

Qatar Shipping Company S.P.C.
CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2014

Qatar Shipping Company S.P.C.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

	<i>Notes</i>	2014 QR'000	2013 QR'000
Operating revenues	4	268,018	211,743
Salaries, wages and other benefits		(52,963)	(49,689)
Operating supplies and expenses		(34,676)	(34,001)
Rent expenses		(2,158)	(1,077)
Depreciation and amortisation		(61,091)	(46,366)
Other operating expenses	5	(48,993)	(28,180)
OPERATING PROFIT		68,137	52,430
Finance costs		(6,573)	(7,251)
Finance income		25,702	32,137
Share of results of joint ventures	11	112,803	108,456
Share of results of associates	12	161,388	146,203
Net gain on foreign exchange		1,756	30
Miscellaneous income	6	16,334	11,494
PROFIT FOR THE YEAR		379,547	343,499

The attached notes 1 to 31 form part of these consolidated financial statements.

Qatar Shipping Company S.P.C.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	<i>Note</i>	2014 QR'000	2013 QR'000
Profit for the year		<u>379,547</u>	<u>343,499</u>
Items to be reclassified to profit or loss in subsequent periods			
Net movement on hedging reserve	7	<u>(92,037)</u>	360,584
Net loss on available-for-sale investments	7	<u>(6,611)</u>	<u>(25,249)</u>
Other comprehensive (loss) income for the year		<u>(98,648)</u>	<u>335,335</u>
Total comprehensive income for the year		<u>280,899</u>	<u>678,834</u>


The attached notes 1 to 31 form part of these consolidated financial statements.

Qatar Shipping Company S.P.C.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	<i>Notes</i>	<i>2014 QR'000</i>	<i>2013 QR'000</i>
ASSETS			
Non-current assets			
Property, vessels and equipment	8	1,084,850	1,068,785
Investment property	9	-	2,155
Intangible assets	10	34,022	19,744
Investment in joint ventures	11	768,725	705,662
Investment in associates	12	2,185,285	2,233,822
Available-for-sale investments	13	27,041	26,417
Loans to LNG and LPG companies	14	425,317	534,932
		<u>4,525,240</u>	<u>4,591,517</u>
Current assets			
Inventories	15	2,249	4,269
Accounts receivable and prepayments	16	1,342,150	1,210,821
Bank balances and cash	17	81,988	34,126
		<u>1,426,387</u>	<u>1,249,216</u>
TOTAL ASSETS		<u>5,951,627</u>	<u>5,840,733</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	18	1,100,000	1,100,000
Legal reserve	19	1,220,754	1,220,754
Fair value reserve		1,200,473	1,207,084
Hedging reserve		(258,033)	(165,996)
Retained earnings		2,033,295	1,816,548
Total equity		<u>5,296,489</u>	<u>5,178,390</u>
Non-current liabilities			
Interest bearing loans and borrowings	21	381,159	397,847
Advance from a customer	22	177,128	187,497
Employees' end of service benefits	23	8,103	7,650
		<u>566,390</u>	<u>592,994</u>
Current liabilities			
Interest bearing loans and borrowings	21	17,172	-
Accounts payable and accruals	24	71,576	69,349
		<u>88,748</u>	<u>69,349</u>
Total Liabilities		<u>655,138</u>	<u>662,343</u>
TOTAL EQUITY AND LIABILITIES		<u>5,951,627</u>	<u>5,840,733</u>


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


 Capt. Joseph Coutinho
 Chief Executive Officer

The attached notes 1 to 31 form part of these consolidated financial statements.

Qatar Shipping Company S.P.C.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	<i>Notes</i>	2014 QR'000	2013 QR'000
OPERATING ACTIVITIES			
Profit for the year		379,547	343,499
Adjustments for:			
Depreciation and amortisation	8 & 10	61,091	46,366
Finance costs		6,573	7,251
Interest income		(25,702)	(32,137)
Dividend income	4	(165)	(1,980)
Provision for employees' end of service benefits	23	633	892
Gain on disposal of investments	4	-	(30,078)
Written-off an investment in associate	12	3,959	4,440
Written-off an investment in joint venture	11	215	-
Share of results of joint venture	11	(112,803)	(108,456)
Share of results of associates	12	(161,388)	(146,203)
Operating profit before working capital changes:		151,960	83,594
Inventories		2,020	583
Receivables		(131,329)	(500,795)
Payables		(5,990)	28,136
Cash from (used in) operating activities		16,661	(388,482)
Finance costs paid		(6,573)	(7,251)
Employee's end of service benefits paid	23	(180)	(670)
Net cash from (used in) operating activities		9,908	(396,403)
INVESTING ACTIVITIES			
Purchase of property, vessels and equipment	8	(69,032)	(203,908)
Additions to deferred dry docking and special survey costs	10	(22,402)	(16,874)
Net movement in loans to LNG and LPG companies		109,615	309,866
Interest income received		25,702	32,137
Dividend income received	4	165	1,980
Dividend received from an associate	12	106,299	90,092
Dividend received from a joint venture	11	50,000	60,000
Additional to capital contribution in associates	12	(77)	-
Proceeds from disposal of investment securities		-	47,028
Net cash from investing activities		200,270	320,321
FINANCING ACTIVITIES			
Net movement in interest bearing loans and borrowings		484	(160,670)
Dividend paid		(162,800)	-
Net cash used in financing activities		(162,316)	(160,670)
INCREASE (DECREASE) IN BANK BALANCES AND CASH		47,862	(236,752)
Bank balances and cash at the beginning of the year		34,126	270,878
BANK BALANCES AND CASH AT 31 DECEMBER	17	81,988	34,126

The attached notes 1 to 31 form part of these consolidated financial statements.

Qatar Shipping Company S.P.C.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	<i>Share capital QR'000</i>	<i>Legal Reserve QR'000</i>	<i>Fair value reserve QR'000</i>	<i>Hedging reserve QR'000</i>	<i>Retained earnings QR'000</i>	<i>Total QR'000</i>
Balance at 1 January 2013	1,100,000	1,220,754	1,232,333	(526,580)	1,473,049	4,499,556
Profit for the year	-	-	-	-	343,499	343,499
Other comprehensive (loss) income	-	-	(25,249)	360,584	-	335,335
Total comprehensive (loss) income	-	-	(25,249)	360,584	343,499	678,834
Balance at 31 December 2013	1,100,000	1,220,754	1,207,084	(165,996)	1,816,548	5,178,390
Profit for the year	-	-	-	-	379,547	379,547
Other comprehensive loss	-	-	(6,611)	(92,037)	-	(98,648)
Total comprehensive (loss) income	-	-	(6,611)	(92,037)	379,547	280,899
Dividends paid (Note 20)	-	-	-	-	(162,800)	(162,800)
Balance at 31 December 2014	1,100,000	1,220,754	1,200,473	(258,033)	2,033,295	5,296,489

The attached notes 1 to 31 form part of these consolidated financial statements.

1 CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

Qatar Shipping Company S.P.C. (the “Company” or “Q-Ship”) is a Single Person Company registered in the State of Qatar under commercial registration number 15318. The shareholders of Qatar Navigation Q.S.C. (the “Parent”) and Q-Ship at their extraordinary general assembly held on 8 April 2010, approved the implementation of the agreement, dated 21 December 2009 between Qatar Navigation Q.S.C. and Q-Ship, pursuant to which each 2.2 shares of Q-Ship were exchanged for one share of Qatar Navigation Q.S.C. As a result, the Company became Single Person Company, wholly owned by Qatar Navigation Q.S.C. effective from 1 January 2010. The Company’s registered office is located in Doha, State of Qatar.

The Company is engaged in international shipping. Its main objectives are hiring, selling, leasing and operation of ships and other means of marine transport.

The consolidated financial statements include the financial statements of the Company and of its subsidiaries (the “Group”) for the year ended 31 December 2014.

The consolidated financial statements of the Group were authorised for issue by a Board Member and the Chief Executive Officer 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 that have been measured at fair value.

The consolidated financial statements are presented in Qatari Riyals (‘QR’), which is the Group’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 consolidated 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 28.

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

2 BASIS OF PREPARATION AND CONSOLIDATION (CONTINUED)**2.2 Basis of consolidation (continued)**

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 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 consolidated 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 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:

<i>Name of the subsidiary</i>	<i>Country of incorporation</i>	<i>Ownership Percentage</i>	
		<i>31 December 2014</i>	<i>31 December 2013</i>
Gulf Shipping Investment Company W.L.L.	Qatar	100%	100%
Qatar Shipping Company (India) Private Limited	India	100%	100%
Ocean Marine Services W.L.L.	Qatar	100%	100%
Milaha Ras Laffan Verwaltungs GMBH	Germany	100%	-
Milaha Qatar Verwaltungs GMBH	Germany	100%	-

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 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 consolidated 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, 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.2 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 consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

<i>Standards</i>	<i>Contents</i>	<i>Effective dates</i>
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	Bearer Plants (Amendments)	1 January 2016
Agriculture	Financial instruments	1 January 2018
IFRS 9	Joint Arrangements: Accounting for Acquisitions of Interests (Amendments)	1 January 2016
IFRS 11	Regulatory deferral accounts	1 January 2016
IFRS 14	Revenue from Contracts with Customers	1 January 2017
IFRS 15	Annual improvements 2010 – 2012 cycle	1 July 2014
	Annual improvements 2011 – 2013 cycle	1 July 2014

The Group did not early adopt any new or amended standards during the year.

3.3 Summary of significant accounting policies**Revenue recognition**

Revenue is recognised on the following basis:

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.

Investment income:

Income from investments 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.

Dividend income:

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

Property, vessels and equipment

Property, vessels and equipment are recorded at cost less accumulated depreciation and any impairment in value.

Subsequent costs are included in the assets carrying amount or recognised as separate assets, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Group and the cost can be reliably measured. Other costs are charged to the consolidated income statement during the year in which they are incurred.

Depreciation on other property, plant and equipment is provided at rates calculated to write off the cost less their estimated residual values on a straight-line basis over the estimated economic useful life of the assets.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Summary of significant accounting policies (continued)

Property, vessels and equipment (continued)

The estimated economic useful lives of the Group's assets for the calculation of depreciation are as follows:

Ocean going vessels	20-30 years
Offshore service vessels (New)	20 years
Offshore service vessels (Second hand)	3-10 years
Furniture & fixtures	5 years
Tools and equipment	2-10 years
Motor vehicles	5 years

Subsequent expenditure to replace a component of vessels, property and equipment is depreciated over 2.5 years to 5 years. The cost less salvage value of used vessels is depreciated over their remaining useful lives.

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 when the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

An item of property, vessels and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year the item is de-recognised.

The assets' residual value, estimated economic useful lives and method of depreciation are reviewed at the end of each financial year, and adjusted prospectively if appropriate.

Capital work-in-progress

The costs of capital work-in-progress consist of the contract value, and directly attributable costs of developing and bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management. 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.

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 fair value less costs to sell and its value in use and 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses of continuing operations are recognised in the consolidated income statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Summary of significant accounting policies (continued)

Impairment of non-financial assets (continued)

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated income statement unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of the assets until the assets are ready for their intended use. Where funds are borrowed specifically for the purpose of obtaining a qualifying asset, any investment income earned on temporary surplus funds is deducted from borrowing costs eligible for capitalisation.

All other borrowing costs are recognised as an expense when incurred.

Investment property

Land and buildings are considered as investment properties only when they are being held to earn rentals or for long term capital appreciation or both. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, 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 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 building is calculated on straight line basis over the estimated useful life of 25 years.

Intangible assets

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Summary of significant accounting policies (continued)

Investment in associates and joint ventures (continued)

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.

The Group's investment in its associates, entities in which the Group has significant influence, are accounted for using the equity method.

Under the equity method, such investments are initially recognised at cost. The carrying amounts of these investments are adjusted to recognise changes in the Group's share of net assets of the associates since the acquisition date. Goodwill relating to the associates are included in the carrying amounts of the investments and are neither amortised nor individually tested for impairment.

The income statement reflects the Group's share of the results of operations of the associates. When there has been a change recognised directly in the equity of an associate, the Group recognises its share of any such changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interests in the associates.

The Group's share of profit or loss of an associate is shown on the face of the income statement and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associates.

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)

3.3 Summary of significant accounting policies (continued)

Investment securities (continued)

Financial investments at fair value through profit or loss:

Financial investments at fair value through profit or loss include investments held for trading and investments designated upon initial recognition as fair value through profit and loss 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. The Group has not designated any financial assets at fair value through profit or loss.

Available-for-sale investments:

Available-for-sale financial investments include equity investments and debt securities. Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. 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.

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 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Summary of significant accounting policies (continued)

Impairment and uncollectibility 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 statement of income. 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.

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; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither 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 statement of income.

Inventories

Inventories are valued on a weight average basis and are stated at the lower of purchase cost and net realisable value. Provision for inventory obsolescence is estimated on a systematic basis and deducted from the gross carrying value of the inventory.

Net realisable value is based on the estimated selling price in the ordinary course of business less any further costs expected to be incurred on 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.

Cash and cash equivalents

For the purpose of 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.

Leases

Leases where the lessor retains substantially all the benefits and risks of the ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated income statement on a straight-line basis over the lease term or other systematic basis representative of the time pattern of the lease benefits.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Summary of significant accounting policies (continued)

Employees' end of service benefits

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.

With respect to its Qatari employees, the Group makes contributions to a Government Pension Fund calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

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.

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. Subsequent to initial recognition, interest bearing loan and borrowings is measured at amortised cost using the effective interest method, with any differences between the cost and final settlement values being recognised in the statement of comprehensive income over the period of borrowing. Installments due within one year at amortised cost are shown as a current liability.

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

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.

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.

Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency contracts and 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.

The Group uses forward currency contracts to hedge its risks associated with foreign exchange rate fluctuations. These are included in the consolidated statement of financial position at fair value and any subsequent resultant gain or loss on forward currency contracts is recognised in the consolidated income statement. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Summary of significant accounting policies (continued)

Derivative financial instruments and hedging (continued)

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 or the foreign currency risk 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.

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.

Current versus non-current classification

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

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

All other assets are classified as non-current. A liability is current when:

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

The Group classifies all other liabilities as non-current.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Summary of significant accounting policies (continued)

Fair value measurement

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

4 OPERATING REVENUES

	<i>2014</i> <i>QR'000</i>	<i>2013</i> <i>QR'000</i>
Commercial activities	267,853	179,685
Investment income (<i>Note</i>)	165	32,058
	<u>268,018</u>	<u>211,743</u>

Note:

The investment income consists of the following:

	<i>2014</i> <i>QR'000</i>	<i>2013</i> <i>QR'000</i>
Dividend income from investments	165	1,980
Profit on disposal of investments	-	30,078
	<u>165</u>	<u>32,058</u>

5 OTHER OPERATING EXPENSES

	<i>2014</i> <i>QR'000</i>	<i>2013</i> <i>QR'000</i>
Overhead allocation by Parent Company	21,431	4,051
Claims and insurance	5,882	4,741
Communication and utilities	1,930	1,428
Registration, certifications and formalities	1,298	691
Professional fees	528	672
Miscellaneous expenses	17,924	16,597
	<u>48,993</u>	<u>28,180</u>

6 MISCELLANEOUS INCOME

Miscellaneous income includes the remaining exit fees amounting to QR 8.7 million (net of related expense) (2013: Nil) received by the Group for the facilitation and arrangement for exit of one of the shareholders from certain associate companies.

7 COMPONENTS OF OTHER COMPREHENSIVE INCOME

	<i>2014</i> <i>QR'000</i>	<i>2013</i> <i>QR'000</i>
Movements of other comprehensive income		
<i>Cash flow hedges</i>		
Net movement during the year	7,501	(2,199)
Group share of net movement in cash flow hedges of equity accounted investments	<u>(99,538)</u>	<u>362,783</u>
Total effect on other comprehensive (loss) income resulting from hedging reserve	<u>(92,037)</u>	<u>360,584</u>
<i>Available-for-sale investments</i>		
Net movement in fair value reserve of investments	(6,881)	(31,211)
Group share of net increase of equity accounted investments	<u>270</u>	<u>5,962</u>
Total effect on other comprehensive loss resulting from available-for-sale investments	<u>(6,611)</u>	<u>(25,249)</u>

Qatar Shipping Company S.P.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

8 PROPERTY, VESSELS AND EQUIPMENT

	<i>Vessels QR'000</i>	<i>Furniture and fittings QR'000</i>	<i>Office Equipment QR'000</i>	<i>Motor vehicles QR'000</i>	<i>Capital work in progress QR'000</i>	<i>Total QR'000</i>
Cost:						
At 1 January 2014	1,100,167	2,393	7,006	544	270,822	1,380,932
Additions	13	31	729	275	67,984	69,032
Transfers	338,806	-	-	-	(338,806)	-
At 31 December 2014	1,438,986	2,424	7,735	819	-	1,449,964
Accumulated depreciation:						
At 1 January 2014	302,758	2,243	6,716	430	-	312,147
Depreciation charge for the year	52,582	118	149	118	-	52,967
At 31 December 2014	355,340	2,361	6,865	548	-	365,114
Net carrying amounts:						
At 31 December 2014	1,083,646	63	870	271	-	1,084,850

Qatar Shipping Company S.P.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

8 PROPERTY, VESSELS AND EQUIPMENT (CONTINUED)

	<i>Vessels</i> <i>QR'000</i>	<i>Furniture</i> <i>and fittings</i> <i>QR'000</i>	<i>Office</i> <i>Equipment</i> <i>QR'000</i>	<i>Motor</i> <i>vehicles</i> <i>QR'000</i>	<i>Capital work</i> <i>in progress</i> <i>QR'000</i>	<i>Total</i> <i>QR'000</i>
Cost:						
At 1 January 2013	920,744	2,393	6,714	544	246,629	1,177,024
Additions	-	-	292	-	203,616	203,908
Transfers	179,423	-	-	-	(179,423)	-
At 31 December 2013	1,100,167	2,393	7,006	544	270,822	1,380,932
Accumulated depreciation:						
At 1 January 2013	267,673	1,767	5,844	289	-	275,573
Depreciation charge for the year	35,085	476	872	141	-	36,574
At 31 December 2013	302,758	2,243	6,716	430	-	312,147
Net carrying amounts:						
At 31 December 2013	797,409	150	290	114	270,822	1,068,785

8 PROPERTY, VESSELS AND EQUIPMENT (CONTINUED)*Notes:*

- (i) The encumbrances and liens on vessels are disclosed in Note 21.
- (ii) Capital work in progress as of 31 December 2013 includes the costs incurred amounting to QR 270 million on construction of 9 vessels recognised based on milestone of the progress of work done as per contracts entered into by the Group with shipbuilders. During the year 2014, this cost has been transferred to "Vessels" as the construction of these vessels have reached their working conditions for the intended use.
- (iii) The constructed vessels cost also includes borrowing cost capitalised during the year amounting to QR 1,875,667 (2013: QR 7,673,976).

9 INVESTMENT PROPERTY

	<i>2014</i> <i>QR'000</i>	<i>2013</i> <i>QR'000</i>
Cost:		
At 1 January	2,155	2,155
Transferred to Parent Company	<u>(2,155)</u>	<u>-</u>
At 31 December	<u>-</u>	<u>2,155</u>

Notes:

- (i) During the current financial year, the Group has transferred its investment property, which was located in State of Qatar, to its Parent Company at its carrying value.
- (ii) The fair value of investment property as at 31 December 2013 was QR 215,495,000. The investment property has 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.

10 INTANGIBLE ASSETS

	<i>2014</i> <i>QR'000</i>	<i>2013</i> <i>QR'000</i>
Costs:		
At 1 January	81,460	64,586
Additions	<u>22,402</u>	<u>16,874</u>
At 31 December	<u>103,862</u>	<u>81,460</u>
Amortisation:		
At 1 January	61,716	51,924
Charge for the year	<u>8,124</u>	<u>9,792</u>
At 31 December	<u>69,840</u>	<u>61,716</u>
Net carrying amount:		
At 31 December	<u>34,022</u>	<u>19,744</u>

Qatar Shipping Company S.P.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

11 INTEREST IN JOINT VENTURES

The Group has following investments in Joint Ventures:

<i>Names of the entities</i>	<i>Country of Incorporation</i>	<i>Group effective ownership</i>	
		<i>2014</i>	<i>2013</i>
QM Tanker Company L.L.C.	Cayman Islands	-	50%
Halul Offshore Services Company W.L.L.	Qatar	50%	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%

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 leasehold rights to LR 1 class crude oil tanker. During the year 2008, the Company sold its ships and become dormant since then. During the year 2014, the shareholders have resolved to dissolve this company.

Halul Offshore Services Company W.L.L.

Halul Offshore Services Company W.L.L. ("HOSC") is a limited liability company established with Qatar Navigation Q.S.C. HOSC was incorporated on 04 November 2000 with the objective of providing various offshore support services.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

11 INTEREST IN JOINT VENTURES (CONTINUED)

The joint venture companies provides products and services in shipping industry and the have strategic partnership for the Group.

The above Joint Venture have share capital consisting solely of ordinary shares which are held directly by the Group.

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

	<i>2014 (QR'000)</i>				<i>2013 (QR'000)</i>			
	<i>Halul Offshore</i>	<i>Gulf LPG</i>	<i>Other joint ventures</i>	<i>Total</i>	<i>Halul Offshore</i>	<i>Gulf LPG</i>	<i>Other joint ventures</i>	<i>Total</i>
Current assets	143,483	66,849	1,338	211,670	254,035	67,995	1,501	323,531
Non-current assets	998,581	567,480	269	1,566,330	702,629	581,403	275	1,284,307
Current liabilities	(323,361)	(23,565)	(529)	(347,455)	(91,386)	(20,244)	(153)	(111,783)
Non-current liabilities	(254,749)	(407,045)	(26)	(661,820)	(302,728)	(487,306)	(359)	(790,393)
Net assets	563,954	203,719	1,052	768,725	562,550	141,848	1,264	705,662
Carrying value of investment	563,954	203,719	1,052	768,725	562,550	141,848	1,264	705,662

Qatar Shipping Company S.P.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

11 INTEREST IN JOINT VENTURES (CONTINUED)

Group's share of the summarised income statement and statement of comprehensive income:

	2014 (QR'000)				2013 (QR'000)			
	<i>Halul Offshore</i>	<i>Gulf LPG</i>	<i>Other Joint ventures</i>	<i>Total</i>	<i>Halul Offshore</i>	<i>Gulf LPG</i>	<i>Other Joint ventures</i>	<i>Total</i>
Operating Revenue	299,316	124,430	-	423,746	301,377	68,644	-	370,021
Salaries, wages and other benefits	(99,239)	(17,920)	-	(117,159)	(95,561)	(17,402)	-	(112,963)
Operating supplies and expenses	(57,819)	(13,554)	-	(71,373)	(42,897)	(12,683)	-	(55,580)
Rent expenses	(3,724)	-	-	(3,724)	(2,992)	-	-	(2,992)
Depreciation and amortisation	(49,039)	(21,329)	-	(70,368)	(37,765)	(19,674)	-	(57,439)
Impairment of an equipment	(9,907)	-	-	(9,907)	-	-	-	-
Other operating expenses	(36,352)	(795)	-	(37,147)	(22,390)	(1,443)	(26)	(23,859)
Operating profit	43,236	70,832	-	114,068	99,772	17,442	(26)	117,188
Finance costs	(4,098)	(8,961)	-	(13,059)	(3,604)	(9,482)	-	(13,086)
Finance income	52	-	3	55	137	-	-	137
Profit on disposal of property, vessels and equipment	(1,045)	-	-	(1,045)	1,458	-	-	1,458
Net gain on foreign exchange	883	-	-	883	163	-	-	163
Miscellaneous income	11,901	-	-	11,901	2,590	-	6	2,596
Profit (loss) for the year	50,929	61,871	3	112,803	100,516	7,960	(20)	108,456
Other comprehensive income	475	-	-	475	1,167	-	-	1,167

Qatar Shipping Company S.P.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

11 INTEREST IN JOINT VENTURES (CONTINUED)

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

	<i>2014</i> <i>QR'000</i>	<i>2013</i> <i>QR'000</i>
At 1 January	705,662	656,039
Share of net movement in other comprehensive income	475	1,167
Amount written-off	(215)	-
Dividends received	(50,000)	(60,000)
Share of results	112,803	108,456
	<hr/> 768,725 <hr/>	<hr/> 705,662 <hr/>
At 31 December	768,725	705,662

12 INVESTMENT IN ASSOCIATES

The Group has the following investment in associates:

	<i>Country of incorporation</i>	<i>Ownership</i>		<i>Profit Share</i>	
		2014	2013	2014	2013
Qatar Quarries and Building Materials Co. W.L.L. (i)	Qatar	25.0%	25.0%	25.0%	25.0%
Qatar LNG Transport Ltd. (ii)	Liberia	20.0%	20.0%	20.0%	20.0%
Camartina Shipping Inc. (iii)	Liberia	29.4%	29.4%	29.4%	29.4%
Peninsula LNG Transport No. 1 Ltd. (iv)	Liberia	29.4%	29.4%	29.4%	29.4%
Peninsula LNG Transport No. 2 Ltd. (iv)	Liberia	29.4%	29.4%	29.4%	29.4%
Peninsula LNG Transport No. 3 Ltd. (iv)	Liberia	29.4%	29.4%	29.4%	29.4%
QIM Transport INC. (v)	Panama	33.3%	33.3%	33.3%	33.3%
KS Membrane No. 1 (vi)	Denmark	40.0%	40.0%	40.0%	40.0%
KS Membrane No. 2 (vi)	Denmark	40.0%	40.0%	40.0%	40.0%
Qatar Gas Transport Company Limited ("Nakilat") (Q.S.C.) (vii)	Qatar	15.0%	15.0%	15.0%	15.0%
Milaha Ras Laffan Gmbh & Co. – KG 1 (viii)	Germany	40.0%	40.0%	40.0%	40.0%
Milaha Qatar Gmbh & Co. - KG 2 (viii)	Germany	40.0%	40.0%	40.0%	40.0%

Notes:

- (i) Qatar Quarries and Building Materials Company W.L.L. was established to import and sell construction materials including aggregates in the local market.
- (ii) Qatar LNG Transport Ltd. was established to acquire, own, operate, and time charter a 135,000 m³ Liquefied Natural Gas (LNG) vessel.
- (iii) Camartina Shipping INC. was established to acquire, own, operate, and time charter a 135,000 m³ Liquefied Natural Gas (LNG) vessel.
- (iv) Peninsula LNG Transport Ltd No's 1, 2 & 3 were established to acquire, own, operate, and time charter Liquefied Natural Gas (LNG).
- (v) 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.
- (vi) 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.

12 INVESTMENTS IN ASSOCIATE COMPANIES (CONTINUED)

Notes:

- (vii) 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.
- (viii) 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.

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

	<i>2014</i> <i>QR'000</i>	<i>2013</i> <i>QR'000</i>
Balance at 1 January	2,233,822	1,814,573
Contribution towards investment	77	-
Share of net movement in other comprehensive income	(99,744)	367,578
Dividends received	(106,299)	(90,092)
Amount written-off	(3,959)	(4,440)
Share of results	<u>161,388</u>	<u>146,203</u>
Balance at 31 December	<u><u>2,185,285</u></u>	<u><u>2,233,822</u></u>

Qatar Shipping Company S.P.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

12 INVESTMENTS IN ASSOCIATE COMPANIES (CONTINUED)

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

Group's share of the summarised statement of financial position:

	2014 (QR'000)				2013 (QR'000)			
	<i>Nakilat</i>	<i>Qatar Quarries</i>	<i>Other associates</i>	<i>Total</i>	<i>Nakilat</i>	<i>Qatar Quarries</i>	<i>Other associates</i>	<i>Total</i>
Current assets	488,417	39,319	96,506	624,242	335,892	32,135	126,455	494,482
Non-current assets	4,229,422	3,737	571,988	4,805,147	4,317,149	4,785	705,734	5,027,668
Current liabilities	(189,778)	(13,673)	(38,030)	(241,481)	(186,529)	(5,550)	(49,896)	(241,975)
Non-current liabilities	(3,944,138)	(396)	(476,210)	(4,420,744)	(3,799,585)	(3,383)	(661,506)	(4,464,474)
Net assets	583,923	28,987	154,254	767,164	666,927	27,987	120,787	815,701
Goodwill	1,418,121	-	-	1,418,121	1,418,121	-	-	1,418,121
Carrying value of investment	2,002,044	28,987	154,254	2,185,285	2,085,048	27,987	120,787	2,233,822

Group's share of the summarised income statement and statement of comprehensive income:

	2014 (QR'000)				2013 (QR'000)			
	<i>Nakilat</i>	<i>Qatar Quarries</i>	<i>Other associates</i>	<i>Total</i>	<i>Nakilat</i>	<i>Qatar Quarries</i>	<i>Other associates</i>	<i>Total</i>
Operating revenue	544,137	32,975	160,145	737,257	518,651	31,249	121,236	671,136
Profits	132,081	947	28,360	161,388	107,757	(868)	39,314	146,203
Other comprehensive (loss) income	(122,685)	53	22,888	(99,744)	367,456	122	-	367,578
Dividends received	92,400	-	13,899	106,299	84,000	-	6,092	90,092

13 AVAILABLE-FOR-SALE INVESTMENTS

	<i>2014</i> <i>QR'000</i>	<i>2013</i> <i>QR'000</i>
Quoted equity investments in local companies	413	427
Investments in bonds	26,626	25,983
Unquoted equity investments	<u>2</u>	<u>7</u>
	<u>27,041</u>	<u>26,417</u>

Notes:

- (i) Available-for-sale investments represent investments in shares, bonds and investments with fund managers.
- (ii) The unquoted investments represent investments in companies in which the Group is a founder shareholder.

14 LOANS TO LNG AND LPG COMPANIES

The Group has provided loans to the following LNG and LPG companies. These loans carry annual interest rate at market rates. These loans do not have fixed repayment schedules and settlements occur as and when excess cash is available.

<i>Name of LNG/ LPG companies</i>	<i>Company operating the LNG and LPG companies</i>
• India LNG Transport Company No.1 Ltd., Malta	• Shipping Corporation of India Ltd
• India LNG Transport Company No.2 Ltd., Malta	• Shipping Corporation of India Ltd
• Camartina Shipping INC., Liberia	• Mitsui OSK Lines
• Qatar LNG Transport Ltd., Liberia	• Mitsui OSK Lines
• 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
• Gulf LPG Transport W.L.L., Qatar	• Qatar Gas Transportation Company
• Milaha Ras Laffan GmbH & Co. – KG 1, Germany	• Pronav Germany/ Qatar Shipping Company S.P.C.
• Milaha Qatar GmbH & Co. - KG 2, Germany	• Pronav Germany/ Qatar Shipping Company S.P.C.

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

	<i>2014</i> <i>QR'000</i>	<i>2013</i> <i>QR'000</i>
Loans	424,008	530,071
Accrued Interest	<u>1,309</u>	<u>4,861</u>
	<u>425,317</u>	<u>534,932</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

15 INVENTORIES

	<i>2014</i> <i>QR'000</i>	<i>2013</i> <i>QR'000</i>
Fuel	-	2,021
Spare parts	<u>2,249</u>	<u>2,859</u>
	2,249	4,880
Provision for slow-moving inventories	<u>-</u>	<u>(611)</u>
	<u>2,249</u>	<u>4,269</u>

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

	<i>2014</i> <i>QR'000</i>	<i>2013</i> <i>QR'000</i>
At 1 January	611	611
Write off	<u>(611)</u>	<u>-</u>
At 31 December	<u>-</u>	<u>611</u>

16 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	<i>2014</i> <i>QR'000</i>	<i>2013</i> <i>QR'000</i>
Trade accounts receivable	30,518	33,244
Amounts due from related parties (Note 27)	1,287,687	1,158,144
Accrued income	1,735	1,417
Prepaid expenses	3,192	1,892
Deposits	593	498
Other receivables	<u>19,568</u>	<u>17,104</u>
	1,343,293	1,212,299
Less: Allowance for impairment of receivables	<u>(1,143)</u>	<u>(1,478)</u>
	<u>1,342,150</u>	<u>1,210,821</u>

Trade accounts 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 1,142,873 (2013: QR 1,478,295) were impaired. Movement in the allowance for impairment of trade receivables was as follows:

	<i>2014</i> <i>QR'000</i>	<i>2013</i> <i>QR'000</i>
At 1 January	1,478	878
Recovery	(335)	-
Charge for the year	<u>-</u>	<u>600</u>
At 31 December	<u>1,143</u>	<u>1,478</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

16 ACCOUNTS RECEIVABLE AND PREPAYMENTS (CONTINUED)

At 31 December, the ageing of unimpaired trade accounts receivable is as follows:

	<i>Total</i> <i>QR'000</i>	<i>Neither past due nor impaired (0 – 30 days)</i> <i>QR'000</i>	<i>Past due but not impaired</i>			
			<i>30 – 60 days</i> <i>QR'000</i>	<i>61 – 90 days</i> <i>QR'000</i>	<i>91 – 120 days</i> <i>QR'000</i>	<i>>120 days</i> <i>QR'000</i>
2014	30,518	30,467	-	51	-	-
2013	33,244	21,340	-	7,972	-	3,932

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.

17 BANK BALANCES AND CASH

Bank balances and cash included in the consolidated statement of cash flows comprise of the following consolidated statement of financial position amounts:

	<i>2014</i> <i>QR'000</i>	<i>2013</i> <i>QR'000</i>
Cash in hand	959	7
Bank balance	81,029	34,119
	81,988	34,126

18 SHARE CAPITAL

	<i>2014</i> <i>QR'000</i>	<i>2013</i> <i>QR'000</i>
<i>Authorised, issued and fully paid shares</i>		
110,000,000 shares (2013: 110,000,000) of QR 10 (2013: QR 10) each	1,100,000	1,100,000

19 LEGAL RESERVE

In accordance with Qatar Commercial Companies Law No. 5 of 2002 and Articles of Association, 10% of the profit for the year should be transferred to legal reserve. The Group may resolve to discontinue such annual transfer when the reserve totals 50% of the capital. Accordingly the Group has resolved to discontinue such annual transfers to the legal reserve, as the reserve has exceeded the issued capital.

The reserve is not normally available for distribution, except in the circumstances stipulated by the above Law.

20 DIVIDENDS

During the current financial year, following the approval from the Parent Company, the Group paid a cash dividend of QR 1.48 per share totalling QR 162.8 million (2013: Nil).

21 INTEREST BEARING LOANS AND BORROWINGS

	<i>Effective Interest rate %</i>	<i>Maturity</i>	<i>2014 QR'000</i>	<i>2013 QR'000</i>
Loan (<i>Note</i>)	<i>LIBOR + 1.75</i>	June 2022	400,400	400,400
Less: Deferred financing costs			<u>(2,069)</u>	<u>(2,553)</u>
			<u>398,331</u>	<u>397,847</u>
Presented in the statement of financial position as follows:				
Current portion			17,172	-
Non-current portion			<u>381,159</u>	<u>397,847</u>
			<u>398,331</u>	<u>397,847</u>

Note:

The loan amounting to QR 400,400,000 was obtained to finance the construction of 19 vessels and is repayable in 27 equal quarterly installments commencing June 2015 and one final balloon payment of QR 160 million at the end of the 10th year. Interest is served on a quarterly basis.

22 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 these are presented in the statement of financial position as follows:

	<i>2014 QR</i>	<i>2013 QR</i>
Non-current portion	177,128	187,497
Current portion (<i>Note 24</i>)	<u>1,669</u>	<u>-</u>
	<u>178,797</u>	<u>187,497</u>

23 EMPLOYEES' END OF SERVICE BENEFITS

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

	<i>2014 QR'000</i>	<i>2013 QR'000</i>
At 1 January	7,650	3,814
Provided during the year	633	892
Transfers	-	3,614
End of service benefits paid	<u>(180)</u>	<u>(670)</u>
At 31 December	<u>8,103</u>	<u>7,650</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

24 ACCOUNTS PAYABLE AND ACCRUALS

	<i>2014</i> <i>QR'000</i>	<i>2013</i> <i>QR'000</i>
Trade accounts payable	21,296	41,318
Amount due to related party (Note 27)	16,962	-
Accrued expenses	11,879	9,138
Unclaimed dividend	16,870	16,906
Advance from a customer (Note 22)	1,669	-
Other payables	<u>2,900</u>	<u>1,987</u>
	<u>71,576</u>	<u>69,349</u>

25 CONTINGENT LIABILITIES

At 31 December 2014, the Group had 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 amounting to QR 420,198,000 (31 December 2013: QR 425,155,000).

26 COMMITMENTS**Capital commitments**

	<i>2014</i> <i>QR'000</i>	<i>2013</i> <i>QR'000</i>
Property, vessels and equipment		
Estimated capital expenditure approved but not contracted as of the reporting date	<u>16,775</u>	<u>63,317</u>

27 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 included in the consolidated income statement are as follows:

	<u>2014</u>		<u>2013</u>	
	<i>Sales</i> <i>QR'000</i>	<i>Purchases</i> <i>QR'000</i>	<i>Sales</i> <i>QR'000</i>	<i>Purchases</i> <i>QR'000</i>
Parent Company	-	4,149	-	-
Other related parties	<u>102,528</u>	<u>141</u>	<u>102,583</u>	<u>2,103</u>
	<u>102,528</u>	<u>4,290</u>	<u>102,583</u>	<u>2,103</u>

During the current financial year, the Group has transferred its investment property to Parent Company amounting QR 2,155,000.

27 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
<i>Parent Company:</i>				
Qatar Navigation Q.S.C.	<u>1,058,695</u>	<u>-</u>	<u>1,009,413</u>	<u>-</u>
<i>Other related parties:</i>				
Milaha Capital W.L.L.	150,166	-	148,144	-
Milaha Maritime and Logistics Integrated W.L.L.	78,826	-	-	-
Milaha Trading Company W.L.L.	-	7,371	-	-
Navigation Travel and Tourism S.P.C.	-	3,275	-	-
Navigation Marine Service Center S.P.C.	-	6,167	-	-
Milaha Real Estate Services S.P.C.	-	117	-	-
Navigation Trading Agencies S.P.C.	-	28	-	-
Halul Offshore Services W.L.L.	-	4	587	-
	<u>228,992</u>	<u>16,962</u>	<u>148,731</u>	<u>-</u>
	<u>1,287,687</u>	<u>16,962</u>	<u>1,158,144</u>	<u>-</u>

The sales to and purchases from related parties are made at normal market prices. Outstanding balances at the year-end are unsecured, interest free 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 owed by 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 425,317,099 (2013:QR 534,932,156) is disclosed as part of Note 14.

Compensation of directors and other key management personnel

There were no compensation of directors and other key management personnel during the year 2014 (2013: Nil)

The amounts due from and due to related parties are disclosed in Note 16 and Note 24 respectively.

28 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.

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.

**28 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS
(CONTINUED)**

Estimates and assumptions (continued)

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.

Useful lives of property, vessels and equipment

The Group's management determines the estimated useful lives of its property, vessels and equipment 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 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.

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.

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.

29 FINANCIAL RISK MANAGEMENT**Objective and policies**

The Group's principal financial liabilities comprise interest bearing loans and borrowings, trade accounts payable, amounts due to related parties, unclaimed dividend 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 and bank balances and cash, 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.

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

	<i>2014</i> <i>QR</i> <i>QR'000</i>	<i>2013</i> <i>QR</i> <i>QR'000</i>
Floating interest rate instruments		
Financial assets	60,217	20,798
Financial liabilities	(398,331)	(397,847)
	(338,114)	(377,049)
Fixed interest rate instruments		
Financial assets	424,008	530,071
Financial liabilities	-	-
	424,008	530,071

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 2014. The effect of decreases in interest rates is expected to be equal and opposite to the effect of the increases shown.

	<i>Changes in</i> <i>basis points</i>	<i>Effect on</i> <i>profit for the</i> <i>year</i> <i>QR</i>
2014		
Floating interest rate instruments	+25	(845)
2013		
Floating interest rate instruments	+25	(943)

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.

29 FINANCIAL RISK MANAGEMENT (CONTINUED)**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 and are reviewed by the Group's senior management on a regular basis.

At the reporting date, the Group's exposure to listed equity securities at fair value includes available-for-sale investments. In respect of available-for-sale investments, a decrease of 5% on the QE index would have an impact of approximately QR 20,650 (2013: QR 21,331) on the consolidated statement of income or equity attributable to the Group, 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.

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 loans to LNG and LPG companies, trade accounts receivable, amounts due from related parties, bank balances and other receivables.

The Group's policy is that all customers who wish to obtain on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the purchase of service limits are established for each customer, which are reviewed regularly based on the level of past transactions and settlements.

The Group's five largest debtors account for 99% of outstanding trade accounts receivable as at 31 December 2014 (2013: 99%). Its maximum exposure with regard to the trade accounts receivable net of provision reflected at the reporting date was QR 30,518,000 (2013: QR 33,244,000).

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

	<i>2014</i>	<i>2013</i>
	<i>QR'000</i>	<i>QR'000</i>
Loans to LNG and LPG companies	425,317	534,932
Bank balances (excluding cash)	81,029	34,119
Trade accounts receivables	30,518	33,244
Amounts due from related parties	1,287,687	1,158,144
Other receivables	19,568	17,104
	<u>1,844,119</u>	<u>1,777,543</u>

The Group places significant deposits with banks and financial institution. The Group reduces the exposure of credit risk arising from bank balances by maintaining bank accounts with reputed banks.

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's objective is to maintain a balance between continuity of funding and flexibility through the use of the Group's own reserves and bank facilities. The Group's terms of sales require amounts to be paid within 30-45 days from the invoice date.

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

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

	<i>On demand QR'000</i>	<i>Less than 1 year QR'000</i>	<i>1 to 5 years QR'000</i>	<i>> 5 years QR'000</i>	<i>Total QR'000</i>
At 31 December 2014					
Interest bearing loans and borrowings	-	25,395	164,967	253,263	443,625
Trade accounts payable	-	21,296	-	-	21,296
Amounts due to related parties	-	16,962	-	-	16,962
Unclaimed dividend	-	16,870	-	-	16,870
Other payables	-	2,900	-	-	2,900
	-	83,423	164,967	253,263	501,653
	<i>On demand QR'000</i>	<i>Less than 1 year QR'000</i>	<i>1 to 5 years QR'000</i>	<i>> 5 years QR'000</i>	<i>Total QR'000</i>
At 31 December 2013					
Interest bearing loans and borrowings	-	8,067	150,160	293,465	451,692
Trade accounts payable	-	41,318	-	-	41,318
Unclaimed dividend	-	16,906	-	-	16,906
Other payables	-	1,987	-	-	1,987
	-	68,278	150,160	293,465	511,903

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's target is to achieve a return on shareholders' equity greater than the weighted average interest expense on interest bearing loans and borrowings.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic and business conditions and shareholders' expectation. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders 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 Company monitors capital using a gearing ratio, which is net debt divided by equity.

The gearing ratio at the year end is as follows:

	2014 QR'000	2013 QR'000
Debt (i)	398,331	397,847
Cash and bank balances	(81,988)	(34,126)
Net debt	316,343	363,721
Equity (ii)	5,296,489	5,178,390
Gearing ratio	6%	7%

Notes:

- (i) Debt is defined as interest bearing loans and borrowings.
- (ii) Equity represents equity attributable to shareholders of the Group.

30 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

Fair value hierarchy

All financial instruments are carried at fair value and are categorised in three levels, defined as follows:

Level 1 – Quoted market prices

Level 2 – Valuation techniques (market observable)

Level 3 - Valuation techniques (non-market observable)

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

	<i>31 December</i> <i>2014</i> <i>QR'000</i>	<i>Level 1</i> <i>QR'000</i>	<i>Level 2</i> <i>QR'000</i>	<i>Level 3</i> <i>QR'000</i>
<i>Available-for-sale financial investments:</i>				
Quoted shares	413	413	-	-
Investments in bonds	26,626	-	-	26,626
<i>Available-for-sale financial investments:</i>				
Quoted shares	427	427	-	-
Investments in bonds	25,983	-	-	25,983

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.

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.

31 COMPARATIVE INFORMATION

During the current financial year, certain of the previously reported amounts have been reclassified to conform with the current year presentation with the objective of improving the quality of information presented. Such re-classifications did not have an impact on the previously reported profits, equity or assets of the Group.