Qatar Airways Group Q.C.S.C.

CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2018

Building a better working world

Ernst & Young - (Qatar Branch)
P.O. Box 164
Burj Al Gassar, 24th floor
Majlis Al Taawon Street, Onaiza
West Bay
Doha, State of Qatar

Tel: +974 4457 4111
Fax: +974 4441 4649
doha@qa.ey.com
ey.com/mena

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF QATAR AIRWAYS GROUP Q.C.S.C.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Qatar Airways Group Q.C.S.C. ("the Company") and its subsidiaries (together referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 March 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

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

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

The Board of Directors are responsible for overseeing the Group's financial reporting process.

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

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF QATAR AIRWAYS GROUP Q.C.S.C. (CONTINUED)

Report on the audit of the consolidated financial statements (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Report on legal and other regulatory requirements

Furthermore, in our opinion, proper books of account have been kept by the Company, an inventory count has been conducted in accordance with established principles, and the consolidated financial statements comply with the Qatar Commercial Companies' Law No. 11 of 2015 and the Company's Articles of Association. We have obtained all the information and explanations we required for the purpose of our audit, and are not aware of any violations of the above mentioned law or the Articles of Association having occurred during the year, which might have had a material adverse effect on the Group's financial position or performance.

Ahmed Sayed

Ahmed Sayed
of Ernst & Young
Auditor's Registration No. 326

ERNST & YOUNG
Doha
محاسبون قانونيون
الدوحة
22-1
أرنست ويونغ

Date: 16 August 2018
Doha

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2018

	Notes	***2018 QR'000***	*2017 QR'000 (Restated)*
Revenue	4	**41,981,101**	39,080,159
Other operating income	5	**248,161**	306,692
Operating expenses	6	**(42,249,173)**	(36,737,149)
OPERATING (LOSS) PROFIT		**(19,911)**	2,649,702
Other income	7	**3,613,227**	2,324,383
Gain on disposal of property, plant and equipment		**923,830**	2,151,020
Share of profit from investment in joint ventures and an associate	12	**39,759**	49,526
General and administrative expenses	8	**(3,636,775)**	(3,433,291)
Finance costs		**(508,766)**	(429,911)
Loss on foreign currency exchange		**(540,251)**	(409,496)
(Impairment loss) recovery on property, plant and equipment	10	**(27,553)**	3,256
(LOSS) PROFIT BEFORE TAX		**(156,440)**	2,905,189
Income tax expense	9	**(95,146)**	(109,910)
(LOSS) PROFIT FOR THE YEAR		**(251,586)**	2,795,279
Attributable to:			
Equity holders of the parent		**(252,474)**	2,794,428
Non-controlling interests		**888**	851
		(251,586)	2,795,279

The attached notes 1 to 36 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Note	***2018*** ***QR'000***	*2017* *QR'000* *(Restated)*
(Loss) Profit for the year		**(251,586)**	2,795,279
Other comprehensive income:			
Items to be reclassified to consolidated income statement in subsequent periods:			
Net (loss) gain on fair valuation of debt securities at FVOCI	20	**(4,642)**	1,997
Net movement on cash flow hedges	20	**1,481**	59,915
Exchange difference on translation of foreign operations		**13,975**	(28,999)
		10,814	32,913
Items not to be reclassified to consolidated income statement in subsequent periods			
Net gain (loss) on fair valuation of equity securities at FVOCI	20	**3,293,630**	(309,724)
Total other comprehensive income for the year		**3,304,444**	(276,811)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,052,858**	2,518,468
Attributable to:			
Equity holders of the parent		**3,051,970**	2,517,617
Non-controlling interests		**888**	851
		3,052,858	2,518,468

The attached notes 1 to 36 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 March 2018

	Notes	***31 March 2018 QR'000***	*31 March 2017 QR'000 (Restated)*	*1 April 2016 QR'000 (Restated)*
ASSETS				
Non-current assets				
Property, plant and equipment	10	**64,072,020**	60,569,985	59,158,235
Intangibles	11	**386,276**	380,552	267,850
Investment in joint ventures and an associate	12	**284,826**	111,065	94,457
Investment securities	13	**19,603,713**	13,755,265	6,676,538
Loan to an associate and a joint venture	30	**129,038**	-	12,224
Deferred tax asset		**1,205**	3,894	315
		84,477,078	74,820,761	66,209,619
Current assets				
Inventories	14	**1,223,846**	1,144,826	1,200,277
Accounts receivable and prepayments	15	**5,016,593**	3,950,654	3,501,679
Derivative financial instruments	31	-	25,724	63,716
Short-term deposits	16	**837,560**	6,333,430	10,716,686
Cash and bank balances	16	**12,474,890**	13,410,533	12,068,329
		19,552,889	24,865,167	27,550,687
TOTAL ASSETS		**104,029,967**	99,685,928	93,760,306
EQUITY AND LIABILITIES				
Equity				
Share capital	17	**45,528,276**	45,217,510	43,430,714
Capital reserve	18	**1,643,816**	1,643,816	1,643,816
Legal reserve	19	**17,045,677**	16,905,615	16,629,617
Fair value reserve	20	**2,939,321**	(337,140)	(126,316)
Furniture, fixtures and equipment reserve	21	**11,346**	10,547	10,117
Accumulated losses		**(2,027,333)**	(1,648,006)	(4,079,204)
Foreign currency translation reserve		**(21,735)**	(35,710)	(6,711)
Equity attributable to equity holder of the parent		**65,119,368**	61,756,632	57,502,033
Non-controlling interests		**356**	(532)	(1,383)
Total equity		**65,119,724**	61,756,100	57,500,650
Liabilities				
Non-current liabilities				
Employees' end of service benefits	23	**1,207,457**	1,085,573	925,580
Unredeemed frequent flyer liabilities	25	**608,870**	514,493	552,117
Derivative financial instruments	31	**-**	3,408,477	1,834,738
Deferred tax liability		**94,721**	94,189	418
Non-current portion of interest-bearing loans	22	**9,924,955**	17,512,239	15,911,427
Non-current portion of retention payable	24	**6,108**	6,611	79
		11,842,111	22,621,582	19,224,359

Continued…

	Notes	***31 March 2018 QR'000***	*31 March 2017 QR'000 (Restated)*	*1 April 2016 QR'000 (Restated)*
Current liabilities				
Accounts payable and accruals	26	**6,771,129**	5,378,142	4,267,775
Sales in advance of carriage		**6,703,559**	6,142,316	5,761,111
Derivative financial instruments	31	**2,769,065**	1,038,335	3,520,416
Current portion of interest-bearing loans	22	**10,824,379**	2,749,453	3,485,995
		27,068,132	15,308,246	17,035,297
Total liabilities		**38,910,243**	37,929,828	36,259,656
TOTAL EQUITY AND LIABILITIES		**104,029,967**	99,685,928	93,760,306

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H.E. Ali Shareef Al Emadi
Chairman

....
H.E. Akbar Al Baker
Group Chief Executive

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	Notes	***2018 QR'000***	*2017 QR'000 (Restated)*
OPERATING ACTIVITIES			
(Loss) Profit before tax		**(156,440)**	2,905,189
Adjustments for:			
Depreciation	10(a)	**5,280,579**	5,283,206
Finance costs		**508,766**	429,911
Provision for employees' end of service benefits	23	**237,767**	235,191
Net impairment loss on financial assets	8 and 33	**16,583**	31,807
Provision for obsolete and slow-moving inventories	14	**5,735**	12,717
Reversal of provision for obsolete and slow moving inventories	14	**(257)**	(921)
Impairment loss (reversal) on property, plant and equipment	10	**27,553**	(3,256)
Share of profit from investment in joint ventures and an associate	12	**(39,759)**	(49,526)
Interest and dividend income	7	**(976,091)**	(820,113)
Gain on disposal of property, plant and equipment		**(923,830)**	(2,151,020)
Operating profit before working capital changes		**3,980,606**	5,873,185
Payables		**419,060**	648,092
Inventories		**(84,257)**	45,167
Accounts receivable and prepayments		**(1,086,983)**	(456,865)
Cash from operations		**3,228,426**	6,109,579
Finance costs paid		**(423,818)**	(410,517)
Employees' end of service benefits paid	23	**(116,630)**	(83,996)
Net cash flows from operating activities		**2,687,978**	5,615,066
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		**7,540,270**	10,304,031
Proceeds from disposal of investment securities		**18,258**	-
Movement in short-term deposits		**5,500,102**	4,374,657
Interest and dividend received	7	**975,826**	820,113
Movement in restricted deposits		-	200
Dividend received from investment in joint ventures		**38,403**	32,640
Net movement of loan to a joint venture		**(129,217)**	12,224
Acquisition of subsidiaries, net of cash	2	**(381,783)**	(463,709)
Purchase of investment securities		**(2,577,813)**	(7,412,491)
Purchase of investment in an associate	2	**(172,405)**	-
Additions to property, plant and equipment	10	**(14,922,904)**	(14,323,782)
Net cash flows used in investing activities		**(4,111,263)**	(6,656,117)

Continued…

The attached notes 1 to 36 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
For the year ended 31 March 2018

	Notes	***2018 QR'000***	*2017 QR'000 (Restated)*
FINANCING ACTIVITIES			
Issue of share capital	17	**-**	1,786,796
Net movement in interest-bearing loans		**487,642**	596,675
Net cash flows from financing activities		**487,642**	2,383,471
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(935,643)**	1,342,420
Net foreign exchange difference		**-**	(16)
Cash and cash equivalents at 1 April		**13,410,533**	12,068,129
CASH AND CASH EQUIVALENTS AT 31 MARCH	16	**12,474,890**	13,410,533

Non-cash financing activity:
Increase in share capital is from the transfer of the 8 aircraft from the shareholders to the Group. This transfer has no impact in the consolidated statement of cash flows.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Attributable to equity holder of the parent									
	Share capital QR'000	*Capital reserve QR'000*	*Legal reserve QR'000*	*Furniture, fixtures and equipment reserve QR'000*	*Fair value reserve QR'000*	*Accumulated losses QR'000*	*Foreign currency translation reserve QR'000*	*Total QR'000*	*Non-controlling interest QR'000*	*Total equity QR'000*
At 1 April 2017 as restated	45,217,510	1,643,816	16,905,615	10,547	(337,140)	(1,648,006)	(35,710)	61,756,632	(532)	61,756,100
(Loss) Profit for the year	-	-	-	-	-	(252,474)	-	(252,474)	888	(251,586)
Other comprehensive income	-	-	-	-	3,290,469	-	13,975	3,304,444	-	3,304,444
Total comprehensive income for the year	-	-	-	-	3,290,469	(252,474)	13,975	3,051,970	888	3,052,858
Issue of share capital (Note 17)	310,766	-	-	-	-	-	-	310,766	-	310,766
Transfer to legal reserve (Note 19)	-	-	140,062	-	-	(140,062)	-	-	-	-
Disposal of investment securities (Note 20)	-	-	-	-	(14,008)	14,008	-	-	-	-
Transfer to furniture, fixtures and equipment reserve (Note 21)	-	-	-	4,266	-	(4,266)	-	-	-	-
Utilisation of furniture, fixtures and equipment reserve (Note 21)	-	-	-	(3,467)	-	3,467	-	-	-	-
At 31 March 2018	**45,528,276**	**1,643,816**	**17,045,677**	**11,346**	**2,939,321**	**(2,027,333)**	**(21,735)**	**65,119,368**	**356**	**65,119,724**

The attached notes 1 to 36 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 March 2018

	Attributable to equity holder of the parent									
	Share capital QR'000	*Capital reserve QR'000*	*Legal reserve QR'000*	*Furniture, fixtures and equipment reserve QR'000*	*Fair value reserve QR'000*	*Accumulated losses QR'000*	*Foreign currency translation reserve QR'000*	*Total QR'000*	*Non-controlling interest QR'000*	*Total equity QR'000*
At 1 April 2016 (as previously reported)	43,430,714	1,643,816	16,629,617	10,117	(5,356,358)	1,150,838	(6,711)	57,502,033	(1,383)	57,500,650
Adjustment on adoption of IFRS 9 (Note 3.4)	-	-	(168)	-	67,756	(117,402)	-	(49,814)	-	(49,814)
At 1 April 2016 (as a result of adopting IFRS 9)	43,430,714	1,643,816	16,629,449	10,117	(5,288,602)	1,033,436	(6,711)	57,452,219	(1,383)	57,450,836
Adjustment on correction of error (Note 36)	-	-	-	-	5,230,042	(5,230,042)	-	-	-	-
At 1 April 2016 (as restated)	43,430,714	1,643,816	16,629,449	10,117	(58,560)	(4,196,606)	(6,711)	57,452,219	(1,383)	57,450,836
Profit for the year as reported in the 31 March 2017 consolidated financial statements	-	-	-	-	-	1,972,458	-	1,972,458	851	1,973,309
Adjustment on correction of error (Note 36)	-	-	-	-	-	821,970	-	821,970	-	821,970
Restated profit for the year	-	-	-	-	-	2,794,428	-	2,794,428	851	2,795,279
Other comprehensive income as reported in the 31 March 2017 consolidated financial statements	-	-	-	-	574,158	-	(28,999)	545,159	-	545,159
Adjustment on correction of error (Note 36)	-	-	-	-	(821,970)	-	-	(821,970)	-	(821,970)
Restated other comprehensive income	-	-	-	-	(247,812)	-	(28,999)	(276,811)	-	(276,811)
Total comprehensive income for the year as reported in the 31 March 2017 consolidated financial statements	-	-	-	-	574,158	1,972,458	(28,999)	2,517,617	851	2,518,468
Adjustment on correction of error (Note 36)	-	-	-	-	(821,970)	821,970	-	-	-	-
Restated total comprehensive income for the year	-	-	-	-	(247,812)	2,794,428	(28,999)	2,517,617	851	2,518,468
Issue of share capital (Note 17)	1,786,796	-	-	-	-	-	-	1,786,796	-	1,786,796
Released to retained earnings	-	-	-	-	(30,768)	30,768	-	-	-	-
Transfer to legal reserve (Note 19)	-	-	276,166	-	-	(276,166)	-	-	-	-
Transfer to furniture, fixtures and equipment reserve (Note 21)	-	-	-	3,876	-	(3,876)	-	-	-	-
Utilisation of furniture, fixtures and equipment reserve (Note 21)	-	-	-	(3,446)	-	3,446	-	-	-	-
At 31 March 2017	45,217,510	1,643,816	16,905,615	10,547	(337,140)	(1,648,006)	(35,710)	61,756,632	(532)	61,756,100

The attached notes 1 to 36 form part of these consolidated financial statements.

1 CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

Qatar Airways Group Q.C.S.C. (the "Company") is a Qatari Closed Shareholding Company registered in the State of Qatar. The Company was established on 30 November 1993 under Commercial Registration No. 16070 and commenced operations in January 1994. The Company's registered office is located at Qatar Airways Tower P.O. Box 22550, Doha, State of Qatar.

The consolidated financial statements as of and for the year ended 31 March 2018 comprise the financial statements of the Company and its subsidiaries (together referred as the "Group").

The main activities of the Group are as follows:

- Commercial air-transportation, which includes passenger, cargo, aircraft charters and related services;
- Aircraft handling, in-flight catering and related services to airlines using Hamad International Airport;
- Trading in duty free goods at Hamad International Airport and exchanging goods for redemption of Qmiles;
- Operation of restaurants at Hamad International Airport;
- Provision of facilities management services at Hamad International Airport;
- Hotel operations inside and outside the State of Qatar;
- Distribution of distilled beverages in the State of Qatar; and
- Management of Hamad International Airport.

The consolidated financial statements of Qatar Airways Group Q.C.S.C. as of and for the year ended 31 March 2018 were authorised for issue by the Board of Directors on 16 August 2018.

2 BUSINESS COMBINATION

Current year acquisition

Acquisition of property and business assets ("Sheraton Melbourne Hotel")

On 24 October 2017 (the "Acquisition Date"), the Group, through its subsidiary, acquired the property and business assets of Golden Age Hotel Nominees Pty. Ltd., more specifically the "Sheraton Melbourne Hotel" (the "Target Company") for a consideration of Australian Dollar (AUD) 135 million. The Group acquired the business and retail assets free from security interests. Included in the retail assets of the transaction is the vendor's title and interest in the land and building located in Melbourne, Australia. The said acquisition was recognised in the books of Dhiafatina Mel Trust (the "Trust") which is wholly owned by the subsidiary.

The acquisition meets the requirements of "Business Combination" under IFRS 3. This is due to the purchase meeting the definition of a "business".

The fair value of the identifiable assets and liabilities of the Target Company at the Acquisition Date are as follows:

	Fair value QR '000
Total assets	
Property and equipment	385,073
Inventories	241
Prepayments and other asset	876
Trade and other receivables	393
Cash and cash equivalents	3,290
	389,873
Total liabilities	
Advance deposits and other payable	2,451
Employees' end of service benefits	336
	2,787
Total identifiable net assets acquired at fair value	387,086
Receivable from previous owner	1,235
Bargain purchase arising on acquisition	(3,248)
Purchase consideration transferred	**385,073**
Analysis of cash flows on acquisition	
Net cash acquired with the subsidiary	3,290
Cash paid	(385,073)
Net cash outflow	**(381,783)**

In compliance with IFRS 3 *Business Combinations*, the Group identified a bargain purchase arising on acquisition amounting to QR 3,248,541. Transaction costs incurred were expensed and are included in the general and administrative expenses. There were no contingent consideration recognised as part of the business combination.

From the acquisition date, Dhiafatina Melbourne Trust contributed QR 13.6 million of operating revenue and QR 19.6 million of loss for the year ended. It is not practical to determine the consolidated revenue and consolidated profit of the Group had the business combination occurred at the beginning of the 2017.

2 BUSINESS COMBINATION (CONTINUED)

Acquisition of AQA Holding S.P.A. (AQA)
On 28 September 2017 (the "Acquisition Date"), the Group acquired 49% interest in AQA Holding S.P.A. ("AQA") which is the parent company of "Air Italy S.P.A. (former Meridiana Fly). AQA is a private entity based in Italy that is not listed in any public exchange and is involved both in the national and international market and provides "charter" and "scheduled" flight services.

The investment was accounted by the Group as investment in an associate as the Group can demonstrate significant influence over AQA.

The provisional value of the identifiable assets and liabilities of the AQA at the Acquisition Date are as follows:

	28 September 2017 *QR '000*
Total assets	**1,305,383**
Total liabilities	**(953,536)**
Total identifiable net assets acquired	**351,847**
Share on identifiable net asset acquired	**172,405**
Goodwill arising from acquisition	-
Purchase consideration transferred	**172,405**

From the acquisition date, the AQA contributed QR 15 million loss as share of results from investment in an associate. It is not practical to determine the consolidated profit or loss of the Group has the business combination occurred at the beginning of the year.

2 BUSINESS COMBINATION (CONTINUED)

Prior year acquisition
Acquisition of Strader S.A.
On 30 June 2016 (the "Acquisition Date"), the Group acquired 100% of the share capital of Strader SA, ("Strader") a private limited liability company incorporated in Switzerland. Strader is the owner of Starling Geneva Hotel and Conference Centre located in Geneva, Switzerland. The fair values of the identifiable assets and liabilities of Strader at the acquisition date were as follows:

	30 June 2016 *QR '000*
Total assets	
Property and equipment	**726,907**
Inventories	**1,512**
Accounts receivable and prepayments	**11,346**
Cash and bank balances	**32,266**
Deferred tax asset	**2,320**
	774,351
Total liabilities	
Employees' end of service benefits	**8,798**
Interest-bearing loans	**267,595**
Accounts payable and accruals	**20,702**
Deferred tax liability	**84,762**
	381,857
Total identifiable net assets acquired at fair value	**392,494**
Goodwill arising from acquisition	**103,481**
Purchase consideration transferred	**495,975**

	30 June 2016 *QR '000*
Analysis of cash flows on acquisition	
Net cash acquired with the subsidiary	**32,266**
Cash paid	**(495,975)**
Net cash outflow	**(463,709)**

In compliance with IFRS 3 *Business Combinations*, the Group has accounted for the acquisition of Strader using the acquisition method. Transaction costs incurred were expensed and are included in the general and administrative expenses. There was no contingent consideration recognised as part of the business combination. The deferred tax liability mainly comprises the tax effect on the fair value adjustments of property and equipment.

As a result of the adjustments to the value of identifiable net assets acquired, the comparative amounts in the consolidated statement of financial position have been restated within the 12 months as allowed by IFRS 3.This has resulted mainly to a decrease in Property and equipment amounting to QR 139 million, deferred tax liability of QR 33 million, and recognition of goodwill of QR 103 million (CHF 28 million).

The goodwill of QR 103 million comprises the fair value of expected synergies arising from the acquisition.

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

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

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

The consolidated financial statements are prepared under the historical cost convention except for certain financial assets and liabilities, including derivative financial instruments, unredeemed frequent flyer liabilities and fair value through other comprehensive income investments that are measured at fair value.

3.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of Qatar Airways Group Q.C.S.C. and its subsidiaries (together referred to as the "Group"). These consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

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

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements 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. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in the consolidated income statement.

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Basis of consolidation (continued)

The principal subsidiaries of the Group, incorporated in the consolidated financial statements are as follows:

Name of the subsidiary	*Country of incorporation*	*Effective shareholding*	
		2018	*2017*
Strader S.A.	Switzerland	**100%**	100%
Amadeus Qatar W.L.L.	State of Qatar	**60%**	60%
Al Maha Aviation Company	Kingdom of Saudi Arabia	**100%**	100%
Dhiafatina for Hotels S.P.C.	State of Qatar	**100%**	100%
Oryx Holdings, Inc.	United States of America	**100%**	100%
Qatar Aviation Lease Company Q.J.S.C. (QALC)	State of Qatar	**100%**	100%

Strader SA, ("Strader") is a private limited liability company incorporated in Switzerland and the owner of Starling Geneva Hotel and Conference Centre located in Geneva, Switzerland.

Amadeus Qatar W.L.L. is engaged in activities relating to marketing, distribution, installation and maintenance of the Amadeus reservation and travel agency system to various travel agencies in State of Qatar.

Al Maha Aviation Company is incorporated in the Kingdom of Saudi Arabia. The company is in its pre-operating stage with the objective of providing commercial air transportation, cargo and catering services.

Dhiafatina for Hotels S.P.C. is engaged in the operation of hotel properties inside and outside the State of Qatar.

Oryx Holdings, Inc., incorporated in Wilmington, Delaware, USA, is principally engaged in holding real estate properties.

QALC is registered as Qatari Joint Stock Company in the State of Qatar under Commercial Registration No. 42734. QALC was incorporated on 18 June 2009 and its primary objectives are to acquire and lease aircraft and aircraft components.

The financial statements of the subsidiaries are prepared for the same reporting year as the parent company except for Amadeus Qatar W.L.L., Al Maha Aviation Company and Strader S.A., whose financial year ends on 31 December. Appropriate adjustments are made for subsidiaries that use different accounting periods and policies to conform to those adopted by the parent company.

Previously, the following entities were operating as branches of the Company. Effective at the beginning of the year, these branches were converted into a limited liability companies, which are 100% owned by the Company as its subsidiaries. The business operation of these subsidiaries however, is just a continuation of the existing activities of the former branches:

Name of the subsidiary	*Country of incorporation*	*Effective shareholding* ***2018***
Qatar Aviation Services W.L.L.	State of Qatar	**100%**
Qatar Aircraft Catering Company W.L.L.	State of Qatar	**100%**
Qatar Distribution Company W.L.L.	State of Qatar	**100%**
Qatar Duty Free Company W.L.L.	State of Qatar	**100%**
Qatar Duty Free Jamocha Café W.L.L.	State of Qatar	**100%**
Internal Media Services Company W.L.L.	State of Qatar	**100%**

Transactions eliminated on consolidation

Inter-company balances and transactions, and any unrealised gain and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Basis of consolidation (continued)

Non-controlling interests
Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated income statement, consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity. 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. Acquisitions of non-controlling interests are accounted for using the parent extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

3.3 Changes in accounting policies and disclosures

New and amended standards and interpretations
The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS recently issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) interpretations effective as of 1 January 2017.

Standards effecting from the annual period beginning on or after 1 January 2017:

- Amendments to IAS 7 disclosure initiative (Statement of cash flow).
- IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 (effective for annual periods beginning on or after January 2017).

These amendments do not have any impact on the Group's consolidated financial statements.

3.4 Standards issued but not yet effective

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

- IFRS 9 Financial Instruments (effective for annual periods beginning on or after January 2018)*
- IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018)
- IFRS 16 Leases (effective for annual periods beginning on or after January 2019)

*early adopted

Management is currently assessing these standards and amendments, which will likely to have an impact to the Group.

Early adoption of IFRS 9 Financial Instruments
As explained above, the Group has adopted IFRS 9 as issued in July 2014 in 2017, which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

The accounting policies were changed to comply with IFRS 9 as issued by the IASB in July 2014. IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 Financial Instruments: Disclosures.

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Standards issued but not yet effective (continued)

Early adoption of IFRS 9 Financial Instruments (continued)
(a) Classification and measurement of financial instruments
On 1 April 2016, the Group's management has assessed which business models apply to the financial assets held by the Group at the date of initial application of IFRS 9 (1 April 2016) and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from this reclassification are as follows:

	AFS *QR'000*	*Investment at FVOCI* *QR'000*	*Net effect* *QR'000*
Opening balance - IAS 39	**6,676,538**	**-**	**6,676,538**
Reclassify equity securities from AFS to FVOCI	**(6,492,273)**	**6,466,508**	**(25,765)**
Reclassify debt securities from AFS to FVOCI	**(184,265)**	**183,993**	**(272)**
Opening balance - IFRS 9	-	**6,650,501**	**6,650,501**

* The opening balances as at 1 April 2016 show available-for-sale financial assets under FVOCI and held-to-maturity investments under amortised cost, see the table in part (a) below for details. These reclassifications have no impact on the measurement categories.

The impact of these changes on the Group's equity is as follows:

	Effect on AFS reserves *QR'000*	*Effect on FVOCI reserve* *QR'000*	*Effect on retained earnings* *QR'000*
Opening balance - IAS 39	**(2,167)**	**-**	**-**
Reclassify equity securities from AFS to FVOCI	**2,167**	**(27,932)**	**-**
Reclassify debt securities from AFS to FVOCI	**-**	**-**	**(272)**
Opening balance - IFRS 9	-	**(27,932)**	**(272)**

* Before adjustment for impairment. See part (b) below.

(i) Equity investments previously classified as available-for-sale
The Group elected to present in other comprehensive income changes in the fair value of all its equity investments previously classified as available-for-sale, because these investments are not held for trading. As a result, assets with a fair value of QR 6.5 billion were reclassified from available-for-sale financial assets to financial assets at fair value through OCI and a net fair value loss of QR 25.8 million were recognised as part of re assessment of fair value of these investments which are now presented as fair value through OCI reserve. There is no longer any reclassification of accumulated amounts from reserves to profit or loss on the disposal of these equity investments.

(ii) Available-for-sale debt instruments classified as FVOCI
Listed bonds were reclassified from available for sale to fair value through other comprehensive income, as the Group's business model is achieved both by collecting contractual cash flows and selling of these assets. The contractual cash flows of these investments are solely principal and interest. As a result, listed bonds with a fair value of QR 184.3 million were reclassified from available-for-sale financial assets to financial assets at fair value through OCI.

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Standards issued but not yet effective (continued)

Early adoption of IFRS 9 Financial Instruments (continued)
(iii) Reclassifications of financial instruments on adoption of IFRS 9
On the date of initial application, 1 April 2016, the financial instruments of the Group were as follows, with any reclassifications noted:

Financial assets - 1 April 2016	*Measurement category*		*Carrying amount*		
	Original (IAS 39)	*New (IFRS 9)*	***Original***	***New***	***Difference***
			QR '000	***QR '000***	***QR '000***
Non-current financial assets					
Equity securities	AFS	FVOCI	**6,492,273**	**6,466,508**	**(25,765)**
Debt securities	AFS	FVOCI	**184,265**	**183,993**	**(272)**
Loans to a joint venture	Amortised cost	Amortised cost	**12,224**	**12,203**	**(21)**
Investment in joint ventures*	NA	NA	**94,457**	**94,175**	**(282)**
Current financial assets					
Trade receivables	Amortised cost	Amortised cost	**2,346,005**	**2,336,690**	**(9,315)**
Cash and cash equivalents	Amortised cost	Amortised cost	**12,068,129**	**12,053,970**	**(14,159)**

** financial assets of the joint venture*

(b) Impairment of financial assets

The Group has following types of financial assets subject to IFRS 9’s expected credit loss model:

- Trade receivables
- Loan to a joint venture
- Debt investments carried at FVOCI
- Bank term deposits (cash and cash equivalents)

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets.

The impact of the change in impairment methodology on the Group’s equity is disclosed in the table above.

(i) Trade receivables
For trade receivables, the Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables.

(ii) Bank term deposits (cash and cash equivalents), Debt investments and loan to a joint venture
These are considered to be low risk, and thus the impairment provision is determined at 12 months expected credit losses using the general approach as prescribed by IFRS 9.

Derivatives and Hedging activities
The new hedge accounting model simplify hedge accounting outcomes and provide a better linkage between an entity's risk management strategy and objective and the impact of hedging on the financial statements. Some of the key changes in IFRS 9 Hedge accounting include:

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Standards issued but not yet effective (continued)

Early adoption of IFRS 9 Financial Instruments (continued)

Derivatives and Hedging activities (continued)

a. Risk component designation

IFRS 9 permits an entity to designate a risk component of a non-financial item as the hedged item in a hedging relationship, provided the risk component is separately identifiable and reliably measurable. The Group uses commodity swaps and options on crude oil to hedge exposure to movements in the price of jet fuel. Under IAS 39, a non-financial item can only be designated as the hedged item for its foreign currency risk or all its risks in their entirety. As such, the crude oil risk components were prohibited from being designated as hedged items and as a result, ineffectiveness occurred due to the differences in the mark-to-market movements of crude oil derivatives compared to the underlying jet fuel price exposure. The designation of component hedges has reduced the changes in fair value of derivative financial instruments recognised immediately in the Consolidated Income Statement as 'ineffective'.

b. Cost of hedging

IFRS 9 allows the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument and accounted for as a cost of hedging. The fair value changes of these elements are recognised in other comprehensive income and depending on the nature of the hedged item will either be transferred to the Consolidated Income Statement in the same period that the underlying transaction affects the Consolidated Income Statement or be capitalised into the initial carrying value of a hedged item. Under IAS 39, the Group recognised the change in these elements in the Consolidated Income Statement.

The total impact on the Group's equity due to implementation of IFRS 9 as at 1 April 2016 is as follows:

	Fair value reserve QR'000	*Retained earnings QR'000*
Opening balance - IAS 39	**(5,356,358)**	**1,150,838**
IFRS transition adjustments	**93,521**	**(93,521)**
Opening balance - IFRS 9	**(5,262,837)**	**1,057,317**

The effect on fair value reserve and retained earnings is summarised as follows:

	Effect on fair value reserve QR'000	*Effect on retained earnings QR'000*
Classification	**(25,765)**	-
Hedging adjustment	**93,521**	**(93,521)**
Impairment adjustments	-	**(23,881)**
	67,756	**(117,402)**

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Standards issued but not yet effective (continued)

IFRS 15, Revenue from Contracts with Customers (Effective 1 January 2018)
IFRS 15 replaces the existing standards IAS 18- Revenue, IAS 11- Construction Contracts, IFRIC 13- Customer Loyalty Programmes, IFRIC 15 Agreements for Construction of real Estate, IFRIC 18- Transfers of Assets from Customers and SIC-31 Barter Transactions.

IFRS 15 provides a comprehensive framework for recognizing revenue from contracts with customers. The core principal of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard provides 5-step approach to recognize revenue from contracts with customers. The Standard also includes a cohesive set of disclosure requirements that would result in providing comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the Group’s contracts with the customers.

The Group will apply the new accounting standard for the first time as of 1 April 2018 using modified retrospective approach so that any changes as of 1 April 2018 will be recognized cumulatively in retained earnings. As a result, the Group will not apply the requirements of IFRS 15 to every comparative period shown.

The Group has assessed the impact of the new standard, and expects there to be an adjustment to opening reserves on adoption of IFRS 15 in respect to the timing of recognition of unflown ticket breakage income. The Group is currently recognizing revenue for unused flight documents using estimates regarding the timing of recognition based on terms and conditions of the ticket and historical trends. The assessment under IFRS 15 will be based on the historic patterns of breakage. IFRS 15 is also expected to impact the classification, and presentation of interline cargo transactions, deferred commission cost and frequent flyer expenses and revenue where QR members redeem Qmiles at other airlines or non-air partners. The Group is currently assessing the financial impact (at the overall group level) of the adoption of IFRS 15.

IFRS 16 ‘Leases’ is effective from 1 January 2019
The new standard eliminates the classification of leases as either operating leases or finance leases and instead introduces a single lessee accounting model. The Group has a number of operating leases for assets including aircraft, property and other equipment. Details of the Group’s operating lease commitments are disclosed in Note 29. The Group is currently assessing the impact of the new standard and expects its implementation to have a significant impact on the financial statements from the date of adoption.

3.5 Summary of significant accounting policies

Revenue
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognised.

Passenger and cargo revenue
Revenue from passengers and cargo is recognised when the transportation services are provided. Passenger ticket and cargo airway bill sales, net of discounts, are recorded as current liabilities in the sales in advance of carriage account until recognised as revenue. Unused flight documents are recognised as revenue using estimates regarding the timing of recognition based on the terms and conditions of the ticket and historical trends. Commission costs are recognised at the same time as the revenue to which they relate and are charged to operating expenses.

Aircraft charter revenue
Revenue from aircraft charters is recognised when the chartering services are provided.

Sale of goods
Revenue from sale of goods is recognised when the significant risk and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Summary of significant accounting policies (continued)

Revenue (continued)

Revenue from hotel operations

Revenue from hotel operations represents amounts charged to customers for services provided during the year. Revenue in respect of services is recognised when these are accepted by the customers and the amount of revenue can be measured reliably.

Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

Dividend income

Dividend income is recognised when the Group's right to receive the payments is established.

Claims and liquidated damages

Claims and liquidated damages are recognised in the consolidated income statement when a contractual entitlement exists, amounts can be reliably measured and receipt is virtually certain. When the claims and liquidated damages do not relate to a compensation for loss of income, the amounts are taken to the consolidated statement of financial position as a reduction to the cost of the asset to which it relates.

Business combinations and goodwill

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

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

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope of IFRS 9, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Summary of significant accounting policies (continued)

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

Property, plant and equipment
Property, plant and equipment is initially measured at fair value of consideration given. Fair value of aircraft takes into account manufacturer's credit. The carrying value is reviewed if events or changes indicate such values are not recoverable.

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.

Capital work in progress is stated at cost. When the asset is ready for its intended use, it is transferred from capital projects to the appropriate category under property, plant and equipment and depreciated in accordance with the Group's policies.

Fleet assets owned are depreciated at rate calculated to write down the cost to the estimated residual value at the end of their planned operational lives, on a Straight Line Basis. Depreciation rates are specify to aircraft type, based on Group's fleet plans.

Land and capital projects are not depreciated. Depreciation on other property, plant and equipment is provided at rates calculated to write off the cost less their estimated residual value on a straight-line basis over the estimated economic useful life of the assets.

The major overhaul costs of owned and leased aircraft, engines and equipment including replacement, spares and labour cost are capitalised only when the recognition criteria is met and other costs including the maintenance provided under "pay as you go" contracts relating to aircraft fleet are expensed on consumption or as incurred respectively. These major overhaul cost are depreciated over the shorter of the period to next major overhaul event or remaining life of the related aircraft, engine and equipment or remaining lease term (for leased aircrafts).

Property, plant and equipment, apart from freehold land is depreciated based on estimated economic useful life and estimated residual value or in the case of leasehold properties over the duration of the leases if shorter, on a straight-line basis.

The estimated economic useful life and estimated residual value of the Group's assets for the calculation of depreciation are as follows:

Asset type	*Estimated economic useful life*	*Estimated residual value*
Aircraft	12 - 18 years	5% - 15%
Executive jets (included as part of aircraft)	10 years	35% - 45%
Executive jets - Amiri (included as part of aircraft)	2 - 8 years	15% - 90%
Aircraft spare engines	12 - 20 years	5% - 15 %
Aircraft spares	7 - 15 years	20%
Buildings	20 - 50 years	Nil
Furniture, vehicles, ground and office equipment	3-15 years	Nil
Catering plant and equipment	6-7 years	Nil
Ground handling equipment	6-7 years	Nil

Leasehold improvements are depreciated over the lease term or estimated economic useful life, whichever is shorter.

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Summary of significant accounting policies (continued)

Property, plant and equipment (continued)
Cabin interior modifications are depreciated over the lower of 7 years or the remaining life of the aircraft or remaining lease period, in the case of aircraft under lease. Capitalised major overhaul costs are depreciated till the next planned overhaul period.

The estimated residual value, estimated economic useful life and methods of depreciation of property, plant and equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate.

The carrying values of property, plant 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, plant 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 derecognised.

Assets classified as held for sale
Assets are classified as held for sale when their carrying value is to be recovered principally through sale as opposed to continuing use. The sale must be considered to be highly probable and to be enacted within 12 months. Assets classified as held for sale are carried at the lower of carrying value and fair value less costs to sell. Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Intangibles
Intangible assets acquired separately are measured on initial recognition at cost. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the consolidated income statement in the period in which the expenditure is incurred.

Landing rights acquired from other airlines are capitalised at cost, less any accumulated impairment losses. Capitalised landing rights based within the EU are not amortised, as regulations within the EU consider them to have an indefinite economic life.

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

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

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

Gains and losses arising on sale and leaseback transaction resulting in an operating lease and where the sale price is at fair value, are recognised immediately in the consolidated income statement.

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Summary of significant accounting policies (continued)

Leases (continued)
Lease classification is made at the inception of the lease. Lease classification is changed only if, at any time during the lease, the parties to the lease agreement agree to change the provisions of the lease (without renewing it) in a way that it would have been classified differently at inception had the changed terms been in effect at that time. The revised agreement is considered as a new agreement and accounted for prospectively over the remaining term of the lease.

Group as a lessee
Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the consolidated income statement.

A leased asset is depreciated over the estimated economic useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated economic useful life of the asset and the lease term.

Operating lease payments are charged to the consolidated income statement on a straight-line basis over the period of the lease.

Investment in joint ventures and an associate
A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement 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.

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 it is not control or joint control over those policies.

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 joint ventures and an associate are accounted for using the equity method.

Under the equity method, the investment in a joint venture or the associate 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 joint venture or the associate since the acquisition date. Goodwill relating to the joint venture and associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

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

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

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture or its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture or the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture or the associate and its carrying value, then recognises the loss as 'Share of profit (loss) from investment in joint ventures and an associate in the consolidated income statement.

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Summary of significant accounting policies (continued)

Investment in joint ventures and an associate (continued)
Upon loss of joint control over the joint venture or significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture or the associate upon loss of joint control or significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated income statement.

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.

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.

Investments and other financial assets
(i) Classification
The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through other comprehensive income and
- those to be measured at amortised cost

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

(ii) Measurement
At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. All financial instruments are recognized on the trade date, which is the date on which the Group becomes a party to the contractual provisions of an instrument.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Summary of significant accounting policies (continued)

Investments and other financial assets (continued)
(ii) Measurement (continued)

Subsequent measurement
Debt instruments
Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the company classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method.

Business model: the business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at fair value through profit or loss ('FVTPL"). Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments
Upon initial recognition, the Group elects to classify its equity investments as equity instruments at FVOCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation, and are not held for trading. Such classification is determined on an instrument-by-instrument basis. Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in other comprehensive income. Equity instruments at FVOCI are not subject to an impairment assessment.

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Summary of significant accounting policies (continued)

Investments and other financial assets (continued)
(iii) Impairment

Overview of the expected credit loss (ECL) principles
The adoption of IFRS 9 has fundamentally changed the Group's impairment method by replacing IAS 39's incurred loss approach with a forward-looking ECL approach.

The Group has been recording the allowance for expected credit losses for all receivables and other debt financial assets not held at FVTPL referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit loss expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL).

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Group sets its financial assets (debt instruments) into Stage 1, Stage 2 and Stage 3, as described below:

- Stage 1: When financial debt instruments are first recognised, the Group recognises an allowance based on 12mECLs.

- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs.

- Stage 3: Debt instruments considered credit-impaired. The Group records an allowance for the LTECLs.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Summary of significant accounting policies (continued)

Investments and other financial assets (continued)
(iii) Impairment (continued)

The calculation of ECLs
The Group calculates ECLs based on a three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.
The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD The *Probability of Default* is an estimate of the likelihood of default over a given time horizon.
- EAD The *Exposure at Default* is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date and accrued interest.
- LGD The *Loss Given Default* is an estimate of the loss arising in the case where a default occurs at a given time. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Group considers three scenarios (a base case, a best case and worst case). The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Group has the legal right to call it earlier.

The mechanics of the ECL method are summarised below:

- Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. This calculation is made for each of the three scenarios, as explained above.
- Stage 2: When a financial debt instrument has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs.
- Stage 3: For debt instrument that are considered credit-impaired,the Group recognises the lifetime expected credit losses for this debt instrument. The method is similar to that for Stage 2 assets, with the PD set at 100%.

For receivables only, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Debt instruments measured at fair value through OCI
The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

Forward looking information

In its ECL models, the Group relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth
- Current market conditions

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Summary of significant accounting policies (continued)

Investments and other financial assets (continued)
(iii) Impairment (continued)

Write-offs
The Group's accounting policy under IFRS 9 remains the same as it was under IAS 39. Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

(iv) Derecognition
A financial asset is derecognised when:

- The rights to receive cash flows from the asset have expired;

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

  (a) the Group has transferred substantially all the risks and rewards of the asset, or
  (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

Initial recognition and measurement
The Group has classified all financial liabilities within the scope of IFRS 9 under loans and borrowings, derivatives designated as hedging instruments in an effective hedge, and other financial liabilities as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and other financial liabilities, net of directly attributable transaction costs.

Subsequent measurement
The measurement of financial liabilities depends on their classification as described below:

Loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the EIR amortisation process.

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

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Summary of significant accounting policies (continued)

Financial liabilities (continued)

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated income statement.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments
The fair value is the estimated amount for which assets could reasonably be exchanged for on the date of valuation between a willing buyer and a willing seller in an arm's length transaction wherein the buyer and seller has each acted knowledgeably, prudently and without compulsion.

For financial investments traded in organised markets, fair value is determined by reference to quoted market bid prices.

For financial instruments where there is no active market, the fair value is determined by using discounted cash flow analysis or reference to broker or dealer price quotations. For discounted cash flow analysis, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument.

Investments in mutual funds are stated at net assets value of the fund.

The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative using prevailing market rates.

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

An analysis of fair values of financial instruments and further details as to how they are measured is provided in Note 34.

Derivatives and hedging activities

Initial recognition and subsequent measurement
The Group uses derivative financial instruments such as commodity derivatives to hedge its risks associated with jet-fuel price fluctuations and foreign currency exchange derivatives to hedge its currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which the derivative contracts are entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The fair value of commodity derivatives and foreign currency exchange derivatives are determined by reference to available market information and swap/forward valuation methodology. Any gains or losses arising from changes in fair value of derivatives are taken directly to consolidated income statement, except for the effective portion and cost of hedging for cash flow hedges, which is recognised in other comprehensive income.

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Summary of significant accounting policies (continued)

Derivatives and hedging activities (continued)
Initial recognition and subsequent measurement (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 an unrecognised firm commitment

- Cash flow hedges when hedging the 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

- Hedges of a net investment in a foreign operation

At the inception of the hedge, the Group formally designates and documents the hedging relationship to which the Group wishes to apply hedge accounting, and the risk management objective and strategy for undertaking the hedge. That documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the entity will assess whether the hedging relationship meets the hedge effectiveness requirements (including its analysis of the sources of hedge ineffectiveness and how it determines the hedge ratio). 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 at each reporting date or upon a significant change in the circumstances affecting the hedge effectiveness requirements, whichever comes first. The assessment relates to expectations about hedge effectiveness and is therefore only forward-looking.

Hedges that meet the strict criteria for hedge accounting are accounted for as described below:

Cash flow hedges
The effective portion of the gains or losses on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the consolidated income statement.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to foreign currency contracts and the ineffective portion relating to commodity contracts is recognised in the consolidated income statement.

Amounts recognised as other comprehensive income are transferred to the consolidated income statement when the hedged transaction affects the consolidated income statement, 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 recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to the consolidated income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects consolidated income statement.

If the hedge ratio for risk management purposes is no longer optimal but the risk management objective remains unchanged and the hedge continues to qualify for hedge accounting, the hedge relationship will be rebalanced by adjusting either the volume of the hedging instrument or the volume of the hedged item so that the hedge ratio aligns with the ratio used for risk management purposes. Any hedge ineffectiveness is calculated and accounted for in profit or loss at the time of the hedge relationship rebalancing.

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Summary of significant accounting policies (continued)

Cash flow hedges (continued)
Cost of hedging
When designating the spot element of the derivative financial instruments, the forward element shall be accounted as cost of hedging. As such, the change in fair value of the forward element is recognised in other comprehensive income and accumulated in a separate component of equity. In the case of a transaction related hedged item, the change in the fair value of the forward element is deferred in OCI and included, like transaction costs, in the measurement of the hedged item (or it is reclassified to profit or loss when a hedged sale occurs). In case of a time-period related hedged item, the forward element that exists at inception is amortised from the separate component of equity to profit or loss on a rational basis.

As a result of the above accounting, fluctuations in the fair value of the forward element over time will affect other comprehensive income, and the amount accumulated in OCI will be recognised in profit or loss when the hedged item affects profit or loss (in case of a transaction related hedged item), or be amortised to profit or loss (in case of a time-period related hedged item).

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances:

- When the Group expects to hold a derivative as an economic hedge for a period beyond 12 months after the reporting date, the derivative is classified as non-current consistent with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistent with the cash flows of the host contract.

Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and a non-current portion only if a reliable allocation can be made.

Current versus non-current classification
The Group presents assets and liabilities based on current/non-current classification. An asset is classified as current when it is:
- Expected to be realised or intended to be 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.

All other liabilities are classified as non-current.

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Summary of significant accounting policies (continued)

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

- Goods for resale, food and beverages are valued at weighted average costs
- Spare parts, catering materials and other supplies are valued on a first in first out (FIFO) basis

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.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. Loans and receivables includes accounts receivables, cash and cash equivalents and short-term deposits that are measured at amortised cost using effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except short term receivables when the effect of discounting is immaterial.

Cash and cash equivalents
Cash and cash equivalent includes cash in hand and deposits with any qualifying financial institution repayable on demand or maturing within three months of the date of acquisition and which are subject to an insignificant risk of change in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

Interest-bearing loans
Interest-bearing loans are recognised initially at fair value of the amounts borrowed, less directly attributable transaction costs. Subsequent to initial recognition, interest-bearing loans are measured at amortised cost using the effective interest rate method, with any differences between the cost and final settlement values being recognised in the consolidated income statement over the period of the loans. Instalments due within one year at amortised cost are shown as a current liability.

Employees' end of service benefits
The Group provides for end of service benefits determined in accordance with the Group's policy based on employees' salaries and the number of years of service. The expected costs of the benefits are accrued over the period of employment. Applicable benefits are paid to employees on completion of their term of employment with the Group. Accordingly, the Group has no expectation of settling its employees' terminal benefits obligation in the near term.

With respect to its Gulf Cooperation Council ("GCC") 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 or not billed by the supplier.

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Summary of significant accounting policies (continued)

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated income statement net of any reimbursement.

Frequent flyer programme
The Group operates a frequent flyer programme called “Privilege Club” that allows members to earn Qmiles by flying on Qatar Airways and other airlines participating in the programme. Members can also earn Qmiles by participating in non-airline programmes. Qmiles are used to avail various rewards given by the Privilege Club programme.

The portion of revenue attributable to the Qmiles earned by the member is identified and accounted for separately as a liability (unredeemed frequent flyer liabilities) based on fair value per Qmile. Estimation technique are used to determine fair value of Qmiles based on various historical trends such as weighted average ticket value, seat factor, routes used by members to avail reward tickets, other avenue used by members to redeem the Qmiles and expiry of Qmiles. Fair value of Qmiles is reviewed on a periodical basis.

The liability (unredeemed frequent flyer liabilities) is recognised as revenue in the consolidated income statement when the Group fulfills its obligation of rewarding goods and services to the member for the Qmiles earned.

Miles accrued through utilising the services of programme partners are paid for by the participating partners and the resulting revenue is recorded as other operating income.

Foreign currencies
Transactions and balances
Transactions in foreign currencies are initially recorded by the Group at their respective functional currency spot rates at the date the transaction is recognised. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in the consolidated income statement.

Non-monetary assets and liabilities, which are recognised at historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated using the exchange rates prevailing at the date of determination of such fair value. The difference, if any, is taken to consolidated statement of other comprehensive income or consolidated income statement along with the fair value adjustments.

Foreign operation – consolidation
Assets and liabilities of foreign operations are translated into the functional currency at the rate prevailing on the reporting date and the income statements are translated using average exchange rates during the year.

The exchange differences, on consolidation, are recognised in consolidated statement of other comprehensive income. Upon disposal of a foreign operation, it is recycled to consolidated income statement.

Taxation
Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted at the reporting date.

Taxation is provided for as and when the liability arises except where management is of the opinion that exemption from such liability will ultimately be granted by the relevant authorities in the countries concerned.

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Summary of significant accounting policies (continued)

Taxation (continued)
Deferred income taxes are provided for the tax effect of temporary differences between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements. The Group uses the liability method to account for income taxes, which requires deferred taxes to be recorded at the statutory rate expected to be in effect when the taxes are paid.

Subsidiaries are subject to taxation under the provisions of income tax law in the respective country of tax residence. The tax liability of the Group is included under "accounts payable and accruals".

4 REVENUE

	2018 QR'000	*2017 QR'000*
Scheduled services:		
Passenger	**29,763,191**	29,281,004
Cargo	**8,586,574**	6,388,618
	38,349,765	35,669,622
Other revenue:		
Sale of duty free goods and beverages	**2,019,450**	2,058,785
Aircraft charters	**641,994**	464,126
Ground handling services	**478,462**	503,304
Income from hotel operations	**359,495**	267,309
Reservation and travel agency	**61,693**	57,527
Advertisement and promotions	**46,651**	33,669
In-flight catering and related service charges	**23,591**	25,817
	3,631,336	3,410,537
	41,981,101	39,080,159

5 OTHER OPERATING INCOME

	2018 QR'000	*2017 QR'000*
Income from Al Maha Services	**55,358**	56,043
Commission	**3,297**	4,067
Tax release	**-**	80,420
Miscellaneous	**189,506**	166,162
	248,161	306,692

6 OPERATING EXPENSES

	2018 *QR'000*	*2017* *QR'000* *(Restated)*
Fuel costs	**13,336,145**	10,271,992
Salaries, allowances and other benefits	**7,944,408**	7,277,244
Landing, ground handling and over flying charges	**5,127,223**	4,720,986
Depreciation (Note 10)	**4,900,057**	4,941,027
Aircraft and engine operating leases	**3,811,726**	2,600,248
Passenger services	**1,718,804**	1,639,389
Aircraft maintenance and insurance	**1,436,945**	1,216,639
Revenue commissions	**1,068,068**	1,091,970
Cost of sales of duty free goods and beverages	**927,949**	975,474
Reservations, communications and revenue accounting	**901,151**	951,590
Advertisement and promotions	**389,477**	381,710
Cost of in-flight catering and other services	**316,233**	353,254
Hotel operations	**175,585**	131,742
Indirect tax	**124,098**	117,050
Miscellaneous	**71,304**	66,834
	42,249,173	36,737,149

7 OTHER INCOME

	2018 *QR'000*	*2017* *QR'000*
Liquidated damages, incentives and compensation claims from suppliers	**1,191,006**	424,407
Net derivative gain (Note 36)	**997,919**	370,105
Interest income	**488,117**	494,072
Dividend income from investment securities	**487,974**	326,041
Maintenance and development fees	**66,696**	125,515
Management fees	**49,832**	54,961
Infrastructure facility income	**38,935**	93,407
Airport incentive	**25,102**	48,666
Miscellaneous	**267,646**	387,209
	3,613,227	2,324,383

8 GENERAL AND ADMINISTRATIVE EXPENSES

	2018 **QR'000**	*2017* *QR'000*
Salaries, allowances and other benefits	**1,888,550**	1,770,334
Depreciation (Note 10)	**380,522**	342,179
Bank charges and commission	**345,210**	328,335
Rental - office, vehicles, accommodation and equipment	**268,916**	254,672
Repairs, maintenance and insurance	**212,855**	166,561
Legal and consultancy fees	**146,584**	185,448
Communication	**79,780**	84,158
Shipping and clearance expenses	**51,517**	33,981
Stationery and publication materials	**39,329**	45,125
Management fees	**23,507**	21,127
Net impairment loss on financial assets (Note 33)	**16,583**	31,807
Office utilities	**15,939**	19,454
Travelling	**9,653**	7,605
Provision for obsolete and slow-moving inventories (Note 14)	**5,735**	12,717
Miscellaneous	**152,095**	129,788
	3,636,775	3,433,291

9 INCOME TAX

The income tax expense represents the sum of current income tax computed. Current income tax assets and liabilities for the current year and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities.

The Group is subject to the prevailing tax law in the State of Qatar. The tax rate applicable to the taxable subsidiary companies, joint venture companies and global branches established for the purposes of providing air transportation activities varies from each jurisdiction. For the purpose of determining the taxable results for the year, the accounting profit of the entities were adjusted for tax purposes in accordance with local tax legislation. Adjustments for tax purposes include items relating to both income and expenses which are based on the current understanding of the existing laws, regulations and practices of each jurisdiction in which the relevant subsidiary is a tax resident. Given that the Group is subject to various tax jurisdictions and regulations, it is not practical to provide a detailed reconciliation between accounting and taxable profits, together with the details of the effective tax rates.

The subsidiaries, joint ventures and associate of the Group, which file corporate income tax returns and compute their corporate income tax liability locally are as follows:

Name of the entity	***Country of tax residence***	***Tax legislation***
Al Maha Aviation Company	Kingdom of Saudi Arabia	The 2004 Income Tax Law of the Kingdom of Saudi Arabia
Amadeus Qatar W.L.L.	State of Qatar	The Qatar Income Tax Law – Law No. 21 of 2009
Dhiafatina for Hotels W.L.L.	State of Qatar, United Kingdom, Netherlands, and Australia	The Qatar Income Tax Law – Law No. 21 of 2009, United Kingdom Corporation Tax Act 2010, Dutch Tax Law and Income Tax Assessment Act 1936 (ITAA 1936) and Income Tax Assessment Act 1997 (ITAA 1997)
Facilities Management & Maintenance Company L.L.C.	State of Qatar	The Qatar Income Tax Law – Law No. 21 of 2009
Linc Facility Services L.L.C.	State of Qatar	The Qatar Income Tax Law – Law No. 21 of 2009
Oryx Holdings, Inc.	United States of America	The Internal Revenue Code
Qatar Airways SSP L.L.C.	State of Qatar	The Qatar Income Tax Law – Law No. 21 of 2009
Qatar Aviation Lease Company Q.J.S.C.	State of Qatar	The Qatar Income Tax Law – Law No. 21 of 2009
Strader S.A.	Switzerland	Federal Act of 14 December 1990
AQA Holding S.P.A.	Italy	Law imposing imposta sul reddito delle società (IRES) and imposta regionale sulle attività produttive (IRAP)

10 PROPERTY, PLANT AND EQUIPMENT

	Aircraft QR'000	*Aircraft spare engines QR'000*	*Aircraft spares QR'000*	*Land and buildings QR'000*	*Furniture, vehicles, ground and office equipment QR'000*	*Catering plant and equipment QR'000*	*Ground handling equipment QR'000*	*Capital projects QR'000*	*Total QR'000*
Cost:									
At 1 April 2017	47,728,109	6,676,747	3,801,919	2,993,373	2,678,596	5,939	507,934	15,083,018	79,475,635
Additions	-	90,938	-	1,864	37,625	1,665	25,645	14,857,435	15,015,172
Acquisition of a subsidiary(Note 2)	-	-	-	221,745	163,328	-	-	-	385,073
Reclassifications	9,255,413	2,029,191	517,200	-	213,139	-	-	(12,014,943)	-
Disposals including write-offs	(5,615,277)	(810,973)	(62,110)	(1,150)	(32,398)	(20)	(1,911)	(1,612,003)	(8,135,842)
Foreign currency translation adjustment	-	-	-	29,651	9,553	-	-	(993)	38,211
At 31 March 2018	51,368,245	7,985,903	4,257,009	3,245,483	3,069,843	7,584	531,668	16,312,514	86,778,249
Depreciation and impairment:									
At 1 April 2017	12,198,454	3,100,865	1,284,346	254,623	1,653,697	2,354	411,311	-	18,905,650
Provided during the year	3,237,968	1,317,817	298,433	110,585	282,693	903	32,180	-	5,280,579
Impairment loss	1,148	204	26,201	-	-	-	-	-	27,553
Disposals including write-offs	(706,739)	(763,376)	(17,341)	(1,150)	(28,877)	(8)	(1,911)	-	(1,519,402)
Foreign currency translation adjustment	-	-	-	5,817	6,032	-	-	-	11,849
At 31 March 2018	14,730,831	3,655,510	1,591,639	369,875	1,913,545	3,249	441,580	-	22,706,229
Net book value:									
At 31 March 2018	**36,637,414**	**4,330,393**	**2,665,370**	**2,875,608**	**1,156,298**	**4,335**	**90,088**	**16,312,514**	**64,072,020**

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Aircraft QR'000	*Aircraft spare engines QR'000*	*Aircraft spares QR'000*	*Land and buildings QR'000*	*Furniture, vehicles, ground and office equipment QR'000*	*Catering plant and equipment QR'000*	*Ground handling equipment QR'000*	*Capital projects QR'000*	*Total QR'000*
Cost:									
At 1 April 2016	58,259,771	5,748,276	4,469,785	1,277,376	2,129,962	4,175	505,765	10,901,898	83,297,008
Additions	218,490	-	-	12,035	42,005	1,922	7,357	14,260,463	14,542,272
Acquisition of a subsidiary(Note 2)	-	-	-	703,823	23,084	-	-	-	726,907
Reclassifications	5,630,806	1,416,434	237,711	1,060,981	538,300	-	-	(8,884,232)	-
Disposals including write-offs	(16,380,958)	(487,963)	(905,577)	(22,523)	(46,319)	(158)	(5,188)	(1,195,111)	(19,043,797)
Foreign currency translation adjustment	-	-	-	(38,319)	(8,436)	-	-	-	(46,755)
At 31 March 2017	47,728,109	6,676,747	3,801,919	2,993,373	2,678,596	5,939	507,934	15,083,018	79,475,635
Depreciation and impairment:									
At 1 April 2016	18,291,541	2,439,816	1,421,614	189,099	1,416,981	1,838	377,884	-	24,138,773
Provided during the year	3,484,458	1,101,376	298,713	75,288	284,295	657	38,419	-	5,283,206
Reversal of impairment loss	-	-	(2,120)	-	(1,136)	-	-	-	(3,256)
Disposals including write-offs	(9,577,545)	(440,327)	(433,861)	(5,027)	(43,926)	(141)	(4,992)	-	(10,505,819)
Foreign currency translation adjustment	-	-	-	(4,737)	(2,517)	-	-	-	(7,254)
At 31 March 2017	12,198,454	3,100,865	1,284,346	254,623	1,653,697	2,354	411,311	-	18,905,650
Net book value:									
At 31 March 2017	35,529,655	3,575,882	2,517,573	2,738,750	1,024,899	3,585	96,623	15,083,018	60,569,985

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes:

(a) The depreciation charge has been allocated in the consolidated income statement as follows:

	2018 QR'000	*2017 QR'000*
Operating expenses (Note 6)	**4,900,057**	4,941,027
General and administrative expenses (Note 8)	**380,522**	342,179
	5,280,579	5,283,206

(b) Property, plant and equipment with a net carrying amount of QR 13,576 million (2017: QR 13,573 million) is mortgaged as security for certain interest-bearing loans (Note 22).

(c) Buildings with a total net carrying amount of QR 753 million (2017: QR 789 million) were constructed on plots of land received from the Government of State of Qatar which were accounted at nominal value.

(d) Borrowing costs amounting to QR 5.4 million (2017: QR 700 thousands) were capitalised during the year. A capitalisation rate of 100% had been used up to the date when substantially all the activities necessary to bring the qualifying asset to its intended use are complete.

(e) At 31 March 2018, the aircraft fleet comprised of 233 aircraft (2017: 215 aircraft). This comprises of 190 passenger aircraft (2017: 175 aircraft), 23 freighter (2017: 21 aircraft), and 20 executive aircraft (2017: 19 aircraft). Out of the total aircraft fleet, 121 aircraft (2017: 109 aircraft) are under operating lease.

(f) Commitments under the aircraft operating leases are disclosed in Note 29.

(g) During 2017, the shareholders have transferred ownership of 8 aircraft to the Group previously owned and operated by the Amiri Flight. These aircraft are only for ministerial transport and are not certified for commercial use.

During the year, the Group has finalised the valuation of these aircraft (based on third party valuation expert's report) and the shareholders approved the value. In consideration of which, additional fully paid up equity shares were issued during the year. (Note 17).

11 INTANGIBLES

Intangible assets include goodwill relating to acquisition of subsidiaries and slots owned by the Group at London Heathrow airport, which establish the right to operate flights through that airport. The slots have an indefinite useful life as the Group has title to slots on a permanent basis and there is no foreseeable limit to the period over which the slots are expected to generate net cash flows for the Group. These intangible assets have been reviewed and tested for impairment and the Group has not identified any impairment at the reporting date (2017: Nil).

	Landing rights QR'000	***Goodwill QR'000***	***Total QR'000***
At 1 April 2017	**267,850**	**9,221**	**277,071**
Acquisition of a subsidiary (Note 2)	**-**	**103,481**	**103,481**
At 1 April 2017 (restated)	**267,850**	**112,702**	**380,552**
Translation reserve	**-**	**5,724**	**5,724**
At 31 March 2018	**267,850**	**118,426**	**386,276**

11 INTANGIBLES (CONTINUED)

The amount of goodwill is restated and does not correspond to the figures in 2017 consolidated financial statements since adjustments to the final valuation of acquisition of Strader were made, as detailed in Note 2.

Landing rights of the group have indefinite useful life. Impairment assessment was carried on for these intangible assets by comparing the carrying value of these assets with their recoverable values determined on the basis of value in use calculations. For the purpose of calculating the value in use, the airline operations of the group are considered as the cash generating unit (CGU).

Goodwill pertains to the acquisition of hotels. During the year, the Group finalised the provisional purchase price allocation of its investment in Strader. As discussed in Note 2 this resulted in recognition of goodwill. Each hotel to which goodwill relates is considered as CGU for the purpose of goodwill assessment. For the current year, group performed the impairment testing of goodwill by computing the value in use of the CGUs to which it relates and comparing this amount to the carrying amount of the CGU.

12 INVESTMENT IN JOINT VENTURES AND AN ASSOCIATE

The Group has ownership interest in the following entities:

Name	***Type***	***Activities***	***Effective shareholding***	
			31 March 2018	*31 March 2017*
Facilities Management and Maintenance Company L.L.C. (FMMC)	Joint venture	Primarily engaged in delivery of facilities management services to the Hamad International Airport	**51%**	51%
Linc Facility Services L.L.C. (LFS)	Joint venture	Primarily engaged in onsite facility management in the State of Qatar and other MENA countries	**33.33%**	33.33%
Qatar Airways SSP L.L.C. (QASSP)	Joint venture	Primarily engaged in restaurant management and beverages trading in the State of Qatar	**51%**	51%
AQA Holding S.P.A. (AQA)	Associate	Primarily engaged in charter and scheduled flight services.	**49%**	-

	2018 QR'000	*2017 QR'000*
Investment in joint ventures (Note 12.1)	**127,651**	111,065
Investment in an associate (Note 12.2)	**157,175**	-
	284,826	111,065

12 INVESTMENT IN JOINT VENTURES AND AN ASSOCIATE (CONTINUED)

12.1 Investment in joint ventures

The following table illustrates the summarised statements of financial position of the joint ventures:

	FMMC QR'000	***LFS QR'000***	***QASSP QR'000***	***Total QR'000***
At 31 March 2018				
Current assets	250,651	116,358	49,163	416,172
Non-current assets	1,440	1,148	20,636	23,224
Current liabilities	(108,379)	(15,309)	(12,716)	(136,404)
Non-current liabilities	(13,959)	(3,195)	(1,246)	(18,400)
Net assets	**129,753**	**99,002**	**55,837**	**284,592**
The Group's share and the carrying amount of the investment	**66,174**	**33,000**	**28,477**	**127,651**

	FMMC QR'000	*LFS QR'000*	*QASSP QR'000*	*Total QR'000*
At 31 March 2017				
Current assets	197,665	105,966	28,753	332,384
Non-current assets	2,051	2,852	26,640	31,543
Current liabilities	(70,362)	(9,280)	(17,691)	(97,333)
Non-current liabilities	(11,754)	(2,254)	(1,111)	(15,119)
Net assets	117,600	97,284	36,591	251,475
The Group's share and the carrying amount of the investment	59,976	32,428	18,661	111,065

Summarised income statements of the joint ventures for the year ended 31 March are as follows:

	FMMC QR'000	***LFS QR'000***	***QASSP QR'000***	***Total QR'000***
2018				
Revenue	**407,118**	**125,359**	**111,969**	**644,446**
Profit for the year	**57,153**	**37,717**	**26,015**	**120,885**
Group's share of profit	**29,148**	**12,572**	**13,268**	**54,988**

	FMMC QR'000	*LFS QR'000*	*QASSP QR'000*	*Total QR'000*
2017				
Revenue	410,046	115,951	115,703	641,700
Profit for the year	52,591	32,044	23,575	108,210
Group's share of profit	26,821	10,681	12,024	49,526

The joint ventures had no other contingent liabilities or capital commitments as at 31 March 2018 and 2017, except as disclosed in Note 27(b).

12 INVESTMENT IN JOINT VENTURES AND AN ASSOCIATE (CONTINUED)

12.2 Investment in an associate

On 28 September 2017, the Group acquired 49% interest in AQA Holding S.P.A. ("AQA") which is the parent company of "Air Italy S.P.A. (former Meridiana Fly). AQA is a private entity based in Italy that is not listed in any public exchange and is involved both in the national and international market and providing "charter" and "scheduled" flight services.

The following table illustrates the summarised statement of financial position of the associate:

	AQA *QR'000*
At 31 March 2018	
Current assets	429,403
Non-current assets	829,209
Current liabilities	(576,329)
Non-current liabilities	(361,517)
Net assets	**320,766**
The Group's share and the carrying amount of the investment	**157,175**

Summarised income statement of the associate for the year ended 31 March is as follows:

2018	**AQA** *QR'000*
Revenue	**343,205**
Loss for the year	**(31,079)**
Group's share of loss	**(15,229)**

13 INVESTMENT SECURITIES

	2018 ***QR'000***	*2017* *QR'000*
Investment securities measured at FVOCI – equity securities	**19,422,436**	13,569,275
Investment securities measured at FVOCI – debt securities (net)	**181,277**	185,990
	19,603,713	13,755,265

	2018 ***QR'000***	*2017* *QR'000*
At cost	**16,664,392**	14,090,924
Fair value reserve (Note 20)	**2,939,321**	(335,659)
	19,603,713	13,755,265

Fair values of quoted debt and equity securities are determined by reference to the published price. Investment in debt securities is reported net of impairment amounting to QR 342 thousand (2017: QR 272 thousand).

For credit risk disclosures of expected credit loss on debt securities under IFRS 9, please see Note 33.

14 INVENTORIES

	2018	*2017*
	QR'000	*QR'000*
Spare parts	**770,957**	756,786
Goods for resale	**241,052**	190,066
Catering materials	**236,361**	185,864
Goods-in-transit	**25,695**	39,253
Other supplies	**40,246**	57,844
	1,314,311	1,229,813
Less: Provision for obsolete and slow-moving inventories	**(90,465)**	(84,987)
	1,223,846	1,144,826

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

	2018	*2017*
	QR'000	*QR'000*
At 1 April	**84,987**	75,354
Provided during the year (Note 8)	**5,735**	12,717
Reversal during the year	**(257)**	(921)
Written-off during the year	**-**	(2,163)
At 31 March	**90,465**	84,987

15 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2018	*2017*
	QR'000	*QR'000*
Trade accounts receivable	**3,394,979**	3,018,927
Amounts due from related parties (Note (a))	**716,329**	120,231
Deposits	**78,313**	76,169
Accrued income	**33,996**	64,758
Other receivables	**521,949**	493,223
	4,745,566	3,773,308
Less: Allowance for impairment of receivables (Note 33)	**(103,669)**	(95,300)
	4,641,897	3,678,008
Prepayments	**325,342**	241,486
Advances to suppliers	**49,354**	31,160
	5,016,593	3,950,654

15 ACCOUNTS RECEIVABLE AND PREPAYMENTS (CONTINUED)

Notes:

(a) Included in the amounts due from related parties are the following balances:

	2018 QR'000	*2017 QR'000*
Joint ventures:		
Facilities Management and Maintenance Company L.L.C.	**12,822**	1,612
Qatar Airways SSP L.L.C.	**5,285**	8,025
Affiliates and other related parties:		
Government of State of Qatar	**403,412**	-
Amiri Flight	**217,415**	91,653
Hamad International Airport	**70,018**	9,360
Directors and other key management personnel	**726**	217
Other affiliates	**6,651**	9,364
	716,329	120,231

(b) For credit risk disclosures of expected credit loss on trade accounts receivable under IFRS 9, please see Note 33.

16 CASH AND CASH EQUIVALENTS

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

	2018 QR'000	*2017 QR'000*
Cash at banks and on hand	**3,828,779**	3,414,605
Short-term deposits (net)	**9,483,671**	16,329,358
	13,312,450	19,743,963
Less: Short-term deposits with original maturity of more than 3 months	**(837,560)**	(6,333,430)
Cash and cash equivalents as per consolidated statement of cash flows	**12,474,890**	13,410,533

Notes:

(a) Cash at bank earns interest at market rates based on daily bank deposit rates. Short-term deposits are made for varying periods between one day and one year, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Short-term deposits and bank balances amounting to QR 2,129 million (2017: QR 8,191 million) are held with entities owned by the Government of the State of Qatar, on an arm's length basis.

(b) Cash and bank balances include deposits amounting to QR 428 million (2017: QR 381 million) in certain countries that the Group operates. These deposits have been restricted from being transferred out of those countries due to various reasons. However, the funds are available for disbursement within the territory of those countries.

(c) For credit risk disclosures of expected credit loss on short-term deposits under IFRS 9, please see Note 33.

17 SHARE CAPITAL

	2018 QR'000	*2017 QR'000*
Authorised shares		
5,248,107,979 shares of QR 10 each	**52,481,079**	52,170,314
Issued and fully paid shares		
4,552,827,600 shares (2017: 4,521,751,000 shares) of QR 10 (2017: QR 10) each	**45,528,276**	45,217,510

In 2011, the Extraordinary General Assembly of the Company approved the increase of the authorised and paid-up capital of the Company by issuing one share of nominal value of QR 10 at a premium of QR 16,300 million to the Government of the State of Qatar through conversion of shareholder advances. The share premium arising out of this increase in capital is included in the legal reserve (Note 19).

During the year, the Extraordinary General Assembly of the Company approved the increase of paid up capital of the Company by issuing 31,076,600 shares at nominal value of QR 10 per share to the Government of the State of Qatar (2017: 178,679,682 shares). The Company is in the process of amending its Article of Association to reflect these changes.

18 CAPITAL RESERVE

Capital reserve includes the fair value of non-monetary contribution representing three plots of land received from the Government of the State of Qatar, a shareholder of the Company. In 2013, the Group disposed the three plots of land.

19 LEGAL RESERVE

	2018 QR'000	*2017 QR'000*
Transfer of profit	**745,597**	605,535
Share premium (Note 17)	**16,300,080**	16,300,080
	17,045,677	16,905,615

As required by Qatar Commercial Companies' Law No. 11 of 2015 and the Articles of Associations of the respective companies in the Group, 10% of the annual profit for the year of each company should be transferred to legal reserve until such time it reaches 50% of the issued share capital of the respective company. The reserve is not normally available for distribution, except in the circumstances stipulated by the above Law.

20 FAIR VALUE RESERVE

	2018			2017			
	Cash flow hedges QR'000	***Financial asset at FVOCI QR'000***	***Total QR'000***	*Cash flow hedges QR'000*	*Financial asset at FVOCI QR'000*	*Available-for-sale investments QR'000*	*Total QR'000*
At 1 April – IAS 39	-	-	-	(5,354,191)	-	(2,167)	(5,356,358)
IFRS 9 adjustment for reclassification	-	-	-	93,521	(27,932)	2,167	67,756
At 1 April - IFRS 9	**(1,481)**	**(335,659)**	**(337,140)**	(5,260,670)	(27,932)	-	(5,288,602)
Adjustment on correction of error (Note 36)	**-**	**-**	**-**	5,230,042	-	-	5,230,042
	(1,481)	**(335,659)**	**(337,140)**	(30,628)	(27,932)	-	(58,560)
Net gain on fair valuation	-	**3,288,988**	**3,288,988**	-	(307,727)	-	(307,727)
Loss recycled to income statement (Note 31)	**1,481**	-	**1,481**	61,396	-	-	61,396
Net gain on cash flow hedges	**-**	-	**-**	(1,481)	-	-	(1,481)
Net movement shown as part of other comprehensive income	**1,481**	**3,288,988**	**3,290,469**	59,915	(307,727)	-	(247,812)
Released to retained earnings	-	**(14,008)**	**(14,008)**	(30,768)	-	-	(30,768)
At 31 March	**-**	**2,939,321**	**2,939,321**	(1,481)	(335,659)	-	(337,140)

The Group has elected to recognise changes in the fair value of investments in equity securities in other comprehensive income. These changes are accumulated within the financial assets at FVOCI reserve within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

The Group has certain investments classified as debt investments at FVOCI. For these investments, changes in fair value are accumulated within the financial assets and liabilities at FVOCI reserve within equity. The accumulated changes in fair value are transferred to profit or loss when the investment is disposed of.

21 FURNITURE, FIXTURES AND EQUIPMENT RESERVE

In accordance with the terms of the Hotel Management Agreement entered into by the Group, certain percentage of the gross revenues of the hotels are set aside as a reserve for furniture, fixtures and equipment. This reserve is utilised for replacements and additions to furniture, fixtures and equipment.

22 INTEREST-BEARING LOANS

	2018	*2017*
	QR'000	*QR'000*
Current	**10,824,379**	2,749,453
Non-current	**9,924,955**	17,512,239
	20,749,334	20,261,692

Various term loans were obtained by the Group mainly to finance the acquisition of aircraft, investment securities, commercial properties and for working capital requirements. The loans carry interest at commercial rates. These loans were secured by a pledge of the acquired aircraft with a carrying value of QR 12,354 million (2017: QR 12,600 million), pledge of shares of investment securities amounting to QR 13,162 million (2017: QR 10,308 million) and mortgage of commercial properties amounting to QR 1,222 million (2017: QR 973 million) (Notes 10 and 13).

The maturity profile of the term loans is shown below:

	2018	*2017*
	QR'000	*QR'000*
Within one year	**10,824,379**	2,749,453
Between 2 and 5 years	**4,263,072**	11,762,116
After 5 years	**5,661,883**	5,750,123
	20,749,334	20,261,692

The currency denomination of the term loans is shown below:

	2018	*2017*
	QR'000	*QR'000*
US Dollars (USD)	**18,273,828**	17,837,255
Euro (EUR)	**786,101**	970,803
Swiss Francs (CHF)	**757,160**	733,456
Qatar Riyal (QR)	**623,531**	623,532
Australian Dollar (AUD)	**204,533**	-
Great Britain Pounds (GBP)	**104,181**	96,646
	20,749,334	20,261,692

Term loans by interest rate:

	2018	*2017*
	QR'000	*QR'000*
Fixed rate	**2,236,658**	2,989,490
Floating rate	**18,512,676**	17,272,202
	20,749,334	20,261,692

The carrying value approximates the fair value of the interest bearing loans and borrowings as most of the outstanding loans have floating interest rate. The fair value of the term loans falls into level 2 of the fair value hierarchy.

23 EMPLOYEES' END OF SERVICE BENEFITS

Movement in the provision recognised in the consolidated statement of financial position is as follows:

	2018 ***QR'000***	*2017* *QR'000*
At 1 April	**1,085,573**	925,580
Provided during the year	**237,767**	235,191
End of service benefits paid	**(116,630)**	(83,996)
Acquisition of a subsidiary (Note 2)	**336**	8,798
Translation reserve	**411**	-
At 31 March	**1,207,457**	1,085,573

24 RETENTION PAYABLE

Retention payable represents the amount withheld from payments to contractors. These amounts will be settled upon completion of the maintenance period subject to satisfactory discharge of the obligations by the contractors. This has been disclosed in the consolidated statement of financial position as follows:

	2018 ***QR'000***	*2017* *QR'000*
Current portion (Note 26)	**69,698**	53,207
Non-current portion	**6,108**	6,611
	75,806	59,818

25 UNREDEEMED FREQUENT FLYER LIABILITIES

Unredeemed frequent flyer liabilities relate to the frequent flyer programme and represent the fair value of outstanding reward credits. Revenue is recognised when the Group fulfils its obligations by supplying free goods and services on the redemption of the reward credits.

26 ACCOUNTS PAYABLE AND ACCRUALS

	2018 ***QR'000***	*2017* *QR'000*
Trade accounts payable	**3,093,854**	2,279,746
Accrued expenses	**2,973,974**	2,408,193
Interest payable	**84,948**	57,144
Current portion of retention payable (Note 24)	**69,698**	53,207
Credits received from supplier	**22,026**	34,594
Unearned revenue	**15,093**	4,699
Advances to suppliers	**9,254**	6,369
Tax payable	**4,888**	960
Amounts due to related parties	**933**	984
Other payables	**496,461**	532,246
	6,771,129	5,378,142

Terms and conditions relating to amounts due to related parties are disclosed in Note 30.

27 CONTINGENT LIABILITIES

(a) The Group is involved in certain claims and litigations related to its operations. In the opinion of management as advised by the legal counsel, liabilities, if any, arising from these claims and litigations will not have a material adverse effect on the Group's consolidated statement of financial position or in the results of its operations.

(b) At 31 March 2018, the Group had contingent liabilities in respect of performance bonds, letters of credit and letters of guarantee amounting to QR 475 million (2017: QR 357 million) arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, including its share of joint ventures' contingent liabilities which have been incurred jointly with other investors.

(c) Air transportation activities:
The tax position with respect to air transportation activities in many jurisdictions is determined in accordance with the relevant Double Tax Treaty as applicable. There is an increased focus on the use of Double Tax Treaties by international governments and international governing bodies dictating tax policy. In the case of international airlines, detailed reviews are being conducted by foreign tax authorities to ensure that international airlines remain in compliance with the intended scope of relief under Double Tax Treaties. The Group has reviewed the relevant Double Tax Treaties and has concluded that it remains within the scope of the intended relief. While it is difficult to predict whether foreign tax authorities will concur, if a dispute of this nature were to arise, the Group does not anticipate that there will be a material impact on the Group's consolidated statement of financial position.

The Group files corporate income tax returns and computes its corporate income tax liability where there is a statutory requirement to do so in respect of its air transportation activities in many jurisdictions globally. In certain jurisdictions, the corporate income tax returns are currently under detailed review by the relevant tax authority. Corporate income tax returns contain matters which could be subject to differing or evolving interpretations by the local tax authority. Further in certain jurisdictions, the process of obtaining the approval of the local tax authority in respect of a corporate income tax return – i.e. tax clearance for a particular year may comprise a lengthy time-frame. Resolution of a tax position adopted by way of negotiation or litigation may take several years to complete. While it is difficult to predict the outcome of certain open corporate income tax assessments, the Group does not anticipate that there will be a material impact on the Group's consolidated statement of financial position and a sufficient provision have already been accounted in the Group's books of accounts.

28 CAPITAL COMMITMENTS

Commitments for the purchase of aircraft and engines
The total capital commitments for the purchase of aircraft and engines are as follows:

	2018 ***QR'000***	*2017* *QR'000*
Authorised and contracted	**249,597,258**	260,690,128

Commitments have been entered into for the purchase of aircraft for delivery as follows:

	Number of Aircraft	
	2018	*2017*
Within 1 year	**31**	41
More than 1 year	**203**	208
	234	249

Others
As at 31 March 2018, the Group had raised various order commitments amounting to QR 1,596 million (2017: QR 1,767 million) to purchase rotables, spares and other inventory items. The Group expects to receive these within six months.

28 CAPITAL COMMITMENTS (CONTINUED)

Other capital projects

	2018 QR'000	*2017 QR'000*
Other capital projects	**749,737**	476,906

29 COMMITMENTS UNDER OPERATING LEASES

The Group operates 121 (2017: 109) aircraft under operating lease agreements. The Group's obligation under these operating leases up to the earliest termination dates are as follows:

	2018 QR'000	*2017 QR'000*
Within one year	**3,747,403**	3,107,747
After one year but not more than five years	**13,756,171**	11,173,972
More than five years	**10,643,852**	8,704,911
	28,147,426	22,986,630

Buildings under operating lease agreements:

	2018 QR'000	*2017 QR'000*
Within one year	**266,870**	116,156
After one year but not more than five years	**113,439**	15,673
More than five years	**7,148**	4,898
	387,457	136,727

30 RELATED PARTY DISCLOSURES

Related parties represent the Owner and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of transactions with these related parties are approved by the Group's management.

Related party transactions
Transactions with related parties included in the consolidated income statement are as follows:

	2018 QR'000	*2017 QR'000*
Affiliates and other related parties:		
Income		
Operating income	**125,445**	165,289
Other income	**28,923**	135,836
Interest income	**138,260**	290,976
Expenses		
Finance costs	**45,360**	34,874
Other expenses	**33,261**	53,018

30 RELATED PARTY DISCLOSURES (CONTINUED)

Related party balances
The sales to and purchases from, and banking transactions with related parties are made at terms equivalent to those that prevail in an arm's length transaction. Except for loan given to an associate, outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash except otherwise disclosed in the notes to these consolidated financial statements.

Amounts due from and due to related parties and certain other balances are disclosed in Notes 15, 16 and 26 respectively.

Loan to an associate
During the year, the Group provided a loan to its associate, AQA amounting to QR 129 million. The loan is unsecured and repayable in full in September 2021 and carries interest at 2.5%.

In addition to the above, the Group has also entered into transactions, such as purchase of fuel and services, with other Government owned or controlled entities in the normal course of business, including sponsorship agreements.

Compensation of key management personnel
The remuneration of members of key management during the year is as follows:

	2018 ***QR'000***	*2017* *QR'000*
Short-term benefits	**38,074**	44,615
Employees' end of service benefits and pension benefits	**2,481**	2,401
	40,555	47,016

31 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Foreign exchange forward contracts
The Group is exposed to the effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows. Exposure arises due to exchange rate fluctuations between the Qatar Riyal (QR) and other currencies generated from revenue earnings. The Group's management monitors currency positions on a regular basis and provides for the appropriate hedging strategy through the use of forward foreign exchange contracts with approved counterparties and within approved credit limits.

The Group uses forward contracts and hedging to manage a total or a portion of its foreign currency revenue or expenditures in accordance with the Group's foreign currency hedging policy.

Forward element of forward contracts
Cash flow hedges in respect of foreign currency forwards include only the spot element of the forward contracts. IFRS 9 allows the forward element of forward contract to be excluded from the designation of a financial instrument and accounted for as a cost of hedging. The fair value changes related to the forward element are recognised in other comprehensive income and would be reclassified to profit or loss in the same period that the hedged item hits the profit or loss. At 31 March 2018, there are no outstanding foreign currency forwards.

31 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES (CONTINUED)

Foreign exchange forward contracts (continued)
Derivative financial instruments included in the consolidated statement of financial position are as follows:

	2018 QR'000	*2017 QR'000*
Derivative assets		
Foreign exchange forward contracts	-	25,724
Positive fair value	-	25,724

	2018 QR'000	*2017 QR'000*
Derivative liabilities		
Crude oil commodity swaps	**2,769,065**	4,419,607
Foreign exchange forward contracts	-	27,205
Negative fair value	**2,769,065**	4,446,812
Presented in the consolidated statement of financial position as:		
Current portion	**2,769,065**	1,038,335
Non-current portion	**-**	3,408,477
	2,769,065	4,446,812

The Group is exposed to variability in future cash flows on jet fuel consumptions and foreign currency fluctuations. To hedge these exposures, the Group uses commodity swaps as economic hedges of fuel price risks and foreign currency forwards as cash flows hedges for variability in future foreign currency cash flows.

The amounts relating to hedge instruments designated in cash flow hedge relationships and their associated hedge ineffectiveness, if any were as follows:

Risk Category	***Assets(1) QR'000***	***Liabilities(1) QR'000***	***Hedge ineffectiveness recognised in profit or loss (2) QR'000***	***Amount reclassified from the hedge reserve to profit or loss (2) QR'000***
2018				
Crude oil commodity swaps	**-**	**2,769,065**	**-**	**-**
Foreign currency Hedges	**-**	**-**	**-**	**(1,481)**
	-	**2,769,065**	**-**	**(1,481)**

Risk Category	*Assets(1) QR'000*	*Liabilities(1) QR'000*	*Hedge ineffectiveness recognised in profit or loss (2) QR'000*	*Amount reclassified from the hedge reserve to profit or loss (2) QR'000*
2017				
Crude oil commodity swaps	-	4,419,607	-	-
Foreign currency Hedges	25,724	27,205	-	53,338
	25,724	4,446,812	-	53,338

(1) Fair value of hedging instruments are reported on the face of consolidated statement of financial position as 'derivative financial instruments'.

(2) Hedge ineffectiveness is reported in 'Operating expenses' and amount reclassified from the hedge reserve is included in the consolidated income statement under 'Fuel costs' for jet fuel cash flow hedges and 'gain (loss) on foreign currency exchange' for foreign currency cash flow hedges.

32 AGREEMENT ON THE MANAGEMENT, OPERATION AND MAINTENANCE OF AIRPORT

The Group manages, operates and maintains Hamad International Airport. In return, the Group receives a management fee from Hamad International Airport. The management fee recognised for the current year amounted to Nil (2017: QAR 136 million) and is included in other income.

33 FINANCIAL RISK MANAGEMENT

Objective and policies
The Group operates globally and generates revenue in various currencies. The Group's operations carry certain financial and commodity risks, including the effects of changes in jet fuel prices, foreign currency exchange rates, interest rates and the market value of its investments. The Group's overall risk management approach is to moderate the effects of such volatility on its financial performance. The Group's policy is to use derivatives to hedge specific exposures.

The Group's principal financial liabilities comprise interest-bearing loans, retention payable, trade accounts payable, amounts due to related parties and derivative financial instruments. 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, investment securities, derivative financial instruments, amounts due from related parties, deposits, short-term deposits and cash and cash equivalents, which arise directly from its operations.

As derivatives are used for the purpose of risk management, they do not expose the Group to market risk because gains and losses on the derivatives offset losses and gains on the matching asset, liability, revenue or costs being hedged. Moreover, counterparty credit risk is generally restricted to any hedging gain from time to time, and not the principal amount hedged. Therefore, the possibility of a material loss arising in the event of non-performance by counterparty is considered to be unlikely.

The main risks arising from the Group's financial instruments are market risk, credit risk and liquidity risk. The management periodically reviews and approves the Group's financial risk management policies which are summarised below:

Market risk
Market risk is the risk that changes in market prices, such as interest rates, foreign currency exchange rates, equity prices and fuel prices will affect the Group's profit, equity or value of its holding of financial instruments. The objective of market risk management is to manage and control the market risk exposure within acceptable parameters, while optimizing return.

(i) Interest rate risk
The Group's financial assets and liabilities that are subject to interest rate risk comprise of bank deposits and interest-bearing loans.

The Group's exposure to the risk of changes in interest rates relates primarily to the Group's financial assets and liabilities with floating interest rates.

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 March.

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

	2018	*2017*
	QR'000	*QR'000*
Effect on profit	**(24,612)**	(13,666)

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)
(ii) Foreign currency risk
Foreign currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign currency exchange rates.

The Group's foreign currency risk exposure arises from services offered and received by the Group in currencies other than the Group's functional currency. To manage the foreign currency risk on certain foreign currency transactions, the Group entered into foreign exchange forward contracts.

As the Qatari Riyal is pegged to the US Dollar, balances in US Dollar are not considered to represent a significant currency risk. The Group's exposure to currency risk is limited to currencies other than US Dollar and US Dollar pegged currencies.

Trade accounts payable and interest bearing loans include an amount of QR 2,077 million (2017: QR 1,312 million) due in foreign currencies, mainly in Euro, Chinese Yuan, Hong Kong Dollar, Indian Rupee and Great Britain Pound.

Trade accounts receivable includes an amount of QR 1,676 million (2017: QR 1,241 million) in foreign currencies, mainly in Euro, Indian Rupee, Nigerian Naira, Australian Dollar, Hong Kong Dollar, Chinese Yuan, Iranian Rial and Great Britain Pound.

Bank balances includes an amount of QR 1,368 million (2017: QR 732 million) in foreign currencies, mainly in Euro, Indian Rupees, Nigerian Naira, Australian Dollar, Chinese Yuan, Iranian Rial and Great Britain Pound.

The following table demonstrates the sensitivity to a reasonably possible change in the Euro, Great Britain Pound, and other foreign exchange rates, with all other variables held constant, of the Group's profit due to changes in the fair value of monetary assets and liabilities held as at 31 March 2018, excluding the effect of foreign exchange forward contracts. The effect of decreases in foreign exchange rates is expected to be equal and opposite to the effect of the increases shown.

	Effect on profit	
	2018	*2017*
	QR'000	*QR'000*
	5%	*5%*
Euro	**(13,393)**	(14,375)
Great Britain Pound	**7,377**	6,102
Other currencies	**69,816**	46,154
	63,800	37,881

(iii) Price risk
The following table demonstrates the sensitivity of the effect of cumulative changes in fair value to reasonably possible changes in quoted prices, with all other variables held constant. The effect of decreases in prices is expected to be equal and opposite impact on the equity or consolidated income statement as a result of impairment, if any.

	Changes in equity prices	*Effect on equity*	
		2018	*2017*
		QR'000	*QR'000*
At 31 March			
London Stock Exchange	**+5%**	**582,894**	457,410
New York Stock Exchange	**+5%**	**170,475**	140,345
Hong Kong Stock Exchange	**+5%**	**120,672**	-
Madrid Stock Exchange	**+5%**	**75,206**	58,010
Qatar Exchange	**+5%**	**18,957**	21,587
Irish Stock Exchange (debt instrument)	**+5%**	**9,064**	9,300

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)
(iv) Jet Fuel price risk
Jet Fuel price risk is the risk of loss to the Group arising from adverse fluctuations in fuel prices. To mitigate the risk, the Group institute cash flow hedging which aims to reduce if not eliminate a proportion of the price risk to manage break-even fuel rate and pass-through fuel costs. Management acknowledges that as market condition and risk appetite change, the risk management strategy may change and hence will be reconsidered and revised (as a minimum) as part of the annual review process.

The jet fuel price risk sensitivity analysis below is based on the assumption that all other factors, such as fuel surcharge and uplifted fuel volume, remain constant. The fuel hedging sensitivity analysis is based on contracts that are still outstanding as at the reporting date and assumes that all jet fuel hedges are highly effective. Under these assumptions, the effect of increase in both jet fuel and crude oil prices by one US Dollar per barrel, the sensitivity of the consolidated income statement and equity is as follows:

	Changes in fuel price USD/ Barrel	*Effect on profit QR'000*
At 31 March 2018	**+1**	**(130,231)**
At 31 March 2017	+1	(17,285)

The effect of the decreases in both jet fuel and crude oil prices, each by one US Dollar per barrel is expected to be equal and opposite to the effect of the increases shown above.

Credit risk
The Group is exposed to credit risk if counterparties fail to make payments as they fall due in respect of:

- Payment of trade receivables as invoices fall due after being raised
- Contractual cash flows of short-term deposits carried at amortised cost
- Debt security designated as FVOCI

The following credit risk modelling applies:

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- External credit rating (as far as available)
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- Actual or expected significant changes in the operating results of the borrower
- Significant increases in credit risk on other financial instruments of the same borrower
- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

A default on a financial asset is when the counterparty fails to make contractual payments within determined defaulted days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the company. The Group categorises a loan or receivable for write off when a debtor fails to make contractual payments at a determined default definition. Where loans or receivables have been written off, the company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)
Impairment loss (reversal) on financial asset is summarised as follows:

	2018 QR'000	*2017 QR'000*
Trade receivables	**20,566**	37,432
Loan to an associate	**179**	-
Investment in debt security	**70**	-
Short-term deposits	**(4,232)**	(5,625)
Net	**16,583**	31,807

(i) General approach
General approach is used for short-term deposits, debt securities and loan to an associate. The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the company considers historical loss rates for each category of debtor, and adjusts for forward looking macroeconomic data. The Group provides for credit losses against these financial assets as follows:

			31 March 2018			*31 March 2017*		
Category	*External credit rating*	*Basis for recognition of expected credit loss provision*	*Estimated gross carrying amount at default QR '000*	*Carrying amount (net of impairment provision) QR '000*	*ECL Provision at 31 March 2018 QR '000*	*Estimated gross carrying amount at default QR '000*	*Carrying amount (net of impairment provision) QR '000*	*ECL Provision at 31 March 2017 QR '000*
Short-term deposits	Investment grade	12 M ECL	**9,487,973**	**9,483,671**	**4,302**	16,337,892	16,329,358	8,534
Debt Security	Investment grade	12 M ECL	**181,619**	**181,277**	**342**	186,262	185,990	272
Loan to an associate		12 M ECL	**129,217**	**129,038**	**179**	-	-	-

(ii) Simplified approach
For trade account receivables, Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The loss allowance provision as at 31 March 2018 is determined as follows; the expected credit losses below also incorporate forward looking information.

2018	***Current – 30 days past due QR '000***	***30 – 60 days past due QR '000***	***61 – 90 days past due QR '000***	***91 – 180 days past due QR '000***	***181 – 360 days past due QR '000***	***More than 360 days past due QR '000***	***Total QR '000***
Gross carrying amount	**2,769,532**	**50,683**	**201,964**	**58,531**	**204,068**	**110,201**	**3,394,979**
Loss allowance provision	**(11,285)**	**(3,851)**	**(2,632)**	**(4,373)**	**(15,134)**	**(66,394)**	**(103,669)**
	2,758,247	**46,832**	**199,332**	**54,158**	**188,934**	**43,807**	**3,291,310**

2017	*Current – 30 days past due QR '000*	*30 – 60 days past due QR '000*	*61 – 90 days past due QR '000*	*91 – 180 days past due QR '000*	*181 – 360 days past due QR '000*	*More than 360 days past due QR '000*	*Total QR '000*
Gross carrying amount	2,686,848	25,354	36,362	115,688	105,660	49,015	3,018,927
Loss allowance provision	(12,357)	(4,501)	(3,597)	(8,002)	(18,417)	(48,426)	(95,300)
	2,674,491	20,853	32,765	107,686	87,243	589	2,923,627

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)
(ii) Simplified approach (continued)
The loss allowance provision as at 31 March 2018 reconciles to the opening loss allowance for that provision as follows:

	2018 *QR '000*	*2017* *QR '000*
At 1 April	**95,300**	51,155
Amounts restated through opening retained earnings	-	9,324
At 1 April (restated)	**95,300**	60,479
Increase in loss allowance recognised in profit or loss during the year	**20,566**	37,432
Amounts written-off	**(12,197)**	(2,611)
As at 31 March	**103,669**	95,300

With respect to credit risk arising from the other financial assets such as deposits and other receivables, 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 assets in the statement of financial position. Exposures are considered of good credit standing and management believes there is a minimal risk of default thus, expected credit loss is insignificant but being monitored for significant changes in credit risk.

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its 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 putting to risk 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. The Group's terms of purchases require amounts to be paid within 30-45 days from the invoice date.

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

	Less than 1 year QR'000	***1 to 5 years QR'000***	***> 5 years QR'000***	***Total QR'000***
At 31 March 2018				
Interest-bearing loans	**11,555,043**	**5,409,887**	**6,401,520**	**23,366,450**
Trade accounts payable	**3,093,854**	**-**	**-**	**3,093,854**
Derivative financial instruments	**2,769,065**	**-**	**-**	**2,769,065**
Retention payable	**69,698**	**6,108**	**-**	**75,806**
Amounts due to related parties	**933**	**-**	**-**	**933**
Other financial liabilities	**3,470,435**	**-**	**-**	**3,470,435**
	20,959,028	**5,415,995**	**6,401,520**	**32,776,543**

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

	Less than 1 year QR'000	*1 to5 years QR'000*	*> 5 years QR'000*	*Total QR'000*
At 31 March 2017				
Interest-bearing loans	3,298,133	12,896,871	6,551,681	22,746,685
Trade accounts payable	2,279,746	-	-	2,279,746
Amounts due to related parties	984	-	-	984
Retention payable	53,207	6,611	-	59,818
Derivative financial instruments	1,038,335	3,408,477	-	4,446,812
Other financial liabilities	2,779,123	-	-	2,779,123
	9,449,528	16,311,959	6,551,681	32,313,168

The fair value of the jet fuel swaps approximate to the expected gross undiscounted contractual cash flows.

The following table shows the gross undiscounted cash flows of foreign exchange forward contracts:

	Less than 1 year QR'000	***1 to 5 years QR'000***	***> 5 years QR'000***	***Total QR'000***
At 31 March 2018				
Foreign exchange forward contracts				
Inflows	-	-	-	-
Outflows	-	-	-	-
Net	-	-	-	-
At 31 March 2017				
Foreign exchange forward contracts				
Inflows	25,884	-	-	25,884
Outflows	(27,489)	-	-	(27,489)
Net	(1,605)	-	-	(1,605)

Capital management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The Group makes adjustments to its capital structure, in light of changes in economic and business conditions. To maintain or adjust the capital structure, the Group may issue new shares or obtain funds from the shareholder. No changes were made in the objectives, policies or processes during the year ended 31 March 2018 and 2017.

Capital, which includes share capital, capital reserve, legal reserve, and accumulated losses is measured at QR 62,190 million as on 31 March 2018 (2017: QR 62,119 million).

34 FAIR VALUES OF ASSETS AND LIABILITIES

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of trade accounts receivable, investment securities, derivative financial instruments, amounts due from related parties, deposits, short-term deposits and cash and cash equivalents. Financial liabilities consist of interest-bearing loans, retention payable, trade accounts payable, amounts due to related parties, other payables and derivative financial instruments. Derivatives financial instruments consist of interest rate swap contracts, foreign exchange forward contracts and jet fuel hedging contracts.

Fair value hierarchy

As at 31 March 2018, the Group held the following assets and liabilities measured at fair value. The Group uses the following hierarchy for determining and disclosing the fair value of assets and liabilities by valuation technique:

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

At 31 March 2018	***Level 1*** ***QR'000***	***Level 2*** ***QR'000***	***Level 3*** ***QR'000***
Assets measured at fair value:			
Financial assets at FVOCI	**19,545,364**	-	-
Liabilities measured at fair value:			
Crude oil commodity swaps	-	**2,769,065**	-
Unredeemed frequent flyer liabilities	-	-	**608,870**
At 31 March 2017			
Assets measured at fair value:			
Financial assets at FVOCI	13,738,790	-	-
Foreign exchange contracts	-	25,724	-
Liabilities measured at fair value:			
Crude oil commodity swaps	-	4,419,607	-
Foreign exchange forward contracts	-	27,205	-
Unredeemed frequent flyer liabilities	-	-	514,493

During the year ended 31 March 2018 and 2017, 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 fair values of jet fuel swap contracts are the mark-to-market values of these contracts. The fair values of WTI/Brent crude oil swap contracts were determined by reference to available market information. As the Group hedges its jet fuel requirements in WTI/Brent and that the majority of the Group's fuel uplifts are in US Dollar, the WTI price US Dollar 64.38/bbl (2017: US Dollar 50.60/bbl) and Brent price US Dollar 70.27/bbl (2017: US Dollar 52.83/bbl) were used as the input for market fuel price to the valuation model.

The fair values of WTI/Brent crude oil swap contracts and foreign exchange forward contracts are determined by reference to available market information and are the mark-to-market values of these derivative contracts as at the end of the reporting date.

35 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. 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.

The estimates and underlying assumptions are reviewed regularly. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period or in the period of the revision and future periods, if the revision affects both current and future. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Group's control and are reflected in the assumptions if and when they occur.

Impairment of investment in joint ventures and an associate
The Group determines, at each reporting date, whether there is any objective evidence that the investment in joint ventures and associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint ventures and their carrying value and recognises that amount in the 'share of profits of joint ventures and associate' in the consolidated income statement.

Impairment of financial assets
The impairment provisions for financial assets disclosed in Note 33 are based on assumptions about risk of default and expected loss rates. The measurement of impairment losses both under IFRS 9 and IAS 39 across all categories of financial assets requires judgement and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group's ECL calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The segmentation of financial assets when their ECL is assessed on a collective basis
- Historical default and expected loss rates
- The Group's criteria for assessing if there has been a significant increase in credit risk
- Development of ECL models, including the various formulas and the choice of inputs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

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.

At the reporting date, gross inventories were QR 1,314 million (2017: QR 1,230 million) with provision for obsolete and slow-moving inventories amounting to QR 90 million (2017: QR 85 million). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the consolidated income statement.

Impairment of intangibles
The Group determines whether intangibles are impaired at least on an annual basis. This requires an estimation of the value in use and fair value less cost to sell the assets. Estimating the value in use requires the Group to make an estimate of the expected future cash flows and to choose a suitable discount rate.

At the reporting date, these intangibles have been reviewed for impairment and the Group has not noted any indications of impairment.

Provision for aircraft maintenance
The Group accounts for provision for aircraft maintenance return conditions of the leased aircraft using assumptions relating to expected costs including escalation rates. An estimate is made at each reporting period to ensure that the provision corresponds to the expected costs to be borne by the Group. A significant level of judgement is exercised by management given the long-term nature and diversity of assumptions that go into the determination of the provision.

35 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Frequent flyer programme
The Group accounts for reward credits as a separately identifiable component of the sales transaction in which they are granted. The consideration in respect of the initial sale is allocated to reward credits based on their fair values and is accounted as unredeemed frequent flyer liabilities in the consolidated statement of financial position.

Estimation techniques are used to determine the fair value of Qmiles based on various historical trends such as weighted average ticket value, seat factor, routes used by members to avail reward tickets, other avenue used by members to redeem the Qmiles and expiry of Qmiles. Fair value of Qmiles is reviewed on a periodical basis.

Revenue recognition
Passenger revenue is recognised when the transportation is provided. Ticket sales that are not expected to be used for transportation ('unutilised flight documents') are recognised as revenue using estimates regarding the timing of recognition based on the terms and conditions of the ticket and historical trends. There were no changes in revenue recognition this year.

Estimated economic useful life of property, plant and equipment
The Group's management estimates the economic useful life of its property, plant 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 estimated residual value and estimated economic useful life annually and future depreciation charges would be adjusted where management believes the estimated economic useful life differ from previous estimates.

During the year, the Group revised the estimated economic useful life of certain aircraft by extending the economic useful life of these aircraft by an average of 1 to 2 years.

Management believes that the revised estimated economic useful life and residual value reflect more appropriately the economic useful life and residual value of the assets and are in line with industry practice making the Group's consolidated financial statements more comparable. If the Group had continued with the useful life and residual value as estimated during the previous year, the depreciation charged to the consolidated income statement would have been higher by QR 905 thousands with a corresponding decrease in the carrying value of the assets. It is not practical to quantify the effect of this change on future periods.

Fair value of financial instruments
When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow 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 the financial instruments.

Consolidation
The Group has carried out an assessment of its arrangements with other shareholders, through a review of shareholder agreements and other documentation establishing rights and obligations of the shareholders, for its investments in joint venture and other entities. In assessing whether the Group exercises control over an investee, the Group has considered whether it 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.

The Group has evaluated its involvement with investees in determining whether the Group has control, joint control or significant influence over such investees. Based on its assessment, the Group has concluded that the accounting classification and treatment reflected in the consolidated financial statements is appropriate.

36 COMPARATIVE FIGURES

(i) Reclassifications:
Certain comparatives for 2017 have been reclassified in order to conform to the presentation for the current year. Such reclassifications were made to improve the quality of presentation and do not affect previously reported profit or equity.

(ii) Restatements:
The Group previously accounted derivative financial instruments for jet fuel as cash flow hedges. The Group early adopted IFRS 9 effective financial year 2016-17. Under this standard, the Group's cash flow hedges should have been accounted as derivatives through consolidated income statement which have now been restated. As a consequence, cash flow hedge reserve balance was recycled to opening retained earnings at the beginning of earliest prior period presented and subsequent fair value movements in the derivative financial instruments for jet fuel was accounted as net derivative gain (under other income) in the consolidated income statement.

The impact on each line item of the consolidated financial statements is shown in the table below:

Impact on the consolidated income statement:

	As reported in the consolidated financial statements as at 31 March 2017 QR'000	*Adjustments 31 March 2017 QR'000*	*As restated 31 March 2017 QR'000*
Operating expenses	37,189,014	(451,865)	36,737,149
Net derivative gain (Note 7)	-	370,105	370,105

Impact on the consolidated statement of comprehensive income:

	As reported in the consolidated financial statements as at 31 March 2017 QR'000	*Adjustments 31 March 2017 QR'000*	*As restated 31 March 2017 QR'000*
Net movement on cash flow hedges	881,885	(821,970)	59,915

Impact on the consolidated statement of financial position:

	As reported in the consolidated financial statements as at		*Adjustments*		*As restated*	
	31 March 2017 QR'000	*1 April 2016 QR'000*	*31 March 2017 QR'000*	*1 April 2016 QR'000*	*31 March 2017 QR'000*	*1 April 2016 QR'000*
Fair value reserve (Note 20)	(4,745,212)	(5,356,358)	4,408,072	5,230,042	(337,140)	(126,316)
Retained earnings (accumulated losses)	2,842,263	1,150,838	(4,490,269)	(5,230,042)	(1,648,006)	(4,079,204)