

Qatar Navigation Q.P.S.C.

**UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

31 MARCH 2017

Qatar Navigation Q.P.S.C.
INTERIM CONSOLIDATED INCOME STATEMENT
For the three months ended 31 March 2017

	Notes	<i>For the three months ended 31 March</i>	
		<i>2017</i>	<i>2016</i>
		<i>(Unaudited)</i>	
		<i>QR'000</i>	<i>QR'000</i>
Operating revenues	3	647,962	767,460
Salaries, wages and other benefits		(128,923)	(159,286)
Operating supplies and expenses		(206,421)	(232,619)
Rent expenses		(4,323)	(3,797)
Depreciation and amortisation		(87,690)	(79,600)
Other operating expenses		(35,637)	(36,473)
OPERATING PROFIT		184,968	255,685
Finance costs		(49,597)	(37,511)
Finance income		43,431	38,582
Loss on disposal of property, vessels and equipment		(6)	(3)
Share of results of associates		60,194	77,346
Share of results of joint arrangements		23,909	15,647
Net (loss) gain on foreign exchange		(700)	2,791
Impairment of contract work in progress		(21,897)	-
Impairment of available-for-sale financial assets		(20,936)	-
Miscellaneous income	4	20,101	1,630
PROFIT FOR THE PERIOD		239,467	354,167
<i>Attributable to:</i>			
Equity holders of the parent		236,208	351,788
Non-controlling interest		3,259	2,379
		239,467	354,167
BASIC AND DILUTED EARNINGS PER SHARE <i>(attributable to equity holders of the parent)</i> <i>(expressed in Qatar Riyals)</i>	5	2.08	3.10

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

Qatar Navigation Q.P.S.C.
 INTERIM CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
 For the three months ended 31 March 2017

		<i>For the three months ended 31</i>	
		<i>March</i>	
		<i>2017</i>	<i>2016</i>
		<i>(Unaudited)</i>	
<i>Note</i>		<i>QR'000</i>	<i>QR'000</i>
	Profit for the period	<u>239,467</u>	<u>354,167</u>
	Other comprehensive income (loss)		
	<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods</i>		
	Net movement in hedging reserve	6 5,111	(239,801)
	Net loss on available-for-sale investments	6 <u>(54,603)</u>	<u>(149,276)</u>
	Other comprehensive loss for the period	<u>(49,492)</u>	<u>(389,077)</u>
	Total comprehensive income (loss) for the period	<u>189,975</u>	<u>(34,910)</u>
	<i>Attributable to:</i>		
	Equity holders of the parent	186,774	(37,244)
	Non-controlling interest	<u>3,201</u>	<u>2,334</u>
		<u>189,975</u>	<u>(34,910)</u>

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

Qatar Navigation Q.P.S.C.
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 March 2017

	<i>Notes</i>	31 March 2017 (Unaudited) QR'000	31 December 2016 (Audited) QR'000
ASSETS			
Non-current assets			
Property, vessels and equipment	7	4,777,365	4,861,611
Investment properties	8	1,197,155	1,140,646
Intangible assets		584,571	594,548
Investment in joint ventures		336,220	299,350
Investment in associates		4,707,975	4,814,755
Available-for-sale financial assets		3,989,034	4,065,641
Loans granted to LNG companies		210,630	214,747
Other assets		29,430	32,461
		<u>15,832,380</u>	<u>16,023,759</u>
Current assets			
Inventories		143,452	125,579
Trade and other receivables		816,398	742,102
Financial assets at fair value through profit or loss		459,899	484,556
Investment in term deposits		3,794,209	3,578,722
Cash and cash equivalents		548,961	1,102,860
		<u>5,762,919</u>	<u>6,033,819</u>
TOTAL ASSETS		<u>21,595,299</u>	<u>22,057,578</u>
EQUITY AND LIABILITIES			
Attributable to equity holders of the parent			
Share capital		1,145,252	1,145,252
Treasury shares		(73,516)	(73,516)
Legal reserve		4,693,986	4,693,986
General reserve		623,542	623,542
Fair value reserve		4,010,116	4,064,661
Hedging reserve		(117,609)	(122,720)
Retained earnings		3,693,986	3,855,436
Equity attributable to equity holders of the parent		<u>13,975,757</u>	<u>14,186,641</u>
Non-controlling interest		58,523	55,322
Total equity		<u>14,034,280</u>	<u>14,241,963</u>

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

Qatar Navigation Q.P.S.C.
 INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
 At 31 March 2017

	<i>31 March 2017 (Unaudited) QR'000</i>	<i>31 December 2016 (Audited) QR'000</i>
Non-current liabilities		
Loans and borrowings	3,273,070	2,789,820
Advance from a customer	128,676	152,634
Provision for employees' end of service benefits	<u>100,900</u>	<u>99,840</u>
	<u>3,502,646</u>	<u>3,042,294</u>
Current liabilities		
Trade and other payables	968,915	948,120
Loans and borrowings	<u>3,089,458</u>	<u>3,825,201</u>
	<u>4,058,373</u>	<u>4,773,321</u>
Total liabilities	<u>7,561,019</u>	<u>7,815,615</u>
TOTAL EQUITY AND LIABILITIES	<u>21,595,299</u>	<u>22,057,578</u>

.....
 Ali bin Jassim bin Mohammad Al-Thani
 Chairman

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

Qatar Navigation Q.P.S.C.
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
For the three months ended 31 March 2017

	<i>For the three months ended 31</i>	
	<i>March</i>	
	<i>2017</i>	<i>2016</i>
	<i>(Unaudited)</i>	
	<i>QR'000</i>	<i>QR'000</i>
OPERATING ACTIVITIES		
Profit for the period	239,467	354,167
Adjustment for:		
Depreciation and amortisation	87,690	79,600
Finance costs	49,597	37,511
Loss on disposal of property, vessels and equipment	6	3
Share of results of associates	(60,194)	(77,346)
Share of results of joint arrangements	(23,909)	(15,647)
Provision for employees' end of service benefits	3,090	2,987
Finance income	(43,431)	(38,582)
Dividend income	(124,754)	(124,558)
Impairment of available-for-sale financial assets	20,936	-
Impairment of contract work in progress	21,897	-
Net fair value loss on financial assets at fair value through profit or loss	11,806	10,374
(Gain) loss on disposal of investments	(2,936)	738
Operating profit before working capital changes:	179,265	229,247
Inventories	(17,873)	9,453
Trade and other receivables	(71,265)	25,887
Trade and other payables	(1,359)	40,041
Cash flows from operating activities	88,768	304,628
Employees' end of service benefits paid	(2,030)	(3,199)
Net cash flows from operating activities	86,738	301,429
INVESTING ACTIVITIES		
Purchase of property, vessels and equipment	(8,759)	(39,844)
Dividend income	124,754	124,558
Finance income	43,431	38,582
Proceeds from disposal of property, vessels and equipment	1	23
Purchases of investment properties	(63,019)	(46,840)
Addition to intangibles	(102)	-
Net movement in loans granted to LNG companies	4,117	(2,687)
Purchase of investment securities	(17,901)	(13,656)
Proceeds from disposal of available-for-sale financial assets	7,301	-
Proceeds from disposal of financial assets at fair value through profit or loss	16,775	9,743
Dividends received from associates	168,000	211,312
Net cash flows from investing activities	274,598	281,191

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

Qatar Navigation Q.P.S.C.
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
For the three months ended 31 March 2017

	<i>Notes</i>	<i>For the three months ended 31 March</i>	
		<i>2017</i>	<i>2016</i>
		<i>(Unaudited)</i>	
		<i>QR'000</i>	<i>QR'000</i>
FINANCING ACTIVITIES			
Dividends paid	10	(397,658)	(568,082)
Dividends paid to non-controlling interests		-	(9,000)
Net movement in loans and borrowings		(252,493)	(90,953)
Finance costs paid		(49,597)	(37,511)
Net movement in term deposits maturing after 90 days		(215,487)	97,747
Net cash flows used in financing activities		(915,235)	(607,799)
DECREASE IN CASH AND CASH EQUIVALENTS		(553,899)	(25,179)
Cash and cash equivalents at 1 January		1,102,860	852,736
CASH AND CASH EQUIVALENTS AT 31 MARCH	9	548,961	827,557

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

Qatar Navigation Q.P.S.C.
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the three months ended 31 March 2017

	<i>Attributable to the equity holders of the Parent</i>							<i>Non-controlling interest</i>	<i>Total</i>	
	<i>Share capital</i>	<i>Treasury shares</i>	<i>Legal reserve</i>	<i>General reserve</i>	<i>Fair value reserve</i>	<i>Hedging reserve</i>	<i>Retained earnings</i>			<i>Total</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	
Balance at 1 January 2017 (Audited)	1,145,252	(73,516)	4,693,986	623,542	4,064,661	(122,720)	3,855,436	14,186,641	55,322	14,241,963
Profit for the period	-	-	-	-	-	-	236,208	236,208	3,259	239,467
Other comprehensive (loss) income	-	-	-	-	(54,545)	5,111	-	(49,434)	(58)	(49,492)
Total comprehensive (loss) income	-	-	-	-	(54,545)	5,111	236,208	186,774	3,201	189,975
Dividends paid (Note 10)	-	-	-	-	-	-	(397,658)	(397,658)	-	(397,658)
Balance at 31 March 2017 (Unaudited)	1,145,252	(73,516)	4,693,986	623,542	4,010,116	(117,609)	3,693,986	13,975,757	58,523	14,034,280
	<i>Attributable to the equity holders of the Parent</i>									
	<i>Share capital</i>	<i>Treasury shares</i>	<i>Legal Reserve</i>	<i>General reserve</i>	<i>Fair value reserve</i>	<i>Hedging reserve</i>	<i>Retained earnings</i>	<i>Total</i>	<i>Non-controlling interest</i>	<i>Total</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
Balance at 1 January 2016 (Audited)	1,145,252	(73,516)	4,693,986	623,542	3,859,321	(299,335)	3,729,844	13,679,094	72,191	13,751,285
Profit for the period	-	-	-	-	-	-	351,788	351,788	2,379	354,167
Other comprehensive loss	-	-	-	-	(149,231)	(239,801)	-	(389,032)	(45)	(389,077)
Total comprehensive (loss) income	-	-	-	-	(149,231)	(239,801)	351,788	(37,244)	2,334	(34,910)
Dividends paid (Note 10)	-	-	-	-	-	-	(568,082)	(568,082)	(9,000)	(577,082)
Balance at 31 March 2016 (Unaudited)	1,145,252	(73,516)	4,693,986	623,542	3,710,090	(539,136)	3,513,550	13,073,768	65,525	13,139,293

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

Qatar Navigation Q.P.S.C.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As at and for the period ended 31 March 2017

1 REPORTING ENTITY

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

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

The interim condensed consolidated financial statements of the Group were authorized for issue by the Board of Directors on 24 April 2017.

The interim condensed consolidated financial statements include the financial statements of the Company and of its subsidiaries (the “Group”) for the three months ended 31 March 2017.

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

<i>Name of the subsidiary</i>	<i>Country of incorporation</i>	<i>Principal activities</i>	<i>Group effective shareholding</i>	
			<i>31 March 2017</i>	<i>31 December 2016</i>
Qatar Shipping Company W.L.L.	Qatar	Chartering of vessels and maritime services	100%	100%
Halul Offshore Services W.L.L.	Qatar	Chartering of vessels offshore services	100%	100%
Qatar Quarries and Building Materials Company Q.P.S.C. (i)	Qatar	Trading in building materials	50%	50%
Gulf Shipping Investment Company W.L.L.	Qatar	Cargo handling	100%	100%
Qatar Shipping Company (India) Private Limited	India	Own, Hire, Purchase, Sale, Operate and manage all types of ships	100%	100%
Ocean Marine Services W.L.L.	Qatar	Cargo handling, offshore support services	100%	100%
Halul United Business Services L.L.C.	Saudi	Offshore services	100%	100%
Milaha Trading Company W.L.L.	Qatar	Trading in industrial materials	100%	100%
Navigation Travel & Tourism W.L.L.	Qatar	Travel agency	100%	100%
Navigation Trading Agencies W.L.L.	Qatar	Trading in heavy equipment	100%	100%

Qatar Navigation Q.P.S.C.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As at and for the period ended 31 March 2017

1 REPORTING ENTITY (CONTINUED)

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

<i>Name of the subsidiary</i>	<i>Country of incorporation</i>	<i>Principal activities</i>	<i>Group effective shareholding</i>	
			<i>31 March 2017</i>	<i>31 December 2016</i>
Navigation Marine Service Center W.L.L	Qatar	Marine services	100%	100%
Milaha Capital W.L.L.	Qatar	Investments	100%	100%
Milaha Real Estate Services W.L.L	Qatar	Real estate maintenance	100%	100%
Milaha Maritime and Logistics Integrated W.L.L.	Qatar	Maritime and logistic services	100%	100%
Milaha Ras Laffan Verwaltungs GMBH	Germany	Managing the business activities of KG companies	100%	100%
Milaha Qatar Verwaltungs GMBH	Germany	Managing the business activities of KG companies	100%	100%
Milaha Real Estate Investment W.L.L	Qatar	Real estate services	100%	100%
Milaha for Petroleum and Chemical Product W.L.L.	Qatar	Shipping services	100%	100%
Milaha Ras Laffan Gmbh & Co. KG (KG1)	Germany	LNG transportation	100%	100%
Milaha Qatar Gmbh & Co. KG (KG2)	Germany	LNG transportation	100%	100%
Qatar Shipping Company (France)	France	Investments	100%	100%
Milaha Offshore Holding Co. PTE LTD	Singapore	Offshore support services	100%	100%
Milaha Explorer PTE LTD	Singapore	Offshore support services	100%	100%
Milaha Offshore Services Co PTE LTD	Singapore	Offshore support services	100%	100%

- (i) The Group controls Qatar Quarries Building Materials Company Q.P.S.C. through its power to control that company's Board of Directors.#

Qatar Navigation Q.P.S.C.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As at and for the period ended 31 March 2017

1 REPORTING ENTITY (CONTINUED)

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

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

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

<i>Name of subsidiary</i>	<i>Company's ownership percentage</i>	
	<i>31 March 2017</i>	<i>31 December 2016</i>
Milaha Technical & Logistics Services W.L.L	100%	100%
Milaha Offshore Support Services Company L.L.C.	99.5%	99.5%
Milaha for Petroleum and Chemical Product W.L.L	99.5%	99.5%
Milaha Warehousing W.L.L	100%	100%
Milaha Capital Real Estate Complex W.L.L	100%	100%
Milaha for Ships and Boats W.L.L	100%	100%
Milaha Ship Management & Operation Company W.L.L	100%	100%
Halul Ship Management & Operation W.L.L	100%	100%

All subsidiaries undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent do not differ from the proportion of the ordinary shares held.

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

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

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

Qatar Navigation Q.P.S.C.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As at and for the period ended 31 March 2017

2 BASIS OF PREPARATION

2.1 Basis of preparation

The interim condensed consolidated financial statements are prepared in Qatari Riyals (“QR”), which is the Group’s functional and presentation currency and all values are rounded to the nearest thousands (QR’000) except otherwise indicated.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 December 2016.

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2016, except for the adoption of the new standards and interpretations effective as of 1 January 2017. The Group has not early adopted any of the standards issued, and are yet to be effective.

3 OPERATING REVENUES

The operating revenues consist of the activities of the following Pillars:

	<i>Three months ended 31 March</i>	
	<i>2017</i>	<i>2016</i>
	<i>(Unaudited)</i>	
	<i>QR’000</i>	<i>QR’000</i>
Milaha Capital	204,090	185,889
Milaha Maritime and Logistics	160,113	227,413
Milaha Offshore	134,733	145,030
Milaha Trading	48,554	88,002
Milaha Gas and Petrochem	100,472	121,126
	647,962	767,460

4 MISCELLANEOUS INCOME

This represents compensation for the early termination of four vessel based on the contractual terms. This is related to the Gas and petrochemical segment.

Qatar Navigation Q.P.S.C.
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 As at and for the period ended 31 March 2017

5 BASIC AND DILUTED EARNINGS PER SHARE

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

	<i>Three months ended 31 March</i>	
	<i>2017</i>	<i>2016</i>
	<i>(Unaudited)</i>	
Net profit for the period attributable to equity holders of the parent (QR'000)	236,208	351,788
Weighted average number of shares (000's)	113,616	113,616
Basic and diluted earnings per share (QR)	2.08	3.10

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

	<i>Three months ended 31 March</i>	
	<i>2017</i>	<i>2016</i>
	<i>(Unaudited)</i>	
Total number of shares outstanding (000's)	114,525	114,525
Adjustment for weighted average shares with respect to treasury shares purchased during the year 2013 (000's) (Note)	(909)	(909)
Weighted average numbers of shares during the period (000's)	113,616	113,616

Note:

This represents the investment of 908,725 shares in the Parent Company, Qatar Navigation Q.P.S.C., by one of the subsidiaries during the year ended 31 December 2013.

6 COMPONENTS OF OTHER COMPREHENSIVE INCOME

	<i>Three months ended 31 March</i>	
	<i>2017</i>	<i>2016</i>
	<i>(Unaudited)</i>	
	<i>QR'000</i>	<i>QR'000</i>
Movements of other comprehensive income		
Cash flow hedges		
Movement during the period	1,804	(29,848)
Group share of net movement in associates	3,307	(209,953)
Total effect on other comprehensive income (loss) resulting from cashflow hedges	5,111	(239,801)
Available-for-sale investments		
Net movement during the period	(52,304)	(148,257)
Group share of net movement in associates	(2,299)	(1,019)
Total effect on other comprehensive loss resulting from available-for-sale investments	(54,603)	(149,276)

Qatar Navigation Q.P.S.C.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As at and for the period ended 31 March 2017

7 PROPERTY, VESSELS AND EQUIPMENT

	<i>31 March 2017 (Unaudited) QR'000</i>	<i>31 December 2016 (Audited) QR'000</i>
Net book value, beginning balance	4,861,611	5,038,783
Additions	8,759	285,451
Disposals and write off	(7)	(14,980)
Transfers and reclassifications	(116)	796
Impairment of vessels and capital work-in-progress (i)	(21,897)	(160,662)
Depreciation charge for the period/ year	<u>(70,985)</u>	<u>(287,777)</u>
Net book value, ending balance	<u><u>4,777,365</u></u>	<u><u>4,861,611</u></u>

- (i) An amount QR 21,897,000 was recognized as impairment, relating to the construction of vessels for the period ending 31 March 2017. The impairment value was determined with reference to fair values.

8 INVESTMENT PROPERTIES

	<i>31 March 2017 (Unaudited) QR'000</i>	<i>31 December 2016 (Audited) QR'000</i>
Net book value, beginning balance	1,140,646	877,986
Additions	63,019	288,068
Depreciation charge for the period/ year	<u>(6,510)</u>	<u>(25,408)</u>
Net book value, ending balance	<u><u>1,197,155</u></u>	<u><u>1,140,646</u></u>

9 CASH AND CASH EQUIVALENTS

For the purpose of the interim consolidated statement of cash flows, cash and cash equivalents comprise the following:

	<i>Three months ended 31 March</i>	
	<i>2017</i>	<i>2016</i>
	<i>(Unaudited)</i>	
	<i>QR'000</i>	<i>QR'000</i>
Cash in hand	3,214	5,546
Bank balances – term deposits (i)	250,473	256,461
Bank balances – current accounts	<u>295,274</u>	<u>565,550</u>
	<u><u>548,961</u></u>	<u><u>827,557</u></u>

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

Qatar Navigation Q.P.S.C.
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 As at and for the period ended 31 March 2017

10 DIVIDENDS

Dividend proposed and paid for the year 2016

The Board of Directors had proposed a 35% cash dividend of QR 3.5 per share totaling QR 398 million for the year 2016 which was approved by the equity holders at the Annual General Assembly held on 15 March 2017.

Dividend declared and paid:

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

11 CONTINGENT LIABILITIES

At 31 March 2017 and 31 December 2016, the Group had letters of guarantees and letters of credit from which it anticipates that no material liabilities will arise amounted to:

	<i>31 March</i> <i>2017</i> <i>(Unaudited)</i> <i>QR'000</i>	<i>31 December</i> <i>2016</i> <i>(Audited)</i> <i>QR'000</i>
Letters of guarantees	877,990	752,580
Letters of credits	<u>37,234</u>	<u>29,633</u>
	<u>915,224</u>	<u>782,213</u>

12 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

Financial assets consist of bank balances, available-for-sale investments, financial assets at fair value through profit or loss, loans granted to LNG companies and certain other receivables. Financial liabilities consist of bank overdrafts, loans and borrowings and certain other payables. Derivative financial instruments consist of interest rate swaps. As at the reporting date the carrying values of the financial assets and financial liabilities were not materially different to the fair values.

13 RELATED PARTY DISCLOSURES

The following table provides the total amount of transactions that have been entered into with related parties during the three months ended 31 March 2017, as well as balances with related parties as at 31 March 2017 and 31 December 2016:

Related party transactions

	<i>Three months ended 31 March</i>			
	<i>2017</i>		<i>2016</i>	
	<i>Sales</i> <i>(Unaudited)</i> <i>QR'000</i>	<i>Purchases</i> <i>(Unaudited)</i> <i>QR'000</i>	<i>Sales</i> <i>(Unaudited)</i> <i>QR'000</i>	<i>Purchases</i> <i>(Unaudited)</i> <i>QR'000</i>
Associate companies	<u>872</u>	<u>26</u>	<u>149</u>	<u>2</u>

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13 RELATED PARTY DISCLOSURES (CONTINUED)

Related party balances

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

	<i>31 March 2017</i>		<i>31 December 2016</i>	
	<i>Trade receivables</i>	<i>Trade payables</i>	<i>Trade receivables</i>	<i>Trade payables</i>
	<i>(Unaudited)</i>		<i>(Audited)</i>	
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
Associate companies	827	-	93	17
Directors	530	48	897	68
Other related parties	-	-	-	57
	1,357	48	990	142

Compensation of directors and other key management personnel

The accrued remuneration of directors and the paid salaries and allowances to members of key management during the period was as follows:

	<i>Three months ended 31 March</i>	
	<i>2017</i>	<i>2016</i>
	<i>(Unaudited)</i>	
	<i>QR'000</i>	<i>QR'000</i>
Salaries and allowances	3,373	3,549
Provision for employees' end of service benefits	221	191
Board of directors remuneration	3,488	3,488
	7,082	7,228

14 COMPARATIVE INFORMATION

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

15 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 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 fleet of product tankers and 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, which are 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. These 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.

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15 SEGMENT INFORMATION (CONTINUED)

Three months period ended 31 March 2017 (Unaudited)

	<i>Milaha Capital QR'000</i>	<i>Milaha Maritime and Logistics QR'000</i>	<i>Milaha Offshore QR'000</i>	<i>Milaha Trading QR'000</i>	<i>Milaha Gas and Petrochem QR'000</i>	<i>Adjustments relating to Milaha Corporate QR'000</i>	<i>Total segments QR'000</i>	<i>Adjustments and eliminations QR'000</i>	<i>Consolidated QR'000</i>
Operating revenues	209,931	190,914	134,917	67,135	100,687	-	703,584	(55,622) (i)	647,962
Salaries, wages and other benefits	(1,711)	(29,833)	(42,374)	(3,805)	(23,722)	(27,478)	(128,923)	-	(128,923)
Operating supplies and expenses	(43,507)	(115,095)	(24,510)	(57,046)	(14,582)	(1,064)	(255,804)	49,383 (i)	(206,421)
Rent expenses	(910)	(2,073)	(2,500)	(569)	(981)	(3,265)	(10,298)	5,975 (i)	(4,323)
Depreciation and amortisation	(8,860)	(15,618)	(28,384)	(226)	(33,752)	(850)	(87,690)	-	(87,690)
Other operating expenses	(2,807)	(4,286)	(12,919)	(808)	(8,335)	(6,746)	(35,901)	264 (i)	(35,637)
Allocations relating to fleet and technical services	-	(9,638)	-	-	9,638	-	-	-	-
Allocations relating to Milaha Corporate	(3,600)	(17,262)	(7,694)	(3,748)	(7,103)	39,407	-	-	-
OPERATING PROFIT	148,536	(2,891)	16,536	933	21,850	4	184,968	-	184,968
Finance costs	(27,572)	(2,780)	(7,537)	-	(12,739)	(1)	(50,629)	1,032 (i)	(49,597)
Finance income	39,069	1	14	758	4,623	(2)	44,463	(1,032) (i)	43,431
Loss on disposal of property, vessels and equipment	-	-	-	(6)	-	-	(6)	-	(6)
Share of results of associates	(214)	31	-	-	60,377	-	60,194	-	60,194
Share of results of joint arrangements	-	30,376	-	-	(6,467)	-	23,909	-	23,909
Net (loss) gain on foreign exchange	(148)	(171)	(105)	68	(343)	(1)	(700)	-	(700)
Impairment of contract work in progress	-	-	(21,897)	-	-	-	(21,897)	-	(21,897)
Impairment of available-for-sale financial assets	(20,936)	-	-	-	-	-	(20,936)	-	(20,936)
Miscellaneous income	174	1	-	-	19,926	-	20,101	-	20,101
PROFIT FOR THE PERIOD	138,909	24,567	(12,989)	1,753	87,227	-	239,467	-	239,467

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15 SEGMENT INFORMATION (CONTINUED)

Three months period ended 31 March 2016 (Unaudited)

	<i>Milaha Capital QR'000</i>	<i>Milaha Maritime and Logistics QR'000</i>	<i>Milaha Offshore QR'000</i>	<i>Milaha Trading QR'000</i>	<i>Milaha Gas and Petrochem QR'000</i>	<i>Adjustments relating to Milaha Corporate QR'000</i>	<i>Total segments QR'000</i>	<i>Adjustments and eliminations QR'000</i>	<i>Consolidated QR'000</i>
Operating revenues	190,786	251,286	145,030	99,515	121,127	-	807,744	(40,284) (i)	767,460
Salaries, wages and other benefits	(962)	(54,110)	(46,000)	(5,205)	(25,672)	(27,455)	(159,404)	118 (i)	(159,286)
Operating supplies and expenses	(29,225)	(105,700)	(32,426)	(84,772)	(13,221)	(2,771)	(268,115)	35,496 (i)	(232,619)
Rent expenses	(1,052)	(1,958)	(1,476)	(550)	(863)	(2,661)	(8,560)	4,763 (i)	(3,797)
Depreciation and amortisation	(8,811)	(10,748)	(27,852)	(230)	(30,854)	(1,104)	(79,599)	(1) (i)	(79,600)
Other operating expenses	(2,852)	(7,688)	(13,868)	(795)	(8,343)	(2,835)	(36,381)	(92) (i)	(36,473)
Allocations relating to fleet and technical services	-	(13,191)	-	-	13,191	-	-	-	-
Allocations relating to Milaha Corporate	(3,097)	(17,158)	(6,933)	(3,613)	(6,027)	36,828	-	-	-
OPERATING PROFIT	144,787	40,733	16,475	4,350	49,338	2	255,685	-	255,685
Finance costs	(15,810)	(1,839)	(4,681)	-	(15,181)	-	(37,511)	-	(37,511)
Finance income	29,969	1	362	974	7,276	-	38,582	-	38,582
Gain (loss) on disposal of property, vessels and equipment	-	2	(5)	-	-	-	(3)	-	(3)
Share of results of associates	274	252	-	-	76,820	-	77,346	-	77,346
Share of results of joint arrangements	-	-	-	-	15,647	-	15,647	-	15,647
Net (loss) gain on foreign exchange	(76)	(176)	(76)	(67)	3,188	(2)	2,791	-	2,791
Miscellaneous income	149	1	-	-	1,480	-	1,630	-	1,630
PROFIT FOR THE PERIOD	159,293	38,974	12,075	5,257	138,568	-	354,167	-	354,167

Note:

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