Qatar Airways Q.C.S.C.

CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2017

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working world

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

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Qatar Airways 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 2017, 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 2017 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 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.

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

Date: 11 June 2017
Doha

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CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2017

	Notes	***2017*** ***QR'000***	*2016* *QR'000*
Revenue	4	**38,895,745**	35,248,298
Other operating income	5	**491,106**	433,074
Operating expenses	6	**(37,295,191)**	(32,666,020)
OPERATING PROFIT		**2,091,660**	3,015,352
Other income	7	**1,954,278**	1,278,736
Gain on disposal of property, plant and equipment		**2,151,020**	1,150,781
Share of profit from investment in joint ventures	12	**49,526**	57,843
General and administrative expenses	8	**(3,433,291)**	(3,136,286)
Finance costs		**(429,911)**	(432,922)
Loss on foreign currency exchange		**(409,496)**	(289,050)
Recoveries (impairment loss) on property, plant and equipment and assets classified as held for sale	10	**3,256**	(19,668)
PROFIT BEFORE TAX		**1,977,042**	1,624,786
Income tax expense	9	**(3,733)**	(2,922)
PROFIT FOR THE YEAR		**1,973,309**	1,621,864
Attributable to:			
Equity holders of the parent		**1,972,458**	1,621,300
Non-controlling interests		**851**	564
		1,973,309	1,621,864

The attached notes 1 to 37 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Notes	*2017 QR'000*	*2016 QR'000*
Profit for the year		**1,973,309**	1,621,864
Other comprehensive income (loss):			
Items to be reclassified to consolidated income statement in subsequent periods:			
Net loss on available-for-sale investments	20	-	(982,758)
Net gain on fair valuation of debt securities at FVOCI	20	**1,997**	-
Gain (loss) on cash flow hedges	20	**881,885**	(2,566,830)
Exchange difference on translation of foreign operations		**(25,486)**	(5,410)
Net other comprehensive income (loss) to be reclassified to consolidated income statement in subsequent periods		**858,396**	(3,554,998)
Items not to be reclassified to consolidated income statement in subsequent periods			
Net loss on fair valuation of equity securities at FVOCI	20	**(309,724)**	-
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		**2,521,981**	(1,933,134)
Attributable to:			
Equity holders of the parent		**2,521,130**	(1,933,698)
Non-controlling interests		**851**	564
		2,521,981	(1,933,134)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2017

	Notes	***2017 QR'000***	*2016 QR'000*
ASSETS			
Non-current assets			
Property, plant and equipment	10	**60,708,520**	59,158,235
Intangibles	11	**277,071**	267,850
Investment in joint ventures	12	**111,065**	94,457
Investment securities	13	**13,755,265**	6,676,538
Non-current portion of loan to a joint venture	15	-	12,224
Deferred tax asset		**3,894**	315
		74,855,815	66,209,619
Current assets			
Inventories	14	**1,144,826**	1,200,277
Accounts receivable and prepayments	15	**3,951,461**	3,501,679
Derivative financial instruments	31	**25,724**	63,716
Short-term deposits	16	**6,333,430**	10,716,686
Cash and bank balances	16	**13,410,533**	12,068,329
		24,865,974	27,550,687
TOTAL ASSETS		**99,721,789**	93,760,306
EQUITY AND LIABILITIES			
Equity			
Share capital	17	**45,217,510**	43,430,714
Capital reserve	18	**1,643,816**	1,643,816
Legal reserve	19	**16,823,418**	16,629,617
Fair value reserve	20	**(4,745,212)**	(5,356,358)
Furniture, fixtures and equipment reserve	21	**10,547**	10,117
Retained earnings		**2,842,263**	1,150,838
Foreign currency translation reserve		**(32,197)**	(6,711)
Equity attributable to equity holder of the parent		**61,760,145**	57,502,033
Non-controlling interests		**(532)**	(1,383)
Total equity		**61,759,613**	57,500,650
Liabilities			
Non-current liabilities			
Employees' end of service benefits	23	**1,085,573**	925,580
Unredeemed frequent flyer liabilities	25	**514,493**	552,117
Derivative financial instruments	31	**3,408,477**	1,834,738
Deferred tax liability		**126,537**	418
Non-current portion of interest-bearing loans	22	**17,512,239**	15,911,427
Non-current portion of retention payable	24	**6,611**	79
		22,653,930	19,224,359

Continued…

The attached notes 1 to 37 form part of these consolidated financial statements.

	Notes	**2017** **QR'000**	2016 QR'000
Current liabilities			
Accounts payable and accruals	26	**5,378,142**	4,267,775
Sales in advance of carriage		**6,142,316**	5,761,111
Derivative financial instruments	31	**1,038,335**	3,520,416
Current portion of interest-bearing loans	22	**2,749,453**	3,485,995
		15,308,246	17,035,297
Total liabilities		**37,962,176**	36,259,656
TOTAL EQUITY AND LIABILITIES		**99,721,789**	93,760,306

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 2017

	Notes	**2017** **QR'000**	2016 QR'000
OPERATING ACTIVITIES			
Profit before tax		**1,977,042**	1,624,786
Adjustments for:			
Depreciation	10(a)	**5,283,206**	5,578,368
Finance costs		**429,911**	432,922
Provision for employees' end of service benefits	23	**235,191**	229,410
Net impairment loss of financial assets	8 and 33	**31,807**	35,749
Provision for obsolete and slow-moving inventories	14	**12,717**	50,297
Net impairment loss on available-for-sale		-	13,644
(Recoveries) impairment loss on property, plant and equipment and assets classified as held for sale	10	**(3,256)**	19,668
Share of profit from investment in joint ventures	12	**(49,526)**	(57,843)
Interest and dividend income	7	**(820,113)**	(527,072)
Gain on disposal of property, plant and equipment		**(2,151,020)**	(1,150,781)
Operating profit before working capital changes		**4,945,959**	6,249,148
Payables		**1,578,623**	(61,437)
Inventories		**44,246**	(93,006)
Accounts receivable and prepayments		**(459,249)**	(238,683)
Cash from operations		**6,109,579**	5,856,022
Finance costs paid		**(410,517)**	(420,853)
Employees' end of service benefits paid	23	**(83,996)**	(217,785)
Net cash flows from operating activities		**5,615,066**	5,217,384
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		**10,304,031**	8,929,950
Movement in short-term deposits		**4,374,657**	(1,756,101)
Interest and dividend received	7	**820,113**	527,072
Movement in restricted deposits		**200**	130,000
Dividend received from investment in joint ventures		**32,640**	40,980
Net movement of loan to a joint venture		**12,224**	(19,993)
Acquisition of subsidiaries, net of cash acquired	2	**(463,709)**	(101,929)
Purchase of investment securities		**(7,412,491)**	(228,759)
Additions to property, plant and equipment	10	**(14,323,782)**	(12,828,318)
Net cash flows used in investing activities		**(6,656,117)**	(5,307,098)

Continued…

The attached notes 1 to 37 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 March 2017

	Notes	***2017 QR'000***	*2016 QR'000*
FINANCING ACTIVITIES			
Issue of share capital	17	**1,786,796**	4,733,950
Net movement in interest-bearing loans		**596,675**	1,879,658
Net cash flows from financing activities		**2,383,471**	6,613,608
INCREASE IN CASH AND CASH EQUIVALENTS		**1,342,420**	6,523,894
Net foreign exchange difference		**(16)**	-
Cash and cash equivalents at 1 April		**12,068,129**	5,544,235
CASH AND CASH EQUIVALENTS AT 31 MARCH	16	**13,410,533**	12,068,129

The attached notes 1 to 37 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	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*	*Retained earnings 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 3.3)	-	-	(168)	-	67,756	(117,402)	-	(49,814)	-	(49,814)
At 1 April 2016 (as restated)	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
Profit for the year	-	-	-	-	-	1,972,458	-	1,972,458	851	1,973,309
Other comprehensive income	-	-	-	-	574,158	-	(25,486)	548,672	-	548,672
Total comprehensive income for the year	-	-	-	-	574,158	1,972,458	(25,486)	2,521,130	851	2,521,981
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)	-	-	193,969	-	-	(193,969)	-	-	-	-
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**	**16,823,418**	**10,547**	**(4,745,212)**	**2,842,263**	**(32,197)**	**61,760,145**	**(532)**	**61,759,613**

The attached notes 1 to 37 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 March 2017

	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*	*Retained earnings (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 2015	38,696,764	1,643,816	16,469,027	8,066	(1,806,770)	(307,821)	(1,301)	54,701,781	(1,947)	54,699,834
Profit for the year	-	-	-	-	-	1,621,300	-	1,621,300	564	1,621,864
Other comprehensive loss	-	-	-	-	(3,549,588)	-	(5,410)	(3,554,998)	-	(3,554,998)
Total comprehensive income for the year	-	-	-	-	(3,549,588)	1,621,300	(5,410)	(1,933,698)	564	(1,933,134)
Issue of share capital (Note 17)	4,733,950	-	-	-	-	-	-	4,733,950	-	4,733,950
Transfer to legal reserve (Note 19)	-	-	160,590	-	-	(160,590)	-	-	-	-
Transfer to furniture, fixtures and equipment reserve (Note 21)	-	-	-	5,827	-	(5,827)	-	-	-	-
Utilisation of furniture, fixtures and equipment reserve (Note 21)	-	-	-	(3,776)	-	3,776	-	-	-	-
At 31 March 2016	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

The attached notes 1 to 37 form part of these consolidated financial statements.

1 CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

Qatar Airways 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 P.O. Box 22550, Doha, State of Qatar.

The consolidated financial statements as of and for the year ended 31 March 2017 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;
- Distribution of distilled beverages in the State of Qatar; and
- Hotel operations inside and outside the State of Qatar.
- Management of Hamad International Airport

The consolidated financial statements of Qatar Airways Q.C.S.C. as of and for the year ended 31 March 2017 were authorised for issue by the Board of Directors on 11 June 2017.

2 BUSINESS COMBINATION

Current year acquisition

Acquisition of Strader SA

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 provisional 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	**865,432**
Inventories	**1,512**
Accounts receivable and prepayments	**9,266**
Cash and bank balances	**32,266**
Deferred tax asset	**2,823**
	911,299
Total liabilities	
Employees' end of service benefits	**8,798**
Interest-bearing loans	**267,595**
Accounts payable and accruals	**20,702**
Deferred tax liability	**118,229**
	415,324
Total identifiable net assets acquired at fair value	**495,975**
Goodwill or bargain purchase arising on acquisition	**-**
Purchase consideration transferred	**495,975**
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 provisional fair value adjustments of property and equipment.

From the acquisition date, Strader contributed QR 59.4 million of operating revenue and QR 4.5 million loss. 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 year.

2 BUSINESS COMBINATION (CONTINUED)

Prior year acquisition
Acquisition of Dhiafatina Holdings BV (formerly Beal Propco BV Limited)
On 30 April 2015 (the “Acquisition Date”), the Group acquired (through a subsidiary) 100% of the share capital of Beal Propco BV Limited, (the “Target Company”) a private limited liability company incorporated in Amsterdam, Netherlands. The Target Company is the owner and holding entity of Edinburgh Park Hotel Limited, a limited liability company incorporated in the United Kingdom (the “Hotel”).

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

	30 April 2015 *QR '000*
Total assets	
Property and equipment	**105,517**
Trade and other receivables	**2,332**
Cash and cash equivalents	**5,594**
	113,443
Total liabilities	
Trade and other payables	**5,391**
Tax payable	**529**
	5,920
Total identifiable net assets acquired at fair value	**107,523**
Goodwill or bargain purchase arising on acquisition	**-**
Purchase consideration transferred	**107,523**
Analysis of cash flows on acquisition	
Net cash acquired with the subsidiary	**5,594**
Cash paid	**(107,523)**
Net cash outflow	**(101,929)**

In compliance with IFRS 3 *Business Combinations*, the Group has accounted for the acquisition of the Target Company using the acquisition method. No goodwill or gain from bargain purchase was recognised by the Company as the purchase consideration transferred is equal to the fair value of identifiable net assets acquired. 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.

On 30 April 2015, the Group has renamed the Target Company to Dhiafatina Holdings BV through a special resolution.

From the acquisition date, Dhiafatina Holdings BV contributed QR 20.8 million of operating revenue and QR 3.6 million of profit in 2015. It is not practical to determine the consolidated revenue and consolidated profit of the Group had the business combination occurred at the beginning of 2015.

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 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*	
		2017	*2016*
Strader S.A.	Switzerland	**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 SA, 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.

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.

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

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 issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) interpretations effective as of 1 January 2016.

Standards	*Content*	*Effective date*
IFRS 14	Regulatory Deferral Accounts (Effective)	1 January 2016
IFRS 11	Joint Arrangements : Accounting for Acquisition of Interest (Amendments)	1 January 2016
IAS 1	Presentation of Financial Statements – Disclosure Initiative (Amendments	1 January 2016
IAS 16 and 38	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments)	1 January 2016
IAS 27	Equity Method in Separate Financial Statements (Amendments)	1 January 2016
IFRS 10, 12 and IAS 28	Investment Entities : Applying the Consolidation Exception (Amendments)	1 January 2016
IFRS 9	Financial Instruments (Effective)	1 January 2018*
Annual improvements to IFRSs 2012-2014		1 January 2016

**early adopted*

Early adoption of IFRS 9 Financial Instruments
As explained in accounting policies below, the Group has adopted IFRS 9 as issued in July 2014, which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

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.

In the first year of IFRS 9 implementation, the accounting policy relevant to the comparative information on financial instruments is IAS 39. The Group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the company’s previous accounting policy.

(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 (iii) below for details. These reclassifications have no impact on the measurement categories.

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

3.3 Changes in accounting policies and disclosures (continued)

Early adoption of IFRS 9 Financial Instruments (continued)

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)**	**-**
Opening balance - IFRS 9	-	**(27,932)**	**-**

* 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. There is no longer any reclassification of accumulated amounts from reserves to profit or loss on the disposal of these equity investments. Dividends amounting to QR 129.4 million were recognised during the year ended 31 March 2016.

(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.

(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)**
Short-term deposits	Amortised cost	Amortised cost	**12,068,129**	**12,053,970**	**(14,159)**

** financial assets of the joint venture*

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

3.3 Changes in accounting policies and disclosures (continued)

Early adoption of IFRS 9 Financial Instruments (continued)

(b) Impairment of financial assets

The Group has following types of financial assets subject to IFRS 9's new 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:

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 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.

b. Cost of hedging
IFRS 9 allows 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.

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

3.3 Changes in accounting policies and disclosures (continued)

Early adoption of IFRS 9 Financial Instruments (continued)

Derivatives and Hedging activities (continued)

b. Cost of hedging (continued)
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)**

3.4 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 consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

Standards	*Content*	*Effective date**
IAS 7	Statements of Cash Flows - Disclosure Initiative (Amendments)	1 January 2017
IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)	1 January 2017
IFRS 15	Revenue from Contracts (Effective)	1 January 2018
IFRS 16	Leases	1 January 2019

**(annual periods beginning on or after)*

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

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

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.

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.

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

3.5 Summary of significant accounting policies (continued)

Business combinations and goodwill (continued)
Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not 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.

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.

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 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.

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.

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

3.5 Summary of significant accounting policies (continued)

Property, plant and equipment (continued)
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 - 18 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.

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.

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

3.5 Summary of significant accounting policies (continued)

Intangibles (continued)
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.

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
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.

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’ are accounted for using the equity method.

Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group’s share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

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

3.5 Summary of significant accounting policies (continued)

Investment in joint ventures (continued)
The consolidated income statement reflects the Group's share of the results of operations of the joint ventures. 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, 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 are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss in investment in joint ventures 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.

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. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, then recognises the loss as 'Share of profit (loss) from investment in joint ventures' in the consolidated income statement.

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

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

3.5 Summary of significant accounting policies (continued)

Investments and other financial assets

Accounting policies applied from 1 April 2016

(i) Classification
From 1 April 2016, 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.

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.

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the profit or loss statement within other gains/(losses) in the period in which it arises. Interest income from these financial assets is included in the interest income.

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)

Accounting policies applied from 1 April 2016 (continued)

Subsequent measurement (continued)
Debt instruments (continued)
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
The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as other income when the company's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gain/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iii) Impairment
The Group assesses on a forward looking basis the Expected Credit Loss (ECL) associated with its assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Group recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

For trade 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.

Note 33 provides more detail of how the expected credit loss allowance is measured.

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)

Accounting policies applied from 1 April 2016 (continued)

(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).

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.

The Group classifies all other liabilities as non-current.

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.

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.

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

3.5 Summary of significant accounting policies (continued)

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.

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

	2017 ***QR'000***	*2016* *QR'000*
Scheduled services:		
Passenger	**29,096,590**	26,670,168
Cargo	**6,388,618**	5,627,068
	35,485,208	32,297,236
Other revenue:		
Sale of duty free goods and beverages	**2,058,785**	2,003,823
Ground handling services	**503,304**	447,338
Aircraft charters	**464,126**	166,190
Income from hotel operations	**267,309**	223,772
Reservation and travel agency	**57,527**	44,156
Advertisement and promotions	**33,669**	27,993
In-flight catering and related service charges	**25,817**	37,790
	3,410,537	2,951,062
	38,895,745	35,248,298

5 OTHER OPERATING INCOME

	2017 ***QR'000***	*2016* *QR'000*
Frequent flyer programme	**184,414**	165,478
Tax release	**80,420**	99,374
Income from Al Maha Services	**56,043**	33,804
Commission	**4,067**	5,121
Miscellaneous	**166,162**	129,297
	491,106	433,074

6 OPERATING EXPENSES

	2017 ***QR'000***	*2016* *QR'000*
Fuel costs	**10,723,857**	9,180,684
Salaries, allowances and other benefits	**7,277,244**	6,538,707
Depreciation (Note 10)	**4,941,027**	5,311,134
Landing, ground handling and over flying charges	**4,720,986**	4,021,904
Aircraft and engine operating leases	**2,600,248**	1,456,531
Passenger services	**1,639,389**	1,398,381
Aircraft maintenance and insurance	**1,216,639**	1,011,200
Revenue commissions	**1,091,970**	846,964
Cost of sales of duty free goods and beverages	**975,474**	934,802
Reservations, communications and revenue accounting	**951,590**	849,604
Advertisement and promotions	**381,710**	389,528
Cost of in-flight catering and other services	**353,254**	377,989
Indirect tax	**223,227**	186,255
Hotel operations	**131,742**	109,030
Miscellaneous	**66,834**	53,307
	37,295,191	32,666,020

7 OTHER INCOME

	2017 ***QR'000***	*2016* *QR'000*
Interest income	**494,072**	397,719
Dividend income from investment securities	**326,041**	129,353
Liquidated and compensation claims from suppliers	**424,407**	214,819
Maintenance and development fees	**125,515**	158,060
Infrastructure facility income	**93,407**	107,835
Management fees	**54,961**	56,774
Incentives and route subsidies	**50,991**	31,640
Miscellaneous	**384,884**	182,536
	1,954,278	1,278,736

8 GENERAL AND ADMINISTRATIVE EXPENSES

	2017 *QR'000*	*2016* *QR'000*
Salaries, allowances and other benefits	**1,770,334**	1,640,467
Depreciation (Note 10)	**342,179**	267,234
Bank charges and commission	**328,335**	377,351
Rental - office, vehicles, accommodation and equipment	**254,672**	261,436
Legal and consultancy fees	**185,448**	100,793
Repairs, maintenance and insurance	**166,561**	144,063
Communication	**84,158**	76,155
Stationery and publication materials	**45,125**	40,777
Shipping and clearance expenses	**33,981**	31,544
Net impairment loss on financial assets (Note 33)	**31,807**	35,749
Management fees	**21,127**	26,161
Office utilities	**19,454**	20,226
Provision for obsolete and slow-moving inventories (Note 14)	**12,717**	50,297
Travelling	**7,605**	7,370
Impairment loss on available-for-sale financial assets	-	13,644
Miscellaneous	**129,788**	43,019
	3,433,291	3,136,286

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 and joint ventures 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 S.P.C.	State of Qatar, United Kingdom and Netherlands	The Qatar Income Tax Law – Law No. 21 of 2009, United Kingdom Corporation Tax Act 2010 and Dutch Tax Law
Facilities Management & Maintenance Company L.L.C.	State of Qatar	The Qatar Income Tax Law – Law No. 21 of 2009
Ferrovial Qatar W.L.L.	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 SA	Switzerland	Federal Act of 14 December 1990

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 2016	58,259,771	5,748,276	4,469,785	1,281,681	2,125,657	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)	-	-	-	813,279	52,153	-	-	-	865,432
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	-	-	-	(38,309)	(8,436)	-	-	-	(46,745)
At 31 March 2017	47,728,109	6,676,747	3,801,919	3,107,144	2,703,360	5,939	507,934	15,083,018	79,614,170
Depreciation and impairment:									
At 1 April 2016	18,291,541	2,439,816	1,421,614	190,134	1,415,946	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	255,658	1,652,662	2,354	411,311	-	18,905,650
Net book value:									
At 31 March 2017	**35,529,655**	**3,575,882**	**2,517,573**	**2,851,486**	**1,050,698**	**3,585**	**96,623**	**15,083,018**	**60,708,520**

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 2015	57,067,524	4,859,448	3,733,590	1,056,135	1,927,753	11,944	489,750	12,128,005	81,274,149
Additions	4,456,064	-	-	1,203	34,942	435	17,982	8,317,692	12,828,318
Acquisition of a subsidiary (Note 2)	-	-	-	104,383	1,134	-	-	-	105,517
Reclassifications	4,439,919	1,369,403	1,009,677	185,761	211,128	-	-	(7,215,888)	-
Transfers	-	-	(4,405)	-	-	-	-	-	(4,405)
Disposals and write offs	(7,703,736)	(480,575)	(269,077)	(56,545)	(48,856)	(8,204)	(1,967)	(2,327,911)	(10,896,871)
Foreign currency translation adjustment	-	-	-	(9,256)	(444)	-	-	-	(9,700)
At 31 March 2016	58,259,771	5,748,276	4,469,785	1,281,681	2,125,657	4,175	505,765	10,901,898	83,297,008
Depreciation and impairment:									
At 1 April 2015	16,818,128	1,876,224	1,216,992	201,922	1,211,416	9,749	334,945	-	21,669,376
Provided during the year	3,959,779	994,694	288,572	49,584	240,265	614	44,860	-	5,578,368
Transfers	-	-	8,593	-	-	-	-	-	8,593
Net impairment loss	-	-	29,904	(13,562)	287	(700)	-	-	15,929
Disposals and write offs	(2,486,366)	(431,102)	(122,447)	(47,289)	(35,775)	(7,825)	(1,921)	-	(3,132,725)
Foreign currency translation adjustment	-	-	-	(521)	(247)	-	-	-	(768)
At 31 March 2016	18,291,541	2,439,816	1,421,614	190,134	1,415,946	1,838	377,884	-	24,138,773
Net book value:									
At 31 March 2016	39,968,230	3,308,460	3,048,171	1,091,547	709,711	2,337	127,881	10,901,898	59,158,235

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes:

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

	2017 **QR'000**	*2016* *QR'000*
Operating expenses (Note 6)	**4,941,027**	5,311,134
General and administrative expenses (Note 8)	**342,179**	267,234
	5,283,206	5,578,368

(b) Property, plant and equipment with a net carrying amount of QR 12,632 million (2016: QR 10,779 million) is mortgaged as security for certain interest-bearing loans (Note 22).

(c) Buildings with a total net carrying amount of QR 789 million (2016: QR 313 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 700 thousands (2016: QR 3.1 million) 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) On 25 March 2013, the Company's Board of Directors passed a resolution to dispose two (2) A300 freighter aircraft and related engines and parts imminently. At 31 March 2013, the management negotiated with a potential buyer and hence the two (2) A300 freighter aircraft and related engines and spare parts were classified as assets held for sale.

At 31 March, the assets classified as held for sale were carried at the following amounts:

	2017 **QR'000**	*2016* *QR'000*
At 1 April	**4,820**	14,130
Disposed during the year	**-**	(13,049)
Transferred from property, plant and equipment and inventory	**-**	3,739
At 31 March	**4,820**	4,820
Less: Allowance for impairment	**(4,820)**	(4,820)
	-	-

Movements in the provision for impairment loss on assets classified as held-for-sale are as follows:

	2017 **QR'000**	*2016* *QR'000*
At 1 April	**4,820**	14,130
Impairment loss during the year	**-**	3,739
Amounts written-off	**-**	(13,049)
At 31 March	**4,820**	4,820

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes: (continued)

(f) At 31 March 2017, the aircraft fleet comprised of 215 aircraft (2016: 190 aircraft). This comprises of 175 passenger aircraft (2016: 164 aircraft), 21 freighter (2016: 16 aircraft), and 19 executive aircraft (2016: 10 aircraft). Out of the total aircraft fleet, 109 aircraft (2016: 50 aircraft) are under operating lease.

(g) During the year, 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.

The Group has valued these aircraft at a provisional amount of QR 218 million based on management's best estimate. The Group plans to finalise the value for the acquisition and have requested a third party expert to value these aircraft.

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

11 INTANGIBLES

Intangible assets include goodwill relating to acquisition of a subsidiary 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 (2016: Nil).

12 INVESTMENT IN JOINT VENTURES

The Group has ownership interest in the following joint ventures:

Name	***Activities***	***Effective shareholding***	
		31 March 2017	*31 March 2016*
Facilities Management and Maintenance Company L.L.C. (FMMC)	Primarily engaged in delivery of facilities management services to the Hamad International Airport	**51%**	51%
Linc Facility Services L.L.C. (LFS)	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)	Primarily engaged in restaurant management and beverages trading in the State of Qatar	**51%**	51%

12 INVESTMENT IN JOINT VENTURES (CONTINTUED)

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 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**

	FMMC *QR'000*	*LFS* *QR'000*	*QASSP* *QR'000*	*Total* *QR'000*
At 31 March 2016				
Current assets	207,997	72,029	17,932	297,958
Non-current assets	3,382	4,808	32,756	40,946
Current liabilities	(77,388)	(9,583)	(20,695)	(107,666)
Non-current liabilities	(8,911)	(1,283)	(12,976)	(23,170)
Net assets	125,080	65,971	17,017	208,068
The Group's share and the carrying amount of the investment	63,791	21,987	8,679	94,457

On 1 January 2016, FMMC and Ferrovial Qatar (FQ) have merged their operations. On FMMC and QASSP, although the Group hold 51% equity, decisions need unanimous consent of both parties, thus, the investment are considered to be joint ventures.

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*
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**

	*FQ** *QR'000*	*FMMC* *QR'000*	*LFS* *QR'000*	*QASSP* *QR'000*	*Total* *QR'000*
2016					
Revenue	57,758	380,535	128,031	104,467	670,791
Profit for the year	13,101	37,861	62,644	18,491	132,097
Group's share of profit	8,978	19,309	20,879	8,677	57,843

**up to 31 December 2015*

The joint ventures had no other contingent liabilities or capital commitments as at 31 March 2017 and 2016, except as disclosed in Note 27(b).

13 INVESTMENT SECURITIES

	2017 *QR'000*	*2016* *QR'000*
Investment securities measured at FVOCI – equity securities	**13,569,275**	-
Investment securities measured at FVOCI – debt securities (net)	**185,990**	-
Quoted equity shares	-	6,453,117
Quoted debt securities	-	184,265
Unquoted equity shares	-	25,709
Investment in mutual funds (net)	-	13,447
	13,755,265	6,676,538

	2017 *QR'000*	*2016* *QR'000*
Cost (net)	**14,090,924**	6,678,705
Fair value reserve (Note 20)	**(335,659)**	(2,167)
Fair value	**13,755,265**	6,676,538

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 272 thousands.

As at 1 April 2016, the Group designated equity investments as equity securities at FVOCI. In 2016, these investments were classified as available-for-sale investments. The FVOCI designation was made because the investments are expected to be held for long term purposes. Upon disposal of these equity investments, any balance within the fair value reserve for these equity investments is reclassified to retained earnings and is not reclassified to profit or loss.

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

14 INVENTORIES

	2017 *QR'000*	*2016* *QR'000*
Spare parts	**756,786**	718,130
Goods for resale	**190,066**	261,719
Catering materials	**185,864**	192,860
Goods-in-transit	**39,253**	16,084
Other supplies	**57,844**	86,838
	1,229,813	1,275,631
Less: Provision for obsolete and slow-moving inventories	**(84,987)**	(75,354)
	1,144,826	1,200,277

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

	2017 *QR'000*	*2016* *QR'000*
At 1 April	**75,354**	32,073
Provided during the year (Note 8)	**12,717**	50,297
Reversal during the year	**(921)**	-
Written-off during the year	**(2,163)**	(7,016)
At 31 March	**84,987**	75,354

15 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2017 QR'000	*2016 QR'000*
Trade accounts receivable	**3,019,732**	2,394,301
Amounts due from related parties (Note (a))	**120,231**	227,685
Deposits	**76,169**	70,802
Accrued income	**64,758**	68,188
Other receivables	**493,225**	536,969
	3,774,115	3,297,945
Less: Allowance for impairment of receivables (Note 33)	**(95,300)**	(48,296)
Less: Non-current portion of loan to a joint venture	-	(12,224)
	3,678,815	3,237,425
Prepayments	**241,486**	237,244
Advances to suppliers	**31,160**	27,010
	3,951,461	3,501,679

Notes:

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

	2017 QR'000	*2016 QR'000*
Joint ventures:		
Qatar Airways SSP L.L.C.	**8,025**	25,361
Facilities Management and Maintenance Company L.L.C.	**1,612**	2,496
Affiliates and other related parties:		
Amiri Flight	**91,653**	185,080
Hamad International Airport	**9,360**	8,960
Directors and other key management personnel	**217**	50
Other affiliates	**9,364**	5,738
	120,231	227,685

(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:

	2017 QR'000	*2016 QR'000*
Cash at banks and on hand	**3,414,605**	2,574,865
Short-term deposits (net)	**16,329,358**	20,210,150
	19,743,963	22,785,015
Less: Short-term deposits with original maturity of more than 3 months	**(6,333,430)**	(10,716,686)
Cash and bank balances as per consolidated statement of financial position	**13,410,533**	12,068,329
Less: Restricted bank balance	-	(200)
Cash and cash equivalents as per consolidated statement of cash flows	**13,410,533**	12,068,129

16 CASH AND CASH EQUIVALENTS (CONTINUED)

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 8,191 million (2016: QR 9,263 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 381 million (2016: QR 500 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

	2017 QR'000	*2016 QR'000*
Authorised shares		
5,217,031,379 shares of QR 10 each	**52,170,314**	52,170,314
Issued and fully paid shares		
4,521,751,000 shares (2016: 4,343,071,400 shares) of QR 10 (2016: QR 10) each	**45,217,510**	43,430,714

During the year, the Extraordinary General Assembly of the Company approved the increase of paid up capital of the Company by issuing 178,679,682 shares at nominal value of QR 10 per share to the Government of the State of Qatar. (2016: 473,395,000 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

	2017 QR'000	*2016 QR'000*
Transfer of profit	**523,338**	329,537
Share premium (Note 17)	**16,300,080**	16,300,080
	16,823,418	16,629,617

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

	2017				*2016*		
	Cash flow hedges QR'000	***Financial asset at FVOCI QR'000***	***Available-for-sale investments QR'000***	***Total QR'000***	*Cash flow hedges QR'000*	*Available-for-sale investments QR'000*	*Total QR'000*
At 1 April – IAS 39	**(5,354,191)**	-	**(2,167)**	**(5,356,358)**	(2,787,361)	980,591	(1,806,770)
IFRS 9 adjustment for reclassification (Note 3.3)	**93,521**	**(27,932)**	**2,167**	**67,756**	-	-	-
At 1 April – IFRS 9	**(5,260,670)**	**(27,932)**	-	**(5,288,602)**	(2,787,361)	980,591	(1,806,770)
Net loss on fair valuation	-	**(307,727)**	-	**(307,727)**	-	(984,359)	(984,359)
Net amount transferred to the consolidated income statement on disposal	**-**	-	-	**-**	36,102	1,601	37,703
Net gain on cash flow hedges	**881,885**	-	-	**881,885**	(2,602,932)	-	(2,602,932)
Net movement shown as part of other comprehensive income	**881,885**	**(307,727)**	-	**574,158**	(2,566,830)	(982,758)	(3,549,588)
Released to retained earnings	**(30,768)**	-	-	**(30,768)**	-	-	-
At 31 March	**(4,409,553)**	**(335,659)**	-	**(4,745,212)**	(5,354,191)	(2,167)	(5,356,358)

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

	2017 ***QR'000***	*2016* *QR'000*
Current	**2,749,453**	3,485,995
Non-current	**17,512,239**	15,911,427
	20,261,692	19,397,422

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 12.6 billion (2016: QR 10.7 billion), pledge of shares of investment securities amounting to QR 10.3 billion (2016: QR 5.96 billion) and mortgage of commercial properties amounting to QR 591 million (2016: QR 161 million) (Notes 10 and 13).

The maturity profile of the term loans is shown below:

	2017 ***QR'000***	*2016* *QR'000*
Within one year	**2,749,453**	3,498,335
After one year to 5 years	**11,762,116**	11,400,785
After 5 years	**5,750,123**	4,498,302
	20,261,692	19,397,422

The currency denomination of the term loans: is shown below:

	2017 ***QR'000***	*2016* *QR'000*
US Dollars (USD)	**17,837,255**	18,076,914
Euro (EUR)	**970,803**	1,041,601
Swiss Francs (CHF)	**733,456**	-
Qatar Riyal (QR)	**623,532**	167,667
Great Britain Pounds (GBP)	**96,646**	111,240
	20,261,692	19,397,422

Term loans by interest rate:

	2017 ***QR'000***	*2016* *QR'000*
Fixed rate	**2,989,490**	2,672,546
Floating rate	**17,272,202**	16,724,877
	20,261,692	19,397,423

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:

	2017	*2016*
	QR'000	*QR'000*
At 1 April	**925,580**	913,955
Acquisition of a subsidiary (Note 2)	**8,798**	-
Provided during the year	**235,191**	229,410
End of service benefits paid	**(83,996)**	(217,785)
At 31 March	**1,085,573**	925,580

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:

	2017	*2016*
	QR'000	*QR'000*
Current portion (Note 26)	**53,207**	46,945
Non-current portion	**6,611**	79
	59,818	47,024

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

	2017	*2016*
	QR'000	*QR'000*
Trade accounts payable	**2,279,746**	1,837,018
Accrued expenses	**2,408,193**	1,914,973
Interest payable	**57,144**	37,750
Current portion of retention payable (Note 24)	**53,207**	46,945
Credits received from supplier	**34,594**	33,892
Advances to suppliers	**6,369**	8,469
Unearned revenue	**4,699**	6,375
Amounts due to related parties	**984**	2,090
Tax payable	**960**	1,522
Other payables	**532,246**	378,741
	5,378,142	4,267,775

26 ACCOUNTS PAYABLE AND ACCRUALS (CONTINUED)

Included in the amounts due to related parties are the following balances:

	2017 ***QR'000***	*2016* *QR'000*
Affiliates and other related parties:		
Aer Rianta International Middle East W.L.L.	-	1,219
Other affiliates	**984**	871
	984	2,090

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 2017, the Group had contingent liabilities in respect of performance bonds, letters of credit and letters of guarantee amounting to QR 357 million (2016: QR 304 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:

	2017 QR'000	*2016 QR'000*
Authorised and contracted	**260,690,128**	225,632,197

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

	Number of Aircraft	
	2017	*2016*
Within 1 year	**41**	35
More than 1 year	**208**	171
	249	206

Others
As at 31 March 2017, the Group had raised various order commitments amounting to QR 1,767 million (2016: QR 1,221 million) to purchase rotables, spares and other aircraft related items. The Group expects to receive these within six months.

Other capital projects

	2017 QR'000	*2016 QR'000*
Other capital projects	**229,355**	132,603

29 COMMITMENTS UNDER OPERATING LEASES

The Group operates 109 (2016: 50) aircraft under operating lease agreements. The Group's obligation under these operating leases up to the earliest termination dates are as follows:

	2017 QR'000	*2016 QR'000*
Within one year	**3,107,747**	1,692,735
After one year but not more than five years	**11,173,972**	7,981,972
More than five years	**8,704,911**	4,560,131
	22,986,630	14,234,838

Buildings under operating lease agreements:

	2017 QR'000	*2016 QR'000*
Within one year	**91,497**	424,573
After one year but not more than five years	**5,521**	91,316
More than five years	**4,898**	3,579
	101,916	519,468

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:

	2017 QR'000	*2016 QR'000*
Affiliates and other related parties:		
Operating income	**165,289**	131,941
Other income	**135,836**	166,025
Interest income	**290,976**	152,780
Finance costs	**34,874**	31,515
Management fees	**12,126**	11,822
Other expenses	**53,018**	15,484

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. 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. For the year ended 31 March 2017, there was no impairment of receivables relating to amounts owed by related parties (2016: Nil). This assessment is undertaken each financial year through examining the financial position of the related parties and the market in which the related parties operate.

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

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.

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

	2017 QR'000	*2016 QR'000*
Short-term benefits	**44,615**	38,113
Employees' end of service benefits and pension benefits	**2,401**	2,271
	47,016	40,384

31 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Fuel hedging related derivative instruments
The Group's earnings are affected by changes in the price of jet fuel. The Group's strategy for managing the risk on fuel price, as defined by the management, aims to provide the Group with protection against sudden and significant increases in jet fuel prices. In meeting these objectives, the fuel risk management programme allows for the judicious use of approved instruments such as swaps and options with approved counterparties and within approved credit limits.

The Group manages this fuel price risk by using commodity swaps and commodity option contracts and hedging up to 3 years forward using a mix of these instruments. IFRS 9 permits hedge accounting of risk components provided they are separately identifiable and reliably measurable. Crude oil derivatives, which were previously designated as a proxy hedge for forecasted jet fuel consumptions, are now designated in qualifying cash flow hedges of the crude oil risk component of highly probable forecasted jet fuel consumptions resulting to a one to one hedge ratio. This change has been applied prospectively with effect from 1 April 2016 which better aligns with the Group's risk management strategy. Accounting ineffectiveness may still arise where the price index of the designated hedging instrument is different to the crude oil benchmark in the geographical location of the hedged jet fuel uplift and when the timing of cash flows from hedging instruments significantly deviate from the timing of cash flows from forecasted jet fuel consumptions.

The Group consider Brent/WTI crude to be a separately identifiable and measurable component of jet fuel price. In addition, the Group operates in a geographical area in which Brent/WTI is the crude oil benchmark.

The description of the Group risk management strategy and each risk category of risk exposures are discussed further in Note 33 *Financial Risk Management.*

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.

31 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES (CONTINUED)

Foreign exchange forward contracts (continued)

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

	2017	2016
	QR'000	QR'000
Derivative assets		
Foreign exchange forward contracts	**25,724**	63,716
Positive fair value	**25,724**	63,716

	2017	2016
	QR'000	QR'000
Derivative liabilities		
Jet fuel hedging contracts	**4,419,607**	5,230,042
Foreign exchange forward contracts	**27,205**	125,112
Negative fair value	**4,446,812**	5,355,154
Presented in the consolidated statement of financial position as:		
Current portion	**1,038,335**	3,520,416
Non-current portion	**3,408,477**	1,834,738
	4,446,812	5,355,154

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 cash flow hedges of fuel price risks and foreign currency forwards for variability in future foreign currency cash flows.

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows:

Risk Category	***Assets***(1) ***QR'000***	***Liabilities***(1) ***QR'000***	***Hedge ineffectiveness recognised in profit or loss loss*** (2) ***QR'000***	***Amount reclassified from the hedge reserve to profit or loss*** (2) ***QR'000***
Fuel Hedges	**-**	**4,419,607**	**(11,524)**	**(440,341)**
Foreign currency Hedges	**25,724**	**27,205**	**-**	**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.

During the year, net gain of QAR 882 million (2016: QAR 2,567 million loss) relating to the effective portion of jet fuel and foreign currency cash flow hedges was recognised in the consolidated statement of other comprehensive income.

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 QAR 136 million (2016: QAR 166 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.

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.

	2017	*2016*
	QR'000	*QR'000*
Effect on profit	**(13,666)**	(411)

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

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 1,312 million (2016: QR 2,414 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 1,241 million (2016: QR 943 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 732 million (2016: QR 637 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 2017, 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	
	2017	*2016*
	QR'000	*QR'000*
	5%	*5%*
Euro	**(14,375)**	(29,160)
Great Britain Pound	**6,102**	13,467
Other currencies	**46,154**	27,405
	37,881	11,712

Equity price risk
The following table demonstrates the sensitivity of the effect of cumulative changes in fair value to reasonably possible changes in quoted equity share prices, with all other variables held constant. The effect of decreases in equity 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 QR'000*
At 31 March 2017		
London Stock Exchange	**+5%**	**457,410**
New York Stock Exchange	**+5%**	**140,345**
Madrid Stock Exchange	**+5%**	**58,010**
Qatar Exchange	**+5%**	**21,857**
At 31 March 2016		
London Stock Exchange	+5%	273,674
Madrid Stock Exchange	+5%	24,470
Qatar Exchange	+5%	24,512

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

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*	*Effect on equity QR'000*
At 31 March 2017	**+1**	**(160,293)**	**143,008**
At 31 March 2016	+1	(134,001)	118,585

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

For financial assets originated from 1 April 2016, 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)

Net impairment loss on financial asset as of 31 March 2017 is summarised as follows:

	Short-term deposits QR '000	*Trade receivables QR '000*	*Net QR '000*
Reversal (impairment loss) during the year (Note 8)	**5,625**	**(37,432)**	**(31,807)**

(i) General approach

General approach is used for short-term deposits, debt securities and loan to a joint venture. 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:

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*	*Basis for calculation of interest revenue)*
Short-term deposits	Investment grade	12 month expected losses	**16,337,892**	**16,329,358**	Gross carrying amount
Debt Security	Investment grade	12 month expected losses	**186,262**	**185,990**	Gross carrying amount

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 2017 is determined as follows; the expected credit losses below also incorporate forward looking information.

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	**2,687,653**	**25,354**	**36,362**	**115,688**	**105,660**	**49,015**	**3,019,732**
Loss allowance provision	**(12,357)**	**(4,501)**	**(3,597)**	**(8,002)**	**(18,417)**	**(48,426)**	**(95,300)**
	2,675,296	**20,853**	**32,765**	**107,686**	**87,243**	**589**	**2,924,432**

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

ii) Simplified approach (continued)
The loss allowance provision as at 31 March 2017 reconciles to the opening loss allowance for that provision as follows:

	2017 *QR '000*
Closing loss allowance as at 31 March 2016 (calculated under IAS 39)	**48,296**
Amounts restated through opening retained earnings	**9,324**
Acquisition of a subsidiary	**2,859**
Opening loss allowance as at 1 April 2016 (calculated under IFRS 9)	**60,479**
Increase in loss allowance recognised in profit or loss during the year	**37,432**
Amounts written-off	**(2,611)**
As at 31 March 2017	**95,300**

With respect to credit risk arising from the other financial assets such as amounts due from related parties, 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, funds from the Government of Qatar and bank facilities. The Group’s terms of purchases require amounts to be paid within 30-45 days from the invoice date.

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

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 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**

	Less than 1 year QR'000	*1 to5 years QR'000*	*> 5 years QR'000*	*Total QR'000*
At 31 March 2016				
Interest-bearing loans	3,806,314	12,136,825	4,774,685	20,717,824
Trade accounts payable	1,837,018	-	-	1,837,018
Amounts due to related parties	2,090	-	-	2,090
Retention payable	46,945	79	-	47,024
Derivative financial instruments	3,520,416	1,834,738	-	5,355,154
Other financial liabilities	416,491	-	-	416,491
	9,629,274	13,971,642	4,774,685	28,375,601

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 2017				
Foreign exchange forward contracts				
Inflows	**25,884**	-	-	**25,884**
Outflows	**(27,489)**	-	-	**(27,489)**
Net	**(1,605)**	-	-	**(1,605)**

	Less than 1 year QR'000	*1 to 5 years QR'000*	*> 5 years QR'000*	*Total QR'000*
At 31 March 2016				
Foreign exchange forward contracts				
Inflows	13,552	-	-	13,552
Outflows	(116,768)	-	-	(116,768)
Net	(103,216)	-	-	(103,216)

33 FINANCIAL RISK MANAGEMENT (CONTINUED)

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 2017 and 2016.

Capital, which includes share capital and retained earnings is measured at QR 48,060 million as on 31 March 2017 (2016: QR 44,582 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 2017, 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 2017	***Total***	***Level 1***	***Level 2***	***Level 3***
	QR'000	***QR'000***	***QR'000***	***QR'000***
Assets measured at fair value:				
Financial assets at FVOCI	**13,755,265**	**13,738,790**	**16,475**	
Foreign exchange contracts	**25,724**	**-**	**25,724**	**-**
Liabilities measured at fair value:				
Jet fuel hedging contracts	**4,419,607**	**-**	**4,419,607**	**-**
Foreign exchange forward contracts	**27,205**	**-**	**27,205**	**-**
Unredeemed frequent flyer liabilities	**514,493**	**-**	**-**	**514,493**

At 31 March 2016	*Total*	*Level 1*	*Level 2*	*Level 3*
	QR'000	*QR'000*	*QR'000*	*QR'000*
Assets measured at fair value:				
Available-for-sale investments	6,650,829	6,637,382	13,447	-
Foreign exchange contracts	63,716	-	63,716	-
Liabilities measured at fair value:				
Jet fuel hedging contracts	5,230,042	-	5,230,042	-
Foreign exchange forward contracts	125,112	-	125,112	-
Unredeemed frequent flyer liabilities	552,117	-	-	552,117

34 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)
During the year ended 31 March 2017 and 2016, 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 50.60/bbl (2016: US Dollar 38.34/bbl) and Brent price US Dollar 52.83/bbl (2016: US Dollar 39.60/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.

Impairment of investment in joint ventures
The Group determines, at each reporting date, whether there is any objective evidence that the investment in the joint ventures 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 results of joint ventures' 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 Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

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 1,230 million (2016: QR 1,276 million) with provision for obsolete and slow-moving inventories amounting to QR 85 million (2016: QR 75 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.

35 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

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.

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. The Group also revised the residual value of executive jets from 60% in prior year to 35%-45% in the current year.

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 210 million 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.

35 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

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

Certain comparatives for 2016 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.

37 EVENTS AFTER THE REPORTING DATE

In early June 2017, four specific countries namely Kingdom of Saudi Arabia, Kingdom of Bahrain, United Arab Emirates and Arab Republic of Egypt took steps to sever diplomatic ties with the State of Qatar and also closed transport connectivity by road, sea and air to these countries from the State of Qatar. The Group continues to operate to the rest of its network as per its published schedules with day to day adjustments for operational and commercial efficiencies, which is the standard airline practise.