

Qatar Navigation Q.P.S.C.
CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS

30 JUNE 2019

Qatar Navigation Q.P.S.C.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
As at and for the six-month period ended 30 June 2019

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Independent auditor's report on review of condensed consolidated interim financial statements

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

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Qatar Navigation Q.P.S.C. (the "Company") as at 30 June 2019, the condensed consolidated statements of income, comprehensive income, cash flows and changes in equity for the six-month period then ended, and notes to the interim financial statements (the "condensed consolidated interim financial statements"). The Board of Directors of the Company is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at and for the six-month ended 30 June 2019 are not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting".

29 July 2019
Doha
State of Qatar

Yacoub Hobeika
Qatar Auditors Registration No. 289
KPMG
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Qatar Navigation Q.P.S.C.
CONDENSED CONSOLIDATED INCOME STATEMENT
For the six-month period ended 30 June 2019

	Notes	<i>For the six-month period ended 30 June</i>	
		<i>2019</i>	<i>2018</i>
		<i>(Reviewed)</i>	
		<i>QR'000</i>	<i>QR'000</i>
Operating revenues	5	1,257,954	1,253,629
Salaries, wages and other benefits		(292,286)	(270,356)
Operating supplies and expenses		(479,595)	(464,033)
Rent expenses		(5,079)	(8,439)
Depreciation and amortisation		(180,840)	(163,075)
Provision for impairment of trade receivables		(5,621)	(19,924)
Other operating expenses		(64,564)	(69,836)
OPERATING PROFIT		229,969	257,966
Finance cost		(58,626)	(85,157)
Finance income		18,378	36,182
Gain on disposal of property, vessels and equipment		7,363	1,381
Share of results of associates		172,416	139,677
Share of results of joint arrangements		97,327	82,137
Net gain on foreign exchange		153	2,597
Impairment of vessels		(154,360)	(140,188)
Miscellaneous income		3,082	1,716
PROFIT FOR THE PERIOD		315,702	296,311
<i>Attributable to:</i>			
Equity holders of the parent		316,137	297,141
Non-controlling interest		(435)	(830)
		315,702	296,311
BASIC AND DILUTED EARNINGS PER SHARE <i>(attributable to equity holders of the parent)</i> <i>(expressed in QR per share)</i>	18	0.28	0.26

The attached notes 1 to 20 form part of these condensed consolidated interim financial statements.

Qatar Navigation Q.P.S.C.
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six-month period ended 30 June 2019

	<i>For the six-month period ended 30</i>	
	<i>June</i>	
	<i>2019</i>	<i>2018</i>
	<i>(Reviewed)</i>	
	<i>QR'000</i>	<i>QR'000</i>
Profit for the period	<u>315,702</u>	<u>296,311</u>
Other comprehensive income (OCI):		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Net (loss) / gain on equity investments at fair value through OCI	(118,216)	253,687
Equity-accounted investees – share of OCI	(5,860)	2,957
	<u>(124,076)</u>	256,644
<i>Items that may be reclassified subsequently to profit or loss</i>		
Net (loss) / gain resulting from cash flow hedges	(37,508)	4,924
Cash flow hedge movement for equity-accounted investees	(193,386)	146,245
	<u>(230,894)</u>	151,169
Total OCI	<u>(354,970)</u>	<u>407,813</u>
Total comprehensive income	<u>(39,268)</u>	<u>704,124</u>
<i>Attributable to:</i>		
Equity holders of the Parent	(38,860)	704,817
Non-controlling interest	(408)	(693)
	<u>(39,268)</u>	<u>704,124</u>

The attached notes 1 to 20 form part of these condensed consolidated interim financial statements.

Qatar Navigation Q.P.S.C.
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 At 30 June 2019

		<i>30 June 2019 (Reviewed) QR'000</i>	<i>31 December 2018 (Audited) QR'000</i>
ASSETS			
Non-current assets			
Property, vessels and equipment	6	3,771,116	4,031,488
Investment properties	7	1,327,019	1,299,473
Intangible assets		154,398	159,503
Right-of-use assets	8	62,271	-
Investments in joint ventures		948,951	949,910
Investments in associates	9	5,746,748	5,365,434
Financial assets at fair value through other comprehensive income		3,991,494	4,100,684
Loans granted to LNG companies		139,825	149,575
Other assets		24,696	25,765
		16,166,518	16,081,832
Current assets			
Inventories		101,480	121,553
Trade and other receivables		743,722	760,370
Financial assets at fair value through profit or loss		85,424	138,846
Investments in term deposits	10	207,271	577,544
Cash and cash equivalents		118,948	127,394
		1,256,845	1,725,707
TOTAL ASSETS		17,423,363	17,807,539
EQUITY AND LIABILITIES			
Attributable to equity holders of the Parent			
Share capital	11	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		3,762,156	3,886,259
Hedging reserve		64,842	295,736
Retained earnings		3,981,508	4,010,829
		14,197,770	14,582,088
Equity attributable to equity holders of the Parent		14,197,770	14,582,088
Non-controlling interest		55,309	55,717
Total equity		14,253,079	14,637,805


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

The attached notes 1 to 20 form part of these condensed consolidated interim financial statements.


Qatar Navigation Q.P.S.C.
 CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 (CONTINUED)
 At 30 June 2019

EQUITY AND LIABILITIES (CONTINUED)	Notes	30 June 2019 (Reviewed) QR'000	31 December 2018 (Audited) QR'000
Liabilities			
Non-current liabilities			
Loans and borrowings		2,004,483	2,149,133
Advance from a customer		110,912	114,918
Lease liabilities	8	45,840	-
Provision for employees' end of service benefits		120,029	120,612
		<u>2,281,264</u>	<u>2,384,663</u>
Current liabilities			
Trade and other payables		595,533	510,870
Loans and borrowings		271,616	274,201
Lease liabilities	8	21,871	-
		<u>889,020</u>	<u>785,071</u>
Total liabilities		<u>3,170,284</u>	<u>3,169,734</u>
TOTAL EQUITY AND LIABILITIES		<u>17,423,363</u>	<u>17,807,539</u>

The Group's condensed consolidated interim financial statements were authorized for issue by the Company's Board of Directors on 29 July 2019 and signed on its behalf by the following:



 Jassim bin Hamad bin Jassim Jaber Al-Thani
 Chairman



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

The attached notes 1 to 20 form part of these condensed consolidated interim financial statements.

Qatar Navigation Q.P.S.C.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six-month period ended 30 June 2019

	<i>For the six-month period ended 30</i>	
	<i>June</i>	
	<i>2019</i>	<i>2018</i>
	<i>(Reviewed)</i>	
	<i>QR'000</i>	<i>QR'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	315,702	296,311
Adjustments for:		
Depreciation of property, vessels and equipment	137,250	134,763
Depreciation of investment property	26,748	23,170
Amortisation of intangible assets	5,120	5,142
Depreciation of right-of-use assets	11,722	-
Gain on disposal of property, vessels and equipment	(7,363)	(1,381)
Share of results of associates	(172,416)	(139,677)
Share of results of joint arrangements	(97,327)	(82,137)
Provision for employees' end of service benefits	9,614	8,896
Dividend income	(149,609)	(173,703)
Net fair value loss / (gain) on financial assets at fair value through profit or loss	2,507	(19,194)
Impairment of vessels	154,360	140,188
Provision for impairment of trade receivables	5,621	19,924
Profit on disposal of investment securities	(6,073)	(9,469)
Finance costs	58,626	85,157
Finance income	(18,378)	(36,182)
Operating profit before working capital changes:	276,104	251,808
<i>Changes in:</i>		
Inventories	20,073	(40,801)
Trade and other receivables	(6,112)	200,470
Trade and other payables	54,668	5,451
Cash flows from operating activities	344,733	416,928
Employees' end of service benefits paid	(10,197)	(6,529)
Net cash from operating activities	334,536	410,399
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, vessels and equipment	(82,261)	(274,147)
Dividend income	149,609	173,703
Finance income	18,378	36,182
Proceeds from disposal of property, vessels and equipment	58,386	1,822
Purchases of investment property	(54,294)	(23,614)
Addition to intangible assets	(15)	(65)
Net movement in loans granted to LNG companies	9,750	10,333
Purchase of investment securities	(35,013)	(19,576)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	986
Proceeds from disposal of financial assets at fair value through profit or loss	91,758	238,721
Additional investment in an associate	(610,639)	-
Net movement in investments in term deposits	370,273	1,091,456
Contribution towards an associate	-	(1,020)
Dividends received from joint ventures	98,000	-
Dividends received from associates	202,494	168,896
Net cash flows from investing activities	216,426	1,403,677

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

The attached notes 1 to 20 form part of these condensed consolidated interim financial statements.

Qatar Navigation Q.P.S.C.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
For the six-month period ended 30 June 2019

		<i>For the six-month period ended</i>	
		<i>30 June</i>	
		<i>2019</i>	<i>2018</i>
		<i>(Reviewed)</i>	
<i>Notes</i>		<i>QR'000</i>	<i>QR'000</i>
CASH FLOWS FROM FINANCING ACTIVITIES			
	Dividends paid to Company's shareholders	13 (340,849)	(397,658)
	Dividends paid to non-controlling interests	-	(7,088)
	Net movement in loans and borrowings	(147,235)	(912,602)
	Finance costs paid	(58,626)	(85,157)
	Payment towards lease liability	(12,698)	-
	Net cash flows used in financing activities	(559,408)	(1,402,505)
	Net (decrease) / increase in cash and cash equivalents	(8,446)	411,571
	Cash and cash equivalents at beginning of period	127,394	313,943
	Cash and cash equivalents at end of period	118,948	725,514

The attached notes 1 to 20 form part of these condensed consolidated interim financial statements.

Qatar Navigation Q.P.S.C.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six-month period ended 30 June 2019

	<i>Attributable to the equity holders of the Parent</i>							<i>Non-</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>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 31 December 2018 (Audited)	1,145,252	(73,516)	4,693,986	623,542	3,886,259	295,736	4,010,829	14,582,088	55,717	14,637,805
Adjustment on initial application of IFRS 16 (Note 4)	-	-	-	-	-	-	(4,609)	(4,609)	-	(4,609)
Restated balance at 1 January 2019	1,145,252	(73,516)	4,693,986	623,542	3,886,259	295,736	4,006,220	14,577,479	55,717	14,633,196
Profit for the period	-	-	-	-	-	-	316,137	316,137	(435)	315,702
Other comprehensive income	-	-	-	-	(124,103)	(230,894)	-	(354,997)	27	(354,970)
Total comprehensive (loss) income	-	-	-	-	(124,103)	(230,894)	316,137	(38,860)	(408)	(39,268)
<i>Transactions with owners of the Group:</i>										
Dividends paid (Note 13)	-	-	-	-	-	-	(340,849)	(340,849)	-	(340,849)
At 30 June 2019 (Reviewed)	1,145,252	(73,516)	4,693,986	623,542	3,762,156	64,842	3,981,508	14,197,770	55,309	14,253,079
	<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-</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>controlling interest</i>	<i>QR'000</i>
									<i>QR'000</i>	
Balance at 31 December 2017 (Audited)	1,145,252	(73,516)	4,693,986	623,542	3,190,158	47,432	3,915,860	13,542,714	69,100	13,611,814
Adjustment on initial application of IFRS 9 (Audited) (i)	-	-	-	-	(57,312)	-	7,763	(49,549)	(2,103)	(51,652)
Restated balance at 1 January 2018	1,145,252	(73,516)	4,693,986	623,542	3,132,846	47,432	3,923,623	13,493,165	66,997	13,560,162
Profit for the period	-	-	-	-	-	-	297,141	297,141	(830)	296,311
Other comprehensive income	-	-	-	-	256,507	151,169	-	407,676	137	407,813
Total comprehensive (loss) income	-	-	-	-	256,507	151,169	297,141	704,817	(693)	704,124
<i>Transactions with owners of the Group:</i>										
Dividends paid (Note 13)	-	-	-	-	-	-	(397,658)	(397,658)	(7,088)	(404,746)
Transfer of reserves on disposal of financial assets at fair value through other comprehensive income	-	-	-	-	(799)	-	799	-	-	-
At 30 June 2018 (Reviewed & Restated) (i)	1,145,252	(73,516)	4,693,986	623,542	3,388,554	198,601	3,823,905	13,800,324	59,216	13,859,540

(i) The adjustment on initial application of IFRS 9 reported in the condensed consolidated interim financial statements as of 30 June 2018 was updated in the last annual consolidated financial statements as at and for the year ended 31 December 2018. Therefore, this adjustment should be read in conjunction with the disclosure made in Note 2(e) to the annual consolidated financial statements as at and for the year ended 31 December 2018.

The attached notes 1 to 20 form part of these condensed consolidated interim financial statements.

Qatar Navigation Q.P.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at and for the six-month period ended 30 June 2019

1. REPORTING ENTITY

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

These condensed consolidated interim financial statements comprise the Company and its subsidiaries (collectively referred as the “Group”).

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

The structure of the Group has not changed since the last annual consolidated financial statements as at and for the year ended 31 December 2018 (the “latest annual financial statements”), except as disclosed in note 9.

The condensed consolidated interim financial statements of the Group were authorised for issue by the Company’s Board of Directors on 29 July 2019.

2. BASIS OF ACCOUNTING

These condensed consolidated interim financial statements have been prepared in accordance with the International Accounting Standard (IAS) 34 “Interim Financial Reporting” and should be read in conjunction with the Group’s latest annual financial statements. They do not include all the information required for a complete set of the financial statements prepared in accordance with International Financial Reporting Standards (IFRS). However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual financial statements.

3. USE OF JUDGMENTS AND ESTIMATES

In preparing these condensed consolidated interim financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those described in the latest annual financial statements, except for the new lessee accounting under IFRS 16, which is described in Note 4.

Measurement of fair values

When measuring the fair value of an asset or liability, the Group uses any market observable data available. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted market price (unadjusted) in active markets for an identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the assets or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

3. USE OF JUDGMENTS AND ESTIMATES (CONTINUED)

Measurement of fair values (continued)

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

4. CHANGE IN SIGNIFICANT ACCOUNTING POLICIES

The Group has initially adopted IFRS 16 “Leases” (hereafter “IFRS 16”) from 1 January 2019. A number of other new standards are effective from 1 January 2019, but they do not have a significant effect on the Group’s condensed consolidated interim financial statements.

IFRS 16

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessees and lessors. IFRS 16 superseded IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, SIC 15 “Operating Leases – Incentives”, and SIC 27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”.

Under IAS 17, lessee accounting classified leases as operating or finance leases based on management’s assessment of whether the lease transferred substantially all the risks and rewards of ownership. IFRS 16 introduced a single, on-balance sheet lease accounting model for lessees, which resulted in almost all leases being recognised on the statement of financial position of a lessee as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17; i.e. lessors continue to classify leases as finance or operating leases. The Group acts as a lessor through leasing/sub-leasing vessels to third parties and renting investment properties (warehouses, office spaces and residential villas). Under IAS 17, all these were recognised as operating leases. The Group had no finance leases recognised under IAS 17.

The Group has applied a modified retrospective approach. Therefore, the Group has not restated the comparative information, instead recognised the cumulative effect of initially applying the standard as an adjustment to the retained earnings at the date of initial application. The Group recognised right of use assets and lease liabilities in the condensed consolidated statement of financial position, measured at the present value of the future lease payments on adoption (adjusted for any prepaid or accrued lease expenses). When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied in the Group’s principal markets was based on benchmark yield rates.

Further the Group has used the following practical expedients on initial application:

- used the Group’s previous assessment of which existing contracts are, or contain, lease;
- where the unexpired lease term on initial application date is less than 12 months or leases are of low value items (USD 5,000 or less), then the Group has elected to use the short-term lease and low-value exemptions respectively; and
- excluded initial direct costs from the measurement of right-of-use asset at the date of initial application.

Qatar Navigation Q.P.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at and for the six-month period ended 30 June 2019

4. CHANGE IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 16 “Leases” (continued)

The following amounts are recognised under the new standard and included in the respective headings of the condensed consolidated statement of financial position and condensed consolidated income statement:

Line items impacted in the condensed consolidated interim financial statements	As reported at 31 December 2018 QR'000	Adjustments due to adoption of IFRS 16 QR'000	Adjusted opening balances as at 1 January 2019 QR'000
Right-of-use assets	-	73,993	73,993
Lease liabilities	-	78,603	78,603
Retained earnings	4,010,829	(4,609)	4,006,220

	<i>Six-month period ended 30 June 2019</i>
	<i>(Reviewed)</i>
	<i>QR'000</i>
Depreciation charge for right-of-use assets	11,722
Interest expense on lease liabilities	1,806
Total payment of lease liability	12,698

5. OPERATING REVENUES

The Group revenues consist of activities under the following operating segments:

	<i>Six-month period ended 30 June</i>	
	<i>2019</i>	<i>2018</i>
	<i>(Reviewed)</i>	
	<i>QR'000</i>	<i>QR'000</i>
Milaha Capital	283,727	329,244
Milaha Maritime and Logistics	401,780	436,379
Milaha Offshore	366,364	267,753
Milaha Trading	65,767	74,979
Milaha Gas and Petrochem	140,316	145,274
	1,257,954	1,253,629

6. PROPERTY, VESSELS AND EQUIPMENT

	<i>30 June 2019 (Reviewed) QR'000</i>	<i>31 December 2018 (Audited) QR'000</i>
Net book value, beginning balance	4,031,488	4,196,429
Additions	82,261	371,476
Disposals and write off (i)	(51,023)	(7,835)
Other transfers and reclassifications	-	(11,266)
Impairment of vessels (ii)	(154,360)	(243,428)
Depreciation charge for the period/ year	(137,250)	(273,888)
Net book value, ending balance	3,771,116	4,031,488

(i) During the current reporting period, the Group sold four vessels with a total net book value of QR 50,664,000 and recognised a cumulative gain of QR 7,287,000.

Qatar Navigation Q.P.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at and for the six-month period ended 30 June 2019

6. PROPERTY, VESSELS AND EQUIPMENT (CONTINUED)

- (ii) The Group recognised impairment losses of QR 154 million (six-month period ended 30 June 2018: QR 140 million) in relation to vessels following an exercise performed by management which compared the recoverable amount of vessels against their respective carrying values at the reporting date. The values assigned to the key assumptions represent management's assessment of future trends in the shipping industry, cash flow projection of revenues and costs per vessel and the weighted average cost of capital to discount the future cash flows to present value. The impairment charge is attributable to the continued drop in the values of vessels as a result of the global economic conditions and the impact of it on future cash flows, costs of capital and market value of second hand vessels.

7. INVESTMENT PROPERTIES

	2019 (Reviewed) QR'000	2018 (Audited) QR'000
At 1 January	1,299,473	1,277,575
Additions	54,294	62,061
Depreciation charge for the period/ year	(26,748)	(50,057)
Disposals and write off	-	(64)
Transfers and reclassifications	-	9,958
At 30 June / 31 December	<u>1,327,019</u>	<u>1,299,473</u>

8. LEASES

The impact of the adoption of IFRS 16 on the condensed consolidated interim financial statements is presented in Note 4. The table below shows the movement of the right-of-use assets and their respective lease liabilities during the period.

	30 June 2019 (Reviewed) QR'000
Right-of-use assets	
At 1 January	73,993
Depreciation (Note 4)	(11,722)
At 30 June	<u>62,271</u>
Lease liabilities	
At 1 January	78,603
Payment	(10,892)
At 30 June	<u>67,711</u>
Lease liabilities	
Non-current portion	45,840
Current portion	<u>21,871</u>
	<u>67,711</u>

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9. INVESTMENTS IN ASSOCIATES

On 3 February 2019, the Group increased its shareholding in Qatar Gas Transport Company Limited Q.P.S.C. (otherwise known as “Nakilat”) from 30.3% to 36.3% for a cash consideration of QR 611 million. Group will continue to recognize the investment as an Investment in Associate accounted using the equity method with the recognition of increased proportionate share of Nakilat’s net assets. During the period ended 30 June 2019, due to increased investment, Group recognised an additional share of profit and share of losses from hedging and fair value reserves amounting to QAR 23.5 million and QAR 26.9 million respectively.

10. INVESTMENTS IN TERM DEPOSITS

	<i>30 June 2019 (Reviewed) QR’000</i>	<i>31 December 2018 (Audited) QR’000</i>
Term deposits with banks	239,058	616,393
Less: Term deposits maturing before 90 days	<u>(31,787)</u>	<u>(38,849)</u>
Term deposits maturing after 90 days (i)	<u>207,271</u>	<u>577,544</u>

(i) Short-term deposits earn interests at market rates and are with an original maturity of over 90 days.

11. SHARE CAPITAL

	<i>Number of shares (‘000’)</i>	<i>QR’000</i>
<i>Authorised, issued and fully paid shares</i>		
At 30 June 2019 and 31 December 2018 :		
shares with nominal value of QR 1 each	<u>1,145,252</u>	<u>1,145,252</u>

Following instructions of the Qatar Financial Markets Authority, the Company’s Extraordinary General Assembly held on 18 March 2019 approved a 10 for 1 share split i.e. 10 new shares with a par value of QR 1 each were exchanged for 1 old share with a par value of QR 10 each. This resulted in an increase to the number of the authorised, issued and fully paid shares of the Company from 114,525,200 to 1,145,252,000. The Company’s new shares were introduced on the Qatar Exchange on 7 July 2019. As a result of this transaction, the weighted average number of shares outstanding has been retrospectively adjusted.

12. CASH AND CASH EQUIVALENTS

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

	<i>30 June 2019 (Reviewed) QR’000</i>	<i>30 June 2018 (Reviewed) QR’000</i>
Cash in hand	3,307	7,615
Bank balance – term deposits (i)	31,787	466,946
Bank balance – current accounts	<u>83,854</u>	<u>250,953</u>
Cash and cash equivalents in the condensed consolidated statement of cash flows	<u>118,948</u>	<u>725,514</u>

(i) Deposits with an original maturity of less than 90 days are made for varying periods depending on the immediate cash requirements of the Group at commercial market rates.

13. DIVIDENDS

The Board of Directors proposed a 30% (2018: 35%) cash dividend of QR 0.3 (2018: QR 0.35) per share totaling QR 341 million for the year 2018 (2018: QR 398 million for the year 2017) which was approved by the Company’s shareholders at the Annual General Assembly held on 18 March 2019 (2018: held on 18 March 2018).

14. COMMITMENTS

	<i>30 June 2019 (Reviewed) QR'000</i>	<i>31 December 2018 (Audited) QR'000</i>
Capital commitment:		
Estimated expenditure on property, vessels and equipment approved but not contracted for as of the reporting date	<u>278,194</u>	<u>495,862</u>

15. CONTINGENT LIABILITIES

	<i>30 June 2019 (Reviewed) QR'000</i>	<i>31 December 2018 (Audited) QR'000</i>
Letters of guarantees	802,709	822,698
Letters of credits	<u>3,745</u>	<u>4,488</u>
	<u>806,454</u>	<u>827,186</u>

16. 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, financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, financial assets at amortised cost, loans granted to LNG companies and certain other receivables. Financial liabilities consist of loans and borrowings and certain other payables. Derivative financial instruments consist of interest rate swaps.

Carrying amounts and fair values

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

	<i>Carrying amount</i>		<i>Fair value</i>	
	<i>30 June 2019 (Reviewed) QR'000</i>	<i>31 December 2018 (Audited) QR'000</i>	<i>30 June 2019 (Reviewed) QR'000</i>	<i>31 December 2018 (Audited) QR'000</i>
Financial assets at fair value through profit or loss				
Financial assets at fair value through profit or loss	<u>85,424</u>	<u>138,846</u>	<u>85,424</u>	<u>138,846</u>
Financial assets (liabilities) at fair value through other comprehensive income				
Equity securities at FVOCI	3,991,494	4,100,684	3,991,494	4,100,684
Interest rate swaps (cash flow hedge)	<u>(15,353)</u>	<u>(3,806)</u>	<u>(15,353)</u>	<u>(3,806)</u>
	<u>3,976,141</u>	<u>4,096,878</u>	<u>3,976,141</u>	<u>4,096,878</u>

16. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)**Measurement of fair values**

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

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

The Group held the following financial instruments measured at fair value at the reporting period:

	<i>30 June 2019</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
Assets measured at fair value				
Financial assets at fair value through profit or loss	85,424	85,424	-	-
Financial assets at fair value through other comprehensive income:				
Quoted investments	3,688,056	3,688,056	-	-
Unquoted investments	285,032	-	-	285,032
Investments in corporate bonds	18,406	-	-	18,406
Liability measured at fair value				
Interest rate swaps	15,353	-	15,353	
	<i>31 December 2018</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
Assets measured at fair value				
Financial assets at fair value through profit or loss	138,846	138,846	-	-
Financial assets at fair value through other comprehensive income:				
Quoted shares	3,791,650	3,791,650	-	-
Unquoted shares	290,432	-	-	290,432
Investments in corporate bonds	18,602	-	-	18,602
Liabilities measured at fair value				
Interest rate swaps	3,806	-	3,806	-

16. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

During the six-month period ended 30 June 2019, 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.

The Group does not hold credit enhancement or collateral to mitigate credit risk. The carrying amount of financial assets therefore represents the potential credit risk.

The tables above illustrate the classification of the Group's financial instruments based on the fair value hierarchy as required for complete sets of financial statements. This classification provides a reasonable basis to illustrate the nature and extent of risks associated with those financial instruments.

17. RELATED PARTY DISCLOSURES

The following table provides the total amount of transactions that have been entered into with related parties during the six-month period ended 30 June 2019 and 2018, as well as balances with related parties as at 30 June 2019 and 31 December 2018:

Related party transactions

	<i>Six-month period ended 30 June</i>			
	<i>2019</i>		<i>2018</i>	
	<i>Sales</i>	<i>Purchases</i>	<i>Sales</i>	<i>Purchases</i>
	<i>(Reviewed)</i>		<i>(Reviewed)</i>	
<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	
Associates	2,058	1,391	2,324	5

Related party balances

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

	<i>30 June 2019</i>			<i>31 December 2018</i>		
	<i>Trade receivables</i>	<i>Trade payables</i>	<i>Loans granted to LNG companies</i>	<i>Trade receivables</i>	<i>Trade payables</i>	<i>Loans granted to LNG companies</i>
		<i>(Reviewed)</i>			<i>(Audited)</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>
Joint ventures	16,539	12,676	-	31,850	9,806	-
Associates	2,627	233	139,825	1,057	1	149,575
Directors	6,286	249	-	850	72	-
	25,452	13,158	139,825	33,757	9,879	149,575

17. RELATED PARTY DISCLOSURES (CONTINUED)**Compensation of directors and other key management personnel**

The remuneration of directors and other members of key management provided for / paid during the period was as follows:

	<i>Six-month period ended 30</i>	
	<i>June</i>	
	<i>2019</i>	<i>2018</i>
	<i>(Reviewed)</i>	
	<i>QR'000</i>	<i>QR'000</i>
Salaries and allowances	6,295	5,222
Provision for employees' end of service benefits	706	352
Board of directors' remuneration – cash	<u>6,975</u>	<u>6,975</u>
	<u><u>13,976</u></u>	<u><u>12,549</u></u>

18. 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.

There were no potentially dilutive shares outstanding at any time during the period and, therefore, the diluted earnings per share is equal to the basic earnings per share.

	<i>Six-month ended 30 June</i>	
	<i>2019</i>	<i>2018</i>
	<i>(Reviewed)</i>	
Net profit for the period attributable to equity holders of the Parent (QR'000)	<u>316,137</u>	<u>297,141</u>
Weighted average number of shares (000's)	<u>1,136,165</u>	<u>1,136,165</u>
Basic and diluted earnings per share (QR)	<u><u>0.28</u></u>	<u><u>0.26</u></u>

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

	<i>Six-month ended 30 June</i>	
	<i>2019</i>	<i>2018</i>
	<i>(Reviewed)</i>	
Total number of shares outstanding (000's) (Note 11)	1,145,252	1,145,252
Adjustment for weighted average shares with respect to treasury shares purchased during year 2013 (000's) (i)	<u>(9,087)</u>	<u>(9,087)</u>
Weighted average numbers of shares during the period (000's)	<u><u>1,136,165</u></u>	<u><u>1,136,165</u></u>

(i) During the year 2013, one of the subsidiaries of the group bought 9,087,250 shares amounting to QR 73,516,000. These treasury shares were transferred to the Parent Company on 24 January 2019.

19. SEGMENT INFORMATION

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

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the condensed consolidated interim 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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19. SEGMENT INFORMATION (CONTINUED)

Six-month period ended 30 June 2019 (Reviewed)

	<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	307,656	458,878	366,364	139,753	140,316	-	1,412,967	(155,013)	1,257,954
Salaries, wages and other benefits	(2,975)	(173,854)	(33,120)	(7,928)	(13,083)	(61,326)	(292,286)	-	(292,286)
Operating supplies and expenses	(65,011)	(335,920)	(60,409)	(134,682)	(9,072)	(5,111)	(610,205)	130,610	(479,595)
Rent expenses	(740)	(21,996)	(1,625)	(1,021)	166	(4,052)	(29,268)	24,189	(5,079)
Depreciation and amortisation	(32,509)	(15,043)	(89,203)	(488)	(42,518)	(1,079)	(180,840)	-	(180,840)
Provision for impairment of trade receivables	208	(1,697)	(2,508)	(1,656)	-	32	(5,621)	-	(5,621)
Other operating expenses	(4,186)	(28,479)	(17,211)	6,430	(11,885)	(9,447)	(64,778)	214	(64,564)
Allocations relating to fleet and technical services	-	145,444	(117,743)	-	(27,701)	-	-	-	-
Allocations relating to Milaha Corporate	(6,856)	(53,346)	(8,183)	(6,388)	(6,190)	80,963	-	-	-
OPERATING PROFIT	195,587	(26,013)	36,362	(5,980)	30,033	(20)	229,969	-	229,969
Finance costs	(655)	(8,914)	(32,921)	-	(18,217)	-	(60,707)	2,081	(58,626)
Finance income	6,417	-	5,929	115	7,982	16	20,459	(2,081)	18,378
Gain on disposal of property, vessels and equipment	-	772	-	17	6,574	-	7,363	-	7,363
Share of results of associates	53	2,489	-	-	169,874	-	172,416	-	172,416
Share of results of joint arrangements	-	100,969	-	-	(3,642)	-	97,327	-	97,327
Net gain (loss) on foreign exchange	-	303	(101)	10	(63)	4	153	-	153
Impairment of vessels	-	(4,344)	(136,899)	-	(13,117)	-	(154,360)	-	(154,360)
Miscellaneous income	367	-	-	-	2,715	-	3,082	-	3,082
PROFIT FOR THE PERIOD	201,769	65,262	(127,630)	(5,838)	182,139	-	315,702	-	315,702

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19. SEGMENT INFORMATION (CONTINUED)

Six-month period ended 30 June 2018 (Reviewed)

	<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	356,394	472,538	267,753	148,687	145,274	-	1,390,646	(137,017)	1,253,629
Salaries, wages and other benefits	(3,709)	(152,762)	(33,137)	(7,948)	(13,249)	(59,551)	(270,356)	-	(270,356)
Operating supplies and expenses	(58,043)	(333,261)	(36,298)	(132,249)	(11,266)	(2,241)	(573,358)	109,325	(464,033)
Rent expenses	(2,561)	(25,205)	(2,349)	(1,001)	(100)	(4,612)	(35,828)	27,389	(8,439)
Depreciation and amortisation	(28,786)	(15,611)	(68,463)	(499)	(48,135)	(1,581)	(163,075)	-	(163,075)
Provision for impairment of trade receivables	699	(10,873)	(9,584)	(451)	-	285	(19,924)	-	(19,924)
Other operating expenses	(5,775)	(32,698)	(11,485)	(1,395)	(6,496)	(12,299)	(70,148)	312	(69,836)
Allocations relating to fleet and technical services	-	130,218	(101,851)	-	(28,358)	-	9	(9)	-
Allocations relating to Milaha Corporate	(7,305)	(49,244)	(8,607)	(6,792)	(8,099)	80,047	-	-	-
OPERATING PROFIT	250,914	(16,898)	(4,021)	(1,648)	29,571	48	257,966	-	257,966
Finance costs	(21,082)	(15,427)	(35,176)	-	(19,420)	-	(91,105)	5,948	(85,157)
Finance income	29,263	1	5,373	529	6,964	-	42,130	(5,948)	36,182
(Loss) gain on disposal of property, vessels and equipment	(64)	250	995	235	1	(36)	1,381	-	1,381
Share of results of associates	692	726	-	-	138,259	-	139,677	-	139,677
Share of results of joint arrangements	-	97,112	-	-	(14,975)	-	82,137	-	82,137
Net gain (loss) on foreign exchange	2,920	(135)	(87)	134	(223)	(12)	2,597	-	2,597
Impairment of vessels	-	-	-	-	(140,188)	-	(140,188)	-	(140,188)
Miscellaneous income	410	1	-	-	1,305	-	1,716	-	1,716
PROFIT FOR THE PERIOD	263,053	65,630	(32,916)	(750)	1,294	-	296,311	-	296,311

Note : Inter-segment revenues are eliminated on consolidation.

20. COMPARATIVE FIGURES

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