Qatar Navigation Q.P.S.C.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

CONTENTS **Page(s)**

Independent auditor's report	1-5
Consolidated financial statements:	
Consolidated income statement	6
Consolidated statement of comprehensive income	7
Consolidated statement of financial position	8-9
Consolidated statement of cash flows	10-11
Consolidated statement of changes in equity	12
Notes to the consolidated financial statements	13-71

KPMG
25 C Ring Road
PO Box 4473, Doha
State of Qatar
Telephone: +974 4457 6444
Fax: +974 4442 5626
Website: www.kpmg.com.qa

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 2018, consolidated income statement, consolidated statements of comprehensive income, consolidated statement of cash flows and consolidated statement of 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 2018, 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 (ISAs). 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 Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for 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 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.

Description of key audit matters	**How the matter was addressed in our audit**
Impairment of vessels (including vessels under construction), containers and barges – refer to note 8 of the consolidated financial statements 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 of the global economy, there is increased likelihood of impairment of these assets;	Our audit procedures in this area included, among other things: • Challenging the Group's assessment of possible internal and external indicators of impairment in relation to the vessels, such as obsolescence, decline in market value, operating losses etc., based on our knowledge and experience of the industry;

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

Key Audit Matters (Continued)

• 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, hence we considered this a key audit matter.	• involving our own valuation specialists to assist us in evaluating/challenging: - the appropriateness of the methodology used by the Group management to assess the impairment; - the Group's inputs and assumptions used in calculating the estimated cash flows, including the value-in-use estimates of future sales volumes (utilization of vessels) and prices (based on spot or chartered rates of vessels), operating costs, the terminal value growth rates, and the weighted-average cost of capital (discount rate);and • evaluating the adequacy of the disclosures in the consolidated financial statements including the disclosures of key assumptions, judgments and estimates.
Description of the key audit matters	**How the matter was addressed in our audit**
Depreciation of vessels, containers and barges – refer to note 8 of the consolidated financial statements We focused on this area because: • The depreciation of vessels, containers and barges represents 12% of the total expenses of the Group; and • The life of the vessels, containers and barges including estimation of residual values for the purpose of depreciation charge are reviewed annually by the management with reference to the available facts and circumstances. This involves a significant degree of management judgement and estimates, hence, we considered this to be a key audit matter.	Our audit procedures in this area included, among other things: • Testing the design and implementation of key controls around the processes of estimating useful lives and residual values; • comparing the residual values with the recent sales of vessels of the Group to identify the appropriateness of the residual values; • evaluating the management's assertions and estimates regarding estimated useful lives and residual values based on our knowledge and experience of the industry; and

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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 disclosures in the consolidated financial statements including the disclosures of key assumptions and estimates.
Description of the key audit matters	**How the matter was addressed in our audit**
Transition to IFRS 9 "Financial Instruments" (hereafter "IFRS 9") – refer to note 2(e) and note 3 of the consolidated financial statements We focused on this area because: • the IFRS 9, which the Group implemented on 1 January 2018: - requires complex accounting treatments, including use of significant estimates and judgements for the determination of adjustments on transition; and - resulted in significant changes to processes, data and controls that needed to be tested for the first time. • The transition to IFRS 9 has resulted in an adjustment of QR 7.7 million and QR 2 million to the Group's retained earnings and non-controlling interests respectively as at 1 January 2018.	Our audit procedures in this area included, among other things: • Evaluating the appropriateness of the selection of accounting policies; • Considering the appropriateness of the transition approach and practical expedients applied; • Evaluating management's process for selection of the "expected credit loss" methodology; • Considering management's processes and controls implemented to ensure the completeness and accuracy of the transition adjustments; • Evaluating the reasonableness of management's key assumptions/ judgements over classification and measurement decisions; • Involving financial risk management specialist to challenge key assumptions/judgements relating to forward looking adjustments, definition of default and calculation of probability of default using net flow rates method. • Evaluating the completeness, accuracy and relevance of data used in preparing the transition adjustments; and • Evaluating the completeness, accuracy and relevance of the transition disclosures.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Company's annual report for the year 2018 (the "Annual Report"), but does not include the consolidated financial statements and our auditor's report thereon. Prior to the date of our auditor's report, we obtained the report of the Board of Directors which forms part of the Annual Report; the Annual Report is 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.

When we read the remaining sections of the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board of Directors.

Responsibilities of the Board of Directors for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risk of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- 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 2018 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, which will 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 effect on the Group's consolidated financial position or performance as at and for the year ended 31 December 2018.

25 February 2019
Doha
State of Qatar

كي بي ام جي
ص.ب: ٤٤٧٣
الدوحة - قطر
KPMG
P.O.Box :4473
Doha - Qatar
مكتب تدقيق حسابات

Yacoub Hobeika
KPMG
Qatar Auditor's Registration No.289
Licensed by QFMA : External Auditor's License No. 120153

	Notes	2018 QR'000	2017 QR'000
Operating revenues	4	**2,416,238**	2,491,009
Salaries, wages and other benefits		**(563,000)**	(575,708)
Operating supplies and expenses		**(941,292)**	(977,715)
Rent expenses		**(15,054)**	(14,206)
Depreciation and amortization		**(334,323)**	(322,518)
Provision for impairment of trade and other receivables	16	**(6,601)**	(7,398)
Other operating expenses	5	**(158,665)**	(145,288)
OPERATING PROFIT		**397,303**	448,176
Finance cost		**(147,567)**	(195,187)
Finance income		**62,404**	143,227
Share of results of joint arrangements	11	**164,953**	125,821
Share of results of associates	12	**273,482**	262,318
Impairment of vessels and capital work in progress	8	**(243,428)**	(283,339)
Net gain (loss) on disposal of property, vessels and equipment		**798**	(6,648)
Net gain (loss) on foreign exchange		**290**	(12,293)
Impairment of available-for-sale financial assets	13	**-**	(20,978)
Miscellaneous income	6	**3,571**	22,754
PROFIT FOR THE YEAR		**511,806**	483,851
Attributable to:			
Equity holders of the Parent		**516,340**	469,828
Non-controlling interest		**(4,534)**	14,023
		511,806	483,851
BASIC AND DILUTED EARNINGS PER SHARE *(attributable to equity holders of the Parent expressed in QR per share)*	7	**4.54**	4.14

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

	2018 QR'000	*2017 QR'000*
Profit for the year	**511,806**	483,851
Other comprehensive income (OCI):		
Items that will not be reclassified subsequently to profit or loss		
Net gain (loss) on equity investments at Fair Value Through OCI	**724,505**	(847,669)
Equity-accounted investees – share of OCI	**10,683**	(27,079)
	735,188	(874,748)
Items that may be reclassified subsequently to profit or loss		
Net gain resulting from cash flow hedges	**30,815**	6,700
Cash flow hedge movement for equity-accounted investees	**217,489**	163,452
	248,304	170,152
Total other comprehensive income (loss)	**983,492**	(704,596)
Total comprehensive income (loss)	**1,495,298**	(220,745)
Attributable to:		
Equity holders of the Parent	**1,499,490**	(234,523)
Non-controlling interest	**(4,192)**	13,778
	1,495,298	(220,745)

	Notes	*2018* *QR'000*	*2017* *QR'000*
ASSETS			
Non-current assets			
Property, vessels and equipment	8	**4,031,488**	4,196,429
Investment properties	9	**1,299,473**	1,277,575
Intangible assets	10	**159,503**	168,315
Investments in joint ventures	11	**949,910**	883,124
Investments in associates	12	**5,365,434**	5,041,236
Financial assets at fair value through other comprehensive income	13	**4,100,684**	3,423,915
Loans granted to LNG companies	14	**149,575**	183,604
Other assets		**25,765**	28,706
		16,081,832	15,202,904
Current assets			
Inventories	15	**121,553**	106,777
Trade and other receivables	16	**760,370**	917,845
Financial assets at fair value through profit or loss	17	**138,846**	523,208
Investments in term deposits	18	**577,544**	1,680,694
Cash and cash equivalents	19	**127,394**	373,943
		1,725,707	3,602,467
Total assets		**17,807,539**	18,805,371
EQUITY AND LIABILITIES			
Attributable to equity holders of the Parent			
Share capital	20	**1,145,252**	1,145,252
Treasury shares	21	**(73,516)**	(73,516)
Legal reserve	22	**4,693,986**	4,693,986
General reserve	23	**623,542**	623,542
Fair value reserve		**3,886,259**	3,190,158
Hedging reserve		**295,736**	47,432
Retained earnings		**4,010,829**	3,915,860
Equity attributable to equity holders of the Parent		**14,582,088**	13,542,714
Non-controlling interest		**55,717**	69,100
Total equity		**14,637,805**	13,611,814

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

	Notes	*2018 QR'000*	*2017 QR'000*
EQUITY AND LIABILITIES (CONTINUED)			
Liabilities			
Non-current liabilities			
Loans and borrowings	26	**2,149,133**	3,039,548
Advance from a customer	27	**114,918**	123,672
Provision for employees' end of service benefits	28	**120,612**	101,104
		2,384,663	3,264,324
Current liabilities			
Trade and other payables	29	**510,870**	558,210
Loans and borrowings	26	**274,201**	1,371,023
		785,071	1,929,233
Total liabilities		**3,169,734**	5,193,557
Total equity and liabilities		**17,807,539**	18,805,371

The Group's consolidated financial statements for the year ended 31 December 2018 were authorised for issue by the Company's Board of Directors on the 25th of February 2019 and signed on its behalf by the following:

....
Jassim bin Hamad bin Jassim Al-Thani
Chairman

....
Abdulrahman Essa A.E. Al-Mannai
President and Chief Executive Officer

	Notes	2018 QR'000	2017 QR'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		**511,806**	483,851
Adjustments for:			
Depreciation of property, vessels and equipment	8	**273,888**	284,018
Depreciation of investment property	9	**50,057**	27,783
Amortisation of intangible assets	10	**10,378**	10,717
Loss (gain) on disposal of property, vessels and equipment		**(798)**	6,648
Share of results of joint arrangements	11	**(164,953)**	(125,821)
Share of results of associates	12	**(273,482)**	(262,318)
Provision for employees' end of service benefits	28	**30,453**	17,811
Dividend income	4	**(173,703)**	(135,254)
Net fair value (gain) loss on financial assets at fair value through profit or loss	4	**(8,660)**	79,902
Provision for impairment of trade receivables	16	**6,601**	7,398
Provision for slow moving inventories	15	**8,320**	2,153
Impairment of vessels and capital work in progress	8	**243,428**	283,339
Impairment on available-for-sale financial assets	13	**-**	20,978
Net profit on disposal of investment securities	4	**(35,109)**	(220,591)
Finance cost		**147,567**	195,187
Finance income		**(62,404)**	(143,227)
Operating profit before working capital changes		**563,389**	532,574
Changes in:			
Inventories		**(23,096)**	16,650
Trade and other receivables		**167,676**	(179,385)
Trade and other payables		**(26,679)**	(57,580)
Cash flows generated from operating activities		**681,290**	312,259
Finance cost paid		**(147,567)**	(195,187)
Employees' end of service benefits paid	28	**(22,924)**	(10,423)
Net cash flows from operating activities		**510,799**	106,649
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, vessels and equipment	8	**(371,476)**	(205,256)
Additions to intangible assets	10	**(258)**	(167)
Dividend income	4	**173,703**	135,254
Finance income		**62,404**	143,227
Proceeds from disposal of property, vessels and equipment		**8,697**	295,938
Purchase of investment property	9	**(62,061)**	(164,642)
Net movement in loans granted to LNG companies		**34,029**	31,143
Purchase of investment securities		**(18,192)**	(442,224)
Proceeds from disposal of financial asset at fair value through other comprehensive income / available-for-sale financial assets		**47,736**	293,621
Proceeds from disposal of financial assets at fair value through profit or loss		**446,321**	30,419
Net movement in investment in term deposits	18	**1,103,150**	1,898,028
Investment in joint venture	11	**-**	(421,008)
Dividends received from joint ventures	11	**98,000**	-
Investment in an associate	12	**(1,020)**	-
Dividends received from associates	12	**173,602**	172,209
Net cash flows from investing activities		**1,694,635**	1,766,542

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

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

	Notes	***2018 QR'000***	*2017 QR'000*
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to the Company's shareholders	25	**(397,658)**	(397,658)
Dividends paid to Non-controlling interest		**(7,088)**	-
Loans and borrowings – net movement		**(1,987,237)**	(2,264,450)
Net cash flows used in financing activities		**(2,391,983)**	(2,662,108)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(186,549)**	(788,917)
Cash and cash equivalents at 1 January		**313,943**	1,102,860
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	19	**127,394**	313,943

Qatar Navigation Q.P.S.C.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

	Attributable to the equity holders of the Parent									
	Share Capital	***Treasury shares***	***Legal reserve***	***General reserve***	***Fair value reserve***	***Hedging reserve***	***Retained earnings***	***Total***	***Non-controlling interest***	***Total***
	(Note 20) QR'000	*(Note 21) QR'000*	*(Note 22) QR'000*	*(Note 23) QR'000*	*QR'000*	*QR'000*	*QR'000*	*QR'000*	*QR'000*	*QR'000*
At 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 (loss) for the year	-	-	-	-	-	-	469,828	469,828	14,023	483,851
Other comprehensive income	-	-	-	-	(874,503)	170,152	-	(704,351)	(245)	(704,596)
Total comprehensive income (loss)	-	-	-	-	(874,503)	170,152	469,828	(234,523)	13,778	(220,745)
Transactions with owners of the Company:										
Dividends paid (Note 25)	-	-	-	-	-	-	(397,658)	(397,658)	-	(397,658)
Other equity movement:										
Contribution to Social and Sports Fund (Note 30)	-	-	-	-	-	-	(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**
Adjustments on initial application of IFRS 9 (Note 2)	-	-	-	-	(57,312)	-	7,763	(49,549)	(2,103)	(51,652)
Adjusted balance at 1 January 2018	1,145,252	(73,516)	4,693,986	623,542	3,132,846	47,432	3,923,623	13,493,165	66,997	13,560,162
Total comprehensive income:										
Profit for the year	-	-	-	-	-	-	516,340	516,340	(4,534)	511,806
Other comprehensive (loss) income	-	-	-	-	734,846	248,304	-	983,150	342	983,492
Total comprehensive (loss) income	-	-	-	-	734,846	248,304	516,340	1,499,490	(4,192)	1,495,298
Transactions with owners of the Company:										
Dividends paid (Note 25)	-	-	-	-	-	-	(397,658)	(397,658)	(7,088)	(404,746)
Other equity movement:										
Contribution to Social and Sports Fund (Note 30)	-	-	-	-	-	-	(12,909)	(12,909)	-	(12,909)
Transfer of reserves on disposal of FVOCI	-	-	-	-	18,567	-	(18,567)	-	-	-
At 31 December 2018	**1,145,252**	**(73,516)**	**4,693,986**	**623,542**	**3,886,259**	**295,736**	**4,010,829**	**14,582,088**	**55,717**	**14,637,805**

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 period, include the provision of marine transport, acting as agent to foreign shipping lines, offshore services, sale of heavy vehicles, ship repair, fabrication and installation of offshore structures, land transport, chartering of vessels, real estate, investments in listed and unlisted securities, trading of aggregates, building materials and the operation of a travel agency. During the current year, the group commenced warehousing operations.

The consolidated financial statements of the Group were authorised for issue by the Board of Directors on the 25th of February 2019.

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

Name of the subsidiary	*Country of incorporation*	*Principal activities*	***Group effective shareholding***	
			2018	*2017*
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)

(a) 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*** ***2018***	*2017*
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 Integrated Maritime and Logistics 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%**	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)

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

	Company's ownership percentage	
Name of subsidiary	***31 December 2018***	*31 December 2017*
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%

(c) 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 2018	*31 December 2017*
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%**	100%
Halul 68 L.L.C.	**100%**	100%
Halul 69 L.L.C.	**100%**	100%
Halul 70 L.L.C.	**100%**	100%
Halul 71 L.L.C.	**100%**	100%
Halul 80 L.L.C.	**100%**	100%
Halul 81 L.L.C.	**100%**	100%
Halul 82 L.L.C.	**100%**	100%
Halul 83 L.L.C.	**100%**	100%
Halul 90 L.L.C.	**100%**	100%
Halul 100 L.L.C.	**100%**	100%
Halul 101 L.L.C.	**100%**	100%
Aliago W.L.L. (i)	**100%**	-

All subsidiary undertakings are included in the consolidation.

(i) 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. During the year, the remaining shares of Aliago W.L.L were acquired by the Group, increasing the ownership from 50% to 100% and Aliago W.L.L has been accounted as subsidiary of the Group.#

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, Maritime and Logistics 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.

This is the first set of the Group's annual financial statements in which IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" have been applied. Changes to significant accounting policies are described in Note 2 (e).

b) Basis of measurement

The consolidated financial statements are prepared under the historical cost convention, except for the financial assets at fair value through other comprehensive income, 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 currency. All amounts 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 37.

e) Newly effective standards and amendments and interpretations to standards#

During the current year, the below new and amended International Financial Reporting Standards ("IFRS" or "standards") and an interpretation to a standard became effective for the first time for financial years beginning on 1 January 2018:

- IFRS 9 "Financial Instruments"
- IFRS 15 "Revenue from Contracts with Customers"
- Amendments to IFRS 2 "Share Based Payment" on classification and measurement of share based payment transactions
- Amendments to IFRS 4 "Insurance Contracts" in applying IFRS 9 Financial Instruments
- Amendments to IAS 40 "Investment property" on transfers of investment property
- Amendments to IFRS 1 "Adoption of International Financial Standards" and IAS 28 "Investments in Associates and Joint Ventures" based on the Annual Improvements to IFRSs 2014-2016 Cycle
- Interpretation made by the International Financial Reporting Interpretation Council (IFRIC) 22 "Foreign Currency Transactions and Advance Consideration"

The adoption of the above new and amended standards and the interpretation to a standard had no significant impact on the Group's consolidated financial statements, except for IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" whose effects on the Group's consolidated financial statements are explained below.

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these consolidated financial statements has not been restated to reflect the requirements of the new standards.

2 BASIS OF PREPARATION (CONTINUED)

e) Newly effective standards and amendments and interpretations to standards (continued)

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 "Revenue from Contracts with Customers" (hereafter "IFRS 15) introduced a 5-step approach to revenue recognistion, which establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 "Revenue", IAS 11 "Construction Contracts" and related interpretations.

Management reviewed and assessed the Group's existing contracts with customers at 1 January 2018 and concluded that, apart from more extensive disclosures for the Group's revenue transactions (Note 4), the initial application of IFRS 15 has had no significant impact on the Group's consolidated statement of financial position as at 31 December 2018, its consolidated income statement and other comprehensive income for the year then ended. Consequently, there were no adjustments as at 1 January 2018.

The following table provides information about revenue recognition under IAS 18 and IFRS 15, which is in effect, as stated above, resulted to no financial impact.

Type of services	Revenue recognition under IFRS 15 (applicable from 1 January 2018)	Revenue recognition under IAS 18 (applicable before 1 January 2018)
Chartering of vessels	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.	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 it transfers the control over a good to a customer. Revenue from rendering of services is recognised in the period such services are rendered, by reference to a suitable method that depicts the transfer of the control of such services to the customer.	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 recognised over time, as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs, after making due allowance for future estimated losses.	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 at a point in time based on how the performance obligation (on completion of all supply requirements for vessels) is satisfied.	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 at a point in time based on how the performance obligation is satisfied.	Loading, clearance and land transport income is recognised only after completion of these services.

2 BASIS OF PREPARATION (CONTINUED)

e) Newly effective standards and amendments and interpretations to standards (continued)

IFRS 9 "Financial Instruments"

IFRS 9 "Financial instruments" (hereafter "IFRS 9"), which replaced IAS 39 "Financial Instruments: Recognition and Measurement" (hereafter "IAS 39"), introduced new requirements for:

- The classification and measurement of financial assets and financial liabilities;
- Impairment of financial assets, and
- General hedge accounting.

Details of these new requirements as well as their impact on the Group's consolidated financial statements are described below:

Classification and measurement of financial assets and financial liabilities

Financial assets

IFRS 9 eliminated the previous IAS 39 categories of financial assets (a) loans and receivables; (b) available-for-sale; (c) held-to-maturity; and (d) Fair Value Through Profit or Loss, and replaced them with the classification categories (a) amortised cost; (b) Fair Value Through Other Comprehensive Income (FVOCI); and (c) Fair Value Through Profit or Loss (FVTPL).

The IFRS 9 classification of a financial asset is done on the basis of the business model in which a financial asset is managed and its contractual cash flow characteristics. Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, are measured subsequently at amortised cost;

- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI on the principal amount outstanding, are measured subsequently at FVTOCI;

- equity instruments that are not held for trading, on initial recognition, the Group may irrevocably elect to present subsequent changes in their fair value in OCI. This election is made on an investment-by-investment basis.

- all other debt investments and equity investments are measured subsequently at FVTPL.

Management reviewed and assessed the Group's existing financial assets at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Group's financial assets as regards their classification and measurement:

- Financial assets classified as loans and receivables (trade and other receivables, loans receivable, term deposits and cash at bank) under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist SPPI on the principal amount outstanding. Therefore, the change in the classification has had no impact on the Group's financial position, consolidated income statement, other comprehensive income or total comprehensive income in the year.

2 BASIS OF PREPARATION (CONTINUED)

e) Newly effective standards and amendments and interpretations to standards (continued)

IFRS 9 "Financial Instruments" (continued)

Financial assets (continued)

- The Group's investments in quoted equity instruments that were previously classified as available-for-sale financial assets and were measured at fair value at each reporting date under IAS 39 have been designated as at FVTOCI, because the Group intends to hold these investments for long term strategic purposes. The change in fair value of these equity instruments continues to be accumulated in the fair value reserve.

- The Group's investments in unquoted equity instruments that were previously classified as available-for-sale financial assets and were measured at cost under IAS 39 (by utilizing the IAS 39 para. 46(c) exception) have been designated as at FVTOCI, because the Group intends to hold these investments for long term strategic purposes. These investments will be measured at fair value at each reporting date under IFRS 9 and the change in fair value of these equity instruments will be accumulated in the fair value reserve.

- The Group's investments in corporate bonds that were previously classified as available-for-sale financial assets and were measured at fair value at each reporting date under IAS 39 have been classified as at FVTOCI, because they are held within a business model whose objective is both to collect contractual cash flows and to sell the bonds, and they have contractual cash flows that are SPPI on principal outstanding. The change in the fair value on these corporate bonds continues to accumulate in the fair value reserve until they are derecognised or reclassified.

- There is no change in the measurement of the Group's investments in equity instruments that are held for trading; those instruments were and continue to be measured at FVTPL.

The following table summarises the impact of transition to IFRS 9 on the opening balance of retained earnings (for a description of the transition method, see below).

Line item impacted in the financial statements	**As reported at 31 December 2017** *QR'000*	**Adjustment due to adoption of IFRS 9** *QR'000*	**Adjusted opening balances as at 1 January 2018** *QR'000*
Trade receivables	441,966	(37,503)	404,463
Loan granted to LNG companies	183,604	(6,512)	177,092
Investment in Associates	5,041,236	(4,874)	5,036,362
Fair value reserve	3,190,158	(57,312)	3,132,846
Non – controlling interest	69,100	(2,103)	66,997
Financial assets at fair value through other comprehensive income	3,423,915	(2,763)	3,421,152
Retained earnings	3,915,860	7,763	3,923,623

Additionally, the Group has adopted consequential amendments to IFRS 7 "Financial Instruments: Disclosures" that are applied to disclosures about 2018 but have not been applied to comparative information.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied using the cumulative effect method. The Group has adopted the exemption not to restate comparative information of prior periods. Differences in the carrying amounts of the financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 but those of IAS 39.

The assessment has been made on the basis of the facts and circumstances that existed at the date of initial application.

2 BASIS OF PREPARATION (CONTINUED)

e) Newly effective standards and amendments and interpretations to standards (continued)

IFRS 9 "Financial Instruments" (continued)

Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. Therefore, the application of IFRS 9 has had no impact on the classification and measurement of the Group's financial liabilities.

Impairment of financial assets

IFRS 9 replaced the 'incurred credit loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The ECL model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

IFRS 9 requires the Group to recognise a loss allowance for expected credit losses on debt instruments measured subsequently at amortised cost or at FVTOCI, but not to other debt investments and equity investments that are measured subsequently at FVTPL.

As at 1 January 2018 and during the year, the Group only had debt instruments measured subsequently at amortised cost. Specifically, these were (a) trade and other receivables; (b) loans receivable; (c) term deposits and (d) cash at bank. With respect to the trade and other receivables, the Group applied the simplified approach which recognises lifetime ECL for these assets which reflects an increased credit risk. All bank balances and term deposits are assessed to have low credit risk as they are held with reputable banking institutions.

Management has determined that the Group's existing trade and other receivables and loans granted to LNG companies at 1 January 2018 required an additional impairment loss of QR 37,503 thousands and QR 6,512 thousands respectively based on the IFRS 9 requirements. The following table summarises the impact of transition to IFRS 9 on the opening balance of retained earnings

Line item impacted in the financial statements	As reported at 31 December 2017 *QR'000*	Adjustment due to adoption of IFRS 9 *QR'000*	Adjusted opening balances as at 1 January 2018 *QR'000*
Provision for impairment of trade receivables	39,426	37,503	76,929
Provision for impairment of Loan granted to LNG companies	-	6,512	6,512

The consequential amendments to IAS 1 "Presentation of Financial Statements", as a result of the adoption of IFRS 9, require impairment of financial assets to be presented as a separate line item in income statement. Previously, the Group's approach was to include the provision for impairment of trade receivables within the other operating expenses. Consequently, the Group reclassified the provision for impairment losses amounting to QR 7,398 thousand, recognised under IAS 39, from 'other operating expenses' to 'provision for impairment on trade receivables' on the face of the statement of profit or loss and OCI for the year ended 31 December 2017.

The consequential amendments to IFRS 7 "Financial Instruments: Disclosures" have also resulted in more extensive disclosures about the Group's exposure to credit risk in year 2018, but these were not applied to disclosures in relation to comparative information.

General hedge accounting

The Group had interest rate swaps (cash flow hedge) in place as at 1 January 2018. Management reviewed and assessed the Group's existing hedging arrangement at 1 January 2018 and concluded that, apart from disclosures in compliance with IFRS 7 "Financial Instruments: Disclosures", the initial application of IFRS 9 has had no significant impact on the Group's consolidated statement of financial position as at 1 January 2018. Consequently, there were no adjustments as at 1 January 2018.

2 BASIS OF PREPARATION (CONTINUED)

f) New and amended standards and an interpretation to a standard not yet effective, but available for early adoption

The below new and amended International Financial Reporting Standards ("IFRS" or "standards") and an interpretation to a standards that are available for early adoption for financial years beginning after 1 January 2018 are not effective until a later period, and they have not been applied in preparing these consolidated financial statements.

Effective for year beginning 1 January 2019	• *IFRS 16 "Leases"* • *Interpretation made by the International Financial Reporting Interpretation Council (IFRIC) 23 "Uncertainty over Tax Treatments"* • *Amendments to IFRS 9 "Financial Instruments" on prepayment features with negative compensation* • *Amendments to IAS 28 "Investments in Associates and Joint Ventures" on long-term interests in associates and joint ventures* • *Amendments to IAS 19 "Employee Benefits"on plan amendment, curtailment or settlement* • *Amendments to various standards based on the Annual Improvements to IFRSs 2015-2017 Cycle*
Effective for year beginning 1 January 2020	• *Amendments to references to conceptual framework in IFRS standards*
Effective for year beginning 1 January 2021	• *IFRS 17 "Insurance Contracts"*
Effective date deferred indefinitely / available for optional adoption	• *Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" on sale or contribution of assets between an investor and its associate or joint venture*

Management does not expect that the adoption of the above new and amended standards and the interpretation to a standard will have a significant impact on the Group's consolidated financial statements, except for IFRS 16 "Leases" whose effects on the Group's consolidated financial statements are explained below.

IFRS 16 "Leases"

IFRS 16 "Leases" (hereafter "IFRS 16") provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC 15 "Operating Leases – Incentives", and SIC 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". The date of initial application of IFRS 16 for the Group will be 1 January 2019.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17; i.e. lessors continue to classify leases as finance or operating leases.

The Group has chosen to apply IFRS 16 following a modified retrospective approach. Therefore, the group will not restate the comparative information, instead recognizes the cumulative effect of initially applying the standard as an adjustment to the Retained Earnings at the date of initial application.

In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project ha shown that the new definition in IFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.

2 BASIS OF PREPARATION (CONTINUED)

f) New and amended standards and an interpretation to a standard not yet effective, but available for early adoption (continued)

IFRS 16 "Leases" (continued)

Impact on Lessee Accounting

IFRS 16 will change how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet. Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

On initial application of IFRS 16, for all leases, the Group will:

- Recognise right of use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
- Recognise depreciation of right of use assets and interest on lease liabilities in the consolidated statement of profit or loss;
- Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

For short term leases (lease term of 12 months or less) and leases of low value assets (such as personal computers and office furniture), the Group will opt to recognise a lease expense on a straight line basis as permitted by IFRS 16.

As at 31 December 2018, the Group has operating lease commitments of QR 36,023 thousands (Note 31).

Based on management's preliminary assessment, the potential impact on the Group's consolidated financial statements resulting from the initial application of IFRS 16 "Leases", and the estimated impact as at 1 January 2019 is summarized in the table below:

Line item impacted in the consolidated financial statements	**As reported at 31 December 2018**	**Estimated adjustments due to adoption of IFRS 16**	**Estimated adjusted opening balances as at 1 January 2019**
Right-of-use assets	-	75,686	75,686
Lease liabilities	-	80,193	80,193
Retained earnings	4,010,829	(4,507)	4,006,322

The Group will recognise new assets and corresponding lease liabilities for its operating leases of land, vessels, office and staff accommodation. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

The actual impacts of adopting the standard on 1 January 2019 may change because:

- the Group has not finalised the testing and assessment of controls over its new IT systems; and
- the new accounting policies are subject to change until the Group presents its first consolidated financial statements that include the date of initial application.

Based on an analysis of the Group's leases as at 31 December 2018 on the basis of the facts and circumstances that exist at that date, management has assessed that there will be no impact on the amounts recognised in the Group's consolidated financial statements in this respect.

Impact on Lessor Accounting

The Group acts as a lessor though sub-leasing vessels to third parties. Based on information currently available, management does not expect any significant impact on the relevant amounts recognised in the Group's consolidated financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies of the Group applied in the preparation of these consolidated financial statements are set out below. Except as described below and the changes described in Note 2 (e), the accounting policies have been applied consistently to both years presented in these consolidated financial statements.

Basis of consolidation

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

Business combination

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

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 "Financial Instruments" 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 IFRS 9 "Financial Instruments", 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 from contract with customers

Revenue is measured at fair value of consideration received or receivable specified in a contract with a customer and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognizes revenue when it transfers control over a good or service to a customer. 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.

The Group has initially applied IFRS 15 from 1 January 2018. Information about the Group's accounting policies relating to contracts with customers is provided in Note 2 (e).

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other operating revenues

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

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

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

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

Leases

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

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

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:

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, vessels and equipment (continued)

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

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 property

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.

Investments in associates and joint ventures

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

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (continued)

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.

Financial instruments

i. Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii. Classification and subsequent measurement of financial assets– policy applicable from 1 January 2018

On initial recognition, a financial asset is classified at:

- Amortised cost – if it meets both of the following conditions and is not designated as at FVTPL:
  - it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
  - its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

- Fair Value Through Other Comprehensive Income (FVOCI) - if it meets both of the following conditions and is not designated as at FVTPL:
  - it is held within a business model whose objective achieved by both collecting contractual cash flows and selling financial assets; and
  - its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

- Fair Value Through Profit or Loss (FVTPL) – All financial assets not classified as measured at amortised cost or FVOCI as described above.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

ii. Classification and subsequent measurement of financial assets– policy applicable from 1 January 2018 (continued)

On initial recognition, the Group may irrecoverably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Group has classified on initial recognition its trade and other receivables and its cash at amortised cost.

Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are SPPI: Policy applicable from 1 January 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

ii. Classification and subsequent measurement of financial assets– policy applicable from 1 January 2018 (continued)

Financial assets – Assessment whether contractual cash flows are SPPI: Policy applicable from 1 January 2018 (continued)

- *Financial assets at amortised cost* - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in consolidated income statement. Any gain or loss on derecognition is recognised in consolidated income statement.

- *Financial assets at Fair Value Through Profit or Loss (FVTPL)* -These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in consolidated income statement.

- *Debt instruments at Fair Value Through Other Comprehensive Income (FVOCI)* - These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in consolidated income statement. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to consolidated income statement. The Group does not hold such assets.

- *Equity investments at Fair Value Through Other Comprehensive Income (FVOCI)* - These assets are subsequently measured at fair value. Dividends are recognised as income in consolidated income statement unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never derecognised to consolidated income statement.

Financial assets – Subsequent measurement and gains and losses: Policy applicable before 1 January 2018

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (continued)

Financial assets – Subsequent measurement and gains and losses: Policy applicable before 1 January 2018 (continued)

Available-for-sale financial assets

Available-for-sale financial assets include equity investments and debt securities. Available-for-sale financial assets are either designated in this category or not classified in any other categories of financial assets. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions. Available-for-sale financial assets are recognised initially at fair value plus transaction costs.

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

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

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

For financial assets reclassified from the available-for-sale category, their related carrying amount at the date of reclassification becomes their new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to consolidated income statement 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.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in consolidated income statement. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the income statement. Any gain or loss on derecognition is also recognised in the income statement.

ii. Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (continued)

iii. Derecognition (continued)

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognises a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the income statement.

iv. Offsetting

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

v. Derivative financial instruments and hedging

Derivative financial instruments and hedge accounting - Policy applicable from 1 January 2018

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in the income statement.

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates and certain derivatives and non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the income statement.

The Group designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts (‘forward points’) is separately accounted for as a cost of hedging and recognised in a costs of hedging reserve within equity.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognised.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (continued)

v. Derivative financial instruments and hedging (continued)

Derivative financial instruments and hedge accounting – Policy applicable after 1 January 2018 (continued)

Cash flow hedges (continued)

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to income statement in the same period or periods during which the hedged expected future cash flows affect income statement.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to income statement in the same period or periods as the hedged expected future cash flows affect income statement.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to income statement.

Derivative financial instruments and hedge accounting - Policy applicable before 1 January 2018

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:

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (continued)

v. Derivative financial instruments and hedging (continued)

Derivative financial instruments and hedge accounting – Policy applicable before 1 January 2018 (continued)

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 the income statement.

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 income statement when the hedged transaction affects consolidated income statement, 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.

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

i. Non-derivative financial assets

Policy applicable from 1 January 2018

The Group recognises loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortised cost and debt investments measured at FVOCI. The Group measures loss allowances at an amount equal to lifetime ECLs, except for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is 90 days past due.

The Group considers a financial asset to be in default when the customer is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held) or the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment (continued)

i. Non-derivative financial assets (continued)

Policy applicable from 1 January 2018 (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due; or
- it is probable that the borrower will enter bankruptcy or other financial reorganization.

Presentation of impairment

Provision for impairment of trade receivables is deducted from gross carrying value of trade receivables and impairment losses relating to trade receivables are separately presented in the condensed consolidated income statement and other comprehensive income.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Policy applicable before 1 January 2018

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment (continued)

ii. 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.

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.

Cash and cash equivalents

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

Borrowing costs

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

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

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

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

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

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

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

Provision for employees' end of service benefits

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

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

Foreign currency translation

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

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

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

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

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

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

Earnings per share

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

Segment reporting

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

Fair value measurement

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (continued)

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 Group derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the following major revenue streams. This is consistent with the revenue information that is disclosed for each reportable segment under IFRS 8 “Operating Segments” (see Note 34).

	2018	*2017*
	QR’000	*QR’000*
Disaggregation of revenue		
Milaha Capital (1)	**467,041**	649,787
Milaha Maritime and Logistics	**825,393**	826,949
Milaha Offshore	**572,403**	450,875
Milaha Trading	**162,173**	176,151
Milaha Gas and Petrochem	**389,228**	387,247
	2,416,238	2,491,009

(1) Revenues of Milaha Capital comprise the following:

	2018	*2017*
	QR’000	*QR’000*
Rental income	**144,143**	156,034
Dividend income	**173,703**	135,254
Revenue of Qatar Quarries and Building Material Company Q.P.S.C.	**105,426**	217,810
Net fair value gain (loss) on financial assets at fair value through profit or loss	**8,660**	(79,902)
Profit (Loss) on disposal of financial assets at fair value through profit or loss	**35,109**	(4,091)
Profit on disposal of financial assets at fair value through other comprehensive income	**-**	224,682
	467,041	649,787

Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

5 OTHER OPERATING EXPENSES

	2018 ***QR'000***	*2017* *QR'000*
Professional fees	**34,260**	33,534
Claims and insurance	**26,622**	26,540
Communication and utilities	**22,213**	17,900
Registration, certifications and formalities	**18,143**	18,922
Provision for slow moving inventories (Note 15)	**8,320**	2,153
Travel and entertainment	**6,852**	6,151
Security and safety	**6,309**	5,964
Office supplies and expenses	**4,005**	2,392
Marketing, sponsorship and gifts	**3,690**	3,467
Inventory adjustments	**-**	534
Miscellaneous expenses	**28,251**	27,731
	158,665	145,288

6 MISCELLANEOUS INCOME

	2018 ***QR'000***	*2017* *QR'000*
Other income	**3,571**	22,754

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 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.

	2018	*2017*
Net profit for the year attributable to equity holders of the Parent (QR'000)	**516,340**	469,828
Weighted average number of shares (000's)	**113,616**	113,616
Basic and diluted earnings per share (QR)	**4.54**	4.14

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

	2018	*2017*
Total number of shares outstanding (*000's))* (Note 20)	**114,525**	114,525
Adjustment for weighted average shares with respect to treasury shares *(000's) (i)* (Note 21)	**(909)**	(909)
Weighted average numbers of shares during the year *(000's)*	**113,616**	113,616

8 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 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 iii)*	-	-	(227,140)	-	-	-	(56,199)	(283,339)
At 31 December 2017/ 1 January 2018	6,299	338,196	5,621,518	340,624	45,622	65,867	308,220	6,726,346
Additions	-	474	44,467	15,488	920	9,742	300,385	371,476
Transfers and reclassifications	(5,405)	547	389,219	(4,411)	-	(1,029)	(391,768)	(12,847)
Disposals and write offs	-	(255)	(52,889)	(34,442)	(249)	(2,822)	(124)	(90,781)
Impairment *(Note iii)*	-	-	(243,428)	-	-	-	-	(243,428)
At 31 December 2018	894	338,962	5,758,887	317,259	46,293	71,758	216,713	6,750,766
Accumulated depreciation								
At 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/ 1 January 2018	-	148,141	1,968,638	310,084	40,002	63,052	-	2,529,917
Charge for the year	-	10,850	243,600	15,418	2,399	1,621	-	273,888
Transfers and reclassifications	-	-	-	(552)	-	(1,029)	-	(1,581)
Disposals and write offs	-	-	(45,850)	(34,430)	(152)	(2,514)	-	(82,946)
At 31 December 2018	-	158,991	2,166,388	290,520	42,249	61,130	-	2,719,278
Carrying amounts								
At 31 December 2017	6,299	190,055	3,652,880	30,540	5,620	2,815	308,220	4,196,429
At 31 December 2018	**894**	**179,971**	**3,592,499**	**26,739**	**4,044**	**10,628**	**216,713**	**4,031,488**

8 PROPERTY, VESSELS AND EQUIPMENT (CONTINUED)

Notes:

(i) The encumbrances and liens on property, vessels and equipment are disclosed in Note 26.

(ii) Included as part of capital work in progress as at 31 December 2018 were two assets under construction amounting to QR 185,565,199 (2017: QR 158,576,023). Following the increase in the ownership percentage of these assets from 75% to 100% in the previous financial year, one of the asset is currently under preparation for deployment. During the year, the second asset's Sale & Purchase contract was restructured and through novation, the group now directly contracted with the main shipyard resulting in the remaining amounts of the contractual payments to be paid directly to the main shipyard.

(iii) Impairment losses relate to 17 vessels (2017: 39 vessels) included in "vessels, containers and barges". The value of the equipment included in "capital work in progress" was written down by QR 32 million in the year 2017 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 243 million (2017: QR 227 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 37. The 5 vessels under arbitration during 2017, were fully written down in 2017 by a further QR 22 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 were impaired during the year 2017.

9 INVESTMENT PROPERTIES

	Land QR'000	*Buildings QR'000*	*Investment properties under construction QR'000*	*Total QR'000*
Cost				
At 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/ 1 January 2018	161,613	685,818	670,858	1,518,289
Additions during the year	-	418,326	(356,265)	62,061
Transfers and reclassifications	5,405	156,292	(150,158)	11,539
Disposals and write-off	-	-	(64)	(64)
At 31 December 2018	167,018	1,260,436	164,371	1,591,825
Accumulated depreciation				
At 1 January 2017	-	213,001	-	213,001
Charge for the year	-	27,783	-	27,783
Transfers and reclassifications	-	(70)	-	(70)
At 31 December 2017/ 1 January 2018	-	240,714	-	240,714
Charge for the year	-	50,057	-	50,057
Transfers and reclassifications	-	1,581	-	1,581
At 31 December 2018	-	292,352	-	292,352
Carrying amounts				
At 31 December 2017	161,613	445,104	670,858	1,277,575
At 31 December 2018	**167,018**	**968,084**	**164,371**	**1,299,473**

Notes:

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

(ii) As at 31 December 2018 the fair value of investment properties was QR 2,239,240,000 (2017: QR 2,771,145,000). 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 126,683,121 (2017: QR 136,102,579) from its investment properties. Direct operating expenses related to investment properties (including depreciation) amounting to QR 59,660,201 (2017: QR 33,056,176) have been included within operating expenses.

(iv) As at 31 December 2018 the cost of investment properties built on leasehold land was QR 603,221,400 (2017: QR 540,627,847).

10 INTANGIBLE ASSETS

	Customer contracts QR'000	*Computer software QR'000*	*Goodwill QR'000*	*Concession Rights QR'000 (Note 11)*	*Total QR'000*
Cost					
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/ At 1 January 2018	184,000	21,017	7,292	-	212,309
Additions	-	258	-	-	258
Transfers	-	1,308	-	-	1,308
At 31 December 2018	184,000	22,583	7,292	-	213,875
Amortisation					
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)
Disposal and write off	-	(99)	-	-	(99)
At 31 December 2017/ At 1 January 2018	23,486	20,508	-	-	43,994
Charge for the year	9,394	984	-	-	10,378
At 31 December 2018	32,880	21,492	-	-	54,372
Carrying amounts					
At 31 December 2017	160,514	509	7,292	-	168,315
At 31 December 2018	**151,120**	**1,091**	**7,292**	**-**	**159,503**

11 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*	
		2018	*2017*
Qatar Ship Management Company W.L.L. (a)	Qatar	51%	51%
Gulf LPG Transport Company W.L.L. (b)	Qatar	50%	50%
QTerminals L.L.C (c)	Qatar	49%	49%
Aliago W.L.L. [Note 1(c)]	Qatar	-	50%

a) 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. This joint venture is currently in the process of winding down its operations.

b) 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.

c) 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.

11 INVESTMENTS IN JOINT ARRANGEMENTS (CONTINUED)

Investments in joint ventures (continued)

Summarised statement of financial position:

	2018 (QR'000)			*2017 (QR'000)*		
	Qterminals (Note 10)	***Other joint ventures***	***Total***	*Qterminals (Note 10)*	*Other joint ventures*	*Total*
Current assets	**301,757**	**41,630**	**343,387**	363,168	80,475	443,643
Non-current assets	**5,994**	**490,567**	**496,561**	4,463	498,169	502,632
Current liabilities	**(39,506)**	**(20,579)**	**(60,085)**	(203,802)	(20,275)	(224,077)
Non-current liabilities	**(9,234)**	**(236,827)**	**(246,061)**	-	(255,182)	(255,182)
Net assets	**259,011**	**274,791**	**533,802**	163,829	303,187	467,016
Concession rights	**416,108**	**-**	**416,108**	416,108	-	416,108
Carrying value of investments	**675,119**	**274,791**	**949,910**	579,937	303,187	883,124

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

	2018 (QR'000)			*2017 (QR'000)*		
	Qterminals	***Other joint ventures***	***Total***	*Qterminals*	*Other joint ventures*	*Total*
Operating revenue	**440,333**	**38,575**	**478,908**	362,327	74,600	436,927
Salaries, wages and other benefits	**(49,113)**	**-**	**(49,113)**	(38,697)	(16,381)	(55,078)
Operating supplies and expenses	**(165,441)**	**(29,388)**	**(194,829)**	(148,713)	(11,579)	(160,292)
Depreciation and amortisation	**(16,409)**	**(24,640)**	**(41,049)**	(15,995)	(24,183)	(40,178)
Other operating expenses	**(16,783)**	**(1,959)**	**(18,742)**	(7,898)	(1,900)	(9,798)
Operating profit	**192,587**	**(17,412)**	**175,175**	151,024	20,557	171,581
Finance costs	**-**	**(10,389)**	**(10,389)**	-	(8,815)	(8,815)
Profit for the year	**192,587**	**(27,801)**	**164,786**	151,024	11,742	162,766

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

	2018 QR'000	*2017 QR'000*
At 1 January	**883,124**	299,350
Share of results of joint ventures (excludes results from joint operations)	**164,786**	162,766
Dividends received	**(98,000)**	-
Investment	**-**	421,008
At 31 December	**949,910**	883,124

11 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. As of 31 December 2018, all the vessels related to the joint operations were re-delivered and both the parties agreed to discontinue the partnership

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. This joint arrangement was ended in March 2017 and the VLCC has been re-delivered.

The Group's share in the results of the joint operations amounted to a profit of QR 167,000 in 2018 (2017: Loss of QR 36,945,216).

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

	2018 ***QR'000***	*2017* *QR'000*
Share of result from joint operations	**167**	(36,945)
Share of result from joint ventures	**164,786**	162,766
Share of result of joint arrangements	**164,953**	125,821

12 INVESTMENTS IN ASSOCIATES

The Group has the following investment in associates:

	Country of incorporation	*Ownership %*		*Profit Sharing %*	
		2018	*2017*	***2018***	*2017*
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%
Hapag – Lloyd Qatar W.L.L. (Formerly: United Arab Shipping Agency Company W.L.L.) (iii), (x)	Qatar	**51.0%**	51.0%	**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), (x)	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) Hapag – Lloyd Qatar W.L.L. (Formerly : 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. Please refer note 38 for subsequent events.

(v) Camartina Shipping INC. is engaged in operation of a time charter of 135,000 m³ Liquefied Natural Gas (LNG) vessel.

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

(vii) Qatar LNG Transport Ltd. was established to acquire, own, operate a time charter of 135,000 m³ Liquefied Natural Gas (LNG) vessel.

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

(ix) Even though the share ownership in the companies listed in point (i), (ii), (iii) 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.

12 INVESTMENTS IN ASSOCIATES (CONTINUED)

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

	2018 QR'000	*2017 QR'000*
At 1 January	**5,041,236**	4,814,754
Adjustment due to adoption of IFRS 9	**(4,874)**	-
	5,036,362	4,814,754
Share of net movement in other comprehensive income	**228,172**	136,373
Dividends received	**(173,602)**	(172,209)
Additional investment in an associate	**1,020**	-
Share of results	**273,482**	262,318
At 31 December	**5,365,434**	5,041,236

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

Summarised statement of financial position:

	2018 (QR'000)			*2017 (QR'000)*		
	Nakilat	***Other associates***	***Total***	*Nakilat*	*Other associates*	*Total*
Current assets	**867,526**	**145,387**	**1,012,913**	962,709	151,736	1,114,445
Non-current assets	**8,249,848**	**578,338**	**8,828,186**	8,312,091	576,658	8,888,749
Current liabilities	**(606,503)**	**(47,889)**	**(654,392)**	(478,462)	(55,352)	(533,814)
Non-current liabilities	**(6,253,692)**	**(403,822)**	**(6,657,514)**	(6,796,408)	(467,977)	(7,264,385)
Interest in associate	**2,257,179**	**272,014**	**2,529,193**	1,999,930	205,065	2,204,995
Goodwill	**2,836,241**	**-**	**2,836,241**	2,836,241	-	2,836,241
Carrying value of investment	**5,093,420**	**272,014**	**5,365,434**	4,836,171	205,065	5,041,236

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

	2018 (QR'000)			*2017 (QR'000)*		
	Nakilat	***Other associates***	***Total***	*Nakilat*	*Other associates*	*Total*
Operating revenue	**1,102,153**	**111,677**	**1,213,830**	1,097,072	103,595	1,200,667
Profit *	**263,439**	**10,043**	**273,482**	249,544	12,774	262,318
Other comprehensive income	**216,053**	**12,119**	**228,172**	118,526	17,847	136,373
Dividends received	**168,000**	**5,602**	**173,602**	168,000	4,209	172,209

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

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPRESENSIVE INCOME

	2018	*2017*
	QR'000	*QR'000*
Quoted equity investments in local companies (ii)	**3,791,650**	3,075,166
Unquoted equity investments in foreign companies (iv)	**202,945**	263,192
Unquoted equity investments in local companies (iii), (iv)	**87,487**	63,810
Investments in bonds	**18,602**	21,747
	4,100,684	3,423,915

(i) Equity securities at FVOCI/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 81,939,000 as of 31 December 2018 (2017: QR 40,378,000) are frozen for trading.

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

(iv) Following available-for-sale financial assets were impaired during 2017

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

14 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:

	2018	*2017*
	QR'000	*QR'000*
Loan principal	**156,012**	183,506
Adjustment to opening balance – IFRS 9	**(6,512)**	-
	149,500	183,506
Accrued interest	**75**	98
	149,575	183,604

15 INVENTORIES

	2018 QR'000	2017 QR'000
Heavy vehicles and spare parts	**63,978**	64,942
Gabbro and aggregate	**45,025**	18,705
Other goods for resale	**27,731**	30,521
	136,734	114,168
Provision for slow-moving inventories (1)	**(15,181)**	(7,391)
	121,553	106,777

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

	2018 QR'000	2017 QR'000
At 1 January	**7,391**	10,800
Provision made	**8,320**	2,153
Provision utilised	**(530)**	(5,562)
At 31 December	**15,181**	7,391

16 TRADE AND OTHER RECEIVABLES

	2018 QR'000	2017 QR'000
Trade receivables (gross)	**447,532**	481,392
Less: Provision for impairment of trade receivables (1)	**(68,136)**	(39,426)
Trade receivable (net)	**379,396**	441,966
Notes receivable	**18,491**	14,513
Unbilled income	**122,262**	133,953
Staff receivables (2)	**37,422**	46,385
Prepaid expenses	**31,883**	28,916
Advances made to suppliers	**20,241**	33,010
Receivables from related parties (Note 33)	**33,757**	146,447
Cash flow hedge	**10,283**	-
Other receivables	**106,635**	72,655
	760,370	917,845

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

	2018 QR'000	2017 QR'000
At 1 January	**39,426**	36,571
Adjustment to opening balance – IFRS 9	**37,503**	-
	76,929	36,571
Provision made	**6,601**	7,398
Provision utilised	**(15,394)**	(4,543)
At 31 December	**68,136**	39,426

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

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 QR'000	*2017 QR'000*
Quoted investments	**138,846**	523,208

18 INVESTMENTS IN TERM DEPOSITS

	2018 QR'000	*2017 QR'000*
Term deposits with banks	**616,393**	1,680,694
Less: Term deposits maturing before 90 days (Note 19)	**(38,849)**	-
Term deposits maturing after 90 days (i)	**577,544**	1,680,694

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 during 2017.
(iii) Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

19 CASH AND CASH EQUIVALENTS

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

	2018 QR'000	*2017 QR'000*
Cash at bank – current accounts	**84,907**	368,026
Cash in hand	**3,638**	5,917
Cash at bank – term deposits (i) (Note 18)	**38,849**	-
Cash and cash equivalents in the consolidated statement of financial position	**127,394**	373,943
Bank overdraft (Note 26 (vi))	**-**	(60,000)
Cash and cash equivalents in the consolidated statement of cash flows	**127,394**	313,943

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

20 SHARE CAPITAL

	Number of shares ('000')	***QR'000***
Authorised, issued and fully paid shares		
At 31 December 2018 and 31 December 2017 : shares with nominal value of QR 10 each	**114,525**	**1,145,252**

All shares have equal rights.

21 TREASURY SHARES

During the year 2013, one of the subsidiaries of the Group, bought 908,725 shares amounting to QR 73,516,000 in the Parent. Subsequent to the reporting date, these shares have been transferred to the Parent company. These treasury shares are recognised at cost and deducted from the equity.

22 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.

23 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.

24 DERIVATIVE FINANCIAL INSTRUMENTS

Hedging activities

Cash flow hedges:
At 31 December 2018, 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 2018, Halul Offshore Services Company W.L.L. had an interest rate swap agreement in place with a notional amount of USD 105,300,000 (translated to QR 384,345,000), whereby it received a variable rate of USD 3 month LIBOR and paid a fixed rate of 1.985% on the notional amount. During the year, the company restructured its loan with the lender from 3 month LIBOR to 1 month LIBOR and entered into another hedging arrangement to cover the differential exposure (Pay 3 month LIBOR and receive 1 month LIBOR + 7 basis points). Both the arrangements are with the same party and are agreed to be settled on a net basis. The swap is being used to hedge the exposure to interest rate fluctuations on its loans. The loan facility and the interest rate swaps have the same critical terms and the cash flow hedge is assessed to be highly effective. The fair value of the interest rate swaps is calculated by reference to the market valuation of the swap agreements.

Halul Offshore Services Company W.L.L. has recognised a fair value gain on its interest rate swap of QR 16,068,135 as at 31 December 2018 (31 December 2017: fair value loss of QR 4,966,723) within trade and other receivables and in equity in respect of the effective portion of hedge. At 31 December 2018, the carrying value of the interest rate swaps amounts to QAR 10,283,253.

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 115,531,243 (translated to QR 421,689,037) and USD 113,263,474 (translated to QR 413,411680), 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 1,989,879 (translated to QR 7,263,061) and USD 2,050,599 (translated to QR 7,484,687) as at 31 December 2018 within trade and other payables with a corresponding entry to the hedging reserve. As at 31 December 2018, the carrying values of the interest rate swaps for KG 1 and KG 2 amounts to negative USD 526,547 (translated to QR 1,921,897) and negative USD 516,211 (translated to QR 1,884,170).

25 DIVIDENDS

Dividend proposed
The Board of Directors have proposed a 30% cash dividend of QR 3.00 per share totaling QR 341 million for the year 2018 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:

	2018 QR'000	*2017 QR'000*
Final Dividend (i)	**340,849**	397,658

(i) During the year, following the approval at the Annual General Assembly held on 15 March 2018, the company paid 35% cash dividend of QR 3.5 per share totaling QR 398 million relating to the year 2017. (2017: QR 3.5 per share, totaling QR 398 million relating to year 2016).

26 LOANS AND BORROWINGS

	Notes	***Interest rate %***	***Maturity***	***2018 QR'000***	*2017 QR'000*
Parent company:					
Loan 1	(i)	*LIBOR + 2.75*	*Mar 2019*	**-**	365,000
Loan 2	(ii)	*LIBOR + 1.5*	*Jun 2018*	**-**	365,000
Loan 3	(iii)	*4*	*Nov 2018*	**-**	510,000
Loan 4	(iv)	*LIBOR + 1.6*	*Nov 2018*	**-**	146,000
Loan 5	(v)	*LIBOR + 1.5*	*Sep 2018*	**-**	547,500
Loan 6 *(Note 19)*	(vi)	*4*	*Apr 2018*	**-**	60,000
Subsidiary companies:					
Loan 7	(vii)	*LIBOR + 1.75*	*Jan 2021*	**131,448**	162,321
Loan 8	(viii)	*LIBOR + 1.65*	*Aug 2019*	**16,567**	44,161
Loan 9	(ix)	*LIBOR + 1.75*	*Sep 2021*	**251,267**	288,921
Loan 10	(x)	*LIBOR + 1.4*	*Dec 2024*	**374,490**	413,910
Loan 11	(xi)	*LIBOR+1.4*	*Mar 2025*	**283,051**	311,766
Loan 12	(xii)	*LIBOR + 1.75*	*June 2022*	**278,860**	313,900
Loan 13	(xiii)	*LIBOR + 1.7*	*Dec 2023*	**835,101**	887,153
Loan 14	(xiv)	*LIBOR + 2.2*	*Oct 2023*	**255,500**	-
				2,426,284	4,415,632
Less: Deferred financing costs				**(2,950)**	(5,061)
				2,423,334	4,410,571
Presented in the consolidated statement of financial position as follows:					
Current portion				**274,201**	1,371,023
Non-current portion				**2,149,133**	3,039,548
				2,423,334	4,410,571

Notes:

(i) Loan 1 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 year, the company has fully settled this facility.

(ii) Loan 2 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.

(iii) The QAR denominated Islamic facility of QAR 510 million has been fully settled by the group. This facility carried a profit rate of 4% per annum

26 LOANS AND BORROWINGS (CONTINUED)

(iv) Loan 4 carried a profit rate of 1.6% + 3 months LIBOR and has been fully settled by the group during November 2018.

(v) During the year, the Company fully settled the loan facility of USD 150 million from a local bank which carried interest of LIBOR + 1.5% subject to a minimum rate of 1.5%.

(vi) The overdraft facility which carried interest of 4% per annum has been settled (Note 19).

(vii) Loan 7 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 16,706,555 (translated to QR 60,978,925).

(viii) Loan 8 represents a USD 60.4 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.

(ix) 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 USD 2.57 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.

(x) Loan 10 represents a facility of USD 135,000,000 (translated to QR 491,400,000). The full draw down of this facility was during March 2017. 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 3 vessels. The loan has been hedged against the interest rate exposure

(xi) Loan 11 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 utilised to the extent of USD 101,150,000.

(xii) Loan 12 was obtained to finance the construction of 19 vessels and is repayable in 27 equal quarterly instalments commencing from September 2015 and one final balloon payment of USD 44,931,506 (translated to QR 164 million) at the end of the loan period.

(xiii) 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.

(xiv) During the year, the subsidiary company availed a loan facility of USD 70 million which carries interest at the rate of 2.2% + 1 month LIBOR. The repayment will be done in 18 quarterly instalments starting from April 2019 and a bullet payment at the end of the loan period.

27 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 114,918,000 (2017: QR 123,672,000).

28 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

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

	2018 ***QR'000***	*2017* *QR'000*
At 1 January	**102,498**	102,447
Provisions made	**30,453**	17,811
Provisions used	**(22,924)**	(10,423)
Provisions transferred (net)	**22,416**	-
Transferred to the pension fund	**(11,168)**	(7,337)
At 31 December	**121,275**	102,498
End of service benefits plans (i)	**120,612**	101,104
Pension plan (ii) (Note 29)	**663**	1,394
At 31 December	**121,275**	102,498

(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.

29 TRADE AND OTHER PAYABLES

	2018 ***QR'000***	*2017* *QR'000*
Trade accounts and notes payable	**121,291**	122,883
Accrued expenses	**174,417**	116,860
Advances received from customers	**53,127**	47,400
Payables to related parties (Note 33)	**9,879**	71
Negative fair value of interest rate swaps (Note 24)	**3,806**	23,565
Contribution to social and sports fund (Note 30)	**12,909**	11,746
Pension plan	**663**	1,394
Other payables (i)	**134,778**	234,291
	510,870	558,210

(i) Other payables includes payable to joint operations amounting to QR 10,936,012 (2017: QR 58,239,711); retention payable amounting to QR 36,334,817 (2017: QR 48,703,170) and dividend payable of QR 27,214,352 (2017 : QR 26,970,594)

30 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 12.9 million (2017: QR 11.7 million) to the S.S.F representing 2.5% of the consolidated net profit for the year.

31 COMMITMENTS

	2018 ***QR'000***	*2017* *QR'000*
Capital commitments - Property, vessels and equipment		
Estimated capital expenditure approved as at the reporting date	**495,862**	937,917

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:

	2018 ***QR'000***	*2017* *QR'000*
Within one year	**15,447**	13,521
After one year but not more than five years	**20,576**	20,278
Total operating lease expenditure contracted for at the reporting date	**36,023**	33,799

32 CONTINGENT LIABILITIES

At 31 December 2018, 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:

	2018 ***QR'000***	*2017* *QR'000*
Letters of guarantee	**822,698**	787,632
Letters of credit	**4,488**	9,455
	827,186	797,087

33 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:

	2018			
	Sales ***QR'000***	***Purchases*** ***QR'000***	***Interest income*** ***QR'000***	***Receipt of loan instalments*** ***QR'000***
Associates	**8,240**	**74**	**12,265**	**28,398**

	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

33 RELATED PARTY DISCLOSURES (CONTINUED)

Related party balances

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

	2018		*2017*	
	Receivables QR'000	***Payables QR'000***	*Receivables QR'000*	*Payables QR'000*
Joint ventures	**31,850**	**9,806**	135,657	-
Associates	**1,057**	**1**	9,969	-
Directors	**850**	**72**	821	71
	33,757	**9,879**	146,447	71

The amounts receivable and payable to related parties are disclosed in Note 16 and Note 29 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.

Loans due from associates

Loans to LNG companies amounting to QR 149,575,000 (2017: QR 183,604,000) is disclosed as part of Note 14.

Compensation of directors and other key management personnel

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

	2018 QR'000	*2017 QR'000*
Board of Directors remuneration – cash	**13,950**	13,950
Short-term benefits	**8,462**	9,140
Employees' end of service benefits & Pensions	**573**	498
	22,985	23,588

34 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 47 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.

34 SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2018

	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	**516,545**	**904,318**	**572,403**	**297,402**	**389,227**	**-**	**2,679,895**	**(263,657)**	*(i)*	**2,416,238**
Salaries, wages and other benefits	**(7,599)**	**(133,770)**	**(181,859)**	**(15,322)**	**(106,225)**	**(118,225)**	**(563,000)**	**-**		**(563,000)**
Operating supplies and expenses	**(114,939)**	**(568,494)**	**(134,760)**	**(265,525)**	**(63,044)**	**(7,757)**	**(1,154,519)**	**213,227**	*(i)*	**(941,292)**
Rent expenses	**(4,345)**	**(41,627)**	**(7,068)**	**(2,012)**	**(1,235)**	**(8,765)**	**(65,052)**	**49,998**	*(i)*	**(15,054)**
Depreciation and amortisation	**(60,253)**	**(31,506)**	**(120,206)**	**(979)**	**(118,536)**	**(2,843)**	**(334,323)**	**-**		**(334,323)**
Provision for impairment of trade receivables	**(2,453)**	**(2,745)**	**(2,801)**	**504**	**-**	**894**	**(6,601)**	**-**		**(6,601)**
Other operating expenses	**(11,930)**	**(38,617)**	**(47,849)**	**(10,840)**	**(27,021)**	**(22,840)**	**(159,097)**	**432**	*(i)*	**(158,665)**
Allocations relating to fleet and technical services	**-**	**(40,764)**	**-**	**-**	**40,764**	**-**	**-**	**-**		**-**
Allocations relating to Milaha Corporate	**(14,641)**	**(72,620)**	**(27,944)**	**(13,932)**	**(30,422)**	**159,559**	**-**	**-**		**-**
OPERATING PROFIT	**300,385**	**(25,825)**	**49,916**	**(10,704)**	**83,508**	**23**	**397,303**	**-**		**397,303**
Finance costs	**(28,712)**	**(28,849)**	**(50,440)**	**-**	**(50,599)**	**-**	**(158,600)**	**11,033**	*(i)*	**(147,567)**
Finance income	**47,550**	**12**	**10,456**	**1,081**	**14,322**	**16**	**73,437**	**(11,033)**	*(i)*	**62,404**
Share of results of joint arrangements	**-**	**192,588**	**-**	**-**	**(27,635)**	**-**	**164,953**	**-**		**164,953**
Share of results of associates	**1,411**	**1,505**	**-**	**-**	**270,566**	**-**	**273,482**	**-**		**273,482**
Impairment of vessels and capital work in progress	**-**	**(75,460)**	**(15,032)**	**-**	**(152,936)**	**-**	**(243,428)**	**-**		**(243,428)**
Net gain (loss) on disposal of property, vessels and equipment	**(64)**	**1,912**	**(2,212)**	**248**	**946**	**(32)**	**798**	**-**		**798**
Net (loss) gain on foreign exchange	**678**	**(549)**	**80**	**99**	**(11)**	**(7)**	**290**	**-**		**290**
Miscellaneous income	**230**	**-**	**-**	**-**	**3,341**	**-**	**3,571**	**-**		**3,571**
PROFIT FOR THE YEAR	**321,478**	**65,334**	**(7,232)**	**(9,276)**	**141,502**	**-**	**511,806**	**-**		**511,806**

34 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)
Provision of impairment of trade receivables	242	(4,333)	(2,523)	(784)	-	-	(7,398)	-		(7,398)
Other operating expenses	(8,799)	(32,817)	(45,989)	(3,871)	(33,351)	(21,048)	(145,875)	587	*(i)*	(145,288)
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
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
Impairment of vessels and contract work in progress	-	(32,763)	(113,405)	-	(134,537)	(2,634)	(283,339)	-		(283,339)
Net gain (loss) on disposal of property, vessels and equipment	36	(3,457)	(3,242)	(5)	-	20	(6,648)	-		(6,648)
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)
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

Note:

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

34 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:

	2018			
	Qatar QR'000	***UAE QR'000***	***Germany QR'000***	***Total QR'000***
Operating revenues	**1,848,495**	**386,245**	**181,498**	**2,416,238**
Profit for the year	**502,923**	**(33,250)**	**42,133**	**511,806**

	2017			
	Qatar QR'000	*UAE QR'000*	*Germany QR'000*	*Total QR'000*
Operating revenues	2,105,260	206,072	179,677	2,491,009
Profit for the year	423,750	23,735	36,546	483,851

35 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 FVTPL, equity securities at FVOCI, 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 24. Under the swap agreements, the Group will pay an agreed fixed interest rate and receive a floating interest rate.

35 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:

	2018 QR'000	*2017 QR'000*
Floating interest rate instruments		
Financial assets	**6,551**	122,664
Financial liabilities	**(2,426,284)**	(3,845,632)
	(2,419,733)	(3,722,968)
Fixed interest rate instruments		
Financial assets	**577,544**	1,680,694
Financial liabilities	**-**	(570,000)
	577,544	1,110,694

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*
2018		
Floating interest rate instruments	**+25**	**(6,049)**
2017		
Floating interest rate instruments	+25	(9,307)

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 and UAE Dirhams are pegged to the US Dollars, 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 equity securities at FVOCI and FVTPL. An increase or decrease of 5% on the Qatar Exchange (QE) index would have an impact of approximately QR 7 million (2017: QR 26 million) on the consolidated income statement in respect of financial assets at fair value through profit or loss. In respect of equity securities at FVOCI, an increase or decrease of 5% on the QE index would have an impact of approximately QR 190 million (2017: QR 154 million) on the consolidated statement of changes in equity.

The Group also has unquoted investments for which fair value is estimated using appropriate valuation techniques. Impact of changes in equity prices will be reflected in the consolidated statement of changes in equity.

35 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:

	2018	*2017*
	QR'000	*QR'000*
Loans granted to LNG Companies (Note 14)	**149,575**	183,604
Trade receivable (Note 16)	**379,396**	441,966
Notes receivable (Note 16)	**18,491**	14,513
Staff receivables (Note 16)	**37,422**	46,385
Receivables from related parties (Note 33)	**33,757**	146,447
Other receivables (Note 16)	**106,635**	72,655
Non-current assets	**25,765**	28,706
Term deposits with banks (Note 18)	**616,393**	1,680,694
Bank balance – current accounts (Note 19)	**84,907**	368,026
	1,452,341	2,982,996

Trade receivables are non-interest bearing and generally have settlement terms within 30 to 90 days. As at 31 December 2018, trade receivable with nominal value of QR 68 million (2017: QR 39.43 million) were impaired. As at 31 December, the ageing of trade receivables, (net of allowances for impairment) is as follows:

		Past due but not impaired				
	Total QR'000	*0 - 30 days QR'000*	*31 - 120 days QR'000*	*121 - 210 days QR'000*	*211 - 365 days QR'000*	*> 365 days QR'000*
2018	*379,396*	*230,682*	*57,637*	*17,625*	*12,917*	*60,535*

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.

The average credit period on sales of goods is 45 days. No interest is charged on outstanding trade receivables. The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

35 FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

a) Financial risk management (continued)

Credit risk (continued)

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base.

	Trade receivables – Days past due					
	0 - 30 days QR'000	*31 - 120 days QR'000*	*121 - 210 days QR'000*	*211 - 365 days QR'000*	*> 365 days QR'000*	*Total QR'000*
Expected credit loss rate	*3%*	*8%*	*28%*	*51%*	*96%*	*18%*
Estimated total gross carrying amount at default Lifetime ECL	4,758	3,622	4,302	15,009	40,445	68,136

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***
2018					
Trade and other payables	**-**	**121,291**	**-**	**-**	**121,291**
Contribution to Social and Sport Fund	**-**	**12,909**	**-**	**-**	**12,909**
Loans and borrowings	**-**	**326,007**	**1,511,396**	**1,163,076**	**3,000,479**
Payables to related parties	**-**	**9,879**	**-**	**-**	**9,879**
Other payables	**-**	**134,778**	**-**	**-**	**134,778**
Interest rate swaps	**-**	**-**	**3,806**	**-**	**3,806**
Total	**-**	**604,864**	**1,515,202**	**1,163,076**	**3,283,142**

35 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*
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
Other payables	-	234,291	-	-	234,291
Interest rate swaps	-	-	23,565	-	23,565
Total	-	1,771,670	2,372,687	1,023,452	5,167,809

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 years end 31 December 2018 and 31 December 2017.

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:

	2018 ***QR'000***	*2017* *QR'000*
Debt (i)	**2,423,334**	4,410,571
Less: Cash and cash equivalents (Note 19)	**(127,394)**	(373,943)
Less: Investments in term deposits (Note 18)	**(577,544)**	(1,680,694)
Net debt	**1,718,396**	2,355,934
Equity attributable to equity holders of the Parent	**14,582,088**	13,542,714
Gearing ratio	**11.8%**	17.4%

(i) Debt comprises of loans and borrowings as detailed in Note 26.

36 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

Financial assets consist of bank balances and cash, investment in term deposits, equity securities at FVOCI/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*	
	2018	*2017*	***2018***	*2017*
	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	**138,846**	523,208	**138,846**	523,208

	Carrying amount		*Fair value*	
	2018	*2017*	***2018***	*2017*
	QR'000	*QR'000*	***QR'000***	*QR'000*
Financial assets (liabilities) at fair value through other comprehensive income				
Equity securities at FVOCI/Available-for-sale financial assets	**4,100,684**	3,423,915	**4,100,684**	3,423,915
Interest rate swaps (cash flow hedge)	**(3,806)**	(23,565)	**(3,806)**	(23,565)
	4,096,878	3,400,350	**4,096,878**	3,400,350

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 quoted equity securities at FVOCI/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 equity securities at FVOCI/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 2018, 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.

36 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:

	2018 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	**138,846**	**138,846**	**-**	**-**
fair value through other comprehensive income:				
Quoted shares	**3,791,650**	**3,791,650**	**-**	**-**
Unquoted shares	**290,432**	**-**	**-**	**290,432**
Investments in corporate bonds	**18,602**	**-**	**-**	**18,602**
Liabilities measured at fair value				
Interest rate swaps	**3,806**	**-**	**3,806**	**-**

	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	-	-
fair value through other comprehensive income:				
Quoted shares	3,075,166	3,075,166	-	-
Unquoted shares	365	-	-	365
Investments in corporate bonds	21,747	-	-	21,747
Liabilities measured at fair value				
Interest rate swaps	23,565	-	23,565	-

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 (2017: None).

37 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

37 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

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.

Business model assessment
Classification and measurement of financial assets depends on the results of the SPPI and the business model test (refer to the accounting policy "Financial instruments" in Note 3). The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the year.

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 consolidated income statement. 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.

37 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Estimates and assumptions (continued)

Impairment of receivables
On 1 January 2018 IFRS 9 "Financial Instruments" replaced the 'incurred loss' impairment model in IAS 39 "Financial Instruments: Recognition and Measurement" with an 'expected credit loss' (ECL) impairment model. The new impairment model requires forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. It also requires management to assign probability of default to various categories of receivables. Probability of default constitutes a key input in measuring an ECL and entails considerable judgement; it is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. In the previous year, the impairment review on trade receivables was performed only for receivables for which management had an indication for impairment. That also entailed significant judgement. It was determined by reference to past default experience of a counterparty and an analysis of the counterparty's financial situation, but the "incurred loss" model disregarded entirely the current and expected future conditions. As a result, it is expected that under the new impairment model credit losses will be recognised earlier.

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.

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.

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 consolidated income statement in the period in which the change occurs.

37 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Estimates and assumptions (continued)

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.

38 SUBSEQUENT EVENTS

The Group increased its stake in Nakilat from its current shareholding of 30.3% to 36.3% subsequent to the reporting date. The increase in ownership interest in Nakilat was in exchange for a cash consideration amounting to QR 610 Mn. The subsequent incremental impact to the consolidated profits and equity of the Group is expected to be equivalent to 6% of Nakilats' profit and equity attributable to its equity holders.

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, gross assets or equity.