



Annual Report 2014

achieve

GROWTH

The word "GROWTH" is integrated into the image of a large cargo ship sailing on the ocean. The letters of the word are filled with a photograph of the ship's hull and superstructure, which is reflected in the calm blue water below. The ship is moving from left to right, leaving a white wake behind it. The background shows a clear sky and more of the ocean horizon.



ANNUAL REPORT 2014



His Highness
Sheikh Hamad bin Khalifa Al Thani
Father Emir



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

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.





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Chairman's Message



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

Dear Shareholders,

I'm very pleased to present Milaha's 2014 Annual Report to you. Looking back, 2014 was an excellent year for Milaha financially. When we reported our first half results of 2014, our net income was down vs 2013 by 9.7%.

A much stronger second half relative to 2013 drove a full year net profit increase of 10% from QR 950

million in 2013 to QR 1,049 million in 2014, backed by strong performance in our gas and petrochem segment, and gains in our investment portfolio.

Operating revenue for the group increased by 14% from QR 2.30 billion to QR 2.63 billion, spurred on by strong project and trade volume growth in Qatar, improved market rates in the product tanker sector, and organic growth in our harbor marine operations activities.

Net profit for Milaha **Maritime & Logistics**, whose business is largely focused in Qatar and the region, declined by 3% relative to 2013. One-time, non-operational expenses drove much of this decline in net profit. Operationally, our 2 largest units, Container Shipping and Port Services, improved year on year, driven by strong volume growth. The remaining units improved marginally overall.

Milaha's **Gas & Petrochem** segment, consisting of our Qatar Shipping subsidiary, had an extremely strong year overall. VLGC market rates, after a volatile couple of years, hit record highs over the course of the year, significantly boosting the bottom line of our joint venture, Gulf LPG. Also, our product tankers posted much higher profit due to increased rates. In addition, we took delivery of the remainder of 19 harbour operations vessels, and began a 20 year contract with Qatar Petroleum to provide harbour marine operations in Mesaieed Port.

The performance of Milaha's **Offshore** segment, consisting of our Halul Offshore subsidiary, declined significantly year on year. Unexpected vessel off hires drove higher operating expenses without matching revenue increases. We added 6 new vessels to the fleet over the course of 2014 as part of a strategic newbuilding program to expand our presence in this sector. While the weakening oil and gas sector will continue to put pressure on margins in the offshore marine sector, we still anticipate a much stronger 2015 overall for the segment.

Despite significant volatility in the Qatar equities market in 2014, the trading portfolio of Milaha **Capital** strongly outperformed the Qatari equities index to drive a 6% increase in net profits year on year for the segment.

Milaha **Trading's** net profit increased by 68% over 2013 as sales of heavy equipment, such as trucks and cranes, boosted in response to a ramp up in infrastructure project execution in Qatar.

Beyond the Financials

Going beyond our financial results for 2014, Milaha continued its effort to build a stronger and more sustainable foundation for our future. Internally, we strengthened our management team in a number of areas, initiated a stronger training curriculum and enhanced career opportunities for Qatari nationals in the organisation. We have started to see positive results from these changes.

In addition, we moved the group's headquarters from a leased office building to a brand new building developed and owned by Milaha.

Externally, prior to the decline in global oil prices, we actively pursued growth across a number of our core areas, and evaluated several acquisition

opportunities both within and outside the region. However, in light of the volatility in the energy markets, we felt it would be prudent to take a "wait and see" approach. We will continue to stay focused on exploring opportunities for organic and inorganic growth to enable us to achieve our strategy of making Milaha a global player.

Outlook for 2015

The year ahead promises to be extremely challenging. The steep drop in oil prices has created uncertainty and volatility in the global energy markets and has directly impacted many of the economies in our home region. This will naturally have some impact on our business in the short term, and we will accordingly exercise fiscal prudence to ensure as little negative impact as possible.

That said, in the long term, I believe Milaha is in a stronger position relative to many of our peers, and will be able to withstand and overcome the challenges better than many others. In fact, the current environment may well create a number of interesting opportunities for the company to grow.

I remain excited by the prospect of continued success in the coming years.

In conclusion, I want to thank our customers, shareholders, Board of Directors, Executive Management and our dedicated colleagues in the Milaha family who have been instrumental in the progress of the company. I would also like to express my appreciation to His Highness the Emir Sheikh Tamim bin Hamad Al-Thani and to His Highness the Father Emir, Sheikh Hamad bin Khalifa Al-Thani, and the government for their support and guidance.

Ali bin Jassim bin Mohammad Al-Thani
Chairman and Managing Director

BOARD OF DIRECTORS



Sheikh Ali bin Jassim bin Mohammad Al-Thani
Chairman and Managing Director



Sheikh Jassim bin Hamad bin Jassim Al-Thani
Board Member



Ali Ahmad Al-Kuwari
Board Member



Saad Mohammad Al-Romaihi
Board Member



Sheikh Khalid bin Khalifa Al-Thani
Vice Chairman



Hetmi Ali Al-Hetmi
Board Member



Hamad Mohammad Al-Mana
Board Member



Adil Ali Bin Ali
Board Member



Sulaiman Haidar Sulaiman
Board Member



Dr. Mazen Jassim Jaidah
Board Member



Ali Hussain Al-Sada
Board Member

BOARD OF DIRECTORS' REPORT

1. Milaha Maritime & Logistics

Milaha Maritime & Logistics (MM&L) focuses primarily on Qatar and the Arabian Gulf region. MM&L has evolved out of the legacy Qatar Navigation operations which began over half a century ago. The business pursues a diverse set of activities across the supply chain, from container feeding, to port management, to warehousing. The individual business units within MM&L endeavour to coordinate their activities to deliver tailored one-stop solutions across the supply chain.

The segment's revenues increased by 11% driven by increases in TEU volumes at Doha Port, import volumes in Container Shipping, and in Bulk Shipping chartering activities, partially offset by weaker Logistics performance.

Despite posting higher revenues as compared to 2013, net profit decreased by 3% overall, with higher vessel impairments and lower gains on sales of assets relative to 2013 negatively impacting profit.

A. Container Shipping

Milaha's Container Shipping unit operates in the Arabian Gulf with a fleet of 8 fully cellular containerized vessels and 2 pairs of tugs and barges. The feeder service has a dominant position in the UAE-Doha-UAE container trade, and also operates a feeder service between ports within the UAE.

After a weaker performance in the first half of 2014 due to unexpected petrochemical plant shutdowns in Mesaieed, the unit recovered to achieve a 9% revenue and 6% net profit increase compared to 2013.

In terms of volumes, the unit handled a total of 467,611 TEUs in 2014, an increase of 5% from 2013. However, the unit faced a 19% decrease in the Mesaieed-UAE service volumes due to unexpected

petrochemical production and export disruptions in Mesaieed, which was offset by a 24% increase in the Doha-UAE-Doha service and a 10% increase in the Intra Gulf Coastal Service.

The unit took several strides in 2014 toward building a stronger, more sustainable future:

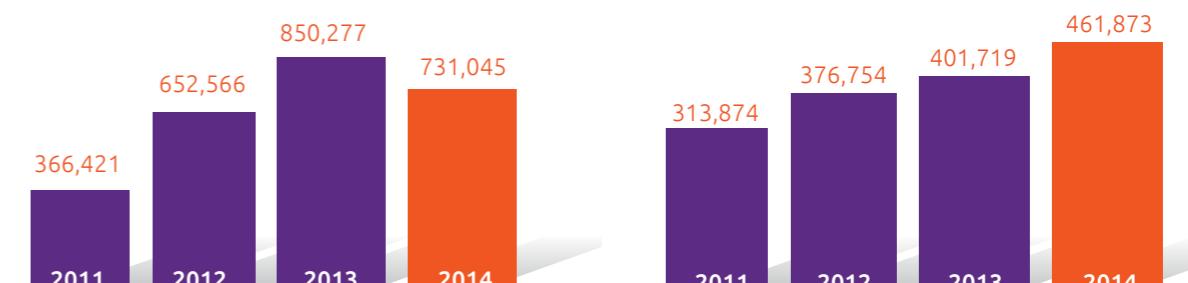
- Signed a two-year contract with Muntajat to carry all containerized export volumes from Qatar up to the United Arab Emirates
- Captured over 90% of the feeder market between UAE and Qatar, and over 60% of the overall traffic between Qatar and UAE
- Started an exercise to upsize tonnage, which resulted in a reduction of the average network slot cost. The exercise will continue in 2015 to ensure a more competitive offering and retention of market share
- Signed multiple contractual agreements with the main container lines that were operating their own feeder services to Doha, resulting in less competition and a larger market share

B. Port Services

Milaha's Port Services business unit manages Doha Port, the main commercial port in Qatar, on behalf of Qatar Ports Management Company (Mwani). In addition, it manages Container Terminal 7 at Mesaieed Port on behalf of Qatar Petroleum, and provides cargo handling and stevedoring services for the general cargo berth.

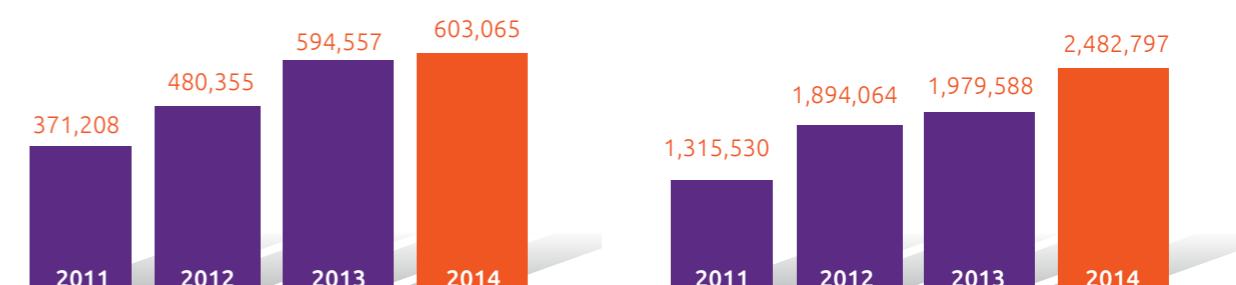
The overall result for Port Services was positive compared to 2013, with the unit showing a 14% increase in revenues driven by increased volumes across the board. General cargo volumes increased by 70% while container TEU throughput increased by 15% and livestock cargo increased by 1% year-on-year.

DOHA PORT STATISTICS

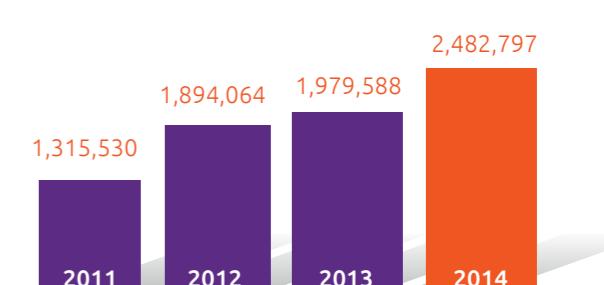


Bulk/Break Bulk/General Cargo (Freight Tonnes)

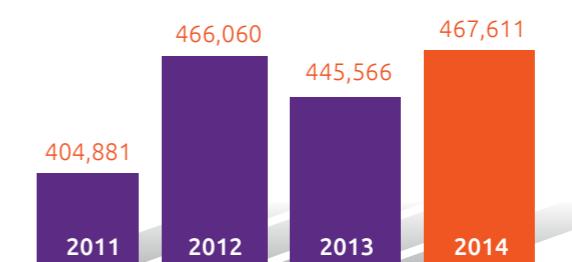
Containers (TEUs)



Livestock (Heads)



Car Carrier (Freight Tonnes)



Container Volume Handled (TEUs)



In addition, the unit signed two new long-term contracts at Mesaieed - a three-year billet contract award with Qatar Steel, and a five-year contract with Qatar Vinyl Company for hatch cleaning and equipment supply.

These gains were offset by additional operational costs caused by fuel price increases, personnel costs during the first half of 2014, and further optimisation of Doha Port to increase throughput capacity to 720,000 TEUs.

The unit made significant gains in productivity as part of an ongoing effort to build world class port operations capabilities:

- Significantly reduced Lost-Time Accidents (LTAs) by 87% as a result of the successful implementation of rigorous workplace safety programs. LTAs are now at an all-time low.
- Reduced stevedore damages and vehicle accidents at Doha Port and Container Terminal 7 (CT7) in Mesaieed.
- Improved average crane productivity at Doha Port by 2 moves per hour (mph).
- In line with the group's Qatarisation efforts and plans to attract more Qataris to the industry, the unit achieved another milestone by graduating three students with majors in port management, maritime shipping and transportation, and business administration from Oman's International Maritime College and Stenden University in Qatar.

The Port Services unit submitted its bid for the management of the new port, and is currently awaiting the result of the tender, which is expected to be announced in 2015.

C. Logistics

Milaha's Logistics business unit provides freight forwarding services (air, sea and land), land transportation, project and contract logistics, warehousing and distribution services. It also provides integrated logistics solutions to customers through an international freight forwarding network.

The Logistics unit had a weak start in 2014 but gradually recovered through Q3 and Q4. The weaker performance was due to a combination of several factors - weakness in the Jebel Ali warehousing market, increased competition, delays in project awards, and completion of two key project logistics contracts.

The land transport activities were restructured over the course of 2014 to return to profitability after a weak 2013. To build a stronger business for the future, the Logistics unit is seeking to develop additional warehouse facilities in Dubai and is

continuing the development of the first phase of warehouses in Doha, which are scheduled to be operational in 2017.

D. Shipping Agencies

The Shipping Agencies unit acts as an agent on behalf of vessels calling Qatari ports. The agency's activities include arranging berthing, un-berthing, loading and discharging activities, in addition to all port, customs and immigration clearance activities. The agency also provides shipping lines with non-cargo related services such provisioning, and handling crew formalities and requirements, including crew sign-on and sign-off, entry passes, transportation arrangements, accommodation and medical assistance.

Despite increased competition from freight forwarders and other shipping agencies, the unit's revenues saw a growth of 10% relative to 2013 mainly due to an increase in project and containerized cargoes. The unit saw a 24% increase in aggregate/cement cargo vessels, 23% increase in RORO cargo vessels, and a 46% increase in the number of full import containers handled.

The unit held a market share of 57% of all vessels calling Qatar during 2014, a slight decline relative to 2013.

In 2014, the Shipping Agencies unit acquired the agency for the steel billet shipments of Qatar Steel Company and for a cruise vessel which is scheduled to arrive in Q1 2015.

E. Bulk Shipping

The Bulk Shipping business unit specializes in project and dry freight transportation with the Arabian Gulf, through both owned and chartered tonnage. The unit owns and operates one supramax bulker, Qatar Spirit, and charters others either on a voyage or time charter basis.

Despite a breakdown of the Qatar Spirit in 2014, the Bulk Shipping unit increased its revenues by 52%, driven by increased chartering activities. The company took a QR 9.8 million vessel impairment charge in 2014 for the Qatar Spirit.

F. Shipyard

Milaha's Shipyard unit performs drydocking, maintenance and repair services for commercial and private vessels in the region. The unit targets offshore support vessels, self-elevating barges and rigs, and general cargo vessels of 25,000 DWT or less. In addition, the unit also undertakes non-marine fabrication, mechanical and electrical works, and metal machining works.

The Shipyard unit performed marginally better than 2013 despite a reduction in the volume of docking repairs and fierce market competition, particularly from UAE-based yards which have access to

specialists and original equipment manufacturers (OEMs) locally.

During the year a total of 103 vessels were drydocked and repaired, including 20 Milaha vessels, 43 Qatari vessels, 18 foreign-flagged vessels, and 22 yachts and dhows. A total of 308 afloat repair orders were also completed in 2014 on 153 vessels. The dry berth facilities had an occupancy rate of 80%, while the floating docks had an occupancy level of 78% for the year.

To overcome some of the challenges, the unit undertook aggressive marketing efforts to target major shipping companies, improved productivity at the yard, and maintained strong focus on non-marine-related fabrication services.

The unit is also tying up with major OEMs to set up shop in Qatar and perform fabrication services for major Qatari industrial companies in Mesaieed and Ras Laffan, while at the same time increasing work with the Qatari Navy and the Ministry of Interior.

2. Milaha Gas & Petrochem / Qatar Shipping

Qatar Shipping (QShip) fully owns and operates a fleet of 5 tankers and 2 gas carriers. In addition, the unit also owns partial stakes ranging from 25 – 40% in 9 LNG carriers, and is the largest shareholder in Qatar Gas Transport Co. (Nakilat). QShip also owns a 50% stake in Gulf LPG, which owns and operates 4 Very Large Gas Carriers (VLGCs). The unit also owns and operates harbour and marine service vessels at Mesaieed Port on behalf of Qatar Petroleum.

The segment showed an increase in revenue of almost 50% and an increase in net profit of 58% relative to 2013, on the back of strong VLGC and tanker rates.

Despite a sluggish start at the beginning of the year, VLGC rates soared to record highs in 2014 and remained strong throughout the year. As a result, QShip's share in Gulf LPG delivered a several fold increase in profit relative to 2013. The rates were driven by emerging US exports during the year.

QShip's LNG JVs generated marginally less profit in 2014, mainly due to refinancing costs and drydocking. In addition, LNG carriers faced increased regulatory requirements by major oil companies, which led to higher operating expenses borne mostly by ship owners.

The decrease in oil prices in 2014 led to a substantial increase in tanker rates, particularly during the last quarter of 2014. Very Large Crude Carriers (VLCCs) saw increased demand both for purposes of storage due to the oil market contango as well as for building up strategic reserves in China and other countries.

One of Qship's 2 fully owned and operated gas carriers completed a 10-year charter, and was



renewed after an international tender for a new multi-year contract, a recognition of the quality of the service provided by Milaha at competitive terms.

Over the course of 2014, QShip took delivery of the remainder of its order of 19 harbour and marine services vessels from NDSQ, and began a 20-year, QR 1.9 billion contract with Qatar Petroleum to provide harbour marine services at Mesaieed Port.

In addition, QShip deployed harbour tugs at Ras Laffan port, the world's premier LNG terminal, for the first time. Milaha now provides harbour marine services at all the main ports and terminals in Qatar.

In line with the group's mission to preserve the environment, all of QShip's tankers were made compliant with Emission Control Areas (ECA) standards. Additionally, energy-saving equipment, such as the MEWIS duct and Alpha lubricators, were fitted on the gas carriers during their scheduled drydocking to cut down fuel and lube oil consumption. This led to savings of 5% on fuel and 20% on cylinder lube oil. The MARORKA system was also installed on the vessels which will help in future hull performance evaluation.

3. Milaha Offshore / Halul Offshore Services Co.

Halul Offshore owns and operates a fleet of 40 vessels in Qatar and Saudi Arabia, servicing the offshore oil and gas sector. The diverse fleet includes safety standby vessels, anchor handlers, diving, construction and wireline support vessels, among others. The unit also provides value-added diving and construction services.

2014 was an extremely challenging year for Halul as it was adversely impacted by unforeseen breakdowns of older vessels, increased competition in the region, and a weakening oil and gas sector. In addition, Halul also took an impairment of QR 19.8 million on a saturation diving system that was procured several years ago. This led to a 1% decline in revenues and a 46% decline in net profit relative to 2013.

Despite these challenges, Halul maintained its strong market share in Qatar and initiated an expansion into the UAE market with Halul 51 now working with one of the major operators in the UAE.

Additionally, Halul 26 & 27 commenced a new 6-month contract with JX Nippon Oil and Gas Exploration (Qatar) Ltd in August 2014, while Halul 50 secured a long-term contract with Shell as a DP2 Vessel for accommodation support duties. Last but not least, Halul's newbuild DP2 PSV, Halul 44, also secured a contract with RasGas. In total, Halul mobilized vessels for 22 new contracts with different clients.

An oversupplied OSV market in the Middle East continued to push back the utilization of vessels, however, Halul was successful in achieving a high utilisation for its spot fleet, particularly in the 4th quarter of the year.

In 2014, Halul took delivery of six new-built vessels – Shaddad, H62, H42, H43, H52 and H53 – with the last two securing a contract worth more than QR 200 million. Halul's flagship vessel, Shaddad, faced delays in deployment due to some required modifications, however, it is now in service on a five year contract with Qatar Petroleum. As part of its investment in technologically-advanced vessels, Halul's fleet now has its first Diesel Electric Vessel with additional fuel-efficient and environment-friendly vessels under construction.

Beyond traditional offshore support vessels (OSVs), Halul initiated a new joint venture, in which it holds a majority stake, to build and operate Self Elevated Support Vessels (SESVs) or liftboats. As an initial investment, Halul placed an order for 2 liftboats, which are due for delivery in late 2015.

On the work safety front, Halul's diving unit finished the year without any Lost Time Injury (LTI) incidents due to the continued high emphasis on safety. All company employees are now involved in highlighting incidents, accidents, and near misses, thus becoming an invaluable source of information on where improvements need to be made. Halul also began a detailed trend analysis of all incidents, accidents and near misses throughout 2014 to identify and address any operational gaps through additional training.

In line with its commitment to providing high-quality services to customers, Halul attained triple ISO accreditation and became the first Qatari company to be awarded ISO 29001 certification, showing a clear commitment to and investment in ensuring a quality product and service to its clients.

Halul also commenced joint safety-improvement initiatives with various clients, which will enable harmonious operations and increase awareness of changes and adaptations required to meet industry changes in HSE.

Vessel Type	Current	2015 Planned Additions
Safety Standby Vessels	7	-
Anchor Handling Tug Supply (Non-DP and DP1)	10	-
Platform Supply Vessels	4	3
Wireline Support Vessels	3	-
Construction Vessels	7	-
Anchor Handling Tug Supply (DP2)	4	2
Diving Vessels	5	-
Jack up Accommodation Barge	0	1

4. Milaha Capital

Milaha Capital is the investments arm of the group, and consists of both financial and real estate investments. The segment was created to allow specific focus on investment activities outside Milaha's core maritime-based businesses.

The segment witnessed an increase in operating revenue of just over 3%, spread across both real estate and financial investments, and an increase in net profit of 5.8% relative to 2013.

Despite market volatility, Milaha Capital's Held-for-Trading portfolio registered a return of 32.6% (based on the Modified Dietz methodology), outperforming the Qatar Exchange index by 14.3%, an all-time record. The performance resulted from pursuing a prudent investment strategy that sought to limit volatility risk while optimising returns.

Milaha Capital's real estate portfolio achieved a revenue growth rate of 3% compared to 2013 with the completion of the Ain Khaled Commercial Project. Milaha relocated its corporate headquarters from a leased building to the Ain Khaled Commercial Project in Q4 2014.

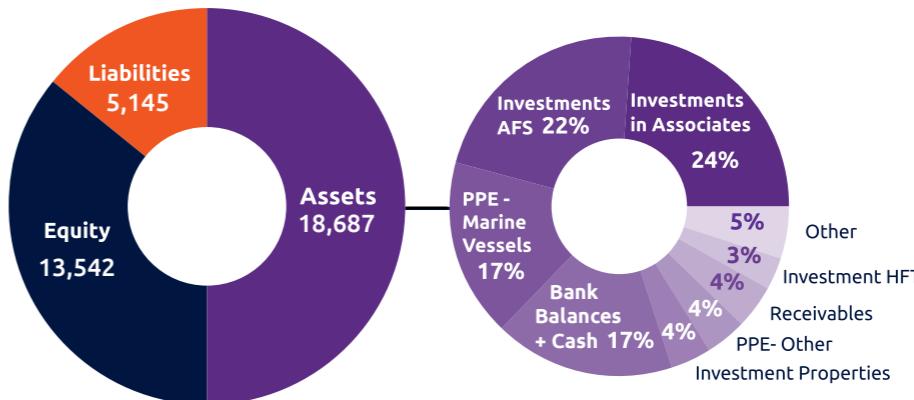
5. Milaha Trading

Milaha Trading focuses on commercial agency activities and is comprised of four separate businesses: Navigation Trading Agencies (NTA), which is the exclusive agent in Qatar for international brands for trucks and heavy equipment; Navigation Marine Service Centre (NMSC), which is the sole distributor of several international brands of marine lubricants and chemicals; Navigation Travel & Tourism (NTT), one of the first travel agents in Qatar, and an IATA-approved agent providing a full range of travel services, and Bunker Sales.

Milaha Trading's results improved strongly relative to 2013, showing 41% growth in revenue and 68% growth in net profit. The results were attributable mainly to strong heavy equipment and bunker sales against the backdrop of a strong ramp up in infrastructure projects in Qatar.

Additionally, NTA received several awards from Hino due to distinguished performance while NTT launched three new outlets in Qatar aimed at corporate clients, with another outlet planned for 2015 to ensure wider coverage of the Qatari market.

Balance Sheet



LONG TERM DEBT TO EQUITY
22.4%

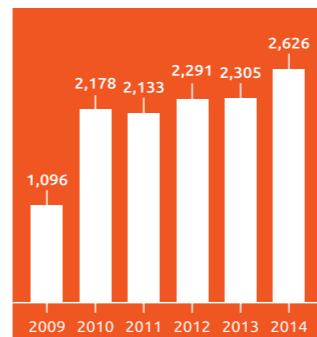
RETURN ON EQUITY
8.0%

RETURN ON ASSETS
6.1%

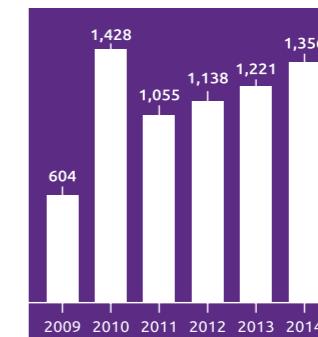
CURRENT RATIO
2.5

Financial Highlights

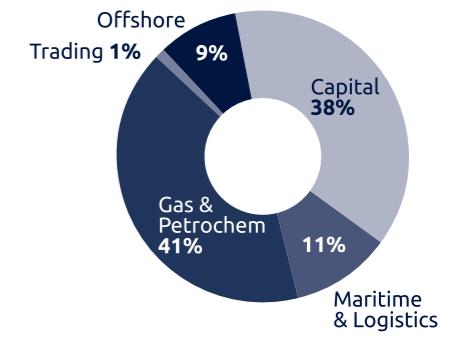
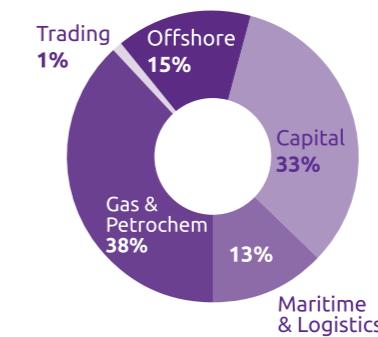
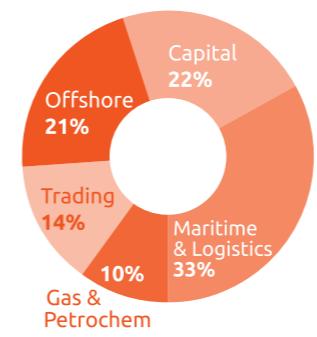
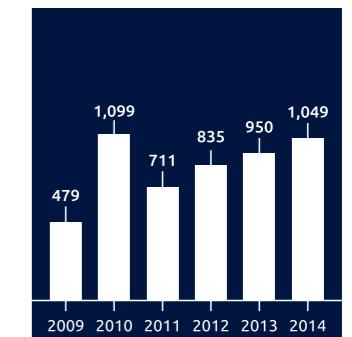
Operating Revenues (QR mn)



EBITDA (QR mn)



Net Profit (QR mn)



CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2014

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF QATAR NAVIGATION Q.S.C.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Qatar Navigation Q.S.C. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Legal and Other Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Company, an inventory count has been conducted in accordance with established principles and the consolidated financial statements comply with the Qatar Commercial Companies' Law No. 5 of 2002 and the Company's Articles of Association. We further confirm that the financial information included in the Annual Report of the Board of Directors is in agreement with the books and records of the Group. We have obtained all the information and explanations we required for the purpose of our audit, and are not aware of any violations of the above mentioned law or the Articles of Association having occurred during the year, which might have had a material effect on the business of the Company or on its financial position.

Firas Qoussous
of Ernst & Young
Auditor's Registration No. 236

Date: 24 February 2015

Doha

Consolidated Income Statement

For the year ended 31 December 2014

	Notes	2014 QR'000	2013 QR'000
Operating revenues	4	2,625,875	2,304,744
Salaries, wages and other benefits		(634,091)	(615,064)
Operating supplies and expenses		(845,487)	(625,753)
Rent expenses		(61,477)	(56,533)
Depreciation and amortisation		(264,444)	(229,259)
Impairment of vessels and equipment		(36,214)	(7,900)
Other operating expenses	5	(135,972)	(126,172)
OPERATING PROFIT		648,190	644,063
Finance costs		(42,474)	(41,576)
Finance income		60,495	67,620
Gain on disposal of property, vessels and equipment		181	13,886
Share of results of joint ventures	12	60,860	7,940
Share of results of associates	13	280,864	242,297
Net gain (loss) on foreign exchange		2,744	(1,148)
Miscellaneous income	6	40,227	14,975
PROFIT FOR THE YEAR		1,051,087	948,057
Attributable to:			
Equity holders of the parent		1,049,193	949,793
Non-controlling interest		1,894	(1,736)
		1,051,087	948,057
BASIC AND DILUTED EARNINGS PER SHARE			
(attributable to equity holders of the parent expressed in QR per share)	7	9.23	8.36

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	Note	2014 QR'000	2013 QR'000
Profit for the year		1,051,087	948,057
Items to be reclassified to profit or loss in subsequent periods			
Net movement in hedging reserve	8	(212,410)	724,465
Net gain on available-for-sale investments	8	655,931	715,584
Other comprehensive income for the year		443,521	1,440,049
Total comprehensive income for the year		1,494,608	2,388,106
Attributable to: Equity holders of the parent		1,492,607	2,389,600
Non-controlling interest		2,001	(1,494)
		1,494,608	2,388,106

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

Consolidated Statement of Financial Position

As at 31 December 2014

	Notes	2014 QR'000	2013 QR'000
ASSETS			
Non-current assets			
Property, vessels and equipment	9	3,896,996	3,281,643
Investment properties	10	791,062	765,372
Intangible assets	11	87,073	55,298
Investment in joint ventures	12	205,248	143,113
Investment in associates	13	4,396,173	4,540,060
Available-for-sale investments	14	4,197,562	3,538,850
Loans to LNG and LPG companies	15	425,317	534,932
Notes receivable		17,562	2,847
		14,016,993	12,862,115
Current assets			
Inventories	16	205,401	160,144
Accounts receivable and prepayments	17	710,852	589,543
Financial assets at fair value through profit or loss	18	624,081	580,222
Bank balances and cash	19	3,129,219	1,458,020
		4,669,553	2,787,929
		18,686,546	15,650,044
TOTAL ASSETS			
EQUITY AND LIABILITIES			
Attributable to equity holders of the parent			
Share capital	20	1,145,252	1,145,252
Treasury shares	21	(73,516)	(73,516)
Legal reserve	22	4,693,986	4,693,986
General reserve	23	623,542	623,542
Fair value reserve		4,230,860	3,575,036
Hedging reserve		(423,169)	(210,759)
Retained earnings		3,287,565	2,832,684
		13,484,520	12,586,225
Non-controlling interest		57,975	55,974
Total equity		13,542,495	12,642,199

Consolidated Statement of Financial Position (Continued)

As at 31 December 2014

	Notes	2014 QR'000	2013 QR'000
Non-current liabilities			
Interest bearing loans and borrowings			
	26	3,027,527	1,408,491
Advance from a customer	27	177,128	187,497
Employees' end of service benefits	28	87,647	83,865
		3,292,302	1,679,853
Current liabilities			
Accounts payable and accruals	30	414,566	469,368
Interest bearing loans and borrowings	26	1,437,168	767,323
Obligation under finance leases	29	-	291
Bank overdrafts	19	15	91,010
		1,851,749	1,327,992
Total liabilities		5,144,051	3,007,845
TOTAL EQUITY AND LIABILITIES		18,686,546	15,650,044

Ali bin Jassim bin Mohammed Al-Thani
Chairman and Managing Director

Khaled bin Khalifa Al-Thani
Vice Chairman

Khalifa bin Ali Al-Hetmi
President and Chief Executive Officer

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Notes	2014 QR'000	2013 QR'000
OPERATING ACTIVITIES			
Profit for the year		1,051,087	948,057
Adjustments to reconcile profit to net cash flows:			
Depreciation and amortisation		264,444	229,259
Finance costs		42,474	41,576
Gain on disposal of property, vessels and equipment		(181)	(13,886)
Share of results of joint ventures	12	(60,860)	(7,940)
Share of results of associates	13	(280,864)	(242,297)
Provision for employees' end of service benefits	28	24,323	23,064
Finance income		(60,495)	(67,620)
Dividend income	4	(161,175)	(148,228)
Net fair value gain on financial assets at fair value through profit or loss	4	(128,308)	(114,726)
Allowance for impairment of trade receivables	17	2,813	2,454
Provision for slow moving and obsolete inventory	16	303	412
Allowance for impairment loss on vessels and equipment		36,214	7,900
Loss on partial disposal of investment in an associate		-	2,258
Profit on disposal of investments		(22,397)	(41,070)
Operating profit before working capital changes		707,378	619,213
Working capital changes:			
Inventories		(45,560)	1,536
Receivables		(138,837)	(16,764)
Payables		(83,805)	(20,119)
Cash flows from operating activities		439,176	583,866
Finance costs paid		(42,474)	(41,576)
Employees' end of service benefits paid	28	(14,233)	(6,998)
Transfer to pension fund	28	(6,477)	(4,661)
Net cash flows from operating activities		375,992	530,631

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2014

	Notes	2014 QR'000	2013 QR'000
INVESTING ACTIVITIES			
Purchase of property, vessels and equipment	9	(769,102)	(402,730)
Dividend income		161,175	148,228
Finance income		60,495	67,620
Proceeds from disposal of property, vessels and equipment		13,049	23,053
Purchases of investment properties	10	(157,804)	(118,069)
Additions to dry docking costs	11	(59,438)	(45,634)
Net movement in loans to LNG and LPG companies		109,615	309,866
Purchase of investment securities		(137,692)	(207,982)
Proceeds from disposal of available-for-sale investments		1,820	51,469
Proceeds from disposal of financial assets at fair value through profit or loss		245,248	172,575
Dividends received from associates	13	199,603	174,123
Proceeds from partial disposal of investment in an associate		-	13,164
Net movement in joint ventures	12	(1,275)	-
Net cash flows (used in) from investing activities		(334,306)	185,683
FINANCING ACTIVITIES			
Dividends paid	25	(568,082)	(429,469)
Purchase of treasury shares	21	-	(73,516)
Net movement in interest bearing loans and borrowings		2,288,881	(394,906)
Net movement in obligation under finance lease		(291)	(3,089)
Net movement in term deposits maturing after 90 days	19	(1,686,368)	76,703
Net cash flows from (used in) financing activities		34,140	(824,277)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		75,826	(107,963)
Cash and cash equivalents at 1 January		672,930	780,893
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	19	748,756	672,930

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

Attributable to the equity holders of the Parent

	Share Capital QR'000	Treasury shares QR'000	Legal reserve QR'000	General reserve QR'000	Fair value reserve QR'000	Hedging reserve QR'000	Retained earnings QR'000	Total QR'000	Non-controlling interest QR'000	Total QR'000
1,145,252	-	4,693,986	623,542	2,859,694	(935,224)	2,336,105	10,723,355	57,468	10,780,823	
Balance at 1 January 2013										
Profit for the year	-	-	-	-	-	949,793	949,793	(1,736)	948,057	
Other comprehensive income	-	-	-	-	715,342	724,465	-	1,439,807	242	1,440,049
Total comprehensive income	-	-	-	-	715,342	724,465	949,793	2,389,600	(1,494)	2,388,106
Acquisition of treasury shares (Note 21)	-	(73,516)	-	-	-	-	-	(73,516)	-	(73,516)
Dividends paid (Note 25)	-	-	-	-	-	-	(429,469)	(429,469)	-	(429,469)
Contribution to social and sports fund (Note 31)	-	-	-	-	-	-	(23,745)	(23,745)	-	(23,745)
Balance at 31 December 2013	1,145,252	(73,516)	4,693,986	623,542	3,575,036	(210,759)	2,832,684	12,586,225	55,974	12,642,199
Profit for the year	-	-	-	-	-	-	1,049,193	1,049,193	1,894	1,051,087
Other comprehensive income (loss)	-	-	-	-	655,824	(212,410)	-	443,414	107	443,521
Total comprehensive income	-	-	-	-	655,824	(212,410)	1,049,193	1,492,607	2,001	1,494,608
Dividends paid (Note 25)	-	-	-	-	-	-	(568,082)	(568,082)	-	(568,082)
Contribution to social and sports fund (Note 31)	-	-	-	-	-	-	(26,230)	(26,230)	-	(26,230)
Balance at 31 December 2014	1,145,252	(73,516)	4,693,986	623,542	4,230,860	(423,169)	3,287,565	13,484,520	57,975	13,542,495

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

1. CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

Qatar Navigation Q.S.C. (the "Company") or (the "Parent") was incorporated on 5 July 1957 as a Qatari Shareholding Company. The registered office of the Company is located in Doha, State of Qatar. The shares of the Company are publicly traded at Qatar Exchange. The Parent company along with its subsidiaries is engaged primarily in marine transport, acting as agent to foreign shipping lines, offshore services, sale of heavy vehicles, ship repair, fabrication and installation of offshore structures, land transport, chartering of vessels, real estate, investments in listed and unlisted securities, trading of aggregates, building materials and the operation of a travel agency. The Company has a branch in Dubai, United Arab Emirates.

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (together the "Group") as at and for the year ended 31 December 2014.

The consolidated financial statements of the Group were authorised for issue by the Board of Directors on 24 February 2015.

2. BASIS OF PREPARATION AND CONSOLIDATION

2.1. Basis of preparation

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

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.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board (IASB) and applicable requirements of Qatar Commercial Companies' Law No. 5 of 2002.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and judgements. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to consolidated financial statements are disclosed in note 38.

2.2. Basis of consolidation

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

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

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

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of 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 of the Group and to the non-controlling interests, even if this results in the non-controlling interests

2. BASIS OF PREPARATION AND CONSOLIDATION (CONTINUED)

having a deficit balance. These consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into 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
- 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.

The Group's subsidiaries and the shareholding in subsidiaries are as follows:

Names of the subsidiaries	Country of Incorporation	Nature of business	Ownership percentage	
			31 December 2014	31 December 2013
Qatar Shipping Company S.P.C.	Qatar	Chartering of vessels and maritime services	100%	100%
Halul Offshore Services W.L.L.	Qatar	Chartering of vessels offshore services	100%	100%
Qatar Quarries and Building Materials Company Q.P.S.C. (i)	Qatar	Trading in building materials	50%	50%
Gulf Shipping Investment Company W.L.L.	Qatar	Cargo handling	100%	100%
Qatar Shipping Company (India) Private Limited	India	Own, Hire, Purchase, Sale, Operate and manage all types of ships	100%	100%
Ocean Marine Services W.L.L.	Qatar	Cargo handling, offshore support services,	100%	100%
Halul United Business Services L.L.C.	Saudi	Offshore services	100%	100%
Milaha Trading Company W.L.L.	Qatar	Trading in industrial materials	100%	100%
Navigation Travel & Tourism S.P.C.	Qatar	Travel agency	100%	100%
Navigation Trading Agencies S.P.C.	Qatar	Trading in heavy equipment	100%	100%
Navigation Marine Service Center S.P.C.	Qatar	Marine services	100%	100%

2. BASIS OF PREPARATION AND CONSOLIDATION (CONTINUED)

Names of the subsidiaries	Country of Incorporation	Nature of business	Ownership percentage	
			31 December 2014	31 December 2013
Milaha Capital W.L.L.	Qatar	Investments	100%	100%
Milaha Real Estate services S.P.C.	Qatar	Real estate maintenance	100%	100%
Milaha Maritime and Logistics Integrated W.L.L.	Qatar	Maritime and logistic services	100%	100%
Milaha Real Estate investment S.P.C.	Qatar	Real estate maintenance	100%	-
Milaha for Petroleum and Chemical Products W.L.L.	Qatar	Trading in Petroleum and chemical related materials	100%	-
Milaha Ras Laffan (QS) Verwaltungs GMBH	Germany	Managing the business activities of KG companies	100%	-
Milaha Qatar Verwaltungs GMBH	Germany	Managing the business activities of KG companies	100%	-

- (i) The Group's exercises control over the financial and operating policies of Qatar Quarries Building Materials Company Q.P.S.C based on the control exercised over the Board of Directors and the Management.

The parent's ownership percentages of the above subsidiaries are the same as group effective ownership percentages except for the following:

Names of the subsidiaries	Parent ownership percentage	
	31 December 2014	31 December 2013
Halul United Business Services 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 Maritime and Logistics Integrated W.L.L.	99.5%	99.5%

All subsidiaries undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held. The parent company further does not have any shareholdings of the preferences shares of subsidiary undertakings included in the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013, except for the adoption of the new standards and interpretations effective as of 1 January 2014 as noted below:

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements and must be applied retrospectively,

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policies and disclosures

subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Group, since none of the entities in the Group has any offsetting arrangements.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Group as the Group has not novated its derivatives during the current or prior periods.

IFRIC 21 Levies

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group as it has applied the recognition principles under IAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with the requirements of IFRIC 21 in prior years.

Annual Improvements 2010-2012 Cycle

In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 Fair Value Measurement. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Group.

Annual Improvements 2011-2013 Cycle

In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 has no impact on the Group, since the Group is an existing IFRS preparer.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards	Contents	Effective dates
IAS 19	Defined Benefit Plans: Employee Contributions (Amendments)	1 July 2014
IAS 27	Equity Method in Separate Financial Statements (Amendments)	1 January 2016
IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments)	1 January 2016
IAS 16 and IAS 41 Agriculture	Bearer Plants (Amendments)	1 January 2016
IFRS 9	Financial instruments	1 January 2018
IFRS 11	Joint Arrangements: Accounting for Acquisitions of Interests (Amendments)	1 January 2016
IFRS 14	Regulatory deferral accounts	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2017
	Annual improvements 2010 – 2012 cycle	1 July 2014
	Annual improvements 2011 – 2013 cycle	1 July 2014

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 of refers on 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 right to receive the income is established.

Dividend income:

Dividend income is accounted for on an accrual basis when 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Group as a lessee

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

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

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

Group as a lessor

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

Property, vessels and equipment

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

Depreciation is provided on a straight-line basis on all property, vessels and equipment, except for freehold land, which is determined to have an indefinite life. 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 upon the following estimated useful lives of the depreciable assets are as follows:

Buildings	25 years
New vessels	25 years
Used vessels	3-25 years
Barges and containers	10 -20 years
Machinery, equipment and tools	4 -7 years
Furniture and fittings	3-5 years
Motor vehicles	3-7 years

The carrying values of property, vessels and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Expenditure incurred to replace a component of an item of property, vessels and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, vessels and equipment. All other expenditure is recognised in the consolidated income statement as the expense is incurred.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

manner intended by management. The costs of capital work-in-progress will be transferred to property, vessel and equipment when these assets reach their working condition for their intended use. The carrying values of capital work-in-progress are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

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.

Investment properties

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

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

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

The carrying values of investment properties are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

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

Intangible assets

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

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

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the 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.

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.

Deep sea transportation charter-out contracts and offshore contracts that have definite useful lives ranging between 2 – 3 years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred dry docking costs and special survey

Dry docking costs incurred on vessels are deferred and are amortised over a period of 30 months and special survey over a period of 60 months.

Investment in associates and joint ventures

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

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

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

The Group's investments in its associate and joint venture 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 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 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 income statement.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or 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.

Investment securities

The Group maintains two separate investment portfolios, as follows:

- Financial investments at fair value through profit or loss
- Available-for-sale investments

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial investments at fair value through profit or loss:

Financial investments at fair value through profit or loss include investments held for trading are carried in the consolidated statement of financial position at fair value with net changes in fair value presented in the consolidated income statement.

Investments are classified as trading investments if they are acquired for the purpose of selling in the near term.

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

Available-for-sale investments:

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

After initial measurement, available-for-sale financial investments 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 investments 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, the related fair value carrying amount at the date of reclassification becomes its 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 to LNG and LPG companies

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

Impairment and un-collectability of financial assets

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

- (a) For assets carried at fair value, impairment is the difference between cost and fair value;
- (b) For assets carried at cost, impairment is the difference between cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- (c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets and liabilities

a) 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.

b) 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 accounts receivable

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

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

Cash and cash equivalents

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

Impairment of non-financial assets

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

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

Accounts payable and accruals

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest bearing loans and borrowings

Interest bearing loans and borrowings are recognised initially at fair value of the amount borrowed, less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are 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 cost and other costs that the Group incurs in connection with the borrowing of funds. The Group capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. A qualifying asset for finance cost capitalisation is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. The Group recognises other borrowing costs as an expense in the period incurred.

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

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

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

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

The amount of borrowing costs that the Group capitalises during the period is not to 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation

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

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

- (a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that financial position;
- (b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (c) all resulting exchange differences are recognised in other comprehensive income.

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

Derivative financial instruments and hedging

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

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

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 Company formally designates and documents the hedge relationship to which the Company 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 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 income statement as other operating expenses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Earnings per share

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

Segment reporting

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

Current versus non-current classification

The Group presents assets and liabilities based on current/non-current classification. An asset as 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

Share capital

Ordinary shares

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

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

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

4. OPERATING REVENUES

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

	2014 QR'000	2013 QR'000
Milaha Capital	610,668	591,323
Milaha Maritime and Logistics	787,989	703,676
Milaha Offshore	587,370	595,084
Milaha Trading	372,215	235,865
Milaha Gas and Petrochem	267,633	178,796
	2,625,875	2,304,744

Revenues of Milaha capital comprise of the following:

	2014	2013
Rental income	166,656	161,911
Dividend income	161,175	148,228
Revenue of Qatar Quarries and Building Material Company W.L.L.	132,132	125,388
Net fair value gain on financial investments at fair value through profit or loss	128,308	114,726
Profit on disposal of investments at fair value through profit or loss	21,491	10,764
Profit on disposal of available-for-sale investments	906	30,306
	610,668	591,323

5. OTHER OPERATING EXPENSES

	2014 QR'000	2013 QR'000
Claims and insurance	30,275	28,797
Registration, certifications and formalities	19,059	15,263
Communication and utilities	18,930	16,166
Professional fees	12,146	6,522
Office supplies and expenses	15,101	22,223
Travel and entertainment	8,553	7,593
Security and safety	7,655	5,560
Marketing, sponsorship and gifts	3,791	6,170
Allowance for impairment of receivable (Note 17)	2,813	2,454
Provision for inventories (Note 16)	303	412
Miscellaneous expenses	17,346	15,012
	135,972	126,172

6. MISCELLANEOUS INCOME

	2014 QR'000	2013 QR'000
Other income	40,227	14,975

This is mainly relating to the offshore and the petrochemical segment. Offshore segment represents QR 23 million, which includes charges with respect to liquidated damages (towards loss of revenues) amounting to QR 15,863,244 to the ship builders for the current financial year and a recovery of liquidated damages from a customer amounting to QR 7,939,365.

The petrochemical segment represent QR 16 million mainly on account of the remaining exit fees amounting to QR 8.7 million (net of related expenses) received by the Group for the facilitation and arrangement for exit of one of the shareholders from certain associate companies.

The amount representing QR 14,975,000 for the year ended 2013 includes an amount of QR 4,234,000 which represents liquidated damage income net of the liquidated damage cost incurred by the Group.

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 parent by the weighted average number of shares outstanding during the year.

	2014 QR'000	2013 QR'000
Net profit for the year attributable to equity holders of the parent (QR)	1,049,193	949,793
Weighted average number of shares	113,616	113,616
Basic and diluted earnings per share (QR)	9.23	8.36

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

	2014 QR'000	2014 QR'000
Total number of shares outstanding (000's)	114,525	114,525
Adjustment for weighted average shares with respect to treasury shares (000's)	(909)	(909)
Weighted average numbers of shares during the year (000's)	113,616	113,616

Note:

During the year 2013, one of the subsidiaries invested 908,725 shares in the Parent Company. Earnings per share that was previously reported as at 31 December 2013 have been restated for the effects of this for comparative purposes as no changes were noted during the current financial year.

8. COMPONENTS OF OTHER COMPREHENSIVE INCOME

	2014 QR'000	2013 QR'000
Movements in other comprehensive income		
Cash flow hedges		
Net movement during the year	950	(1,083)
Group share of net movement in cash flow hedges of associates	(213,360)	725,548
Total effect on other comprehensive (loss) income resulting from hedging reserve	(212,410)	724,465
Available-for-sale investments		
Net gain arising during the year	668,625	736,475
Realised gain on disposal of available-for-sale investments	(906)	(30,306)
Group share of net movement in fair value reserves of equity accounted investees	(11,788)	9,415
Total effect on other comprehensive income resulting from available-for-sale investments	655,931	715,584

9. PROPERTY, VESSELS AND EQUIPMENT

	Land QR'000	Buildings QR'000	Vessels, containers and barges R'000	Machinery, equipment and tools QR'000	Furniture and fittings QR'000	Motor vehicles QR'000	Capital work in progress QR'000	Total QR'000
Cost:								
At 1 January 2014	6,299	204,442	3,446,435	303,774	44,873	79,101	771,693	4,856,617
Additions	-	2,002	165	8,707	143	1,069	757,016	769,102
Transfers and reclassifications	-	3,296	966,965	15,835	(5,184)	-	(891,991)	88,921
Disposals and write offs	-	(4,090)	(12,030)	(14,944)	(3,303)	(7,138)	-	(41,505)
Impairment of equipment (note iv)	-	-	-	-	-	-	(19,814)	(19,814)
At 31 December 2014	6,299	205,650	4,401,535	313,372	36,529	73,032	616,904	5,653,321
Accumulated depreciation:								
At 1 January 2014	-	112,863	1,108,138	242,139	39,281	72,553	-	1,574,974
Charge for the year	-	7,003	148,051	32,644	2,934	3,471	-	194,103
Impairment of vessel	-	-	16,400	-	-	-	-	16,400
Transfers and reclassifications	-	-	-	3,999	(3,999)	-	-	-
Relating to disposals and write offs	-	(4,052)	(2,796)	(12,201)	(3,103)	(7,000)	-	(29,152)
At 31 December 2014	-	115,814	1,269,793	266,581	35,113	69,024	-	1,756,325
Net carrying amounts:								
At 31 December 2014	6,299	89,836	3,131,742	46,791	1,416	4,008	616,904	3,896,996

Net carrying amounts:

At 31 December 2014

9. PROPERTY, VESSELS AND EQUIPMENT (CONTINUED)

	Land QR'000	Buildings QR'000	Vessels, containers and barges QR'000	Machinery, equipment and tools R'000	Furniture and fittings QR'000	Motor vehicles QR'000	Capital work in progress QR'000	Total QR'000
Cost:								
At 1 January 2013	6,299	128,354	3,283,843	352,085	39,168	57,388	681,031	4,548,168
Additions	-	6,916	2,668	12,713	441	2,222	377,770	402,730
Transfers and reclassifications	-	69,247	187,802	(31,157)	6,321	33,921	(287,108)	(20,974)
Disposals and write offs	-	(75)	(27,878)	(29,867)	(1,057)	(14,430)	-	(73,307)
At 31 December 2013	6,299	204,442	3,446,435	303,774	44,873	79,101	771,693	4,856,617
Accumulated depreciation:								
At 1 January 2013	-	77,682	1,027,720	272,420	30,517	45,924	-	1,454,263
Charge for the year	-	6,714	122,426	32,577	3,980	5,571	-	171,268
Impairment of vessel	-	-	7,900	-	-	-	-	7,900
Transfers and reclassifications	-	28,476	(29,434)	(33,974)	5,508	35,419	-	5,995
Relating to disposals and write offs	-	(9)	(20,474)	(28,884)	(724)	(14,361)	-	(64,452)
At 31 December 2013	-	112,863	1,108,138	242,139	39,281	72,553	-	1,574,974
Net carrying amounts:								
At 31 December 2013	6,299	91,579	2,338,297	61,635	5,592	6,548	771,693	3,281,643

9. PROPERTY, VESSELS AND EQUIPMENT (CONTINUED)

Notes:

- (i) The encumbrances and liens on property, vessels and equipment are disclosed in Note 26.
- (ii) Capital work in progress includes costs incurred on construction of 9 vessels (2013: 15 vessels) recognised based on milestones of the progress of work done as per the contracts entered into by the Group with ship builders. The vessels under constructions also includes borrowing costs capitalised during the year amounting to QR 13.8 million (2013: QR 15.7 million).
- (iii) Included as part of capital work in progress during the current financial year is an asset under construction amounting to QR 72,800,000 (USD 20 million). The total value of this asset is USD 36 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 addendum to MoU signed on 23 July 2014. The subsequent arrangement and operation of the asset will be subject to a Master Services Joint Agreement which was not finalized as at the reporting date.
- (iv) This impairment loss is related to an equipment which is under capital work in progress as of the reporting date. The recoverable amount of this equipment as at 31 December 2014 has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management. It was concluded that the fair value less costs of disposal did not exceed the value in use.

10. INVESTMENT PROPERTIES

	Investment property under construction			Total
	Land QR'000	Buildings QR'000	construction QR'000	QR'000
At 1 January 2014	161,363	607,497	138,844	907,704
Additions during the year	250	19	157,535	157,804
Transfers and reclassifications	-	284	(107,628)	(107,344)
Disposals & write offs	-	(4,154)	-	(4,154)
At 31 December 2014	161,613	603,646	188,751	954,010
Accumulated depreciation:				
At 1 January 2014	-	142,332	-	142,332
Charge for the year	-	24,770	-	24,770
Transfers and reclassifications	-	-	-	-
Relating write offs	-	(4,154)	-	(4,154)
At 31 December 2014	-	162,948	-	162,948
Net carrying amounts:				
At 31 December 2014	161,613	440,698	188,751	791,062

10. INVESTMENT PROPERTIES (CONTINUED)

	Land QR'000	Buildings QR'000	Investment property under construction QR'000	Total QR'000
Cost:				
At 1 January 2013	161,363	608,897	-	770,260
Additions during the year	-	2,573	115,496	118,069
Transfers and reclassifications	-	(3,973)	23,348	19,375
At 31 December 2013	161,363	607,497	138,844	907,704
Accumulated depreciation:				
At 1 January 2013	-	122,878	-	122,878
Charge for the year	-	23,427	-	23,427
Relating to transfers and reclassifications	-	(3,973)	-	(3,973)
At 31 December 2013	-	142,332	-	142,332
Net carrying amounts:				
At 31 December 2013	161,363	465,165	138,844	765,372

Notes:

- (i) Investment properties are located in the State of Qatar.
- (ii) The fair value of investment properties at 31 December 2014 is QR 3,738,175,000 (2013: QR 2,412,710,000). Investment properties have been fair valued by an accredited independent valuer with a recognised and relevant professional qualifications and recent experience in the location and category of investment properties being valued.
- (iii) The Company earned rental income amounting to QR 151,488,901 for the year ended 31 December 2014 (31 December 2013: QR 145,390,543). Direct operating expenses related to the investment properties (including depreciation) amounting to QR 30,858,909 (31 December 2013: QR 30,638,000) have been reflected under operating expenses.

11. INTANGIBLE ASSETS

	Deferred dry dock and special survey costs QR'000	Deep sea and offshore contracts QR'000	Computer Software QR'000	Total QR'000
Cost:				
At 1 January 2014	216,150	77,242	-	293,392
Additions	59,438	-	-	59,438
Transfers	-	-	18,423	18,423
Disposals and write off	(4,311)	-	-	(4,311)
At 31 December 2014	<u>271,277</u>	<u>77,242</u>	<u>18,423</u>	<u>366,942</u>
Amortisation:				
At 1 January 2014	160,852	77,242	-	238,094
Charge for the year	38,695	-	6,876	45,571
Relating to disposal and write off	(3,796)	-	-	(3,796)
At 31 December 2014	<u>195,751</u>	<u>77,242</u>	<u>6,876</u>	<u>279,869</u>
Net carrying amounts:				
At 31 December 2014	75,526	-	11,547	87,073

	Deferred dry dock and special survey costs QR'000	Deep sea and offshore contracts QR'000	Computer Software QR'000	Total QR'000
Cost:				
At 1 January 2013	190,565	77,242	-	267,807
Additions	45,634	-	-	45,634
Transfers	1,599	-	-	1,599
Write off	(21,648)	-	-	(21,648)
At 31 December 2013	<u>216,150</u>	<u>77,242</u>	<u>-</u>	<u>293,392</u>
Amortisation:				
At 1 January 2013	147,624	77,242	-	224,866
Charge for the year	34,564	-	-	34,564
Relating to write offs	(21,336)	-	-	(21,336)
At 31 December 2013	<u>160,852</u>	<u>77,242</u>	<u>-</u>	<u>238,094</u>
Net carrying amounts:				
At 31 December 2013	55,298	-	-	55,298

12. INTEREST IN JOINT VENTURES

The Group has following investments in Joint ventures:

Name of entity	Country of Incorporation	Group effective ownership	
		2014	2013
QM Tanker Company L.L.C.	Cayman Islands	-	50%
Qatar Engineering and Technology Company W.L.L.	Qatar	51%	51%
Qatar Ship Management Company W.L.L.	Qatar	51%	51%
Gulf LPG Transport Company W.L.L.	Qatar	50%	50%
Aliago W.L.L.	Qatar	50%	-

QM Tanker Company L.L.C.

QM Tanker Company L.L.C. ("QM Tanker") is a limited liability company established with Exxon Mobil. QM Tanker was incorporated on 12 November 1997 with the objective of acquiring lease hold rights to LR 1 class crude oil tanker. During 2008, the Company sold its ships and become dormant since then. During the year 2014, the shareholders have resolved to dissolve this company.

Qatar Engineering and Technology Company W.L.L.

Qatar Engineering and Technology Company W.L.L. ("Q-Tech") is a limited liability company established with Aban Constructions Pvt. Ltd., India. Q-Tech was incorporated on 27 April 2002 with the objective of carrying out engineering and other related services.

Qatar Ship Management Company W.L.L.

Qatar Ship Management Company W.L.L. ("QSMC") is a limited liability company which has been established with Mitsui O.S.K. Lines Ltd, Japan (MOL), Nippon Yusen Kabushiki Kaisha, Japan (NYK), Kawasaki Kisen Kaisha Ltd, Japan (K-LINE) and Mitsui & Co. Japan. QSMC was incorporated on 16 October 2003, with the objective of operating and managing LNG vessels.

Gulf LPG Transport Company W.L.L.

Gulf LPG Transport Company W.L.L. (GLPG) is a limited liability company established with Qatar Gas Transport Company (NAKILAT). Gulf LPG aims to provide various activities of owning, managing and operating liquid gas transporting ships.

Aliago W.L.L.

Aliago W.L.L. is a limited liability company established with the commercial registration number 5285. Aliago W.L.L.'s main aim is to provide management and operational support for the vessels.

The joint venture companies provides products and services in shipping industry and they have strategic partnership for the Group. Set out below are the summarised financial information of investments in joint ventures which are accounted for using equity method.

12. INTEREST IN JOINT VENTURES (CONTINUED)

Summarised statement of financial position:

	2014 (QR'000)			2013 (QR'000)		
	GLPG	Other joint ventures	Total	GLPG	Other joint ventures	Total
Current assets	66,849	1,338	68,187	67,995	1,552	69,547
Non-current assets	567,480	746	568,226	581,403	274	581,677
Current liabilities	(23,565)	(555)	(24,120)	(20,244)	(202)	(20,446)
Non-current liabilities	(407,045)	-	(407,045)	(487,306)	(359)	(487,665)
Net assets	203,719	1,529	205,248	141,848	1,265	143,113
Carrying value of investments	203,719	1,529	205,248	141,848	1,265	143,113

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

	2014 (QR'000)			2013 (QR'000)		
	GLPG	Other joint ventures	Total	GLPG	Other joint ventures	Total
Operating revenue	124,431	-	124,431	68,644	-	68,644
Salaries, wages and other benefits	(17,920)	-	(17,920)	(17,402)	-	(17,402)
Operating supplies and expenses	(13,554)	-	(13,554)	(12,683)	-	(12,683)
Depreciation and amortisation	(21,329)	-	(21,329)	(19,675)	-	(19,675)
Other Operating expenses	(796)	(1,014)	(1,810)	(1,442)	(26)	(1,468)
Operating profit	70,832	(1,014)	69,818	17,442	(26)	17,416
Finance costs	(8,961)	-	(8,961)	(9,482)	-	(9,482)
Finance income	-	3	3	-	6	6
Profit (loss) for the year	61,871	(1,011)	60,860	7,960	(20)	7,940

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

	2014 QR'000	2013 QR'000
Balance at 1 January	143,113	135,173
Share of net movement in profits and other comprehensive income	60,860	7,940
Contribution towards investment	1,275	-
Balance at 31 December	205,248	143,113

13. INVESTMENT IN ASSOCIATES

The Group has the following investment in associates:

	Country of incorporation	Ownership %		Profit Sharing %	
		2014	2013	2014	2013
Cargotec Qatar W.L.L. (i),(xi)	Qatar	51.0%	51.0%	40.0%	40.0%
Iraq-Qatar Transport and Shipping Services Com. L.T.D. (ii), (xi)	Iraq	51.0%	51.0%	51.0%	51.0%
United Arab Shipping Agency Company W.L.L. (iii)	Qatar	40.0%	40.0%	40.0%	40.0%
Qatar Gas Transport Company Limited (NAKILAT) (Q.S.C.) (iv)	Qatar	30.3%	30.3%	30.3%	30.3%
Camartina Shipping INC. (v)	Liberia	29.4%	29.4%	29.4%	29.4%
Peninsula LNG Transport No. 1 Ltd. (vi)	Liberia	29.4%	29.4%	29.4%	29.4%
Peninsula LNG Transport No. 2 Ltd. (vi)	Liberia	29.4%	29.4%	29.4%	29.4%
Peninsula LNG Transport No. 3 Ltd. (vi)	Liberia	29.4%	29.4%	29.4%	29.4%
Qatar LNG Transport Ltd. (vii)	Liberia	20.0%	20.0%	20.0%	20.0%
QIM Transport INC. (viii)	Panama	-	33.3%	-	33.3%
Man Diesel & Turbo Qatar Navigation W.L.L. (ix), (xi)	Qatar	51.0%	51.0%	35.0%	35.0%
KS Membrane 1 (x)	Denmark	-	40.0%	-	40.0%
KS Membrane 2 (x)	Denmark	-	40.0%	-	40.0%
KGI 1 & 2 (x)	Germany	40.0%	-	40.0%	-
Milaha Ras Laffan GmbH Company (xii)	Germany	40.0%	40.0%	40.0%	40.0%
Milaha Qatar GmbH & Company (xii)	Germany	40.0%	40.0%	40.0%	40.0%

Notes:

- i. Cargotec Qatar W.L.L. is engaged in providing maintenance and repair of marine and land based cargo access, fluid power and control system to off-shore and on-shore oil services and gas facilities.
- ii. Iraq-Qatar Transport and Shipping Services Company L.T.D. is engaged in providing transportation and shipping logistics.
- iii. United Arab Shipping Agency Company W.L.L. is engaged in providing cargo and shipping services.
- iv. Qatar Gas Transport Company Limited (NAKILAT) (Q.S.C.) is engaged in the sector of gas transportation either through its own ocean going vessels or by investing in joint ventures with other parties.
- v. Camartina Shipping INC. is engaged in operation of a time charter of 135,000 m³ Liquefied Natural Gas (LNG) vessel.
- vi. Peninsula LNG Transport Ltd No's 1, 2 & 3 were established to acquire, own, operate a time charter Liquefied Natural Gas (LNG) vessel.
- vii. Qatar LNG Transport Ltd. was established to acquire, own, operate a time charter of 135,000 m³ Liquefied Natural Gas (LNG) vessel.
- viii. QIM Transport INC was formed with the intention of transporting chemicals out of Qatar. During the year 2014, the shareholders have resolved to dissolve this company.
- ix. Man Diesel & Turbo Qatar Navigation W.L.L. is engaged in trading and maintenance of marine engines, equipments and spare parts. During the year 2012, the Group invested an additional amount of QR 6,120,000 in response to a rights issue. However, this investment did not have any impact on the percentage holding in this associate company.
- x. KS Membrane 1 & 2 are engaged in operation of time charter of 138,130 m³ and 145,000 m³ Liquefied Natural Gas (LNG) vessel and was liquidated during the current financial year. The operations of KS Membrane 1 & 2 was taken over by KGI.
- xi. Even though the share ownership in the companies listed in point (i), (ii) and (ix) 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.
- xii. Milaha Ras Laffan GmbH Company and Milaha Qatar GmbH & Company are engaged in operation of time charter of 138,130 m³ and 145,000 m³ Liquefied Natural Gas (LNG) vessel.

The above associates provide goods and services in the shipping industry and these investments have strategic partnership for the Group.

13. INVESTMENT IN ASSOCIATES (CONTINUED)

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

	2014 QR'000	2013 QR'000
Balance at 1 January	4,540,060	3,752,395
Share of net movement in other comprehensive income	(225,148)	734,913
Dividends received	(199,603)	(174,123)
Share of results	280,864	242,297
Disposal during the year	-	(15,422)
Balance at 31 December	4,396,173	4,540,060

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

Summarised Statement of financial position:

	2014 (QR'000)			2013 (QR'000)		
	Nakilat	Other associates	Total	Nakilat	Other associates	Total
Current assets	976,834	135,657	1,112,491	671,784	173,516	845,300
Non-current assets	8,443,296	674,547	9,117,843	8,634,298	938,111	9,572,409
Current liabilities	(379,555)	(54,238)	(433,793)	(373,058)	(60,197)	(433,255)
Non-current liabilities	(7,888,277)	(348,332)	(8,236,609)	(7,615,175)	(665,460)	(8,280,635)
Interest in associate	1,152,298	407,634	1,559,932	1,317,849	385,970	1,703,819
Goodwill	2,836,241	-	2,836,241	2,836,241	-	2,836,241
Carrying value of investment	3,988,539	407,634	4,396,173	4,154,090	385,970	4,540,060

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

	2014 (QR'000)			2013 (QR'000)		
	Nakilat	Other associates	Total	Nakilat	Other associates	Total
Operating revenue	1,088,274	175,674	1,263,948	1,037,301	186,625	1,223,926
Profit	264,162	16,702	280,864	215,515	26,782	242,297
Other comprehensive income	(245,370)	20,222	(225,148)	734,961	-	734,961
Dividends received	184,680	14,923	199,603	168,000	6,123	174,123

14. AVAILABLE-FOR-SALE INVESTMENTS

	2014 QR'000	2013 QR'000
Quoted equity investments in local companies	3,818,013	3,158,816
Unquoted investments in foreign companies	286,644	287,356
Unquoted investments in local companies	66,279	66,695
Investments in bonds	26,626	25,983
	4,197,562	3,538,850

Notes:

- i. Available-for-sale investments represent investments in shares, bonds and investments with fund managers.
- ii. Included in available-for-sale investments are quoted shares in local companies with a fair value of QR 47,990,000 as of 31 December 2014 (2013: QR 36,200,000), which are frozen for trading.
- iii. Also included in available-for-sale investments are restricted shares in local companies with a fair value of QR 63,379,000 as of 31 December 2014 (2013: QR 63,742,000) as they represent establishment shares in investee companies.
- iv. The unquoted investments represent investments in companies in which the Group is a founder shareholder.

15. LOANS TO LNG AND LPG COMPANIES

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

Name of LNG/ LPG companies	Company operating the LNG and LPG companies
● India LNG Transport Company No.1 Ltd,	● Shipping Corporation of India Ltd
● Camartina Shipping INC, Liberia	● Mitsui OSK Lines
● K S Membrane-I, Denmark	● LNG AS1
● 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
● K S Membrane-II, Denmark	● LNG AS 2
● Milaha Ras Laffan GmbH Co. KG 1	● Pronov Germany/Qatar Shipping Company S.P.C
● Milaha Qatar GmbH KG 2	● Pronov Germany/Qatar Shipping Company S.P.C
● Gulf LPG Transport W.L.L.	● Qatar Gas Transportation Company

15. LOANS TO LNG AND LPG COMPANIES (CONTINUED)

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

	2014 QR'000	2013 QR'000
Loans	424,008	530,071
Accrued Interests	1,309	4,861
	425,317	534,932

16. INVENTORIES

	2014 QR'000	2013 QR'000
Heavy vehicles and spare parts	80,967	54,224
Gabbro and aggregate	109,321	88,801
Other goods for resale	20,833	22,623
	211,121	165,648
Provision for slow-moving inventories	(5,720)	(5,504)
	205,401	160,144

Movements in the provision for slow-moving inventories are as follows:

	2014 QR'000	2013 QR'000
At 1 January	5,504	9,384
Charge for the year	303	412
Reversal	(87)	(4,292)
	5,720	5,504

17. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2014 QR'000	2013 QR'000
Trade accounts receivable (net)	434,721	389,169
Notes receivable	40,278	11,772
Accrued income	118,755	63,669
Staff receivables (i)	44,042	41,350
Prepaid expenses	21,692	30,575
Advances to suppliers	11,139	11,926
Amounts due from related parties (Note 34)	5,575	4,589
Other receivables	34,650	36,493
	710,852	589,543

17. ACCOUNTS RECEIVABLE AND PREPAYMENTS (CONTINUED)

Trade receivables are non-interest bearing and generally have settlement terms within 30 to 90 days. As at 31 December 2014, trade accounts receivable at nominal value of QR 26.68 million (2013: QR 23.87 million) were impaired. Movement in the allowance for impairment of trade receivables was as follows:

	2014 QR'000	2013 QR'000
At 1 January	23,866	23,204
Charge for the year (Note 5)	2,813	2,454
Amounts written off	-	(1,792)
At 31 December	26,679	23,866

As at 31 December, the ageing of unimpaired trade accounts receivables 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
2014	434,721	342,923	41,848	17,491	13,139	19,320
2013	389,169	184,665	139,380	31,520	22,984	10,620

Unimpaired 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.

Note:

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

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2014 QR'000	2013 QR'000
Quoted investments	624,081	580,222

19. CASH AND CASH EQUIVALENTS

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

	2014 QR'000	2013 QR'000
Bank balances and cash	309,589	235,258
Short term deposits with banks	2,819,630	1,222,762
Bank balances and cash	3,129,219	1,458,020
Less: Term deposits maturing after 90 days (i)	(2,380,448)	(694,080)
Less: Bank overdrafts	(15)	(91,010)
	748,756	672,930

Note:

(i) Short-term deposits earn interests at market rates.

20. SHARE CAPITAL

	Number of shares ('000')	QR'000
Authorised, issued and fully paid		
At 31 December 2014 and 31 December 2013	114,525	1,145,252
Shares of QR 10 each.		

21. TREASURY SHARES

During the year 2013, one of the subsidiaries, has invested 908,725 shares amounting to QR 73,516,000 in the Parent Company, Qatar Navigation Q.S.C. These treasury shares are recognised at cost and deducted from the equity.

22. LEGAL RESERVE

In accordance with Qatar Commercial Law No.5 of 2002 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 relating to share premium arising from the rights issue of shares in 2004, 2008 and 2010 respectively.

The reserve is not available for distribution except in the circumstances stipulated in the Qatar commercial law no. 5 of 2002.

23. GENERAL RESERVE

In accordance with clause (41) of the Company's Articles of Association, the general assembly based on the board of directors' proposal may decide to transfer a portion of the net profit to a general reserve. This reserve may be used in any manner as decided by the General Assembly.

24. DERIVATIVE FINANCIAL INSTRUMENTS

Hedging activities

Cash flow hedges:

At 31 December 2014, 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 2014, Halul Offshore Services Company W.L.L. had an interest rate swap agreement in place with a notional amount of USD 47,250,000 (QR 171,990,000), whereby it receives a variable rate of USD 3 months LIBOR and pays a fixed rate of interest of 1.30% on the notional amount. The swap is being used to hedge the exposure to interest rate fluctuations on its loans. The loan facility and the interest rate swap have the same critical terms. This cash flow hedge is assessed to be highly effective. The fair value of the interest rate swaps are calculated by reference to the market valuation of the swap agreements.

Halul Offshore Services Company W.L.L. has recognised the negative fair value of the interest rate swaps amounting to QR 1,084,000 as at 31 December 2014 (31 December 2013: QR 2,033,708) under accounts payable and accruals and the effective portion of hedge under equity.

25. DIVIDENDS

The Board of Directors have proposed a 55% cash dividend of QR 5.50 per share totalling QR 625 million for the year 2014, which is subject to the approval of the equity holders at the Annual General Assembly (2013: QR 5 per share totalling QR 568 million for the year 2013).

During the year, following the approval at the Annual General Assembly held on 26 March 2014, the Company paid a 50% cash dividend of QR 5 per share totalling QR 568 million relating to the year 2013 (2013: QR 3.75 per share, totalling QR 429.5 million).

26. INTEREST BEARING LOANS AND BORROWINGS

	Notes	Interest rate %	Maturity	2014 QR'000	2013 QR'000
Parent company:					
Loan 1	(i)	LIBOR + 0.70	Oct 2015	5,503	12,107
Loan 2	(ii)	LIBOR + 0.73	Feb 2017	103,653	151,494
Loan 3	(iii)	1.15	July 2015	145,600	145,600
Loan 4	(iv)	LIBOR + 1.75	Jan 2021	291,141	322,375
Loan 5	(v)	1.45	Jun 2015	327,600	418,600
Loan 6	(vi)	1.15	Apr 2016	1,820,000	-
Loan 7	(vii)	LIBOR +0.95	Mar 2015	728,000	-
Subsidiary companies:					
Loan 8	(viii)	LIBOR + 0.65	Nov 2015	-	3,539
Loan 9	(ix)	LIBOR + 0.70	Mar 2015	-	6,852
Loan 10	(x)	LIBOR + 0.65	Jun 2016	8,873	14,788
Loan 11	(xi)	LIBOR + 0.60	Mar 2017	45,500	68,250
Loan 12	(xii)	LIBOR + 1.65	Mar 2020	144,472	171,990
Loan 13	(xiii)	LIBOR + 1.75	Sep 2021	400,781	438,331
Loan 14	(xiv)	LIBOR + 1.75	June 2022	399,394	399,394
Loan 15	(xv)	3.5	Feb 2015	38,524	9,085
Loan 16	(xvi)	3.75	April 2016	11,326	20,349
				4,470,367	2,182,754
				(5,672)	(6,940)
				4,464,695	2,175,814
Less: Deferred financing costs					
Presented in the consolidated statement of financial position as follows:					
Current portion				1,437,168	767,323
Non-current portion				3,027,527	1,408,491
				4,464,695	2,175,814

Notes:

- i. Loan 1 was obtained to finance the construction of a showroom and villa complex. This loan is secured by a lien of the showroom and villa properties and repayable in equal monthly installments of QR 550,333.
- ii. Loan 2 was obtained to finance the construction of Qatar Navigation Tower. The loan is secured by a first priority mortgage on the Tower and is repayable in equal monthly installments of QR 3,986,667 .
- iii. Loan 3 represents a dollar denominated revolving loan facility amounting to USD 40,000,000 (QR 145,600,000) obtained in 2013 and renewed during the year. This loan is secured against the goods and the projects for which the credit facility will be utilised.
- iv. Loan 4 represents 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 (QR 7,808,386) with final payment of USD 26,354,848 (QR 95,931,647).
- v. Loan 5 was obtained for general corporate purposes including refinancing of existing debts and new investments and is secured by a corporate guarantee of the Company. The loan is repayable in semi-annual installments. The total loan facility is USD 232,000,000 (QR 844,480,000) and at the reporting date drawn down amounts were USD 90,000,000 (QR 327,000,000) (2013: USD 115,000,000 (QR 418,600,000)).

26. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

- vi. Loan 6 was obtained during the year for the purpose of bridging the finance expenses related to advance and construction of vessels in foreign shipyards and other working capital requirements. This loan was fully drawn down to the maximum amount during August 2014. The maturity of this loan is bullet payments after twelve months from the date of the drawdown.
- vii. Loan 7 represents a revolving Murahaba facility with a limit amounting to USD 200,000,000. The purpose of this facility is towards the use of the general corporate purposes. The facility requires settlement in full towards the end of maturity while profits to be serviced on a monthly basis.
- viii. Loan 8 was obtained to finance the purchase of two anchor handling tug vessels. The loan is repayable in 18 semi-annual equal instalments of QR 3.5 million each commencing December 2006 and carries interest at LIBOR plus a margin of 0.65%. This loan is secured by the assignment of the revenues from the related vessels. This loan has been fully settled in 2014.
- ix. Loan 9 was obtained to finance the construction of two vessels. The loan is repayable in 17 equal semi-annual instalments of QR 3.4 million each commencing September 2006 and carries interest at LIBOR plus a margin of 0.70%. This loan is secured by the assignment of revenues from the related vessels. This loan has been fully settled in 2014.
- x. Loan 10 was obtained to finance the purchase of 4 utility standby safety vessels. The loan is repayable in 16 semi-annual instalments commencing July 2008 and carries interest at LIBOR plus a margin of 0.65%. This loan is secured by the assignment of revenues from each vessels to an account held with the respective lending banks and the mortgage of the vessels for which loan was obtained.
- xi. Loan 11 was obtained to finance the purchase of two platform supply vessels, which are currently under construction. The loan is repayable in 16 semi-annual instalments commencing April 2010 and carries interest at LIBOR plus a margin of 0.60%. The loan is secured by the assignment of revenues from each vessels to an account held with the respective lending banks and the mortgage of the vessels for which loan was obtained.
- xii. Loan 12 represents QR 220 million facility obtained for the purpose of financing or refinancing the mortgaged vessels and the loan carries interest at LIBOR + 1.65% per annum and is repayable by 32 quarterly instalments commencing from June 2012. This loan is secured against the mortgage of the vessels for which loan was obtained. The loan has been hedged against interest rate exposure.
- xiii. During the year 2013, the Group obtained a loan amounting to QR 447,720,000 (USD 123,000,000) for the purpose of financing acquisition of vessels and refinancing the mortgaged vessels. This loan bears interest at LIBOR + 1.75% per annum and 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 was obtained to finance the construction of 19 vessels and is repayable in 27 equal quarterly installments commencing from June 2015 and one final balloon payment of QR 160M at the end of the loan period.
- xv. Loan 15 represents short term revolving facilities used for working capital purposes. This facility carries interest at commercial interest rates and is secured by contract proceeds.
- xvi. Loan 16 represents a term obtained during the year 2013 for working capital purposes.

27. ADVANCE FROM A CUSTOMER

During 2011, the Group received QR 187,497,000 an interest free advance from a customer for the construction of harbour tugs, pilot boats, mooring boats and service boats. These boats will be in the service of the customer upon completion of the construction. The advance payment shall be repaid through deductions from the certified interim sales invoices to be raised to customer. 10% of the invoices amount 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 177,128,000.

28. EMPLOYEES' END OF SERVICE BENEFITS

	2014 QR'000	2013 QR'000
Movements in the provision recognised in the consolidated statement of financial position are as follows:		
At 1 January	84,039	72,634
Provided during the year	24,323	23,064
End of service benefits paid	(14,233)	(6,998)
Transferred to the pension fund	(6,477)	(4,661)
Provision as at 31 December	87,652	84,039
End of service benefits plans	87,647	83,865
Pension plan (Note 30)	5	174
Provision as at 31 December	87,652	84,039

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

29. OBLIGATION UNDER FINANCE LEASES

Finance leases relate to the Group's Non Vessel Operating Common Carrier (NVOCC) operations for containers with lease terms ranging from 3 to 5 years. The Group enjoys the majority of risks and rewards attached to the ownership of leased assets and has the option to purchase the containers for a nominal amount at the end of the lease terms.

	Minimum lease Payments		Present value of minimum lease Payments	
	2014 QR'000	2013 QR'000	2014 QR'000	2013 QR'000
Payable				
Within 1 year	-	297	-	-
More than 1 year but less than 5 years	-	-	-	291
	-	297	-	291
Less: Future finance charges	-	(6)	-	-
Present value of minimum lease payments	-	291	-	291
	-	291	-	291

Included in the consolidated statement of financial position as follows:

	2014 QR'000	2013 QR'000
Current portion	-	291
Non-current portion	-	-
	-	291

30. ACCOUNTS PAYABLE AND ACCRUALS

	2014 QR'000	2013 QR'000
Trade accounts and notes payable	150,697	143,363
Accrued expenses	90,711	114,207
Advances from customers	44,195	45,261
Amounts due to related parties (Note 34)	1,164	-
Negative fair value of interest rate swaps	1,084	2,034
Contribution to social and sports fund (Note 31)	26,230	23,745
Pension plan (Note 28)	5	174
Other payables	100,480	140,584
	414,566	469,368

31. PROVISION FOR CONTRIBUTION TO SOCIAL AND SPORTS FUND

In accordance with Law No. 13 of 2008 and related clarifications issued in January 2010, the Group is required to contribute 2.5% of its annual net consolidated profit to the social and sports fund. 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, Group appropriated an amount of QR 26.2 million (2013: QR 23.8 million) representing 2.5% of the consolidated net profit for the year.

32. COMMITMENTS

	2014 QR'000	2013 QR'000
Capital commitments		
Property, vessels and equipment		
Estimated capital expenditure approved and contracted as of the reporting date	1,868,747	1,659,854

Operating lease commitments

The Company 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:

	2014 QR'000	2013 QR'000
Within one year	7,029	45,848
After one year but not more than five years	8,439	15,280
Total operating lease expenditure contracted for at the reporting date	15,468	61,128

33. CONTINGENT LIABILITIES

At 31 December 2014, the Group had 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:

	2014 QR'000	2013 QR'000
Letters of guarantee	799,067	763,466
Letters of credit	195,469	242,364
	994,536	1,005,830

Litigation and claims

At the reporting date, there are certain litigations filed by third parties against the Group, total amounting to QR 12 million (2013: QR 21.8 million). The management is of the opinion that these claims do not have any merit and the Group has been advised by its legal counsel that the outcome from the legal action cannot be determined at this early stage and therefore no provision for any liability has been made in these consolidated financial statements.

34. RELATED PARTY DISCLOSURES

Related parties represent associated companies, affiliate entities, shareholders, directors and key management personnel of the Company, 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:

	2014				
	Sales QR'000	Purchases QR'000	Interest income QR'000	Amounts paid for construction of vessels QR'000	Receipt of loan instalments QR'000
Associate companies	861	186	23,866	61,831	198,268
Directors	8,025	921	-	-	-
	8,886	1,107	23,866	61,831	198,268

	2013				
	Sales QR'000	Purchases QR'000	Interest income QR'000	Amounts paid for construction of vessels QR'000	Receipt of loan instalments QR'000
Associate companies	896	1,438	27,051	195,438	327,600
Directors	8,240	537	-	-	-
	9,136	1,975	27,051	195,438	327,600

34. RELATED PARTY DISCLOSURES (CONTINUED)

Related party balances

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

	2014		2013	
	Receivables QR'000	Payables QR'000	Receivables QR'000	Payables QR'000
Associate companies	97	70	373	-
Directors	5,179	921	3,765	-
Other related parties	299	173	451	-
	5,575	1,164	4,589	-

The amounts due from and due 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. For the year ended 31 December 2014, the Group has not recorded any impairment of receivables relating to amounts due from related parties (2013: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Loans due from associates

Loans to LNG and LPG companies amounting to QR 425,317,000 (2013: QR 534,932,000) 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:

	2014 QR'000	2013 QR'000
Board of directors remuneration – cash	11,750	35,200
Short-term benefits	14,206	15,224
Board of directors remuneration – in kind	-	2,200
Employees' end of service benefits	886	863
	26,842	53,487

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 Parent and its subsidiaries, in addition to managing its proprietary portfolio of financial and real estate investments and holding the investment of Qatar Quarries and Building Material Company W.L.L.
- Milaha Maritime & Logistics - delivers a comprehensive range of services to major importers, exporters and shipping companies in the region, including oil & gas majors. The activities include logistics services, container feeder shipping, NVOCC operations, bulk shipping, shipping agencies, port management and operations, shipyard and steel fabrication.
- Milaha Offshore - provides comprehensive offshore support services to the oil and gas industry across the region. The Company currently operates a fleet of 27 offshore service vessels, which include safety standby vessels, anchor handling tugs, crew boats, workboats and dynamic positioning (DP) vessels. It provides a complete range of diving services including saturation diving.
- Milaha Trading – 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.
- Adjustments with respect to Milaha corporate represent costs captured and subsequently allocated to various business pillars by way of a laid down methodology. 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.

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

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

35. SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2014

	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	630,757	925,031	587,258	396,289	267,853	-	2,807,188	(181,313)
Salaries, wages and other benefits	(10,047)	(194,638)	(198,697)	(17,946)	(86,946)	(127,276)	(635,100)	1,009
Operating supplies and expenses	(126,544)	(369,516)	(115,637)	(336,285)	(49,927)	(5,493)	(1,003,402)	157,915
Rent expenses	(50,970)	(7,448)	(7,495)	(2,124)	(2,780)	(11,213)	(82,030)	20,553
Depreciation and amortisation	(31,364)	(58,663)	(98,078)	(1,132)	(70,318)	(4,889)	(264,444)	-
Impairment of an equipment	-	(16,400)	(19,814)	-	-	-	(36,214)	-
Other operating expenses	(12,204)	(31,789)	(41,655)	(3,407)	(35,724)	(13,029)	(137,808)	1,836
Allocations relating to fleet and technical services	-	(58,384)	-	-	58,384	-	-	-
Allocations relating to Milaha Corporate	(19,801)	(69,168)	(29,300)	(21,848)	(23,077)	163,194	-	-
OPERATING PROFIT	379,827	119,025	76,582	13,997	57,465	1,294	648,190	-
Finance costs	(19,155)	(8,550)	(8,196)	-	(6,573)	-	(42,474)	-
Finance income	35,351	-	103	784	24,257	-	60,495	-
Gain on disposal of property, vessels and equipment	1,035	1,223	(2,089)	12	-	-	181	-
Share of results of joint ventures	-	-	-	-	60,860	-	60,860	-
Share of results of associate	1,286	1,040	-	-	278,538	-	280,864	-
Net gain (loss) on Foreign exchange	-	328	1,765	190	1,755	(1,294)	2,744	-
Miscellaneous income	91	-	23,803	-	16,333	-	40,227	-
PROFIT FOR THE YEAR	398,435	113,066	91,968	14,983	432,635	-	1,051,087	1,051,087

35. SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2013

	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	610,848	834,038	595,084	281,202	179,348	-	2,500,520	(195,776)
Salaries, wages and other benefits	(14,988)	(178,486)	(191,121)	(15,130)	(82,344)	(134,485)	(616,554)	1,490
Operating supplies and expenses	(15,556)	(310,637)	(79,955)	(230,283)	(55,861)	(6,975)	(799,267)	173,514
Rent expenses	(49,958)	(5,223)	(5,983)	(1,207)	(1,867)	(11,938)	(76,176)	19,643
Depreciation and amortisation	(32,048)	(61,979)	(75,529)	(1,271)	(55,742)	(2,690)	(229,259)	-
Impairment of vessels and equipment	-	(7,900)	-	-	-	-	(7,900)	(229,259)
Other operating expenses	(19,600)	(24,098)	(42,299)	(2,658)	(23,470)	(15,176)	(127,301)	1,129
Allocations relating to fleet and technical services	-	(56,522)	-	-	56,522	-	-	-
Allocations relating to Milaha Corporate	(23,635)	(7,989)	(29,178)	(21,984)	(26,796)	175,582	-	-
OPERATING PROFIT	355,063	115,204	171,019	8,669	(10,210)	4,318	644,063	-
Finance costs	(17,917)	(9,802)	(7,207)	-	(6,650)	-	(41,576)	-
Finance income	35,047	-	272	145	32,136	20	67,620	-
Gain on disposal of property, vessels and equipment	-	2,842	10,993	2,915	-	(2,864)	13,886	-
Share of results of joint ventures	-	-	-	-	-	-	7,940	-
Share of results of associate	1,175	274	-	-	-	240,848	-	242,297
Net gain (loss) on Foreign exchange	7	(70)	413	111	(135)	(1,474)	(1,148)	-
Miscellaneous income	387	-	5,094	-	9,494	-	14,975	-
PROFIT FOR THE YEAR	376,604	116,599	172,506	8,925	273,423	-	948,057	948,057

Note:

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

35. SEGMENT INFORMATION (CONTINUED)

Geographic segments

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

	2014			2013		
	Qatar QR'000	UAE QR'000	Total QR'000	Qatar QR'000	UAE QR'000	Total QR'000
Operating revenues	2,505,236	120,639	2,625,875	2,202,800	101,944	2,304,744
Profit (loss) for the year	1,068,988	(17,901)	1,051,087	950,222	(2,165)	948,057

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

Objective and policies

The Group's principal financial liabilities comprise interest bearing loans and borrowings, obligation under finance leases, bank overdrafts, trade accounts payable, amounts due to related parties and accrued expenses and other payables. 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 accounts receivable, amounts due from related parties, loans to LNG and LPG companies, available for sale investments, staff and other receivables and cash and bank balances, which arise directly from its operations.

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

Interest rate risk

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

To manage the risk of changes in floating interest rate on its interest bearing loans, the Group has entered into interest rate swaps as explained in Note 24. Under the swap agreements, the Group will pay an agreed fixed interest rate and receive a floating interest rate.

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

	2014 QR QR'000	2013 QR QR'000
Floating interest rate instruments		
Financial assets	152,411	213,981
Financial liabilities	(1,982,845)	(1,687,368)
	(1,830,434)	(1,473,387)
Fixed interest rate instruments		
Financial assets	3,115,450	2,122,805
Financial liabilities	(2,487,522)	(584,549)
	627,928	1,538,256

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.

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

	Changes in basis points	Effect on profit for the year QR
2014		
Floating interest rate instruments	+25	(4,576)
2013		
Floating interest rate instruments	+25	(3,683)

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 US Dollars and UAE Dirhams as the Qatari Riyal is pegged to the US Dollars, the balances in US Dollars and UAE dirhams are not considered to represent significant 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 Group's senior 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 investments and held-for-trading investments. An increase or decrease of 5% on the Qatar Exchange (QE) index would have an impact of approximately QR 31 million (2013: QR 29 million) on the consolidated income statement in respect of held for trading investments. In respect of available-for-sale investments, a decrease of 5% on the QE index would have an impact of approximately QR190 million (2013: QR 158 million) on the consolidated income statement or consolidated statement of changes in equity, depending on whether or not the decline is significant and prolonged. An increase of 5% in the value of the listed securities would impact equity in a similar amount but will not have an effect on income unless there is an impairment charge associated with it.

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

Credit risk

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

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

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

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

	2014 QR'000	2013 QR'000
Loans to LNG and LPG Companies (Note 15)	425,317	534,932
Trade account receivables (Note 17)	434,721	389,169
Accrued income	118,755	63,669
Notes receivables	57,840	14,619
Staff receivables	44,042	41,350
Amounts due from related parties (Note 34)	5,575	4,589
Other receivables	34,650	36,493
Bank balances (excluding cash)	3,125,023	1,434,546
	4,245,923	2,519,367

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet financial obligations as they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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

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

	On demand QR'000	Less than 1 year QR'000	1 to 5 years QR'000	Over 5 years QR'000	Total QR'000
2014					
Bank overdrafts	15	-	-	-	15
Trade accounts and notes payable	-	150,697	-	-	150,697
Contribution to social and sport fund	-	26,230	-	-	26,230
Interest bearing loans and borrowings	-	1,372,586	2,486,305	679,068	4,537,959
Amounts due to related parties	-	1,164	-	-	1,164
Interest rate swaps	-	-	1,084	-	1,084
Total	15	1,550,647	2,487,389	679,068	4,717,149

	On demand QR'000	Less than 1 year QR'000	1 to 5 years QR'000	Over 5 years QR'000	Total QR'000
2013					
Bank overdrafts	91,010	-	-	-	91,010
Trade accounts and notes payable	-	143,363	-	-	143,363
Contribution to social and sport fund	-	23,745	-	-	23,745
Interest bearing loans and borrowings	685	816,648	670,689	880,515	2,368,537
Interest rate swaps	-	-	2,034	-	2,034
Obligation under finance lease	-	297	-	-	297
Total	91,695	984,053	672,723	880,515	2,628,986

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital management

The 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.

The 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 2014 and 31 December 2013.

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:

	2014 QR'000	2013 QR'000
Debt (i)	4,464,695	2,175,814
Less: Cash and bank balances	(3,129,219)	(1,458,020)
Net debt	1,335,476	717,794
Equity attributable to equity holders of the Parent	13,484,520	12,586,225

Gearing ratio
(i) Debt comprises of interest bearing loans and borrowings as detailed in Note 26.

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, available-for-sale investments, financial investments at fair value through profit or loss other financial assets and receivables. Financial liabilities consist of bank overdrafts, interest bearing loans and borrowings, other payables, accounts payable and accrued expenses. 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 financial statements of financial position are set out below:

	Carrying amount		Fair value	
	2014 QR'000	2013 QR'000	2014 QR'000	2013 QR'000
Financial assets at fair value through profit or loss				
Financial investments at fair value through profit or loss	624,081	580,222	624,081	580,222
Financial assets (liabilities) at fair value through other comprehensive income				
Available-for-sale investments	3,818,013	3,158,816	3,818,013	3,158,816
Interest rate swaps (cash flow hedge)	(1,084)	(2,034)	(1,084)	(2,034)
	3,816,929	3,156,782	3,816,929	3,156,782

37. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

- Cash and cash equivalents, 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 investments 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 to LNG and LPG companies are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. As at 31 December 2014, the carrying amounts of such receivables are not materially different from their calculated fair values.
- The Company enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives are valued based on market valuation provided by the respective financial institution.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- | | |
|----------|---|
| Level 1: | quoted (unadjusted) prices in active markets for identical assets or liabilities; |
| Level 2: | other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and |
| Level 3: | techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data. |

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

	2014 QR'000	Level 1 QR'000	Level 2 QR'000	Level 3 QR'000
Assets measured at fair value				
Financial investments at fair value through profit or loss	624,081	624,081	-	-
Available-for-sale financial assets:				
Quoted shares	3,818,013	3,818,013	-	-
Unquoted shares	3,100	-	-	3,100
Investments in bonds	26,626	-	-	26,626
Liabilities measured at fair value				
Interest rate swaps	1,084	-	1,084	-
	2013 QR'000	Level 1 QR'000	Level 2 QR'000	Level 3 QR'000
Assets measured at fair value				
Financial investments at fair value through profit or loss	580,222	580,222	-	-
Available-for-sale financial investments:				
Quoted shares	3,158,816	3,158,816	-	-
Unquoted shares	2,904	-	-	2,904
Investments in bonds	25,983	-	-	25,983
Liabilities measured at fair value				
Interest rate swaps	2,034	-	2,034	-

37. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

Unquoted available-for-sale investments include investments amounting to QR 349,823,000 (2013: QR 351,147,000), carried at cost, as their fair values cannot be reliably estimated, due to the uncertain nature of cash flows.

During the year ended 31 December 2014, 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.

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.

Impairment of available-for-sale equity investments

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

Impairment of trade accounts receivable

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

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated selling prices.

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 DCF model. The cash flows are derived from the budget for the useful life of the assets. 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 CGUs include discount rates, operating cash flow, price inflation, expected utilisation and residual values of the assets.

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

Useful lives of property, vessel and equipment and investment properties

The Group's management determines the estimated useful lives of its property, vessel and equipment and investment properties for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Classification of investment securities

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

Fair 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.

Going concern

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

39. COMPARATIVE INFORMATION

Certain reclassifications have been made for the comparative information relating to the consolidated income statement with the objective of improving the quality of information presented. These changes did not have an impact on the previously reported revenues, operating profit or profit.

