the new Hamad Port. This amount has been paid during the current reporting period.
(ii) Other payables includes payable to joint operations amounting to QR 58,239,771 (2016 : QR 38,184,109); retention payable amounting to QR 48,703,170 (2016 : QR 35,917,030) and dividend payable of QR 26,970,594 (2016 : QR 32,053,593)

31 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 11.7 million (2016: QR 17.8 million) to the S.S.F representing 2.5% of the consolidated net profit for the year.

32 COMMITMENTS

	2017 ***QR'000***	*2016* *QR'000*
Capital commitments - Property, vessels and equipments		
Estimated capital expenditure approved as at the reporting date	**937,917**	687,798

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:

	2017 ***QR'000***	*2016* *QR'000*
Within one year	**13,521**	11,763
After one year but not more than five years	**20,278**	11,889
Total operating lease expenditure contracted for at the reporting date	**33,799**	23,652

33 CONTINGENT LIABILITIES

At 31 December 2017, 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:

	2017 ***QR'000***	*2016* *QR'000*
Letters of guarantee	**787,632**	752,580
Letters of credit	**9,455**	29,633
	797,087	782,213

34 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:

	2017			
	Sales QR'000	***Purchases QR'000***	***Interest income QR'000***	***Receipt of loan instalments QR'000***
Associates	**12,869**	**63**	**13,402**	**33,886**

	2016			
	Sales QR'000	*Purchases QR'000*	*Interest income QR'000*	*Receipt of loan instalments QR'000*
Associates	634	27	16,491	23,281

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

	2017		*2016*	
	Receivables QR'000	***Payables QR'000***	*Receivables QR'000*	*Payables QR'000*
Joint ventures	**135,657**	**-**	14,300	-
Associates	**9,969**	**-**	93	17
Directors	**821**	**71**	897	68
Other related parties	**-**	**-**	-	57
	146,447	**71**	15,290	142

The amounts receivable and payable to related parties are disclosed in Note 17 and Note 30 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 (2016: QR 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 companies amounting to QR 183,604,000 (2016: QR 214,747,000) is disclosed as part of Note 15.

34 RELATED PARTY DISCLOSURES (CONTINUED)

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

	2017 ***QR'000***	*2016* *QR'000*
Board of Directors remuneration – cash	**13,950**	13,950
Short-term benefits	**13,442**	13,471
Employees' end of service benefits & Pensions	**788**	1,042
	28,180	28,463

35 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, non-vessel operating common carriers (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 37 offshore service vessels, which include safety standby vessels, anchor handling tugs, crew boats, workboats and dynamic positioning (DP) vessels. It provides a complete range of diving services including saturation diving.

- Milaha Trading is engaged in trading trucks, heavy equipment, machinery and lubrication brands in Qatar. The segment markets its products and provides critical after sales service. Milaha Trading also owns and operates an IATA-approved travel agency, one of the oldest in the State of Qatar.

- Milaha Gas and Petrochem owns, manages and operates a fleet of LPG and LNG carriers and provides ocean transportation services to international energy and industrial companies. It further owns and manages a young fleet of product tankers and one crude carrier. The segment also operates a number of product tankers in partnership with international trading and shipping companies.

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

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

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

35 SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2017

	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	**672,476**	**945,072**	**450,875**	**304,047**	**387,247**	**-**	**2,759,717**	**(268,708)**	*(i)*	**2,491,009**
Salaries, wages and other benefits	**(9,257)**	**(139,804)**	**(161,150)**	**(17,588)**	**(101,077)**	**(146,832)**	**(575,708)**	**-**		**(575,708)**
Operating supplies and expenses	**(194,061)**	**(578,124)**	**(113,731)**	**(262,920)**	**(64,604)**	**(9,163)**	**(1,222,603)**	**244,888**	*(i)*	**(977,715)**
Rent expenses	**(3,636)**	**(9,199)**	**(8,775)**	**(2,129)**	**(866)**	**(12,834)**	**(37,439)**	**23,233**	*(i)*	**(14,206)**
Depreciation and amortisation	**(39,655)**	**(30,301)**	**(113,178)**	**(925)**	**(134,649)**	**(3,810)**	**(322,518)**	**-**		**(322,518)**
Other operating expenses	**(8,557)**	**(37,150)**	**(48,512)**	**(4,655)**	**(33,351)**	**(21,048)**	**(153,273)**	**587**	*(i)*	**(152,686)**
Allocations relating to fleet and technical services	**-**	**(42,712)**	**-**	**-**	**42,712**	**-**	**-**	**-**		**-**
Allocations relating to Milaha Corporate	**(17,032)**	**(87,724)**	**(38,008)**	**(18,241)**	**(35,299)**	**196,304**	**-**	**-**		**-**
OPERATING PROFIT	**400,278**	**20,058**	**(32,479)**	**(2,411)**	**60,113**	**2,617**	**448,176**	**-**		**448,176**
Finance costs	**(90,122)**	**(19,357)**	**(41,146)**	**-**	**(51,108)**	**-**	**(201,733)**	**6,546**	*(i)*	**(195,187)**
Finance income	**120,631**	**1,432**	**9,042**	**3,052**	**15,616**	**-**	**149,773**	**(6,546)**	*(i)*	**143,227**
Net gain (loss) on disposal of property, vessels and equipment	**36**	**(3,457)**	**(3,242)**	**(5)**	**-**	**20**	**(6,648)**	**-**		**(6,648)**
Share of results of joint arrangements	**-**	**151,024**	**-**	**-**	**(25,203)**	**-**	**125,821**	**-**		**125,821**
Share of results of associates	**268**	**2,360**	**-**	**-**	**259,690**	**-**	**262,318**	**-**		**262,318**
Net (loss) gain on foreign exchange	**(8,587)**	**(40)**	**(2,771)**	**370**	**(1,262)**	**(3)**	**(12,293)**	**-**		**(12,293)**
Impairment on available-for-sale financial assets	**(20,978)**	**-**	**-**	**-**	**-**	**-**	**(20,978)**	**-**		**(20,978)**
Impairment of vessels and contract work in progress	**-**	**(32,763)**	**(113,405)**	**-**	**(134,537)**	**(2,634)**	**(283,339)**	**-**		**(283,339)**
Miscellaneous income	**223**	**1**	**-**	**-**	**22,530**	**-**	**22,754**	**-**		**22,754**
PROFIT FOR THE YEAR	**401,749**	**119,258**	**(184,001)**	**1,006**	**145,839**	**-**	**483,851**	**-**		**483,851**

35 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)	(178,202)	(18,977)	(102,906)	(127,971)	(636,249)	480	*(i)*	(635,769)
Operating supplies and expenses	(131,575)	(443,608)	(113,558)	(263,094)	(74,260)	(8,423)	(1,034,518)	183,307	*(i)*	(851,211)
Rent expenses	(4,117)	(7,898)	(5,957)	(2,208)	(3,954)	(10,644)	(34,778)	19,004	*(i)*	(15,774)
Depreciation and amortisation	(35,967)	(42,342)	(115,376)	(914)	(131,636)	(4,521)	(330,756)	-		(330,756)
Other operating expenses	(10,994)	(36,214)	(54,601)	(6,207)	(34,081)	(19,950)	(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	146,516	70,965	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 and contract work in progress	-	-	(160,662)	-	-	-	(160,662)	-		(160,662)
Miscellaneous income	379	-	-	-	5,203	-	5,582	-		5,582
PROFIT FOR THE YEAR	251,178	141,827	(113,035)	8,426	415,161	-	703,557	-		703,557

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

35 SEGMENT INFORMATION (CONTINUED)

Geographic segments
The significant geographical segments of the group are 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:

	2017			
	Qatar QR'000	***UAE QR'000***	***Germany QR'000***	***Total QR'000***
Operating revenues	**2,083,227**	**228,105**	**179,677**	**2,491,009**
Profit for the year	**425,017**	**22,288**	**36,546**	**483,851**

	2016			
	Qatar QR'000	*UAE QR'000*	*Germany QR'000*	*Total QR'000*
Operating revenues	2,238,364	134,745	178,163	2,551,272
Profit for the year	664,041	4,815	34,701	703,557

36 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 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.

Market risk

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 25. Under the swap agreements, the Group will pay an agreed fixed interest rate and receive a floating interest rate.

36 FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

a) Financial risk management (continued)

Market risk (continued)

Interest rate risk (continued)

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

	2017 ***QR'000***	*2016* *QR'000*
Floating interest rate instruments		
Financial assets	**122,664**	34,621
Financial liabilities	**(3,845,632)**	(5,893,312)
	(3,722,968)	(5,858,691)
Fixed interest rate instruments		
Financial assets	**1,680,694**	3,578,722
Financial liabilities	**(570,000)**	(728,300)
	1,110,694	2,850,422

The following table demonstrates the sensitivity of the consolidated income statement to reasonably possible changes in interest rates by 25 basis points, with all other variables held constant. The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates for one year, based on the floating rate financial assets and financial liabilities held at 31 December. The effect of decreases in interest rates is expected to be equal and opposite to the effect of the increases shown.

	Changes in basis points	*Effect on profit for the year* *QR'000*
2017		
Floating interest rate instruments	**+25**	**(9,307)**
2016		
Floating interest rate instruments	+25	(14,647)

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 26 million (2016: QR 24 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 154 million (2016: QR 185 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.

36 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 companies, investment in term deposits 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:

	2017 ***QR'000***	*2016* *QR'000*
Loans granted to LNG Companies (Note 15)	**183,604**	214,747
Trade receivable (Note 17)	**441,966**	397,778
Notes receivable (Note 17)	**14,513**	30,600
Staff receivables (Note 17)	**46,385**	53,747
Receivables from related parties (Note 34)	**146,447**	15,290
Other receivables (Note 17)	**72,655**	59,070
Non-current assets	**28,706**	32,461
Term deposits with banks (Note 19)	**1,680,694**	4,386,788
Bank balance – current accounts (Note 20)	**368,026**	287,545
	2,982,996	5,478,026

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 Company's reputation.

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

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

	On demand QR'000	***Less than 1 year QR'000***	***1 to 5 years QR'000***	***Over 5 years QR'000***	***Total QR'000***
2017					
Trade and other payables	**-**	**122,883**	**-**	**-**	**122,883**
Contribution to Social and Sport Fund	**-**	**11,746**	**-**	**-**	**11,746**
Loans and borrowings	**-**	**1,402,679**	**2,349,122**	**1,023,452**	**4,775,253**
Payables to related parties	**-**	**71**	**-**	**-**	**71**
Interest rate swaps	**-**	**-**	**23,565**	**-**	**23,565**
Total	**-**	**1,537,379**	**2,372,687**	**1,023,452**	**4,933,518**

36 FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

a) Financial risk management (continued)

Liquidity risk (continued)

	On demand QR'000	*Less than 1 year QR'000*	*1 to 5 years QR'000*	*Over 5 years QR'000*	*Total QR'000*
2016					
Trade and other payables	-	170,309	-	-	170,309
Contribution to Social and Sport Fund	-	17,787	-	-	17,787
Loans and borrowings	-	4,129,923	1,683,045	1,511,539	7,324,507
Payables to related parties	-	142	-	-	142
Interest rate swaps	-	-	30,264	-	30,264
Total	-	4,318,161	1,713,309	1,511,539	7,543,009

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 2017 and 31 December 2016.

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:

	2017 QR'000	*2016 QR'000*
Debt (i)	**4,410,571**	6,615,021
Less: Cash and cash equivalents (Note 20)	**(373,943)**	(1,102,860)
Less: Investments in term deposits (Note 19)	**(1,680,694)**	(3,578,722)
Net debt	**2,355,934**	1,933,439
Equity attributable to equity holders of the Parent	**13,542,714**	14,186,641
Gearing ratio	**17.4%**	13.6%

(i) Debt comprises of loans and borrowings as detailed in Note 27.

37 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

	Carrying amount		*Fair value*	
	2017	*2016*	***2017***	*2016*
	QR'000	*QR'000*	***QR'000***	*QR'000*
Financial assets at fair value through profit or loss				
Financial assets at fair value through profit or loss	**523,208**	484,556	**523,208**	484,556

	Carrying amount		*Fair value*	
	2017	*2016*	***2017***	*2016*
	QR'000	*QR'000*	***QR'000***	*QR'000*
Financial assets (liabilities) at fair value through other comprehensive income				
Available-for-sale financial assets	**3,423,915**	4,065,641	3,423,915	4,065,641
Interest rate swaps (cash flow hedge)	**(23,565)**	(30,264)	(23,565)	(30,264)
	3,400,350	4,035,377	3,400,350	4,035,377

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 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 2017, the carrying amounts of such receivables are not materially different from their calculated fair values.

- The Group 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.

37 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:

	2017 QR'000	***Level 1 QR'000***	***Level 2 QR'000***	***Level 3 QR'000***
Assets measured at fair value				
Financial assets at fair value through profit or loss	**523,208**	**523,208**	**-**	**-**
Available-for-sale financial assets:				
Quoted shares	**3,075,166**	**3,075,166**	**-**	**-**
Unquoted shares	**365**	**-**	**-**	**365**
Investments in bonds	**21,747**	**-**	**-**	**21,747**
Liabilities measured at fair value				
Interest rate swaps	**23,565**	**-**	**23,565**	**-**

	2016 QR'000	*Level 1 QR'000*	*Level 2 QR'000*	*Level 3 QR'000*
Assets measured at fair value				
Financial assets at fair value through profit or loss	484,556	484,556	-	-
Available-for-sale financial assets:				
Quoted shares	3,695,236	3,695,236	-	-
Unquoted shares	1,034	-	-	1,034
Investments in bonds	21,837	-	-	21,837
Liabilities measured at fair value				
Interest rate swaps	30,264	-	30,264	-

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 (2016: None).

38 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.

38 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.

Depreciation of property, vessels and equipment and investment property

Items of property, vessels and equipment and investment property are depreciated over their estimated individual useful lives. Management exercises significant judgement for the determination of useful lives and residual values of these assets, including their expected usage, physical wear and tear, and technological or commercial obsolescence. Such estimates could have a significant impact on the annual depreciation charge recognized in profit or loss. Management reviews annually the residual values and useful lives of these assets. Future depreciation charge could be significantly adjusted where management believes the useful lives and / or the residual values differ from previous estimates. No such adjustment was made in the current year and the comparative year.

Transfer of concession rights

The Company has delegated the concession rights it acquired to operate ports in Qatar, including the new Hamad Port ("concession rights") to Qterminals-Mawani Joint Venture as from 1 January 2017 although the relevant agreement for the transfer of these rights between the Company and Mawani is dated 1 October 2017. This is because the Group management believes that the Company acquired these concession rights for the sole purpose of managing ports in Qatar under the same arrangement with Mawani and not for its own use. Therefore, management believes it is more appropriate to derecognize the concession rights on 1 January 2017 and treat them as an additional investment in its joint venture with Mawani. That was not done in the previous year, because at that point of time, it was not yet probable that the Qterminals-Mawani Joint Venture would be set up in its current form which was dependent on the concession agreement.

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.

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 receivables

An estimate of the collectible amount of receivables are 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.

38 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Estimates and assumptions (continued)

Provision 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.

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.

Fair value of cash flow hedges

The Group uses derivative financial instruments to manage its exposure to the variability of its bank loans due to fluctuations in interest rates. All such derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value and recognized in other comprehensive income. Their fair values are estimated using models and valuation methods due to the absence of quoted prices or other observable, market-corroborated data. These contracts are valued using models with inputs that include price curves for each of the different products that are built up from active market pricing data and extrapolated to the expiry of the contracts using the maximum available external pricing information.

Other provisions and liabilities

Other 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 company’s ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

39 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.