

Annual Report

2017







THE INFORMATION CONTAINED IN THIS ANNUAL REPORT HAS BEEN PREPARED IN GOOD FAITH, SOLELY FOR THE PURPOSE OF PROVIDING INFORMATION TO THE SHAREHOLDERS AND TO OTHER INTERESTED PARTIES ABOUT MILAHA. HOWEVER, THIS ANNUAL REPORT CONTAINS FORWARD-LOOKING STATEMENTS. SUCH STATEMENTS ARE SUBJECT TO RISKS AND UNCERTAINTIES AS VARIOUS FACTORS, MANY OF WHICH ARE BEYOND MILAHA'S CONTROL, MAY CAUSE ACTUAL DEVELOPMENTS AND RESULTS TO DIFFER MATERIALLY FROM EXPECTATIONS CONTAINED IN THE ANNUAL REPORT.

NO REPRESENTATION IS MADE OR GUARANTEE GIVEN (EITHER EXPRESSED OR IMPLIED) AS TO THE COMPLETENESS OR ACCURACY OF THE SAID FORWARD-LOOKING STATEMENTS.



**His Highness  
Sheikh Hamad Bin Khalifa Al Thani**  
Father Emir



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





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# About Milaha



MILAHA IS ONE OF THE LARGEST AND MOST DIVERSIFIED MARITIME AND LOGISTICS COMPANIES IN THE MIDDLE EAST WITH A FOCUS ON PROVIDING MARINE TRANSPORT AND SERVICES, AS WELL AS SUPPLY CHAIN SOLUTIONS.

MILAHA HAS A RICH HISTORY, STARTING AS A SHIPPING AGENT IN 1957, AND STRATEGICALLY BUILDING A STRONG REGIONAL Foothold IN TRANSPORTATION AND LOGISTICS THROUGH A DIVERSE FLEET OF VESSELS, STATE-OF-THE ART EQUIPMENT, DEDICATED STAFF AND WORLD-CLASS PARTNERS.



## Vision

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

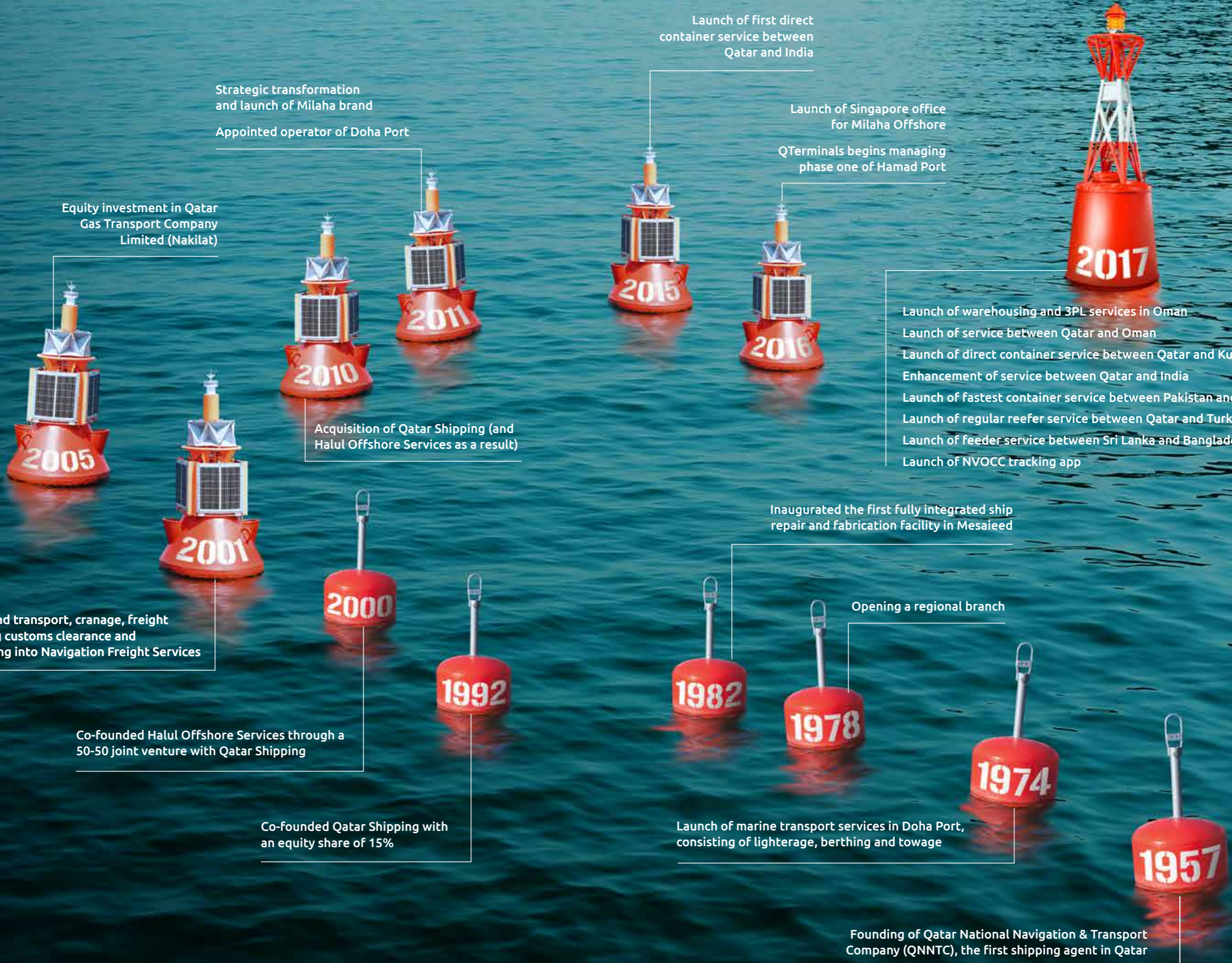
## Mission

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



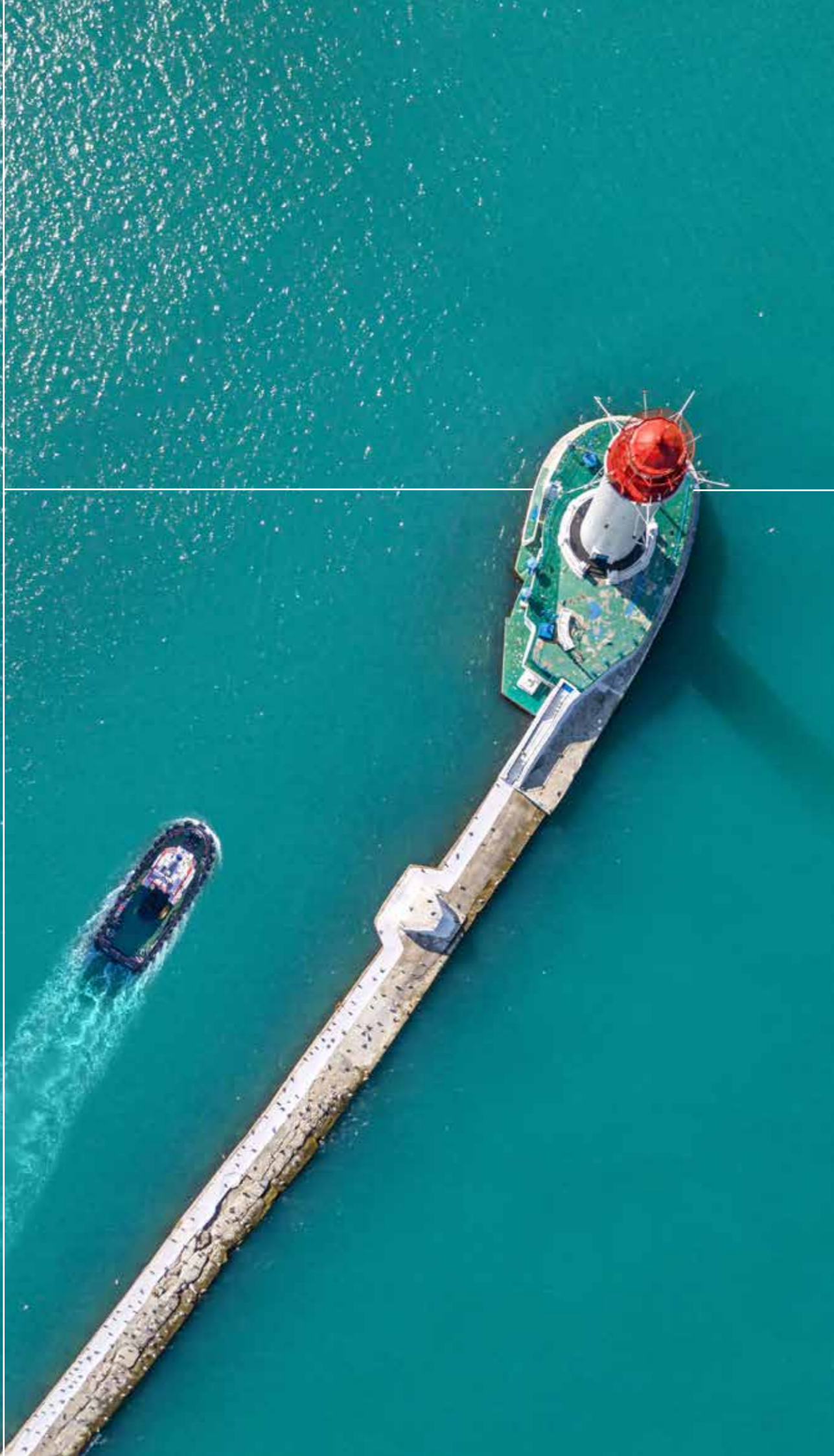


# History & Milestones





# Board of Directors



**Sheikh Ali bin Jassim bin  
Mohammad Al-Thani**  
Chairman



**Sheikh Khalid bin  
Khalifa Al-Thani**  
Vice Chairman



**Sheikh Jassim bin Hamad  
bin Jassim Al-Thani**  
Board Member



**Adil Ali Bin Ali**  
Board Member



**Ali Ahmad Al-Kuwari**  
Board Member



**Saad Mohammad Al-Romaihi**  
Board Member



**Sulaiman Haidar Sulaiman**  
Board Member



**Ali Hussain Al-Sada**  
Board Member



**Hamad Mohammad Al-Mana**  
Board Member



**Dr. Mazen Jassim Jaidah**  
Board Member



**Salman Abdullah Abdulghani**  
Board Member





**2017 WAS A YEAR OF CELEBRATION FOR MILAHA AS WE MARKED OUR 60TH ANNIVERSARY. THE COMPANY HAS GROWN FROM HUMBLE BEGINNINGS TO BECOME ONE OF THE MIDDLE EAST'S LARGEST PROVIDERS OF MARINE TRANSPORT AND LOGISTICS SOLUTIONS.**

## Board of Directors' Report

### **In the Name of Allah, the Most Gracious, the Most Merciful**

Dear Shareholders,

It is my pleasure to present to you an overview of Milaha's Annual Report for 2017, which was a year of challenge for Milaha, but also a year of resilience. The continued weakness in many marine sectors accounted for a significant part of the decline in our financial performance in 2017. Our core sectors – including offshore marine and tankers – continued to face the same global challenges of vessel oversupply and low rates. However, indications of recovery are visible, and we are hopeful this will continue in 2018.

Despite these challenges, I am pleased to report that Milaha generated a net profit of QAR 470 million.

Following the start of the blockade against Qatar in June, Milaha diligently and immediately mobilised its resources to ensure the flow of trade from and to Qatar. We quickly launched new and direct shipping routes between Qatar and Kuwait, Oman, India, Pakistan, and Turkey to mitigate the impact on Qatar's supply chain. Additionally, we launched on-the-ground logistics operations in Oman. I am extremely proud of the adaptability and resilience shown by the company to abrupt market changes and changes in customer requirements.

Among our strategic milestones in 2017 is the launching of QTerminals, the ports and terminals operator, jointly with Qatar Ports Management Company (Mwani Qatar) to manage the first phase of Hamad Port. The port has achieved record numbers in cargoes and volumes handled in 2017 as post-blockade seaborne trade almost tripled from previous averages.

Additionally, we soft launched the first phase of Milaha Logistics City, which marks our entry into cold chain solutions. The new facility will enhance Milaha's standing as a leading provider of logistic services as well as Qatar's position as a vital regional hub for maritime shipping and logistics.

During the course of the year, we further refined our strategy to focus on generating higher returns for our shareholders in the coming years. We will intensify our efforts in 2018 and beyond based on our strategic plan, which combines strong local expansion, selective international expansion in key sectors, and optimisation of structural costs. Milaha remains strong financially, and we will continue to invest for the future, and further increase our capabilities to meet and anticipate customer requirements.

2017 was also a year of celebration for Milaha as we marked our 60th anniversary. The company has grown from humble beginnings to become one of the Middle East's largest providers of marine transport and logistics solutions. On this occasion, I would like to express my gratitude to each of our shareholders and clients for believing in us and trusting in our ability to deliver. Milaha's journey of success would not have been possible without your support. I would also like to thank the staff and management of Milaha for their dedication and tireless efforts to take the company forward.

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

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





## 2017 Performance Overview

### In the Name of Allah, the Most Gracious, the Most Merciful

In 2017, most of the sectors in which we operate continued to face the same challenges as in previous years, which included vessel oversupply and low rates. However, we started seeing some signs of recovery in the global shipping industry – a trend which we expect to continue in 2018.

Despite these challenges, Milaha finished the year with strong momentum and a net profit of QAR 470 million.

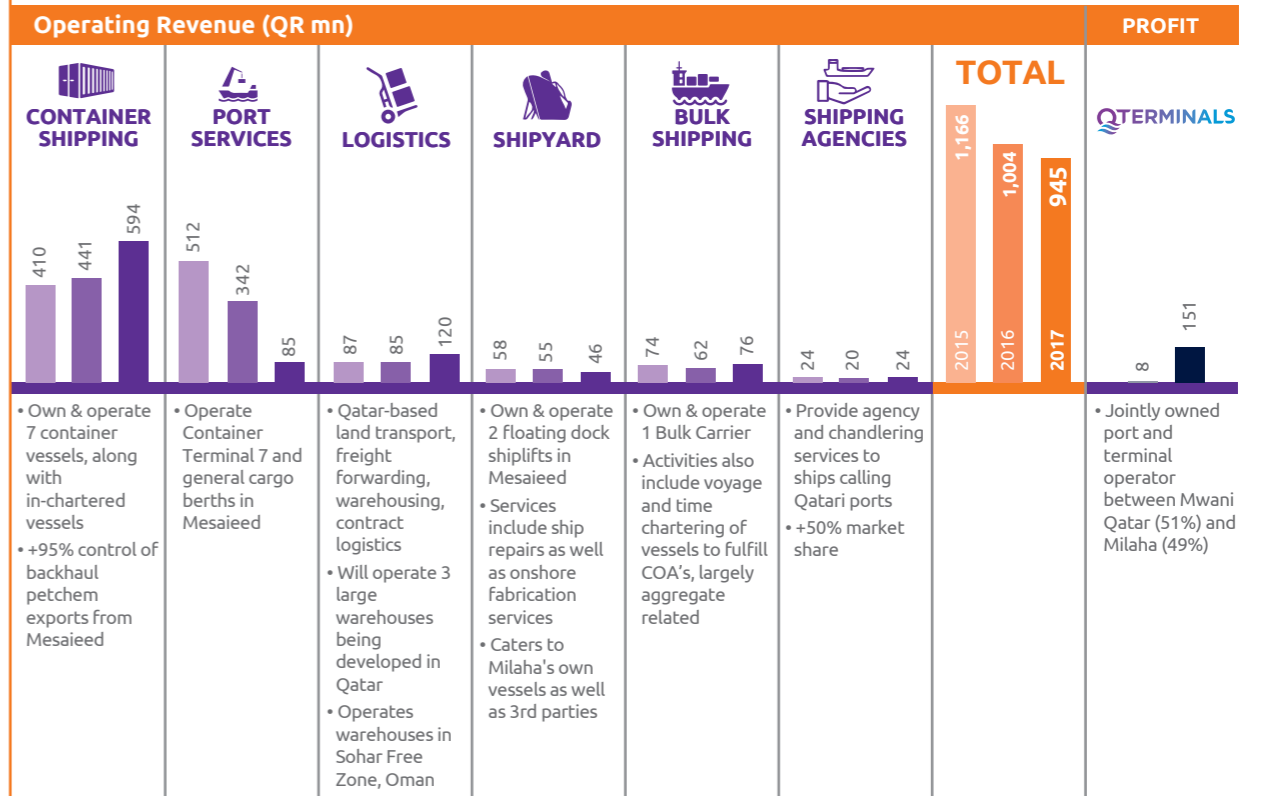
As for handling the repercussions of the sudden Gulf crisis, I can proudly say that Milaha proved its mettle, and we were able to take swift and effective measures to ensure continuity of business for our clients, partners, and our home country, Qatar, by launching new direct routes in the Arabian Gulf, Turkey, and the Indian Subcontinent. These measures played an important role in mitigating the aftermath of the crisis, and showed how quickly we can mobilise our local and international resources, and adapt to changes in client requirements.

With the implementation of our multi-year growth strategy underway, we will continue to unlock new efficiencies within our business units and tap into new markets to invest in the future of our company.

**Abdulrahman Essa Al-Mannai**  
President & CEO



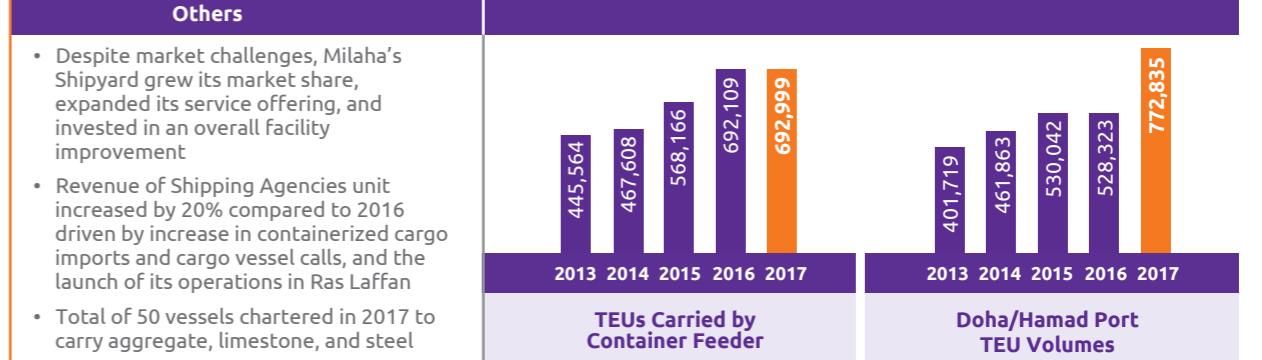
## Maritime & Logistics



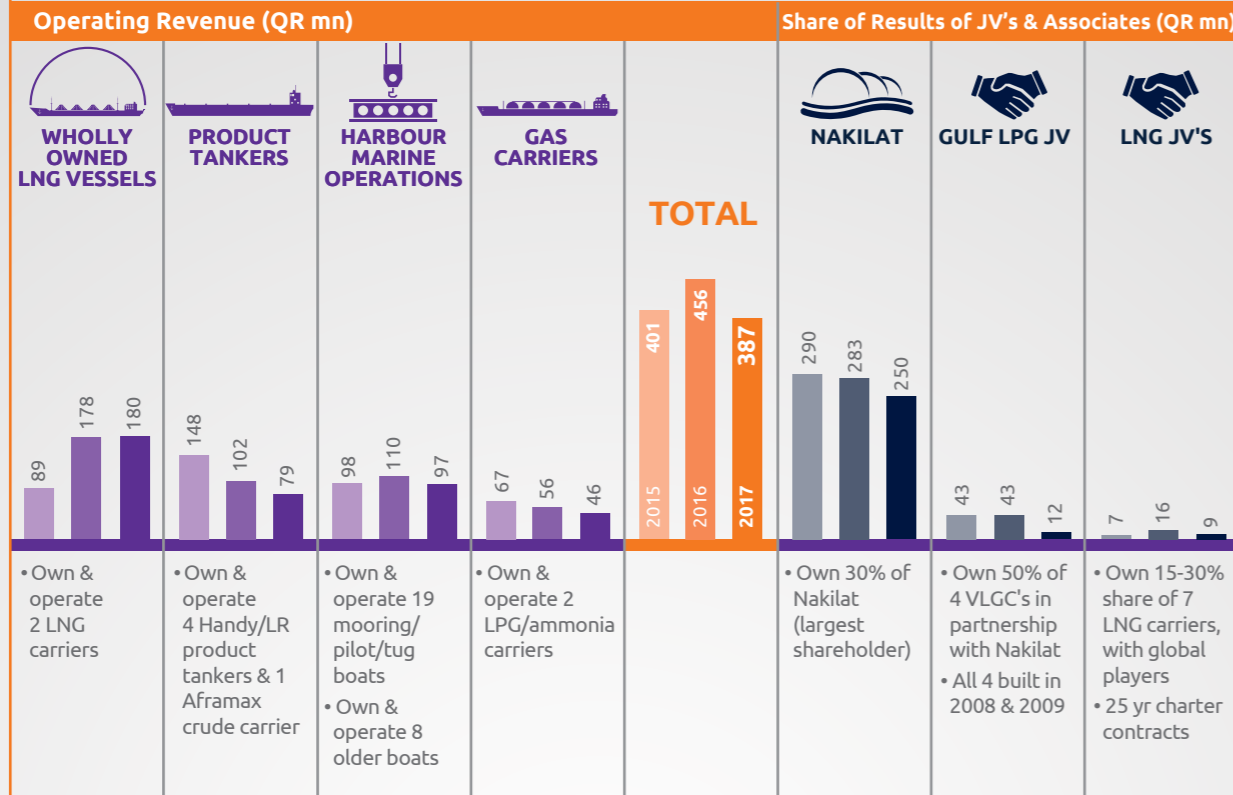
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Business Unit	No.	Year	Capacity
Container Shipping	1	2003	515 (TEU)
	1	2007	3,768 (TEU)
	3	2009	1,015 (TEU)
	1	2010	1,015 (TEU)
Bulk Shipping	1	2009	57,000 (DWT)

**2017 Review**  
The net profit of this segment was QAR 119 million compared to QAR 142 million in 2016. Despite strong volumes at our Port Services unit, and additional benefits from the launch of new container shipping routes, the overall segment results were brought down by vessel impairments totaling QAR 33 million.

Container Shipping	Port Services	Logistics
<ul style="list-style-type: none"> <li>Launched multiple new routes between Qatar and the Arabian Gulf and Indian Subcontinent ports to ensure continuity of business and flow of trade from &amp; to Qatar</li> <li>Feeder Service revenue declined as a result of increasing direct calls of main line operators at Hamad Port</li> <li>NVOCC market share in Qatar grew by 250% with an inventory increase of 100%</li> </ul>	<ul style="list-style-type: none"> <li>Successfully migrated to Hamad Port and commenced operations (containers, RORO, general cargo, bulk, livestock and LCL)</li> <li>Started container transshipment in Hamad Port for the first time in Qatar</li> <li>Achieved new records of highest TEUs handled from one vessel to date in Qatar (115,661 TEUs), highest crane productivity per vessel (40.07 GMPH), and highest vessel productivity (148.29 GMPH)</li> </ul>	<ul style="list-style-type: none"> <li>Launched on-the-ground operations (warehousing and 3PL) in the Sultanate of Oman</li> <li>First phase of Milaha Logistics City started operations</li> <li>Increased collaboration within the unit's sections led to significant increase in revenue</li> <li>Chartered 9 vessels to move 5,000-7,000 freight tonnes of project cargo/OOG shipments per vessel during the 2nd half of 2017</li> <li>Won transport &amp; stevedoring operation contract with Qatar Steel</li> </ul>







Business Unit	Type	No.	Year	Capacity
Tankers	Product	2	2003	40,231 (DWT)
	Product	2	2006	106,000 (DWT)
	Crude	1	2006	106,000 (DWT)
Gas Carriers	LPG/Ammonia	2	2004	22,500 (CBM)
LNG Vessels	LNG	1	2004	138,273 (CBM)
	LNG	1	2006	145,602 (CBM)

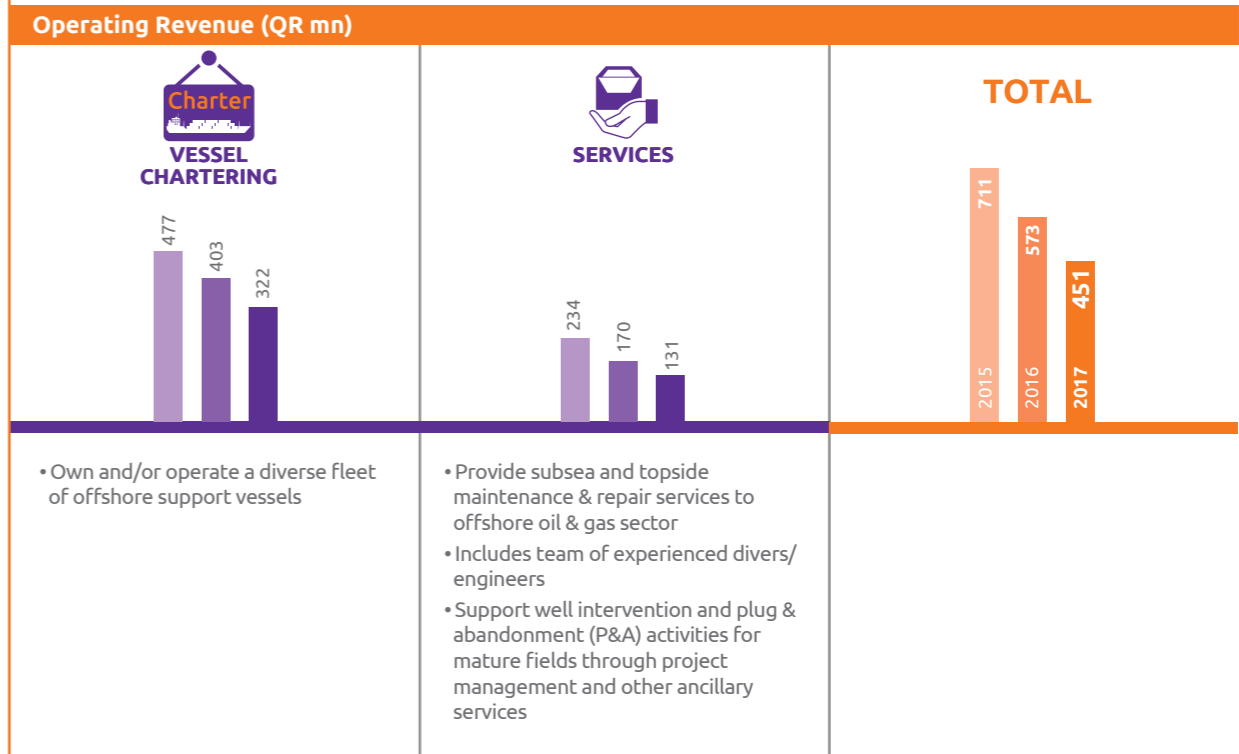
Business Unit	Type	No.	Year
Harbour Marine Operations	Pilot Boats	1	2000
	Harbour Towage Tugs	4	2001
	Tanker Berthing Assistance Tugs	1	2004
	Pilot Boats	1	2007
	Mooring/Service Boats	7	2013
	Pilot Boat/Harbour Towage Tugs	12	2014

**2017 Review**  
 The net profit of this segment was QAR 146 million compared to QAR 415 million in 2016. The decline was mainly due to depressed shipping rates in the sectors we operate in, along with QAR 135 million in vessel impairments.

Fully-owned Tanker & Gas Carrier Fleet	Harbour Marine Operations	JVs & Associates
<ul style="list-style-type: none"> <li>Results were weaker than expected due to very low rates caused by vessel oversupply and OPEC production cuts</li> <li>One of the fully-owned gas carriers was exposed to spot market in 2017 at very low rates which led to decline in revenue</li> </ul>	<ul style="list-style-type: none"> <li>Continued long term contract with QP for harbour towage operations; however, contract of 4 out of 19 crafts was terminated early</li> </ul>	<ul style="list-style-type: none"> <li>All LNG JV vessels were on stable long-term charters during the year with variances in profit due to dry-docking and major modifications</li> <li>Two Gulf LPG tankers completed profitable time charters and were subject to lower rates in the market</li> </ul>

**Market Rates for Tankers and Gas Carriers in 2017**

Vessel Type Unit	LR2 USD/Day	Aframax USD/Day	Handy Clean USD/Day	Handy LPG USD/Month	VLGC USD/Month
Rate in Jan 2017	\$ 12,625	\$ 22,455	\$ 10,045	\$ 425,000	\$ 450,000
Year high	\$ 13,438	\$ 22,455	\$ 13,990	\$ 525,000	\$ 575,000
Year low	\$ 12,625	\$ 5,778	\$ 1,223	\$ 375,000	\$ 450,000
Rate end Dec 2017	\$ 13,125	\$ 11,732	\$ 12,474	\$ 375,000	\$ 575,000
Source	Clarksons	Clarksons	Clarksons	Braemer ACM	Poten & Partners






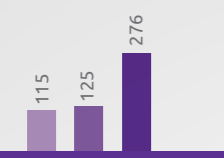
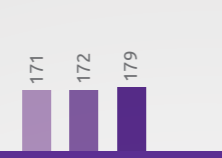
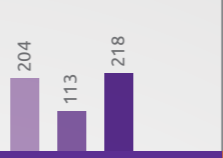
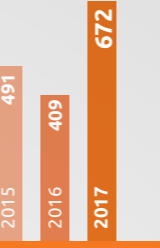
**Fleet**





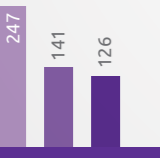
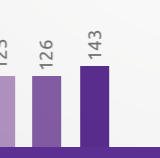
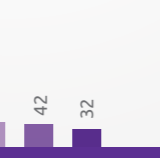
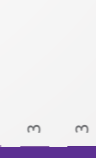
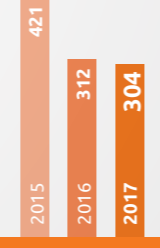
Type	# Year Built			Total
	2000 - 2005	2006 - 2011	2012 - 2017	
Safety Standby Vessels	4	4		8
Anchor Handling Tugs	4	5		9
Construction Support Vessels		1	2	3
Diving Support Vessels		1	1	2
Platform Support Vessels		1	4	5
DP2 Anchor Handling Tugs Supply Vessels		1	3	4
Wireline Support Vessels	2			2
Multi-Purpose Support Vessels	1	1	1	3
Liftboat Vessels			1	1
<b>Total</b>	<b>11</b>	<b>14</b>	<b>12</b>	<b>37</b>

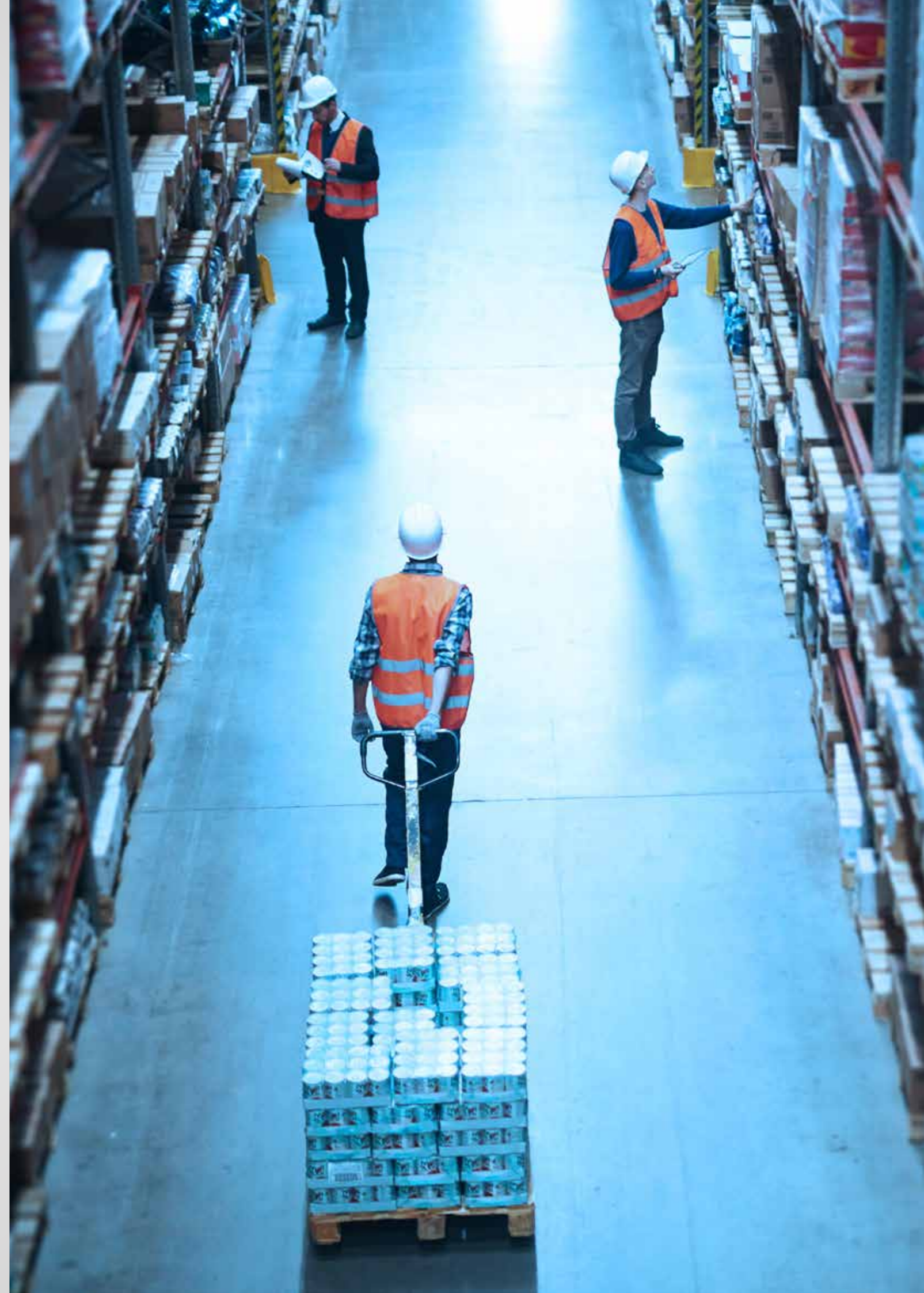
**2017 Review**  
 Milaha Offshore recorded a net loss of QAR 184 million compared to a net loss of QAR 113 million in 2016. The lowered financial results were mainly caused by continued vessel oversupply, which contributed to a 20-30% decrease in rates; decline in demand; and lower utilization of spot vessels.  
 Strategically, Milaha Offshore increased its market share in Qatar and was awarded long-term dive contracts with several oil majors. Milaha Offshore also began pursuing a long-term contract for its liftboat, Milaha Explorer, in West Africa, and is negotiating possible new additions to its fleet.





Operating Revenue (QR mn)			
 <b>INVESTMENTS</b>	 <b>REAL ESTATE</b>	 <b>QATAR QUARRIES</b>	<b>TOTAL</b>
			
<ul style="list-style-type: none"> <li>• Consists of Qatari equities</li> <li>• QR 3.4 billion Available for Sale Portfolio; limited activity</li> <li>• QR 523 million Held for Trading Portfolio actively managed &amp; traded inhouse</li> </ul>	<ul style="list-style-type: none"> <li>• Portfolio of Commercial &amp; Residential development &amp; land in Qatar</li> <li>• Flagship 52 story Tower on 10 yr lease (2010-2020) for QR 1.1B</li> <li>• Smaller properties generating rental income</li> <li>• Finished construction of Phase 1 of Milaha Logistics City</li> </ul>	<ul style="list-style-type: none"> <li>• Company involved in aggregate import trade</li> <li>• Milaha owns 50% share; financials consolidated line by line</li> </ul>	
<b>2017 Review</b>			
<p>Milaha Capital's net profit increased in 2017 compared to 2016 with its financial investments outperforming most peers. Milaha's financial investments mainly consist of Qatari equities whose performance is directly linked to the Qatar Exchange Index which dropped by approximately 18% in 2017. In addition, dividend income increased by 4%.</p> <p>During 2017, Milaha's Real Estate arm finished working on the first phase of the state-of-the-art Milaha Logistics City for temperature-controlled storage which is expected to become fully operational during 2018.</p>			

Operating Revenue (QR mn)				
 <b>EQUIPMENT TRADING AGENCIES</b>	 <b>BUNKER SALES</b>	 <b>MARINE SALES &amp; SERVICE</b>	 <b>TRAVEL &amp; TOURISM</b>	<b>TOTAL</b>
				
<ul style="list-style-type: none"> <li>• Dealer / distributor for trucks and heavy equipment</li> <li>• Principals include Hino, Doosan, Fassi, Sennebogen, Terberg</li> </ul>	<ul style="list-style-type: none"> <li>• Distribute bunker to vessels calling Qatari waters</li> <li>• Pass through revenue with small margin</li> </ul>	<ul style="list-style-type: none"> <li>• Distributor for marine equipment - including engines, spares - and lubricants</li> <li>• Principals include Doosan, Castrol, Fuchs</li> </ul>	<ul style="list-style-type: none"> <li>• Operate a Qatar-based travel agency</li> </ul>	
<b>2017 Review</b>				
<p>Milaha Trading's net profit in 2017 was QAR 1 million compared to QAR 8 million in 2016, caused mainly by a sharp decrease in demand for commercial trucks and heavy equipment, which was partially offset by the fulfilment of awarded tenders for terminal tractors, wheel loaders, and trucks with Hamad Port, QPMC, and Woqod.</p>				
<b>Trading Agencies</b>		<b>Marine Sales &amp; Service</b>		<b>Travel &amp; Tourism</b>
<ul style="list-style-type: none"> <li>• Decline in sales of trucks and heavy equipment in Qatar</li> </ul>		<ul style="list-style-type: none"> <li>• Sales volume of lubricants decreased due to supply chain disruptions of marine lubricants which led to unavailability of products</li> </ul>		<ul style="list-style-type: none"> <li>• Significant decline in Qatar's travel market in light of geopolitical conditions and continued reduction in corporate travel and premium seat bookings</li> <li>• Increase in Low-Cost Carriers (LCC) booking activity</li> </ul>







# Corporate Governance

for the financial year ending 31 December 2017

## Ladies and Gentlemen, Esteemed Shareholders,

It honours me to present to this meeting the Corporate Governance Report of Qatar Navigation Q.P.S.C (Milaha) covering the fiscal year ending 31 December 2017. The Corporate Governance Report has been prepared in accordance with the requirements of Articles (1 - 4) of the Governance Code for Companies & Legal Entities listed on the Main Market issued by the Qatar Financial Markets Authority (QFMA) on 10th November 2016 and other relevant laws and regulations of the State of Qatar. Generally the new Governance Code issued by QFMA requires that Milaha, among the listed companies, shall prepare and present this report to the shareholders of the company annually at the General Assembly meeting.

For the benefit of the new shareholders and investors, the report has some information repeated as stated in the Corporate Governance Report of previous year, which the Company is presenting again in compliance with regulatory requirements.

Furthermore, the new Governance Code issued by QFMA states that it shall come into force six months after the date of publishing same in the official gazette, i.e. as from 15 November 2017. However, in December 2017 QFMA gave its approval for extending the grace period allowed to listed companies for reconciling their positions by six more months ending 14 May 2018. It honours us to say that Milaha is in conformity with the new Governance Code. The Board of Directors continuously, in cooperation with the executive management, takes all measures necessary for enhancing prime management and disclosure in order to ensure the confidence of Milaha shareholders and investors.

Thank you,

**Ali bin Jassim bin Mohammad Al-Thani**  
Milaha Chairman

## BRIEF HISTORY

Qatar Navigation Q.P.S.C ("Mlaha" or "the Company") was incorporated on 5TH July 1957 as a Qatari Shareholding Company; its shares are publicly traded in Qatar Exchange. The company's operational and commercial activities include marine transport, acting as agent for foreign shipping lines, providing overseas services, selling of transport vehicles and industrial equipment, repairing ships, manufacturing and installation of offshore facilities, conducting land transport, vessel chartering, and investing in real estate. In March 2016, the extraordinary General Assembly of the Company approved the activity of "Truck trading, and owning, selling, hiring, and leasing of all types of trucks." Moreover, Milaha has expanded its Offshore Marine services by establishing an overseas branch company in Singapore for undertaking the operations of offshore services in South East Asia. The Company already has branches in some GCC countries which are engaged in some activities of Milaha.

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

The authorized and fully paid up capital of the Company amounts Qatari Riyals 1,145,252,000 distributed over 114,525,200 shares; the total number of shares. Currently, the total number of Company employees approximates 2,971.



## 1. INTRODUCTION

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

## 2. COMPLIANCE WITH GOVERNANCE PRINCIPLES

Qatar Navigation is committed to strengthening its Corporate Governance practices in line with local and global standards. The Board of Directors is developing proper governance rules which involve the highest standards of independence, supervision, and transparency in order to maintain the confidence of current and future investors. In order to substantiate this commitment, the Board sought the help of an international firm for developing a mechanism for monitoring the adherence to corporate governance practices as dictated by the new QFMA Corporate Governance Code and using it for improving the control on a regular basis. The Governance report sheds light on the main elements of the control system which have been designed and implemented for the fiscal year from 1 January 2017 to 31 December 2017. Further, the Board is committed to periodically review its policies, charters, and internal processes which should be followed by the Board members, high executive management, and all employees.

## 3. BOARD OF DIRECTORS

The Company's Governance system includes the Board of Directors' charter adopted by the Board members, which is compatible with some provisions of the new QFMA Corporate Governance Code incorporating the duties and responsibilities of the Board. One of the most important trustworthy duties of the Board of Directors is that the board members should always be faithfully loyal to the interests of the Company and its shareholders. This duty requires the Board members to side with the interests of the Company and shareholders counter to their personal interests. The Board of Directors is required to rely on clear and transparent information and with due diligence, and to act effectively to the interest of the Company and shareholders. The Board is currently updating the charter of the Board of Directors in order to incorporate all the roles and obligations provided for in the new QFMA Corporate Governance code

The Board of Directors is also responsible for directing the general investment policy of Milaha, supervising the company's management activities, and approving the Company's strategic targets. The Board is entrusted with full powers and authorities, under Qatar's Commercial Companies Law and the Company's Articles of Association, for managing and steering the whole of the Company's business.

### 3.1 Formation of Board of Directors

The Board of Directors consists of eleven members, and the membership term for each Director is three years. A Board member may be reelected more than once as per the Company's Articles of Association and the Commercial Companies Law. The Board of Directors' current term began in April 2015 for a period of three years (2015-2016-2017).

The following table shows information about the Board members:

No.	Board member and entity he represents	Position in Milaha Board	Number of shares represented	Other information
1.	Sheikh Ali bin Jassim bin Mohammad Al-Thani	Chairman	101,574	H.E. Sheikh Ali bin Jassim Al-Thani has been a member of Milaha's Board since 2003. He is also a director with Qatar Investment Authority, and a board member of each of Masraf Al-Rayyan Bank and Qatar Insurance & Reinsurance Company.
2.	Sheikh Khalid bin Khalifa bin Jassim Fahad Al-Thani; representing Qatar Petroleum	Vice Chairman	9,863,964	H.E. Sheikh Khalid bin Khalifa bin Jassim Al-Thani has been a member of Milaha's board since 2012. He is also the Chief Executive Officer of Qatargas Operating Co. Ltd and Chairman of Qatar Diar Company and Chairman of Gulf International Services.
3.	Sheikh Jassim bin Hamad bin Jassim Jabor Al-Thani	Member	144,403	H.E. Sheikh Jassim Hamad bin Jassim Al-Thani has been a member of Milaha's Board since 2000. He is also the chairman of QIB, and a board member of each of Qatar Insurance Company.
4.	Mr. Adil Ali Bin Ali; representing M/s Ali Bin Ali Establishment	Member	1,863,034	Mr. Adil Ali Bin Ali has been a member of Milaha's Board since 1994. He is also the President of Ali Bin Ali Establishment, and a board member in each of Doha Insurance and the Qatar Electricity and Water Company.
5.	Mr. Sulaiman Haidar Sulaiman	Member	40,000	Mr. Sulaiman Haidar Sulaiman has been a member of Milaha's Board since 2003. He is also the chairman of Sulaiman Brothers' Company, and a board member of Gulf International Services.
6.	Mr. Ali Ahmed Al Kuwari	Member	51,000	Mr. Ali Ahmad Al-Kuwari has been a member of Milaha's Board since 2005. He is also the CEO of QNB Group, vice-chairman of Qatar Exchange board of directors, and a board member of Nakilat representing Qatar Navigation.
7.	Mr. Saad Mohammad Saad Al-Romaihi	Member	46,000	Mr. Saad Mohammad Saad Al-Romaihi has been a member of Milaha Board's since 2010. He is also a staff member of the Amiri Diwan, and a board member of Qatar Manufacturing Industries Company.
8.	Mr. Ali Hussain Al-Sada	Member	1,295,180	Mr. Ali Hussain Al-Sada has been a member of Milaha's Board since 2010. He is also the managing director of Al-Ruwais Real Estate & Investment Company, and a board member of each of QNB and Dlala Brokerage Company.
9.	Mr. Hamad bin Mohammad Al-Mana	Member	969,262	Mr. Hamad bin Mohammad Al-Mana has been a member of Milaha's Board since 2009. He is also the vice-chairman & managing director of Mohamed Hamad Al-Mana Group; and a board member of each of Doha Bank and Qatar Insurance & Reinsurance Company.
10.	Dr. Mazen Jassim Mohammad Jaidah	Member	98,326	Dr. Mazen Jassim Mohammad Jaidah has been a member of Milaha Board since 2009. He is also the president of the executive council of Jaidah Holding, and a board member in Qatar Foundation.
11.	Mr. Salman Abdullah Abdulghani	Member	84,824	Mr. Salman Abdullah Abdulghani Al-Abdulghani has been a member of Milaha's Board since 2015. He is the president of the Council of Trustees and a project consultant of the board of directors of Hadara. Additionally, he is a board member of Qatar Electricity and Water Company representing Qatar Navigation.



### 3.2 Powers of the Board of Directors

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

### 3.3 Duties of the Chairman

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

### 3.4 Meetings of the Board

The Board holds its periodic meetings according to a schedule pre-approved by the Board. At least six meetings per annum should be held, under the provisions of the company's Articles of Association, and if necessary and on emergency grounds the Board may pass resolutions off meeting which shall be approved later on as per the Qatari Commercial Companies Law.

A Board meeting is held upon a call from the Chairman or his deputy in the Chairman's absence. Also a meeting must be invited to when two Board members request a Board meeting to be held. Such invitations should be sent at least seven days ahead of the scheduled meeting date along with a detailed agenda of the meeting. In the fiscal year ending 31 December 2017, the Board of directors held seven meetings, in addition to some resolutions adopted off-meeting.

### 3.5 Secretary of the Board

The Board has appointed a Board Secretary working under the direct supervision of the Board's Chairman. The secretary has a Certified Accountant certificate, extensive work experience in Milaha, managing the affairs of listed companies, in addition to his experience in corporate governance processes and board of directors secretariat, for example without limitation preparing the Board meeting agenda, ensuring that the invitations for Board meetings are delivered to all Board members, as well as recording, maintaining, and distributing the Board resolutions to the relevant departments after the Board approves them. The Secretary is also required to follow up on the execution of the Board resolutions and shall present a report on the results to the Board in every meeting for review and ensuring that all resolutions issued by the Board are executed, otherwise he shall provide the reasons of failure to execute the resolution(s). The Secretary is also responsible for distributing the relevant company information as requested by members of the Board.

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

### 3.6 Board of Director's Remuneration

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

### 3.7 Duties and Other Obligations of the Board

- Ensuring the attendance of the members of the Executive Committee, Incentives & Remuneration Committee, Nomination Committee, Audit Committee and the internal auditor, and representatives of the external auditors in the General Assembly Meetings.
- The Board shall hold induction session for the new Board members including a visual display in order to ensure that they understand the Company's activities and operations, and become fully aware of their obligations.

- The Board members are responsible for understanding their roles and duties and for having knowledge about financial, commercial, and industrial issues, and about the operations and activities of the Company. For this purpose, the Board shall approve and implement adequate and official training courses aimed at augmenting the skills and knowledge of the Board members.
- The Board members should always be aware of the latest developments in the area of governance and of the best relevant practices.
- The Board members are committed to attending the meetings of the Board regularly. In the event of absence, the provisions of Article No. (36) of the Company's Articles of Association and the Board's Charter will be applied.

### 3.8 Appointing the Board Members

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

- Nomination and appointment of the Board members should take place in accordance with the procedures stated in the Commercial Companies Law and the Company Articles of Association.
- The Board of Directors formed a Nomination Committee in 2014 which has been re-formed in 2015 from among the Board members prior to the next election of the Board members. The Nomination Committee is required to verify the applications of nomination for the membership of the Board of Directors, ensure the application's conformity to the conditions provided for in the Commercial Companies Law, Company's Articles of Association, as well as the stipulation of Clause no. (5) of the Governance charter. (The nomination through the Committee does not prevent any shareholder of the company from standing by himself or from being nominated to the election)

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

## 4. BOARD OF DIRECTORS COMMITTEES

The Board of Directors establishes Committees reporting to Board. The performance of each of the committees is assessed by the Board based on standards set in the Governance Charter. Generally, the Board committees do assist the Board in carrying out its duties, and carrying out the overall responsibilities of the Board in managing the Company.

The Board of Directors has established four committees for assisting the Board and facilitating the execution of the Board's obligations and responsibilities. The committees were:

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

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

#### 4.1 The Executive Committee

This committee was initially formed in March 2009, and then re-formed in the subsequent terms of the Board. The most important duties of the Committee, according to the Executive Committee's Charter Is overseeing the investment activities, value of which is above the authority limit of the Chairman and the Chief Executive Officer, for protecting the interests of the Company from any potential risks. Names of the Executive Committee members are:

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



#### 4.2 The Nomination Committee

The Nomination Committee was formed in the last quarter of 2014, then re-formed in 2015. The duties of the committee include verifying the nominations for membership of Board of Directors and ensuring that the applications meet the prescribed conditions and controls under Qatar's Commercial Companies Law, Company's Articles of Association, and corporate governance code. The Nomination Committee presents its recommendation on proposing these applications for election in the General Assembly meeting. The Nomination Committee members are as follows:

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

- The Nomination Committee should approve and publish its scope of work in a way which accurately describes its authority and its role, in accordance with the Nomination Charter approved by the Board of Directors.
- The role of the Nomination Committee will include conducting an annual self-assessment of the Board's performance. A Board self-assessment mechanism has been developed.
- The Nomination Committee must observe any conditions or requirements in connection with nominating, electing, or appointing Board members issued by any other authority.
- The Board of Directors is currently updating the nomination committee's Charter to include the changes required by the new Corporate Governance Code.

#### 4.3 Incentive and Remuneration Committee

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

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

The Board of Directors is currently updating the Incentive and Remuneration committee's Charter in order to include the changes required by the new Corporate Governance Code.

#### 4.4 The Audit Committee

This committee was initially established in 2003, and since then, it has been repeatedly restructured in all subsequent terms of the Board. The duties of the committee include assisting the Board in carrying out its supervisory responsibilities by reviewing the financial statements presented to the shareholders and other relevant parties. The Audit Committee also oversees and reviews the findings and comments in the audit reports prepared by the Internal Audit and the External Auditors. The committee monitors the Departments' compliance with the Board policies and applicable laws, regulations, and instructions. The committee also submits the Board periodical reports about the results of its activities. The Committee does not include any member formerly employed by the Company's external auditor. The committee held four meetings in the year 2017. The Audit Committee members are as follows:

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

The Board of Directors is currently updating the Incentive and Remuneration committee's Charter in order to include the changes required by the new Corporate Governance Code, e.g. the number of meetings of the Audit Committee

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

## 5. THE INTERNAL AUDIT

### 5.1 Internal Audit Plan

At the beginning of every fiscal year, the Internal Audit Department prepares a risk based internal audit plan and an audit program and presents both to the Audit Committee for approval.

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

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

### 5.2 Roles and Responsibilities of the Internal Audit Department

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

- The Internal Audit Department enjoys full independence in order to carry out its duty without limitation and to express its opinion objectively, by reporting directly to the Audit Committee formed by Milaha's Board of Directors. The management of Milaha is supporting the Internal Audit Department in ensuring its independence.
- The Internal Audit Department is responsible for performing an independent review on the Company's financial statements, records, regulations, procedures, and internal regulations in the Company's head office and any other premises of the company, and for submitting the findings to the Audit Committee.
- The Internal Audit department is responsible for evaluating the internal controls responsible for preventing the misuse of the company's assets. The Department also conducts surprise warehouse inventory stock taking and cash counts at different locations.

These activities are conducted to verify the existence of the fixed assets and ensure that they are recorded properly. The Internal Audit is responsible for ensuring that the operational processes are in line with approved policies and procedures which involve robust internal controls corresponding to each process of operations. The Internal Audit plays a role in strengthening the integrity and effectiveness of the various business units of the company.

- The Internal Audit Department is responsible for ensuring that all Company activities are compatible with the Company's policies and procedures, applicable laws in the State of Qatar, and the obligations set out in the contracts signed by the company, and also responsible for ensuring that the Company follows the best standards and business benchmarks.
- The Internal Audit Department is also responsible for evaluating the Company's operational procedures, identifying to what extent the results match the set targets, and identifying how the procedures applied are consistent with the approved plans.
- The Internal Audit Department is responsible for evaluating the design of the Company's electronic data processing systems and for the essential modifications to the current systems necessary for determining the efficiency and effectiveness of the internal control system.

## 6. THE EXTERNAL AUDITOR

The external auditors are customarily appointed by the General Assembly upon recommendations of the Board of Directors. In the previous General Assembly meeting held on March 2017 the shareholders approved the reappointment of M/s KPMG as the company's external auditor for the year 2017. KPMG are certified auditors working independently from the Board of Directors and the Company's management.

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

The external auditors carry out an independent audit of the annual financial statements and a review of the half yearly financial statements prepared as per International Financial Reporting Standards (IFRS). The financial reports are



published in local newspapers in both Arabic and English languages and are also posted on the Company's website and Qatar Exchange's website to allow the shareholders and the public in general to access the Company's information.

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

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

## 7. DISCLOSURES

The Company is completely abiding by QFMA disclosure requirements, as it discloses its major events in Qatar Exchange and in the media according to the instructions of QFMA and requirements of the company's Articles of Association. A summary of the Company's financial statements is usually sent to the shareholders prior to the General Assembly meeting, and likewise the annual report is distributed to the shareholders in the General Assembly meeting. The annual report will include important information pertaining to the Company's activities and the financial statements are prepared as per the International Financial Reporting Standards.

### 7.1 Shares owned by Board Members and Major Shareholders

Hereby we disclose below the number of shares held by the Board members and by major shareholders as of 31/12/2017:

- Number of shares held by the Board members : 13,677,604
- Number of shares held by major shareholders : 37,903,613

### 7.2 Capital Structure, Shareholders Rights, and Major Transactions

- Milaha discloses the Capital structure within the Company's Annual Report, which is presented to the shareholders General Assembly according to International Accounting and Auditing standards. The Company's authorized and fully paid-up capital amounts to QR 1,145,252,000 distributed over 114,525,200 shares.
- In the event that substantial transactions are approved, against which the minority shareholders vote, the Board of Directors shall ensure the protection of the minority shareholders.

- The Board is abiding by Article (7) of the company's Articles of Association through a mechanism that ensures equal rights for all the shareholders; as a single shareholder, whether being a natural person or legal person, may not own over 10 % of the share capital

### 7.3 Conflict of Interests and Insider Trading

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

- The Company's policy for preventing conflict of interests and insider trading comprise general rules and procedures that govern the Company's involvement in any commercial transaction with a related party. In general the company may not enter into any commercial transaction or contract with a related party, without fully observing the terms and conditions provided for in the Commercial Companies Law and the Company's policy on related parties, including the principles of transparency, equity, and disclosure.
- In the event of presenting to the Board's meeting an issue of conflict of interests or a commercial transaction between the Company and a member of the Board or a related party, this matter should be discussed in the absence of the concerned Board member. This member should never participate in voting on the transaction, and the transaction should be made according to market prices and on absolute commercial basis, and without including any conditions adverse to the interests the Company.
- On the occurrence of such transactions they should be disclosed in the annual report be presented in the General Assembly meeting following these commercial transactions.
- The trading in the Company's shares and other securities by members of the Board, executive management and key staff is disclosed. The Company is adopting obvious rules and procedures governing such trading based on the procedures applied in Qatar Exchange.

## 8. RIGHTS OF OTHER STAKEHOLDERS

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

- The Board of Directors effectively ensures the application of the principles of fairness and equality among all employees without discrimination on the basis of race, gender or religion. Also, the higher executive management carries out the role of distributing the incentives to the employees in accordance with the remuneration policy approved by the Board.
- Under the provisions of the Company's Personnel Regulations the executive management is required to encourage the employees by fostering a work environment in the Company, and resolving their problems without adversely affecting their productivity and performance, and encouraging them to unfold their problems freely to their managers.
- The Board has adopted a mechanism allowing the employees of the company to notify the Board about any suspicious behavior which may constitute legal violations or cause damages to the Company. The Board shall ensure confidentiality to such employees and will protect them from any harmful reaction by their managers or other employees.

## 9. SHAREHOLDER RIGHTS

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

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

The annual General Assembly meeting of shareholders is held in accordance with Articles 46, 47, 48, and 49 of the Company's Articles of Association and provisions of the Commercial Companies Law. The shareholders will receive notification of this meeting beforehand. The notification will be sent to the shareholders, Qatar Exchange, and QFMA and published in the local newspapers and on the company's website. Copies of the Annual Report and the financial statements will be provided to shareholders before the scheduled meeting to enable them to discuss the contents of the report with the Board of Directors.

### 9.1 Shareholder Rights Regarding Dividends

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

### 9.2 Access to Information

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

Milaha has a website where the Company posts all general disclosures and information, that ought to be announced under law, charter, and related systems.

## 10. RECORDS OF SHAREHOLDING

- 10.1 The Company maintains up-to-date and accurate records of the shareholdings based on information obtained from Qatar Exchange.
- 10.2 In accordance with the instructions issued by Qatar Exchange to listed companies, the shareholder records are deposited with Qatar Securities Central Depository Authority which is the party responsible for shareholder affairs. The Company has delegated the task of maintaining and organizing this record to QSCDA, in accordance with Articles (159) and (160) of the Commercial Companies Law. Any shareholder has the right to approach Qatar Securities Central Depository Authority for viewing the record book as per the controls issued by Qatar Financial Markets authority.

## 11. INVESTOR RELATIONS

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

## 12. COMPLIANCE WITH LAW AND REGULATIONS

The Company is fully compliant with all laws, regulations, and systems applicable in Qatar; and has never been subject to any fine or penalty from regulatory authorities for non-compliance with laws and regulations during the fiscal period. Such fines or penalties, if any, would have impaired the shareholders' rights.



31 DECEMBER 2017



## Independent Auditor's Report

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

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the accompanying consolidated financial statements of Qatar Navigation Q.P.S.C. (the "Company") and its subsidiaries (together with the Company, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated income statement and the consolidated statements of comprehensive income, cash flows and changes in equity for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further

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

#### Key Audit Matters

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

#### Impairment of vessels (including vessels under construction), containers and barges – refer to note 9 of the consolidated financial statements

We focused on this area because:

- Vessels (including vessels under construction), containers and barges, that are included within "Property, vessels and equipment" shown on the consolidated statement of financial position, represent 21% of Group's total assets;
- As a result of the deceleration of the shipping industry due to the general downturn in global economy, there is increased likelihood of impairment of these assets;
- There is increased complexity in forecasting future cash flows in the shipping industry due to the cyclical nature of its operation; and

#### How the matter was addressed in our audit

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

- understanding the Group's process of identifying indicators of impairments in vessels, containers and barges;
- assessing the competence and capabilities of the people in the Group who performed the technical assessment of recoverable amounts;
- involving our own valuation specialists to support us in challenging the recoverable amounts derived by the Group, in particular:
  - assessing the appropriateness of the methodology used by the Group to assess impairment;
  - assessing the Discounted Cash Flow calculations produced by the Group (value in



<ul style="list-style-type: none"> <li>The Group makes subjective judgements for determining the assumptions to be used in estimating the recoverable amounts of these assets.</li> </ul>	<p>use of assets) by evaluating key inputs and assumptions in the cash flow projections, such as estimates of future sales volumes (utilization of vessels) and prices (based on spot or chartered rates of vessels), operating costs, terminal value growth rates, and the weighted-average cost of capital (discount rate);</p> <ul style="list-style-type: none"> <li>assessing the appropriateness of the key assumptions used in the impairment reports provided by the Group on which management has based its reported amounts of the Group's vessels in the consolidated financial statements; and</li> <li>identifying fair values less cost of disposal of vessels tested for impairment through one or more independent brokers, where possible; and</li> </ul> <ul style="list-style-type: none"> <li>assessing the adequacy of the Group's disclosures in relation to the impairment of vessels, containers and barges by reference to the requirements of the relevant accounting standards.</li> </ul>
<p><b>Depreciation of vessels, containers and barges</b> – refer to note 9 of the consolidated financial statements</p>	<p><b>How the matter was addressed in our audit</b></p>
<p>We focused on this area because:</p> <ul style="list-style-type: none"> <li>The depreciation of vessels, containers and barges represents a 11% of the total expenses of the Group; and</li> <li>The determination of depreciation charge requires management to make considerable judgments and estimations. In particular for the shipping industry, the useful economic lives of vessels, containers and barges as well as their residual values at the time of their disposal are highly judgmental and are complicated by the long engineering lives of vessels, the uncertainty over the future market conditions in which the vessels will operate, the fleet deployment and operating cycles, the future technological changes, and the repairs and maintenance policies.</li> </ul>	<p>Our audit procedures in this area included, among other things:</p> <ul style="list-style-type: none"> <li>assessing the competence and capabilities of the people in the Group who are responsible for the maintenance of the fixed asset register;</li> <li>evaluating the key controls around the Group's fixed asset register;</li> <li>evaluating the Group's process of estimation of the useful economic lives and the residual values of vessels, containers and barges;</li> <li>comparing the residual values with the recent sales of vessels of the Group to identify the appropriateness of the residual values;</li> <li>recalculating the depreciation charge, and comparing it with the depreciation charge reported in the consolidated financial statements; and</li> <li>assessing the adequacy of the Group's disclosures in relation to the useful economic lives and residual values of vessels, containers and barges by reference to the requirements of the relevant accounting standards.</li> </ul>

**Other Information**

The Board of Directors is responsible for the other information. The other information comprises the information included in the Company's annual report for the year 2017 (the "Annual Report") but does not include the consolidated financial statements and our auditor's report thereon. Prior to the date of this auditor's report, we obtained the report of the Board of Directors which forms part of the Annual Report; the remaining sections of the Annual Report are expected to be made available to us after that date. Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

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

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

**Responsibilities of the Board of Directors for the Consolidated Financial Statements**

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

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

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

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

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

- Identify and assess the risk of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's



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ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

26 February 2018  
Doha  
State of Qatar

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended 31 December 2017 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements**

We have obtained all the information and explanations we considered necessary for the purposes of our audit. The Company has maintained proper accounting records and its consolidated financial statements are in agreement therewith. Furthermore, the physical count of inventories was carried out in accordance with established principles. We have read the report of the Board of Directors to be included in the Annual Report and the financial information contained therein is in agreement with the books and records of the Company. We are not aware of any violations of the Qatar Commercial Companies Law No. 11 of 2015 or the terms of the Company's Articles of Association and any amendments thereto having occurred during the year which might have had a material adverse effect on the Company's consolidated financial position or performance as at and for the year ended 31 December 2017.

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

# Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2017

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

## consolidated statement of comprehensive income

FOR THE YEAR ENDED 31 DECEMBER 2017

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

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



AS AT 31 DECEMBER 2017

	Notes	2017 QR'000	2016 QR'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, vessels and equipment	9	4,196,429	4,861,611
Investment property	10	1,277,575	1,140,646
Intangible assets	11	168,315	594,548
Investments in joint ventures	12	883,124	299,350
Investments in associates	13	5,041,236	4,814,755
Available-for-sale financial assets	14	3,423,915	4,065,641
Loans granted to LNG companies	15	183,604	214,747
Other assets		28,706	32,461
		<b>15,202,904</b>	<b>16,023,759</b>
<b>Current assets</b>			
Inventories	16	106,777	125,579
Trade and other receivables	17	917,845	742,102
Financial assets at fair value through profit or loss	18	523,208	484,556
Investments in term deposits	19	1,680,694	3,578,722
Cash and cash equivalents	20	373,943	1,102,860
		<b>3,602,467</b>	<b>6,033,819</b>
<b>Total assets</b>		<b>18,805,371</b>	<b>22,057,578</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Attributable to equity holders of the Parent</b>			
Share capital	21	1,145,252	1,145,252
Treasury shares	22	(73,516)	(73,516)
Legal reserve	23	4,693,986	4,693,986
General reserve	24	623,542	623,542
Fair value reserve		3,190,158	4,064,661
Hedging reserve		47,432	(122,720)
Retained earnings		3,915,860	3,855,436
<b>Equity attributable to equity holders of the Parent</b>		<b>13,542,714</b>	<b>14,186,641</b>
Non-controlling interest		69,100	55,322
<b>Total equity</b>		<b>13,611,814</b>	<b>14,241,963</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Loans and borrowings	27	3,039,548	2,789,820
Advance from a customer	28	123,672	152,634
Provision for employees' end of service benefits	29	101,104	99,840
		<b>3,264,324</b>	<b>3,042,294</b>
<b>Current liabilities</b>			
Trade and other payables	30	558,210	948,120
Loans and borrowings	27	1,371,023	3,825,201
		<b>1,929,233</b>	<b>4,773,321</b>
<b>Total liabilities</b>		<b>5,193,557</b>	<b>7,815,615</b>
<b>Total Equity and Liabilities</b>		<b>18,805,371</b>	<b>22,057,578</b>

The Group's consolidated financial statements for the year ended 31 December 2017 were authorised for issue by the Company's Board of Directors on 26 February 2018 and signed on its behalf by the following:

Ali bin Jassim bin Mohammad Al-Thani  
Chairman

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

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 QR'000	2016 QR'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit for the year</b>		<b>483,851</b>	<b>703,557</b>
<i>Adjustments for:</i>			
Depreciation of property, vessels and equipment	9	284,018	287,777
Depreciation of investment property	10	27,783	25,408
Amortisation of intangible assets	11	10,717	17,571
Loss (gain) on disposal of property, vessels and equipment		6,648	(588)
Share of results of joint arrangements	12	(125,821)	(19,329)
Share of results of associates	13	(262,318)	(296,015)
Provision for employees' end of service benefits	29	17,811	25,447
Dividend income	4	(135,254)	(129,838)
Net fair value loss on financial assets at fair value through profit or loss	4	79,902	6,675
Provision for impairment of trade receivables	5	7,398	5,069
Provision for slow moving inventories	5	2,153	4,186
Impairment of vessels and capital work in progress	9	283,339	160,662
Impairment on available-for-sale financial assets	14	20,978	217
Profit on disposal of investment securities		(220,591)	(1,630)
Finance cost		195,187	175,086
Finance income		(143,227)	(161,082)
Operating profit before working capital changes		<b>532,574</b>	<b>803,173</b>
<i>Changes in:</i>			
Inventories		16,650	82,154
Trade and other receivables		(179,385)	62,835
Trade and other payables		(57,580)	(77,739)
Cash flows generated from operating activities		<b>312,259</b>	<b>870,423</b>
Finance cost paid		(195,187)	(175,086)
Employees' end of service benefits paid	29	(10,423)	(10,129)
<b>Net cash flows from operating activities</b>		<b>106,649</b>	<b>685,208</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, vessels and equipment	9	(205,256)	(285,451)
Additions to intangible assets	11	(167)	(556)
Dividend income	4	135,254	129,838
Finance income		143,227	161,082
Proceeds from disposal of property, vessels and equipment		295,938	15,568
Purchase of investment property	10	(164,642)	(288,068)
Net movement in loans granted to LNG companies		31,143	20,766
Purchase of investment securities		(442,224)	(42,672)
Proceeds from disposal of available-for-sale financial assets		293,621	-
Proceeds from disposal of financial assets at fair value through profit or loss		30,419	16,295
Net movement in investment in term deposits	19	1,898,028	1,154,420
Investment in joint venture	12	(421,008)	-
Dividends received from associates	13	172,209	214,352
<b>Net cash flows from investing activities</b>		<b>1,766,542</b>	<b>1,095,574</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid to the Company's shareholders	26	(397,658)	(568,082)
Net movement in loans and borrowings		(2,264,450)	(962,576)
Net cash flows used in financing activities		<b>(2,662,108)</b>	<b>(1,530,658)</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(788,917)</b>	<b>250,124</b>
Cash and cash equivalents at 1 January		1,102,860	852,736
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	20	<b>313,943</b>	<b>1,102,860</b>

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

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



# Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2017

	Attributable to the equity holders of the Parent					Non-controlling interest	Total		
	Share Capital	Treasury shares	Legal reserve	General reserve	Fair value reserve			Hedging reserve	Retained earnings
QR'000	(Note 21) QR'000	(Note 22) QR'000	(Note 23) QR'000	(Note 24) QR'000	QR'000	QR'000	QR'000		
<b>At 1 January 2016</b>	1,145,252	(73,516)	4,693,986	623,542	3,859,321	(299,335)	13,679,094	72,191	13,751,285
<i>Total comprehensive income:</i>	-	-	-	-	-	-	711,461	(7,904)	703,557
Profit (Loss) for the year	-	-	-	-	205,340	176,615	381,955	35	381,990
Other comprehensive income	-	-	-	-	205,340	176,615	1,093,416	(7,869)	1,085,547
Total comprehensive income (loss)	-	-	-	-	205,340	176,615	1,093,416	(7,869)	1,085,547
Transactions with owners of the Company:	-	-	-	-	-	-	(568,082)	(9,000)	(577,082)
Dividends paid (Note 26)	-	-	-	-	-	-	(568,082)	(9,000)	(577,082)
<i>Other equity movement:</i>	-	-	-	-	-	-	(17,787)	-	(17,787)
Contribution to Social and Sports Fund (Note 31)	-	-	-	-	-	-	(17,787)	-	(17,787)
<b>At 31 December 2016/1 January 2017</b>	<b>1,145,252</b>	<b>(73,516)</b>	<b>4,693,986</b>	<b>623,542</b>	<b>4,064,661</b>	<b>(122,720)</b>	<b>3,855,436</b>	<b>55,322</b>	<b>14,241,963</b>
<i>Total comprehensive income:</i>	-	-	-	-	-	-	469,828	14,023	483,851
Profit for the year	-	-	-	-	(874,503)	170,152	(704,351)	(245)	(704,596)
Other comprehensive (loss) income	-	-	-	-	(874,503)	170,152	(234,523)	13,778	(220,745)
Total comprehensive (loss) income	-	-	-	-	(874,503)	170,152	(397,658)	-	(397,658)
Transactions with owners of the Company:	-	-	-	-	-	-	(11,746)	-	(11,746)
Dividends paid (Note 26)	-	-	-	-	-	-	(11,746)	-	(11,746)
<i>Other equity movement:</i>	-	-	-	-	-	-	(11,746)	-	(11,746)
Contribution to Social and Sports Fund (Note 31)	-	-	-	-	-	-	(11,746)	-	(11,746)
<b>At 31 December 2017</b>	<b>1,145,252</b>	<b>(73,516)</b>	<b>4,693,986</b>	<b>623,542</b>	<b>3,190,158</b>	<b>47,432</b>	<b>3,915,860</b>	<b>69,100</b>	<b>13,611,814</b>

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

# Notes to the Consolidated Financial Statements

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017

## 1. REPORTING ENTITY

Qatar Navigation Q.P.S.C. (the "Company") or (the "Parent") was incorporated on 5 July 1957 as a Qatari Shareholding Company, with the Commercial Registration number 1 issued by the Ministry of Economy and Commerce. The registered office of the Company is located in Doha, State of Qatar. The shares of the Company are publicly traded on the Qatar Stock Exchange since 26 May 1997.

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

The principal activities of the Group, which remain unchanged from the previous year, include the provision of marine transport, acting as agent to foreign shipping lines, offshore services, sale of heavy vehicles, ship repair, fabrication and installation of offshore structures, land transport, chartering of vessels, real estate, investments in listed and unlisted securities, trading in aggregates and building materials and the operation of a travel agency.

The consolidated financial statements of the Group were authorised for issue by the Board of Directors on 26 February 2018

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

Name of the subsidiary	Country of incorporation	Principal activities	Group effective shareholding	
			2017	2016
Qatar Shipping Company W.L.L.	Qatar	Chartering of vessels and maritime services	100%	100%
Halul Offshore Services W.L.L.	Qatar	Chartering of vessels offshore services	100%	100%
Qatar Quarries and Building Materials Company Q.P.S.C. (i)	Qatar	Trading in building materials	50%	50%
Gulf Shipping Investment Company W.L.L.	Qatar	Cargo handling	100%	100%
Qatar Shipping Company (India) Private Limited (ii)	India	Own, hire, purchase, sale, operate and manage all types of ships	100%	100%
Ocean Marine Services W.L.L.	Qatar	Cargo handling, offshore support services	100%	100%
Halul United Business Services L.L.C.	Saudi	Offshore services	100%	100%
Milaha Trading Company W.L.L.	Qatar	Trading in industrial materials	100%	100%
Navigation Travel & Tourism W.L.L.	Qatar	Travel agency	100%	100%
Navigation Trading Agencies W.L.L.	Qatar	Trading in heavy equipment	100%	100%
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%



AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017

**1. REPORTING ENTITY (Continued)**

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

Name of the subsidiary	Country of incorporation	Principal activities	Group effective shareholding	
			2017	2016
Milaha Maritime and Logistics Integrated W.L.L.	Qatar	Maritime and logistic services	100%	100%
Milaha Ras Laffan Verwaltungs GMBH (ii)	Germany	Managing the business activities of KG companies	100%	100%
Milaha Qatar Verwaltungs GMBH (ii)	Germany	Managing the business activities of KG companies	100%	100%
Milaha Real Estate Investment W.L.L.	Qatar	Real estate services	100%	100%
Milaha for Petroleum and Chemical Product W.L.L.	Qatar	Shipping services	100%	100%
Milaha Ras Laffan Gmbh & Co. KG (KG1) (ii)	Germany	LNG transportation	100%	100%
Milaha Qatar Gmbh & Co. KG (KG2) (ii)	Germany	LNG transportation	100%	100%
Qatar Shipping Company (France) (ii)	France	Investments	100%	100%
Milaha Offshore Holding Co. PTE LTD (ii)	Singapore	Offshore support services	100%	100%
Milaha Explorer PTE LTD (ii)	Singapore	Offshore support services	100%	100%
Milaha Offshore Services Co PTE LTD (ii)	Singapore	Offshore support services	100%	100%
Milaha (FZC) L.L.C. (ii)	Oman	Logistic services	100%	-

- (i) The Group controls Qatar Quarries and Building Materials Company Q.P.S.C. through its power to control that company's Board of Directors.
- (ii) The consolidated financial statements have been prepared based on the management accounts of these entities as of the reporting date.

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017

**1. REPORTING ENTITY (Continued)**

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

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

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

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

All subsidiaries undertakings are included in the consolidation.

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

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

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



**2. BASIS OF PREPARATION****a) Statement of compliance**

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

**b) Basis of measurement**

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

**c) Functional and presentation currency**

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

**d) Use of judgments and estimates**

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

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

**e) Newly effective amendments and improvements to standards**

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

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

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

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

The below new and amended International Financial Reporting Standards ("IFRS" or "standards") that are available for early adoption for financial years ending 31 December 2017 are not effective until a later period, and they have not been applied in preparing these consolidated financial statements.

**Adoption expected to impact the Group's consolidated financial statements:**

*IFRS 9 "Financial Instruments" (Effective for year ending 31 December 2018)*

IFRS 9 published in July 2014, replaces the existing IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Management has assessed the potential impact on the Group consolidated financial statements resulting from the initial application of IFRS 9, and the estimated impact as at 1 January 2018 is summarized in the table below:

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

**2. BASIS OF PREPARATION (Continued)****f) New and amended standards not yet effective, but available for early adoption (continued)**

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

*IFRS 16 "Leases" (Effective for year ending 31 December 2019)*

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

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

Effective for year ending 31 December 2018	<ul style="list-style-type: none"> <li>• Amendments to IFRS 2 on classification and measurement of share based payment transactions.</li> <li>• IFRS 15 "Revenue from Contract with Customers"</li> </ul>
Effective date to be determined	<ul style="list-style-type: none"> <li>• Amendments to IFRS 10 and IAS 28 on sale or contribution of assets between an investor and its associate or joint venture</li> </ul>

**3. SIGNIFICANT ACCOUNTING POLICIES**

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

**Basis of consolidation**

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

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

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

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



**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)****Basis of consolidation (Continued)**

made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

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

**Business combination**

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

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

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

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

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

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.

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)****Business combination (Continued)**

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

**Revenue recognition**

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

**Revenue from chartering of vessels and others:**

Revenue from chartering of vessels, equipment and others is recognised on an accrual basis in accordance with the terms of the contract entered into with customers.

**Sales of goods and services:**

Revenue from sales of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. Revenue from rendering of services is recognised when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the transaction at the reporting date.

**Cargo transport and container barge income:**

The value of all work invoiced during the year as adjusted for uncompleted trips. Attributable profit on uncompleted trips is accounted for on a percentage of completion basis after making due allowance for future estimated losses.

**Shipping agency income:**

Shipping agency income is recognised on the completion of all supply requirements for vessels.

**Loading, clearance and land transport income:**

Loading, clearance and land transport income is recognised only after completion of these services.

**Rental income:**

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

**Investment income:**

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

**Dividend income:**

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

**Interest income:**

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

**Leases**

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

**Group as a lessee**

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



### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued) Leases (Continued)

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

Operating lease payments are recognised as an operating expense in the consolidated income statement on a straight-line basis over the lease term.

#### *Group as a lessor*

Leases in which the Group does not transfer, substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

#### **Property, vessels and equipment**

Property, vessels and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any impairment in value. The cost of property, vessels and equipment includes all directly attributable costs including the borrowing costs that are directly attributable to the construction of the asset.

Depreciation is provided on a straight-line basis on all property, vessels and equipment, except for freehold land which is not depreciated. The estimated residual value at the end of the estimated useful life is also considered in the depreciation of vessels. The rates of depreciation are based on the following estimated useful lives of the depreciable assets:

Buildings 25 - 35 years  
New vessels 20 - 40 years  
Used vessels 3 - 25 years  
Barges and containers 10 - 20 years  
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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Investment properties**

Land and buildings are considered as investment properties only when they are being held to earn rentals or for long term capital appreciation or both.

Investment properties are stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated. The cost of property includes all directly attributable costs including the borrowing costs that are directly attributable to the construction of the assets and excludes the cost of day-to-day servicing of an investment property.

Depreciation on buildings is calculated on a straight line basis over the estimated useful life of 25 years.

The carrying 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.

#### **Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is at fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that an intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement as the expense category that is consistent with the function of the intangible assets.

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

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

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

#### **Equity accounted investees**

##### *Investment in associates and joint ventures*

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

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

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



### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued) Equity accounted investees (Continued)

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

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

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

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

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

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

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

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 recognises liabilities that it incurs in the course of pursuing the joint operation. The expenses that the Group incurred and its share of the income that it earns is included as part of the share of results of joint arrangements.

#### Investments in securities

The Group maintains two separate investment portfolios as follows:

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

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

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

#### Financial assets at fair value through profit or loss:

Financial assets at fair value through profit or loss comprise investments held for trading carried in the consolidated statement of financial position at fair value with net changes in fair value presented in the consolidated income statement. Investments are classified as trading investments if they are acquired for the purpose of selling in the near term.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at their initial recognition date and only if the criteria under IAS 39 are satisfied.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued) Investments in securities (Continued)

#### Available-for-sale financial assets:

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

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

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

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

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

#### Loans granted to LNG companies

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the consolidated income statement. The losses arising from impairment are recognised in the consolidated income statement.

#### Impairment and un-collectability of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated income statement. Impairment is determined as follows:

- For assets carried at fair value, impairment is the difference between cost and fair value;
- 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
- For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

#### Derecognition of financial assets and liabilities

##### Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.



### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Derecognition of financial assets and liabilities (Continued)

##### *Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated income statement.

##### **Inventories**

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

Stores, spares and goods for sale - Purchase cost on a weighted average basis

Work in progress - Cost of direct materials, labour and direct overheads

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

##### **Trade receivables**

Trade receivable are stated at original invoice amount less provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Notes due from customers are disclosed as a separate item on the consolidated statement of financial position except those with a remaining term to maturity of less than one year, which are included under trade and other receivables.

##### **Cash and cash equivalents**

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

##### **Impairment of non-financial assets**

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

##### **Trade and other payables**

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

##### **Loans and borrowings**

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

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

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

##### **Borrowing costs**

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Borrowing costs (Continued)

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

- incurs expenditures for the asset;
- incurs borrowing costs; and
- undertakes activities that are necessary to prepare the asset for its intended use or sale.

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

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

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

##### **Provisions**

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

##### **Provision for employees' end of service benefits**

###### *End of service gratuity plans*

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

###### *Pension plan*

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

##### **Foreign currency translation**

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

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

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that financial position;
- 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
- all resulting exchange differences are recognised in other comprehensive income.

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



**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)****Derivative financial instruments and hedging**

The Group uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting are taken directly to the consolidated income statement.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or unrecognised firm commitment (except for foreign currency risk); or
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods of which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

**Fair value hedges**

The change in the fair value of a hedging derivative is recognised in the consolidated income statement. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognised in profit or loss.

**Cash flow hedges**

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the hedging reserve, while any ineffective portion is recognised immediately in the consolidated income statement as other operating expenses.

Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts are recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

**Earnings per share**

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

**Segment reporting**

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

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)****Current versus non-current classification**

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

**Fair value measurement**

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

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

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

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

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

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

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

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

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

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

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



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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)****Share capital****Ordinary shares**

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

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

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

**4. OPERATING REVENUES**

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

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

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

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

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**5. OTHER OPERATING EXPENSES**

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

**6. MISCELLANEOUS INCOME**

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

**Year 2017**

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

**Year 2016**

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

**7. BASIC AND DILUTED EARNINGS PER SHARE**

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

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

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

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

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

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

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## 8. COMPONENTS OF OTHER COMPREHENSIVE INCOME

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

# Notes to the Consolidated Financial Statements

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## 9. PROPERTY, VESSELS AND EQUIPMENT

	Land QR'000	Buildings QR'000	Vessels, containers and barges QR'000	Machinery, equipment and tools QR'000	Furniture and Fittings QR'000	Motor vehicles QR'000	Capital work in progress QR'000	Total QR'000
<b>Cost</b>								
At 1 January 2016	6,299	331,024	5,762,030	331,662	45,557	66,850	654,060	7,197,482
Additions	-	4,352	98,970	2,784	1,580	1,573	176,192	285,451
Transfers and reclassifications	-	175	214,713	6,588	(861)	-	(219,719)	896
Disposals and write offs	-	(211)	(63,462)	(8,245)	(210)	(194)	(2,240)	(74,562)
Impairment (Note iv)	-	-	(58,680)	-	-	-	(101,982)	(160,662)
At 31 December 2016/ 1 January 2017	6,299	335,340	5,953,571	332,789	46,066	68,229	506,311	7,248,605
Additions	-	2,357	48,027	12,841	336	959	140,736	205,256
Transfers and reclassifications	-	499	582	3,755	-	102	(5,364)	(426)
Disposals and write offs	-	-	(153,522)	(8,761)	(780)	(3,423)	(277,264)	(443,750)
Impairment (Note iv)	-	-	(227,140)	-	-	-	(56,199)	(283,339)
At 31 December 2017	<u>6,299</u>	<u>338,196</u>	<u>5,621,518</u>	<u>340,624</u>	<u>45,622</u>	<u>65,867</u>	<u>308,220</u>	<u>6,726,346</u>
<b>Accumulated depreciation</b>								
At 1 January 2016	-	126,584	1,642,538	288,099	37,287	64,191	-	2,158,699
Charge for the year	-	10,780	253,336	20,259	2,284	1,118	-	287,777
Transfers and reclassifications	-	175	100	687	(862)	-	-	100
Disposals and write offs	-	(211)	(51,680)	(7,360)	(205)	(126)	-	(59,582)
At 31 December 2016/ 1 January 2017	-	137,328	1,844,294	301,685	38,504	65,183	-	2,386,994
Charge for the year	-	10,813	252,679	17,189	2,262	1,075	-	284,018
Transfers and reclassifications	-	-	-	(32)	-	102	-	70
Disposals and write offs	-	-	(128,335)	(8,758)	(764)	(3,308)	-	(141,165)
At 31 December 2017	<u>-</u>	<u>148,141</u>	<u>1,968,638</u>	<u>310,084</u>	<u>40,002</u>	<u>63,052</u>	<u>-</u>	<u>2,529,917</u>
<b>Carrying amounts</b>								
At 31 December 2016	6,299	198,012	4,109,277	31,104	7,562	3,046	506,311	4,861,611
At 31 December 2017	<u>6,299</u>	<u>190,055</u>	<u>3,652,880</u>	<u>30,540</u>	<u>5,620</u>	<u>2,815</u>	<u>308,220</u>	<u>4,196,429</u>



**9. PROPERTY, VESSELS AND EQUIPMENT (Continued)****Notes:**

- (i) The encumbrances and liens on property, vessels and equipment are disclosed in Note 27.
- (ii) Capital work in progress includes costs incurred on construction and advance payment of 10 vessels (2016: 7 vessels) recognised based on milestones of the progress of work done as per the contracts entered into by the Group with ship builders. During the current year there were no borrowing cost incurred (2016: QR 2.62 million)
- (iii) Included as part of capital work in progress as at 2017 were two assets under construction amounting to QR 158,652,783 (2016: QR 158,576,023 (USD 43.45 million)). The total value of these assets is USD 74 million (2016: USD 74 million), of which 75% payment obligation lies with the Group and the remaining 25% lies with a foreign based third party subject to a Memorandum of Understanding (MoU) signed on 3 June 2014 and an addendum to the MoU signed on 23 July 2014. During the year the parties reached a settlement agreement whereby the obligations and rights relating to an asset is transferred to Milaha, raising its stake from 75% to 100% on the asset.
- (iv) Impairment losses relate to 39 vessels (2016: 8 vessels) included in "vessels, containers and barges" and an equipment under construction included in "capital work in progress" as at the reporting date. The value of the equipment included in "capital work in progress" was written down by QR 32 million (2016: QR 3 million) which was determined by reference to the fair value of the equipment. The vessels included within "vessels, containers and barges" were written down by QR 227 million (2016: QR 59 million) following an exercise performed to compare the recoverable amount of the vessels and their respective carrying values at the reporting date. The values assigned to the key assumptions represent management's assessment of future trends in the shipping industry, cash flow projection of revenues and costs per vessel and the weighted average cost of capital to discount the future cash flows to present value. The key assumptions used in the estimation of the recoverable amount are set out in Note 38. The 5 vessels under arbitration during 2016, were written down by a further QR 22 million (2016: QR 99 million) that was determined by reference to the vessels' fair value. The remaining dues for these vessels from the shipbuilders, were fully settled during the year 2017. In addition to the above IT software and equipment included under capital work in progress amounting to QR 2 million was impaired.

**10. INVESTMENT PROPERTIES**

	Land QR'000	Buildings QR'000	Investment properties under construction QR'000	Total QR'000
<b>Cost</b>				
At 1 January 2016	161,613	652,327	251,639	1,065,579
Additions during the year	-	950	287,118	288,068
Transfers and reclassifications	-	2,201	(2,201)	-
At 31 December 2016/ 1 January 2017	161,613	655,478	536,556	1,353,647
Additions during the year	-	179	164,463	164,642
Transfers and reclassifications	-	30,161	(30,161)	-
At 31 December 2017	161,613	685,818	670,858	1,518,289
<b>Accumulated depreciation</b>				
At 1 January 2016	-	187,593	-	187,593
Charge for the year	-	25,408	-	25,408
At 31 December 2016/ 1 January 2017	-	213,001	-	213,001
Charge for the year	-	27,783	-	27,783
Transfers and reclassifications	-	(70)	-	(70)
At 31 December 2017	-	240,714	-	240,714
<b>Carrying amounts</b>				
At 31 December 2016	161,613	442,477	536,556	1,140,646
<b>At 31 December 2017</b>	<b>161,613</b>	<b>445,104</b>	<b>670,858</b>	<b>1,277,575</b>

**10. INVESTMENT PROPERTIES (Continued)****Notes:**

- (i) All investment properties are located in the State of Qatar.
- (ii) As at 31 December 2017 the fair value of investment properties was QR 2,771,145,000 (2016: QR 3,147,665,000). Investment properties have been fair valued by an accredited independent valuer with recognised and relevant professional qualifications and recent experience in the location and category of investment properties being valued.
- (iii) During the year the Group earned rental income amounting to QR 136,102,579 (2016: QR 144,113,119) from its investment properties. Direct operating expenses related to investment properties (including depreciation) amounting to QR 33,056,176 (2016: QR 32,777,767) have been included within operating expenses.
- (iv) As at 31 December 2017 the cost of investment properties under construction build on leasehold land was QR 540,627,847 (2016: QR 424,385,700).

**11. INTANGIBLE ASSETS**

	Customer contracts QR'000	Computer software QR'000	Goodwill QR'000	Concession Rights QR'000 (Note 12)	Total QR'000
<b>Cost</b>					
At 1 January 2016	184,000	20,964	7,292	-	212,256
Additions	-	556	-	418,600	419,156
Transfers	-	(896)	-	-	(896)
Disposals and write off	-	(100)	-	-	(100)
At 31 December 2016/ At 1 January 2017	184,000	20,524	7,292	418,600	630,416
Additions	-	167	-	-	167
Transfers	-	426	-	(418,600)	(418,174)
Disposals and write off	-	(100)	-	-	(100)
At 31 December 2017	184,000	21,017	7,292	-	212,309
<b>Amortisation</b>					
At 1 January 2016	4,697	13,783	-	-	18,480
Charge for the year	9,395	5,684	-	2,492	17,571
Transfers	-	(100)	-	-	(100)
Disposal and write off	-	(83)	-	-	(83)
At 31 December 2016/ At 1 January 2017	14,092	19,284	-	2,492	35,868
Charge for the year	9,394	1,323	-	-	10,717
Transfers	-	-	-	(2,492)	(2,492)
Disposals and write off	-	(99)	-	-	(99)
At 31 December 2017	23,486	20,508	-	-	43,994
<b>Carrying amounts</b>					
At 31 December 2016	169,908	1,240	7,292	416,108	594,548
<b>At 31 December 2017</b>	<b>160,514</b>	<b>509</b>	<b>7,292</b>	<b>-</b>	<b>168,315</b>

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**12. INVESTMENTS IN JOINT ARRANGEMENTS****Investments in joint ventures**

The Group has following investments in Joint Ventures:

Name of the entity	Country of incorporation	Group effective shareholding	
		2017	2016
Qatar Engineering and Technology Company W.L.L. (i)	Qatar	51%	51%
Qatar Ship Management Company W.L.L. (i)	Qatar	51%	51%
Gulf LPG Transport Company W.L.L.	Qatar	50%	50%
Aliago W.L.L.	Qatar	50%	50%
QTerminals L.L.C (i)	Qatar	49%	-

- a) Qatar Engineering and Technology Company W.L.L.**  
Qatar Engineering and Technology Company W.L.L. ("Q-Tech") is a limited liability company established together with Aban Constructions Pvt. Ltd., India. Q-Tech was incorporated on 27 April 2002 with the objective of carrying out engineering and other related services.
- b) Qatar Ship Management Company W.L.L.**  
Qatar Ship Management Company W.L.L. ("QSMC") is a limited liability company which has been established together with Mitsui O.S.K. Lines Ltd, Japan (MOL), Nippon Yusen Kabushiki Kaisha, Japan (NYK), Kawasaki Kisen Kaisha Ltd, Japan (K-LINE) and Mitsui & Co. Japan. QSMC was incorporated on 16 October 2003, with the objective of operating and managing LNG vessels.
- c) Gulf LPG Transport Company W.L.L.**  
Gulf LPG Transport Company W.L.L. ("GLPG") is a limited liability company established together with Qatar Gas Transport Company Q.P.S.C. (NAKILAT). Gulf LPG aims to provide various activities of owning, managing and operating liquid gas transporting ships.
- d) Aliago W.L.L.**  
Aliago W.L.L. is a limited liability company established together with Cargill International under the commercial registration number 5285. Aliago W.L.L.'s main aim is to provide management and operational support for the vessels. The company is yet to commence its commercial operations. During the year, the Group is in the process of completing the legal formalities of obtaining the counter party's share in this venture.
- e) QTerminals L.L.C.**  
QTerminals L.L.C. (QTerminals) was legally incorporated on 10 May 2017 with the Commercial Registration number 98511. The shareholding structure of QTerminals is 51% owned by Qatar Ports Management Company ("Mwani Qatar") and 49% owned by Milaha. The purpose of the company is to operate ports, managing the port activities including the new Hamad Port based on an agreement signed between Milaha and Mwani Qatar during December 2016.
- Based on the concession agreement dated 1 October 2017, Qterminals L.L.C. accepted the delegation of the concession rights. The concession agreement compliments the terms of the shareholders' agreement signed by the by the shareholders of Qterminals, which requires the incorporation of a new company (Qterminals L.L.C.). In line with the overall arrangement, the Group transferred the concession rights to Qterminals amounting to QR 416,108,000. Accordingly the delegated concession rights has been accounted for as an investment in the books of Milaha. The concession agreement stipulates in the event of force majeure, the concession rights reverts back to Milaha.

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

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**12. INVESTMENTS IN JOINT ARRANGEMENTS (Continued)****Investments in joint ventures (Continued)**

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

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

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

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

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



**12. INVESTMENTS IN JOINT ARRANGEMENTS (Continued)****Interests in joint operations**

The Group has following joint operations:

**Cargill International SA (CISA)**

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

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

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

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

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

**13. INVESTMENTS IN ASSOCIATES**

The Group has the following investment in associates:

	Country of incorporation	Ownership %		Profit Sharing %	
		2017	2016	2017	2016
Cargotec Qatar W.L.L. (i),(ix), (x)	Qatar	51.0%	51.0%	40.0%	40.0%
Iraq-Qatar Transport and Shipping Services Com. Ltd (ii), (ix), (x)	Iraq	51.0%	51.0%	51.0%	51.0%
United Arab Shipping Agency Company W.L.L. (iii), (x)	Qatar	40.0%	40.0%	40.0%	40.0%
Qatar Gas Transport Company Limited (NAKILAT) Q.P.S.C. (iv)	Qatar	30.3%	30.3%	30.3%	30.3%
Camartina Shipping INC. (v),(x)	Liberia	29.4%	29.4%	29.4%	29.4%
Peninsula LNG Transport No. 1 Ltd. (vi),(x)	Liberia	29.4%	29.4%	29.4%	29.4%
Peninsula LNG Transport No. 2 Ltd. (vi),(x)	Liberia	29.4%	29.4%	29.4%	29.4%
Peninsula LNG Transport No. 3 Ltd. (vi),(x)	Liberia	29.4%	29.4%	29.4%	29.4%
Qatar LNG Transport Ltd. (vii)	Liberia	20.0%	20.0%	20.0%	20.0%
Man Diesel & Turbo Qatar Navigation W.L.L.(viii),(ix), (x)	Qatar	51.0%	51.0%	35.0%	35.0%

**13. INVESTMENTS IN ASSOCIATES (Continued)****Notes:**

- (i) Cargotec Qatar W.L.L. is engaged in providing maintenance and repair of marine, land based cargo access and control system to off-shore and on-shore oil services and gas facilities.
- (ii) Iraq-Qatar Transport and Shipping Services Company Ltd. is engaged in providing transportation and shipping logistics and is yet to commence commercial operations.
- (iii) United Arab Shipping Agency Company W.L.L. is engaged in providing cargo and shipping services.
- (iv) Qatar Gas Transport Company Limited (NAKILAT) Q.P.S.C. is engaged in the sector of gas transportation either through its own ocean going vessels or by investing in joint ventures with other parties.
- (v) Camartina Shipping INC. is engaged in operation of a time charter of 135,000 m<sup>3</sup> Liquefied Natural Gas (LNG) vessel.
- (vi) Peninsula LNG Transport Ltd No's 1, 2 & 3 were established to acquire, own, and operate a time charter Liquefied Natural Gas (LNG) vessel.
- (vii) Qatar LNG Transport Ltd. was established to acquire, own, operate a time charter of 135,000 m<sup>3</sup> Liquefied Natural Gas (LNG) vessel.
- (viii) Man Diesel & Turbo Qatar Navigation W.L.L. is engaged in trading and maintenance of marine engines, equipment's and spare parts.
- (ix) Even though the share ownership in the companies listed in point (i), (ii) and (viii) is more than 50%, the Group has only a significant influence over financial and operating policies. Therefore these companies have not been considered as subsidiaries of the Group.
- (x) The consolidated financial statements have been prepared based on the management accounts of these entities as of the reporting date.

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

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

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

Summarised statement of financial position:

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**13. INVESTMENTS IN ASSOCIATES (Continued)**

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

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

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

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

**14. AVAILABLE-FOR-SALE FINANCIAL ASSETS**

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

- (i) Available-for-sale financial assets comprise direct investments in shares, investments with fund managers and investment in bonds.
- (ii) Quoted shares in local companies with a fair value of QR 40,378,000 as of 31 December 2017 (2016: QR 50,804,000) are frozen for trading.
- (iii) Unquoted investments comprise shares in companies in which the Group is a founder shareholder.
- (iv) Unquoted investments include investments amounting to QR 327,001,700 (2016: QR 348,568,416) carried at cost, as their fair values cannot be reliably estimated, due to the uncertain nature of cash flows.
- (v) The available-for-sale financial assets impaired during the year are as follows:

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

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**15. LOANS GRANTED TO LNG COMPANIES**

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

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

The loans to the above LNG companies included the following:

	2017 QR'000	2016 QR'000
Loan principal	183,506	214,041
Accrued interest	98	706
	<b>183,604</b>	<b>214,747</b>

**16. INVENTORIES**

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

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

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

**17. TRADE AND OTHER RECEIVABLES**

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

**Note:**

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



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**17. TRADE AND OTHER RECEIVABLES (Continued)**

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

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

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

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

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

Unimpaired trade receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and the vast majority are, therefore, unsecured.

**18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	2017 QR'000	2016 QR'000
Quoted investments	<u>523,208</u>	<u>484,556</u>

**19. INVESTMENTS IN TERM DEPOSITS**

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

**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.

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**20. CASH AND CASH EQUIVALENTS**

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

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

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

**21. SHARE CAPITAL**

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

All shares have equal rights.

**22. TREASURY SHARES**

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

**23. LEGAL RESERVE**

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

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

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

**24. GENERAL RESERVE**

In accordance with the Company's Articles of Association, the general assembly based on a Board of Directors' proposal may decide to transfer a portion of the net profit to a general reserve. This reserve may be used in any manner as decided by the General Assembly.

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017

**25. DERIVATIVE FINANCIAL INSTRUMENTS****Hedging activities****Cash flow hedges:**

At 31 December 2017, the Group had cash flow hedges to hedge their exposure to interest rate risk which is as follows:

**Halul Offshore Services W.L.L.:**

At 31 December 2017, Halul Offshore Services Company W.L.L. had an interest rate swap agreement in place with a notional amount of USD 113,400,000 (translated to QR 412,776,000), whereby it receives a variable rate of USD 3 months LIBOR and pays a fixed rate of interest of 1.985% on the notional amount. The swap is being used to hedge the exposure to interest rate fluctuations on its loans. The loan facility and the interest rate swap have the same critical terms. This cash flow hedge is assessed to be highly effective. The fair value of the interest rate swap is calculated by reference to the market valuation of the swap agreements.

Halul Offshore Services Company W.L.L. has recognised a fair value loss on its interest rate swap of QR 5,010,882 as at 31 December 2017 (31 December 2016: QR 44,159) within trade and other payables and in equity in respect of the effective portion of hedge.

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

As a result of the business combination of KG 1 and KG 2 entities, the interest rate swap agreements entered by these two entities were absorbed by the Group. KG 1 and KG 2 had an interest rate swap agreement in place with a notional amount of USD 120,653,844 (translated to QR 439,179,993) and USD 123,069,583 (translated to QR 447,973,284), respectively, whereby it receives a variable rate of USD 3 months LIBOR and pays a fixed rate interest of 2.685% on the notional amount. The swap is being used to hedge the exposure to interest rate fluctuations on the loans. The loan facilities and the interest rate swaps have the same critical terms. These cash flow hedges are assessed to be highly effective. The fair value of the interest rate swaps are calculated by reference to the market valuation of the swap agreements.

KG1 and KG2 recognised fair value gain on its interest rate swaps of USD 1,586,647 (translated to QR 5,775,395) and USD 1,618,415 (translated to QR 5,891,031) as at 31 December 2017 within trade and other payables with a corresponding entry to the hedging reserve. As at 31 December 2017, the carrying values of the interest rate swaps for KG 1 and KG 2 amounts to negative USD 2,523,340 (translated to QR 9,184,958) and negative USD 2,573,862 (translated to QR 9,368,858).

**26. DIVIDENDS****Dividend proposed**

The Board of Directors have proposed a 35% cash dividend of QR 3.5 per share totaling QR 398 million for the year 2017 which is subject to the approval of the equity holders at the Annual General Assembly.

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

	2017 QR'000	2016 QR'000
Final Dividend (i)	<u>397,658</u>	<u>568,082</u>

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

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**27. LOANS AND BORROWINGS**

	Notes	Interest rate %	Maturity	2017 QR'000	2016 QR'000
<i>Parent company:</i>					
Loan 1	(i)	LIBOR + 0.73	Feb 2017	-	7,973
Loan 2	(ii)	LIBOR + 0.50	May 2017	-	291,200
Loan 3	(iii)	LIBOR + 2.75	Mar 2019	<b>365,000</b>	1,820,000
Loan 4	(iv)	LIBOR +2.4	Mar 2017	-	728,000
Loan 5	(v)	2.76	Sep 2017	-	728,300
Loan 6	(vi)	LIBOR + 1.5	Jun 2018	<b>365,000</b>	364,000
Loan 7	(vii)	4	Jan 2019	<b>510,000</b>	-
Loan 8	(viii)	LIBOR + 1.6	Nov 2018	<b>146,000</b>	-
Loan 9	(ix)	LIBOR + 1.5	Sep 2018	<b>547,500</b>	-
Loan 10	(x)	4	Apr 2018	<b>60,000</b>	-
<i>Subsidiary companies:</i>					
Loan 11	(xi)	LIBOR + 1.75	Jan 2021	<b>162,321</b>	206,330
Loan 12	(xii)	LIBOR + 1.65	Aug 2019	<b>44,161</b>	71,559
Loan 13	(xiii)	LIBOR + 1.75	Sep 2021	<b>288,921</b>	325,680
Loan 14	(xiv)	LIBOR + 1.4	Dec 2024	<b>413,910</b>	452,088
Loan 15	(xv)	LIBOR+1.4	Mar 2025	<b>311,766</b>	339,549
Loan 16	(xvi)	LIBOR + 1.75	June 2022	<b>313,900</b>	347,984
Loan 17	(xvii)	LIBOR + 1.7	Dec 2023	<b>887,153</b>	938,949
				<b>4,415,632</b>	6,621,612
<i>Less: Deferred financing costs</i>				<b>(5,061)</b>	(6,591)
				<b>4,410,571</b>	6,615,021
Presented in the consolidated statement of financial position as follows:					
Current portion				<b>1,371,023</b>	3,825,201
Non-current portion				<b>3,039,548</b>	2,789,820
				<b>4,410,571</b>	6,615,021

**Notes:**

- (i) Loan 1 was obtained to finance the construction of Qatar Navigation Tower. The loan was secured by a first priority mortgage on the Tower. The last instalment of this loan was paid in February 2017.
- (ii) During the month of May 2017, the group fully settled a dollar denominated short term facility of USD 80 million which carried an interest of 0.5% + LIBOR.
- (iii) Loan 3 was obtained for the purpose of bridging the finance requirements related to the construction of vessels in foreign shipyards and other working capital requirements. During the reporting period, the company has settled USD 400 million from this facility. The maturity date of this facility has been re-scheduled to March 2019.
- (iv) Loan 4 represents a revolving Murabaha facility with a limit amounting to USD 200,000,000. The purpose of this facility is for general corporate purposes. This loan facility was settled fully during the year.
- (v) The Group entered into a loan facility of QR 728,300,000 which was used to settle the existing USD 200,000,000 loan facility from the same bank. The facility was fully settled during September 2017.
- (vi) Loan 6 was obtained for the purpose of bridging finance requirements related to the advance and construction of vessels in foreign shipyards and other working capital requirements. This loan was fully drawn down to the maximum amount during year 2017 and the maturity date was re-scheduled to June 2018.



**27. LOANS AND BORROWINGS (Continued)**

- (vii) During the year, the Company entered into a new dollar denominated Islamic facility of USD 300 million. The company has utilized part of this facility in two separate tranches. First tranche of QR 510 million carries a profit rate of 4% per annum and is payable in January 2019.
- (viii) The second tranche utilised from Loan 7 is an amount of USD 40 million which carries a profit rate of 1.6% + 3 months LIBOR and is payable in November 2018 as a bullet payment.
- (ix) During the year, the Company entered into a revolving facility arrangement for USD 150 million from a local bank which carries interest of LIBOR + 1.5% subject to a minimum of 1.5%.
- (x) During the year, the Company was granted an overdraft credit facility of QR 100 million which carries interest of 4%. As at the reporting date, QR 40 million of this facility was settled (Note 20).
- (xi) Loan 11 represents a dollar denominated Islamic financing facility obtained for the purpose of re-financing the loans obtained for the 8 container vessels. The facility has been secured against the related vessels. The loan is repayable in 32 quarterly installments of USD 2,145,161 (translated to QR 7,808,000) with a final payment of USD 26,354,848 (translated to QR 95,931,000). During June 2017, the Group prepaid a portion of the dollar denominated Islamic facility in advance, which represents the encumbrances of one vessel that was disposed during the year.
- (xii) Loan 12 represents a QR 220 million facility obtained for the purpose of financing or refinancing the mortgaged vessels and is repayable by 32 quarterly installments amounting to USD 1,890,000 (translated to QR 6,879,600) commencing from June 2012. This loan is secured against the mortgage of the vessels for which the loan was obtained. The loan has been hedged against interest rate exposure.
- (xiii) During the year 2013, the Group obtained a loan amounting to USD 123,000,000 (translated to QR 447,720,000) for the purpose of financing acquisition of vessels and refinancing the mortgaged vessels. This loan is repayable in 31 equal quarterly instalments of QR 9.38 million and a final balloon payment of QR 156.7 million. The loan is secured against the mortgage of the vessels for which the loan was obtained.
- (xiv) Loan 14 represents a facility of USD 135,000,000 (translated to QR 491,400,000). The full draw down of this facility was during March 2016. The repayment will be made in 35 equal quarterly instalments of USD 2,700,000 and a bullet payment for the remaining amount at the final instalment. At the reporting date, the full amount of the facility was utilized. This facility has a mortgage over 8 vessels.
- (xv) Loan 15 represents a Murabaha facility of USD 135,000,000 (translated to QR 491,400,000) initially taken to finance the construction of vessels which was subsequently reduced to USD 101 million at the request of the Group. The repayment will be made in 36 equal quarterly instalments of USD 1,966,806 and a bullet payment at maturity of the facility. At the reporting date, the facility was fully utilised to the extent of USD 101,150,000.
- (xvi) Loan 16 was obtained to finance the construction of 19 vessels and is repayable in 27 equal quarterly instalments commencing from September 2016 and one final balloon payment of QR 164 million at the end of the loan period.
- (xvii) These loans are recognised as a result of the business combination that occurred during the year 2015. These loans are repayable in 40 quarterly instalments over the period of ten years and a final balloon payment of approximately 50% of the principal borrowed. These loans are secured by the primary mortgage over the vessels and a priority pledge of all the issued interest of the entity and issued shares of the General Partner, who manages the vessel operations.

**28. ADVANCE FROM A CUSTOMER**

During year 2011, the Group received an interest free advance from a customer of QR 187,497,000 for the construction of harbour tugs, pilot boats, mooring boats and service boats. These boats are in service by the customer. The advance payment is repayable through deductions from the certified interim sales invoices to be raised by the Group to customer. An amount equal to 10% of the invoiced amounts will be deducted to settle from each invoice until such time the full amount of the advance payment has been repaid. Based on the work completed to date the amount of the long term payable amounts to QR 123,672,000 (2016: QR 152,634,000).

**29. PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS**

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

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

- (i) The Group has no expectation of settling its employees' end of service benefits obligation within 12 months from the reporting date and, therefore, it has classified the obligation within non-current liabilities in the statement of financial position. The provision is not discounted to present value as the effect of the time value of money is not expected to be significant.
- (ii) The Pension plan is a defined contribution pension plan and pension obligations that are payable on demand to a Government Pension Fund. Accordingly, these amounts have been disclosed as a current liability.

**30. TRADE AND OTHER PAYABLES**

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

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

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**31. CONTRIBUTION TO SOCIAL AND SPORTS FUND**

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

During the year, the Group appropriated an amount of QR 11.7 million (2016: QR 17.8 million) to the S.S.F representing 2.5% of the consolidated net profit for the year.

**32. COMMITMENTS**

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

**Operating lease commitments**

The Group has entered into rent contracts. These contracts are accounted for as operating leases. The future lease commitments in respect of the above rent contracts are as follows:

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

**33. CONTINGENT LIABILITIES**

At 31 December 2017, the Group had the following contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise:

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

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**34. RELATED PARTY DISCLOSURES**

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

**Related party transactions**

Transactions with related parties during the year are as follows:

	Sales QR'000	Purchase QR'000	Interest income QR'000	Receipt of loan instalments QR'000
	2017			
<b>Associates</b>	<u>12,869</u>	<u>63</u>	<u>13,402</u>	<u>33,886</u>
	2016			
Associates	634	27	16,491	23,281

**Related party balances**

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

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

The amounts receivable and payable to related parties are disclosed in Note 17 and Note 30 respectively.

Sales to and purchases from related parties are made at normal market prices. Outstanding balances at the year-end are unsecured, and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. During the year the Group has not recorded any impairment of receivables relating to amounts due from related parties (2016: QR Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

**Loans due from associates**

Loans to LNG companies amounting to QR 183,604,000 (2016: QR 214,747,000) is disclosed as part of Note 15.

**Compensation of directors and other key management personnel**

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

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



**35. SEGMENT INFORMATION**

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

- Milaha Capital provides corporate finance advisory services to the Parent and its subsidiaries, in addition to managing its proprietary portfolio of financial and real estate investments and holding the investment of Qatar Quarries and Building Material Company W.L.L.
- Milaha Maritime & Logistics delivers a comprehensive range of services to major importers, exporters and shipping companies in the region, including oil & gas majors. The activities include logistics services, container feeder shipping, non-vessel operating common carriers (NVOCC) operations, bulk shipping, shipping agencies, port management and operations, shipyard and steel fabrication.
- Milaha Offshore provides comprehensive offshore support services to the oil and gas industry across the region. The group currently operates a fleet of 37 offshore service vessels, which include safety standby vessels, anchor handling tugs, crew boats, workboats and dynamic positioning (DP) vessels. It provides a complete range of diving services including saturation diving.
- Milaha Trading is engaged in trading trucks, heavy equipment, machinery and lubrication brands in Qatar. The segment markets its products and provides critical after sales service. Milaha Trading also owns and operates an IATA-approved travel agency, one of the oldest in the State of Qatar.
- Milaha Gas and Petrochem owns, manages and operates a fleet of LPG and LNG carriers and provides ocean transportation services to international energy and industrial companies. It further owns and manages a young fleet of product tankers and one crude carrier. The segment also operates a number of product tankers in partnership with international trading and shipping companies.
- Milaha Corporate provides necessary services to all the pillars to run their respective business. These services are costs of management, corporate development and communications, internal audit, legal affairs, shared services, information technology, procurement, human resources and administration and finance. The costs are subsequently allocated. Adjustments with respect to Milaha Corporate represent costs captured and subsequently allocated to various business pillars by way of a laid down methodology.

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

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

## Notes to the Consolidated Financial Statements

**35. SEGMENT INFORMATION (Continued)**  
Year ended 31 December 2017

	Milaha Capital QR'000	Milaha Maritime and Logistics QR'000	Milaha Offshore QR'000	Milaha Trading QR'000	Milaha Gas and Petrochem QR'000	Milaha Corporate QR'000	Adjustments relating to Milaha Corporate QR'000	Total segments QR'000	Adjustments and eliminations Consolidated QR'000
Operating revenues	672,476	945,072	450,875	304,047	387,247	-	2,759,717	(268,708) (i)	2,491,009
Salaries, wages and other benefits	(9,257)	(139,804)	(161,150)	(17,588)	(101,077)	(146,832)	(575,708)	-	(575,708)
Operating supplies and expenses	(194,061)	(578,124)	(113,731)	(262,920)	(64,604)	(9,163)	(1,222,603)	244,888 (i)	(977,715)
Rent expenses	(3,636)	(9,199)	(8,775)	(2,129)	(866)	(12,834)	(37,439)	23,233 (i)	(14,206)
Depreciation and amortisation	(39,655)	(30,301)	(113,178)	(925)	(134,649)	(3,810)	(322,518)	-	(322,518)
Other operating expenses	(8,557)	(37,150)	(48,512)	(4,655)	(33,351)	(21,048)	(153,273)	587 (i)	(152,686)
Allocations relating to fleet and technical services	-	(42,712)	-	-	42,712	-	-	-	-
Allocations relating to Milaha Corporate	(17,032)	(87,724)	(38,008)	(18,241)	(35,299)	196,304	-	-	-
<b>OPERATING PROFIT</b>	<b>400,278</b>	<b>20,058</b>	<b>(32,479)</b>	<b>(2,411)</b>	<b>60,113</b>	<b>2,617</b>	<b>448,176</b>	<b>-</b>	<b>448,176</b>
Finance costs	(90,122)	(19,357)	(41,146)	-	(51,108)	-	(201,733)	6,546 (i)	(195,187)
Finance income	120,631	1,432	9,042	3,052	15,616	-	149,773	(6,546) (i)	143,227
Net gain (loss) on disposal of property, vessels and equipment	36	(3,457)	(3,242)	(5)	-	20	(6,648)	-	(6,648)
Share of results of joint arrangements	-	151,024	-	-	(25,203)	-	125,821	-	125,821
Share of results of associates	268	2,360	-	-	259,690	-	262,318	-	262,318
Net (loss) gain on foreign exchange	(8,587)	(40)	(2,771)	370	(1,262)	(3)	(12,293)	-	(12,293)
Impairment on available-for-sale financial assets	(20,978)	-	-	-	-	-	(20,978)	-	(20,978)
Impairment of vessels and contract work in progress	-	(32,763)	(113,405)	-	(134,537)	(2,634)	(283,339)	-	(283,339)
Miscellaneous income	223	1	-	-	22,530	-	22,754	-	22,754
<b>PROFIT FOR THE YEAR</b>	<b>401,749</b>	<b>119,258</b>	<b>(184,001)</b>	<b>1,006</b>	<b>145,839</b>	<b>-</b>	<b>483,851</b>	<b>-</b>	<b>483,851</b>

## 35. SEGMENT INFORMATION (Continued)

Year ended 31 December 2016

	Milaha Capital QR'000	Milaha Maritime and Logistics QR'000	Milaha Offshore QR'000	Milaha Trading QR'000	Milaha Gas and Petrochem QR'000	Adjustments relating to Milaha Corporate QR'000	Total segments QR'000	Adjustments and eliminations QR'000	Consolidated QR'000
Operating revenues	409,111	1,003,934	573,031	312,005	455,506	-	2,753,587	(202,315)	(i) 2,551,272
Salaries, wages and other benefits	(7,773)	(200,420)	(178,202)	(18,977)	(102,906)	(127,971)	(636,249)	480	(i) (635,769)
Operating supplies and expenses	(131,575)	(443,608)	(113,558)	(263,094)	(74,260)	(8,423)	(1,034,518)	183,307	(i) (851,211)
Rent expenses	(4,117)	(7,898)	(5,957)	(2,208)	(3,954)	(10,644)	(34,778)	19,004	(i) (15,774)
Depreciation and amortisation	(35,967)	(42,342)	(115,376)	(914)	(131,636)	(4,521)	(330,756)	-	(330,756)
Other operating expenses	(10,994)	(36,214)	(54,601)	(6,207)	(34,081)	(19,950)	(162,047)	(476)	(i) (162,523)
Allocations relating to fleet and technical services	-	(53,421)	-	-	53,421	-	-	-	-
Allocations relating to Milaha Corporate	(17,586)	(73,515)	(34,372)	(16,096)	(29,902)	171,471	-	-	-
<b>OPERATING PROFIT</b>	<b>201,099</b>	<b>146,516</b>	<b>70,965</b>	<b>4,509</b>	<b>132,188</b>	<b>(38)</b>	<b>555,239</b>	<b>-</b>	<b>555,239</b>
Finance costs	(87,896)	(9,928)	(24,692)	-	(52,570)	-	(175,086)	-	(175,086)
Finance income	136,799	1	465	4,113	19,704	-	161,082	-	161,082
Net gain (loss) on disposal of property, vessels and equipment	2,228	(2,872)	1,223	-	-	9	588	-	588
Share of results of joint arrangements	-	7,905	-	-	11,424	-	19,329	-	19,329
Share of results of associates	235	943	-	-	294,837	-	296,015	-	296,015
Net (loss) gain on foreign exchange	(1,449)	(738)	(334)	(196)	4,375	29	1,687	-	1,687
Impairment on available-for-sale financial assets	(217)	-	-	-	-	-	(217)	-	(217)
Impairment of vessels and contract work in progress	-	-	(160,662)	-	-	-	(160,662)	-	(160,662)
Miscellaneous income	379	-	-	-	5,203	-	5,582	-	5,582
<b>PROFIT FOR THE YEAR</b>	<b>251,178</b>	<b>141,827</b>	<b>(113,035)</b>	<b>8,426</b>	<b>415,161</b>	<b>-</b>	<b>703,557</b>	<b>-</b>	<b>703,557</b>

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

## 35. SEGMENT INFORMATION (CONTINUED)

### Geographic segments

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

	Qatar QR'000	UAE QR'000	Germany QR'000	Total QR'000
<b>2017</b>				
Operating revenues	<b>2,083,227</b>	<b>228,105</b>	<b>179,677</b>	<b>2,491,009</b>
Profit for the year	<b>425,017</b>	<b>22,288</b>	<b>36,546</b>	<b>483,851</b>
<b>2016</b>				
Operating revenues	2,238,364	134,745	178,163	2,551,272
Profit for the year	664,041	4,815	34,701	703,557

## 36. FINANCIAL RISK AND CAPITAL MANAGEMENT

### a) Financial risk management

#### Objective and policies

The Group's principal financial liabilities comprise loans and borrowings, trade payables and notes payable, payables to related parties, negative fair value of interest rate swaps and contribution to social and sports funds. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables and notes receivable, receivables from related parties, loans granted to LNG companies, financial assets at fair value through profit or loss, available for sale financial assets, staff and other receivables and cash and bank balances, which arise directly from its operations.

The main risks arising from the Group's financial instruments are market risk, credit risk and liquidity risk. Market risk is the risk that changes in market prices, such as interest rates, foreign currency exchange rates and equity price will affect the Group's income, equity or the value of its holdings of financial instruments. The management reviews and agrees policies for managing each of these risks which are summarised below.

#### Market risk

##### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's loans and borrowings and short term deposits with floating interest rates.

To manage the risk of changes in floating interest rate on its interest bearing loans, the Group has entered into interest rate swaps as explained in Note 25. Under the swap agreements, the Group will pay an agreed fixed interest rate and receive a floating interest rate.

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

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



**36. FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)****a) Financial risk management (continued)****Market risk (continued)****Interest rate risk (continued)**

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

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

**Currency risk**

Currency risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. Most of the Group's balances are denominated in Qatari Riyals (presentation currency), US Dollars and UAE Dirhams. As the Qatari Riyal is pegged to the US Dollars and UAE Dirhams, the balances in US Dollars and UAE Dirhams are not considered to represent any currency risk to the Group.

**Equity price risk**

The Group's listed and unlisted investments are susceptible to equity price risk arising from uncertainties about future values of the investments. Reports on the equity portfolio are submitted to the management for their review on a regular basis.

At the reporting date, the Group's exposure to listed equity securities at fair value includes both available-for-sale financial assets and financial assets at fair value through profit or loss. An increase or decrease of 5% on the Qatar Exchange (QE) index would have an impact of approximately QR 26 million (2016: QR 24 million) on the consolidated income statement in respect of financial assets at fair value through profit or loss. In respect of available-for-sale financial assets, a decrease of 5% on the QE index would have an impact of approximately QR 154 million (2016: QR 185 million) on the consolidated income statement or consolidated statement of changes in equity, depending on whether or not the decline is significant and prolonged. An increase of 5% in the value of the listed securities would impact equity in a similar amount but will not have an effect on income unless there is an impairment charge associated with it.

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

**36. FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)****a) Financial risk management (continued)****Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's exposure to credit risk is as indicated by the carrying amount of its assets which consist principally of trade and notes receivable, staff and other receivables, receivables from related parties, loans granted to LNG companies, investment in term deposits and bank balances.

The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables. As it deals with credit worthy clients and the dues are collected based on the specified terms in the contracts, the Group's exposure to credit risk is minimal.

With respect to credit risk arising from the other financial assets of the Group, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments are as follows:

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

**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.

**36. FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)****a) Financial risk management (continued)****Liquidity risk (continued)**

	On demand QR'000	Less than 1 year QR'000	1 to 5 years QR'000	Over 5 years QR'000	Total QR'000
<b>2017</b>					
Trade and other payables	-	122,883	-	-	122,883
Contribution to Social and Sport Fund	-	11,746	-	-	11,746
Loans and borrowings	-	1,402,679	2,349,122	1,023,452	4,775,253
Payables to related parties	-	71	-	-	71
Interest rate swaps	-	-	23,565	-	23,565
<b>Total</b>	<b>-</b>	<b>1,537,379</b>	<b>2,372,687</b>	<b>1,023,452</b>	<b>4,933,518</b>
<b>2016</b>					
Trade and other payables	-	170,309	-	-	170,309
Contribution to Social and Sport Fund	-	17,787	-	-	17,787
Loans and borrowings	-	4,129,923	1,683,045	1,511,539	7,324,507
Payables to related parties	-	142	-	-	142
Interest rate swaps	-	-	30,264	-	30,264
<b>Total</b>	<b>-</b>	<b>4,318,161</b>	<b>1,713,309</b>	<b>1,511,539</b>	<b>7,543,009</b>

**b) Capital management**

Management's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

Management seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group target is to achieve a return on equity greater than the weighted average interest expense on interest bearing loans and borrowings.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic and business conditions and equity holders' expectation. To maintain or adjust the capital structure, the Company may adjust the dividend payment to equity holders or increase capital. No changes were made in the objectives, policies or processes during the year end 31 December 2017 and 31 December 2016.

The Group monitors capital using a gearing ratio, which is net debt divided by equity attributable to the equity holders of the Parent.

The gearing ratio as at 31 December is calculated as follows:

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

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

**37. FAIR VALUES OF FINANCIAL INSTRUMENTS**

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

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

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

	Carrying amount		Fair value	
	2017 QR'000	2016 QR'000	2017 QR'000	2016 QR'000
<b>Financial assets at fair value through profit or loss</b>				
Financial assets at fair value through profit or loss	523,208	484,556	523,208	484,556
<b>Financial assets (liabilities) at fair value through other comprehensive income</b>				
Available-for-sale financial assets	3,423,915	4,065,641	3,423,915	4,065,641
Interest rate swaps (cash flow hedge)	(23,565)	(30,264)	(23,565)	(30,264)
	<b>3,400,350</b>	<b>4,035,377</b>	<b>3,400,350</b>	<b>4,035,377</b>

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

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Cash and cash equivalents, investment in term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Fair value of available-for-sale financial assets and financial assets at fair value through profit or loss is derived from quoted market prices in active markets.
- Fair value of unquoted available-for-sale financial assets is estimated using appropriate valuation techniques.
- Loans granted to LNG companies are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. As at 31 December 2017, the carrying amounts of such receivables are not materially different from their calculated fair values.
- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives are valued based on market valuation provided by the respective financial institution.

**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.



**37. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)**

At 31 December the Group held the following financial instruments measured at fair value:

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

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

During the year, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements (2016: None).

**38. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

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

**Judgements**

In the process of applying the Group's accounting policies, management has made the following judgements, which has the most significant effect on the amounts recognised in the consolidated financial statements:

**Operating lease - Group as lessor**

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

**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.

**38. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)****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 Units ("CGUs") include discount rates, operating cash flow, price inflation, expected utilisation and residual values of the assets. The impairment exercise is usually performed at the lowest CGU level, in case of vessels it is performed at the vessel's CGU level.

**Depreciation of property, vessels and equipment and investment property**

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

**Transfer of concession rights**

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

**Classification of investment securities**

On acquisition of an investment security, the Group decides whether it should be classified as "investments at fair value through profit or loss" or "available-for-sale". The Group follows the guidance of IAS 39 on classifying its investments.

**Impairment of available-for-sale equity investments**

The Group treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

**Impairment of receivables**

An estimate of the collectible amount of receivables are made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

**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.

### 38. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

#### Estimates and assumptions (continued)

##### *Fair valuation of investment property*

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

##### *Fair value of unquoted equity investments*

Where the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

##### *Fair value of cash flow hedges*

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

##### *Other provisions and liabilities*

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

##### *Legal proceedings*

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

##### *Going concern*

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

### 39. COMPARATIVE INFORMATION

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