Qatar Airways Q.C.S.C.

CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2016

EY
Building a better working world

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

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

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Qatar Airways Q.C.S.C. ("the Company") and its subsidiaries (together referred as the "Group"), which comprise the consolidated statement of financial position as at 31 March 2016, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' Responsibility for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as the Board of Directors' determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 March 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Legal and Other Regulatory Requirements

Furthermore, in our opinion, proper books of accounts 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 effect on the business of the Group or on its financial position.

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

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

Date: 19 June 2016
Doha

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2016

	Notes	***2016*** ***QR'000***	*2015* *QR'000*
Revenue	4	**35,168,543**	33,868,895
Other operating income	5	**470,962**	318,025
Operating expenses	6	**(32,591,835)**	(33,085,065)
OPERATING PROFIT		**3,047,670**	1,101,855
Other income	7	**1,278,736**	2,003,485
General and administrative expenses	8	**(3,154,959)**	(2,914,737)
Finance costs	9	**(432,922)**	(335,754)
Gain on disposal of property, plant and equipment		**1,150,781**	345,684
(Loss) Gain on foreign currency exchange		**(289,050)**	89,062
Share of profit from investment in joint ventures	13	**57,843**	45,270
(Impairment loss) Recoveries on property, plant and equipment and assets classified as held for sale	11	**(19,669)**	39,122
Impairment loss on available-for-sale investments		**(13,644)**	-
PROFIT BEFORE TAX		**1,624,786**	373,987
Income tax expense	10	**(2,922)**	(68)
PROFIT FOR THE YEAR		**1,621,864**	373,919
Attributable to:			
Equity holders of the parent		**1,621,300**	373,479
Non-controlling interests		**564**	440
		1,621,864	373,919

The attached notes 1 to 39 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2016

	Notes	***2016 QR'000***	*2015 QR'000*
Profit for the year		**1,621,864**	373,919
Other comprehensive (loss) income:			
Other comprehensive income to be reclassified to consolidated income statement in subsequent periods:			
Net (loss) gain on available-for-sale investments	22	**(982,758)**	466,735
Effective portion of changes in fair value of cash flow hedges	22	**(2,566,830)**	(2,710,901)
Exchange difference on translation of foreign operations		**(5,410)**	(1,110)
Net other comprehensive loss to be reclassified to consolidated income statement in subsequent periods		**(3,554,998)**	(2,245,276)
Items not to be reclassified to consolidated income statement in subsequent periods		**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(1,933,134)**	(1,871,357)
Attributable to:			
Equity holders of the parent		**(1,933,698)**	(1,871,797)
Non-controlling interests		**564**	440
		(1,933,134)	(1,871,357)

The attached notes 1 to 39 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 March 2016

	Notes	**2016** **QR'000**	2015 QR'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	**59,158,235**	59,604,773
Intangibles	12	**267,850**	267,850
Investment in joint ventures	13	**94,457**	77,594
Available-for-sale investments	14	**6,676,538**	7,444,181
Non-current portion of loan to a joint venture	16	**12,224**	-
Deferred tax asset		**315**	91
		66,209,619	67,394,489
Current assets			
Inventories	15	**1,200,277**	1,157,568
Accounts receivable and prepayments	16	**3,509,832**	3,358,259
Derivative financial instruments	34	**63,716**	4,876
Short-term deposits	17	**10,716,686**	8,960,585
Cash and bank balances	17	**12,068,329**	5,674,435
		27,558,840	19,155,723
TOTAL ASSETS		**93,768,459**	86,550,212
EQUITY AND LIABILITIES			
Equity			
Share capital	18	**43,430,714**	38,696,764
Capital reserve	19	**1,643,816**	1,643,816
Legal reserve	20	**16,629,617**	16,469,027
Fair value reserve	22	**(5,356,358)**	(1,806,770)
Furniture, fixtures and equipment reserve	23	**10,117**	8,066
Retained earnings (Accumulated losses)		**1,150,838**	(307,821)
Foreign currency translation reserve		**(6,711)**	(1,301)
Equity attributable to equity holder of the parent		**57,502,033**	54,701,781
Non-controlling interest		**(1,383)**	(1,947)
Total equity		**57,500,650**	54,699,834
Liabilities			
Non-current liabilities			
Employees' end of service benefits	25	**925,580**	913,955
Unredeemed frequent flyer liabilities	27	**552,117**	558,785
Derivative financial instruments	34	**1,834,738**	2,441,667
Deferred tax liability		**418**	-
Non-current portion of interest-bearing loans	24	**15,911,427**	13,173,002
Non-current portion of credits received from suppliers	29	**31,068**	218,947
Non-current portion of retention payable	26	**79**	52
		19,255,427	17,306,408

Continued…

The attached notes 1 to 39 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 March 2016

	Notes	**2016 QR'000**	*2015 QR'000*
Current liabilities			
Accounts payable and accruals	28	**4,242,036**	4,894,727
Sales in advance of carriage		**5,761,111**	4,991,819
Current portion of credits received from suppliers	29	**2,824**	11,772
Derivative financial instruments	34	**3,520,416**	300,890
Current portion of interest-bearing loans	24	**3,485,995**	4,344,762
		17,012,382	14,543,970
Total liabilities		**36,267,809**	31,850,378
TOTAL EQUITY AND LIABILITIES		**93,768,459**	86,550,212

H.E. Ali Shareef Al Emadi
Chairman

H.E. Akbar Al Baker
Group Chief Executive

The attached notes 1 to 39 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

	Notes	*2016* *QR'000*	*2015* *QR'000*
OPERATING ACTIVITIES			
Profit before tax		**1,624,786**	373,987
Adjustments for:			
Depreciation	11(a)	**5,578,368**	5,042,856
Finance costs	9	**432,922**	335,754
Provision for employees' end of service benefits	25	**229,410**	233,884
Provision for obsolete and slow-moving inventories	15	**50,297**	12,752
Impairment loss on receivables	8	**35,749**	14,422
Impairment loss (recoveries) on property, plant and equipment and assets classified as held for sale	11	**19,669**	(39,122)
Impairment loss on available-for-sale investments		**13,644**	-
Gain on disposal of property, plant and equipment		**(1,150,781)**	(345,684)
Interest and dividend income	7	**(527,072)**	(381,046)
Share of profit from investment in joint ventures	13	**(57,843)**	(45,270)
Gain on disposal of available-for-sale investments	7	**-**	(183,726)
Operating profit before working capital changes		**6,249,149**	5,018,807
Inventories		**(93,006)**	(266,625)
Accounts receivable and prepayments		**(246,610)**	395,185
Payables		**(55,517)**	1,019,071
Cash from operations		**5,854,016**	6,166,438
Finance costs paid		**(420,853)**	(331,053)
Employees' end of service benefits paid	25	**(217,785)**	(48,800)
Net cash flows from operating activities		**5,215,378**	5,786,585
INVESTING ACTIVITIES			
Additions to property, plant and equipment	2 and 11	**(12,933,835)**	(16,563,755)
Purchase of available-for-sale investments		**(228,759)**	(6,119,861)
Movement in short-term deposits		**(1,756,101)**	(2,207,939)
Proceeds from disposal of property, plant and equipment		**8,929,950**	4,427,686
Interest and dividend received		**527,072**	381,046
Movement in restricted deposits		**130,000**	(130,000)
Dividends received from investment in joint ventures		**40,980**	9,148
Acquisition of a subsidiary, net of cash		**5,594**	158,951
Investment in joint ventures		**-**	(8,000)
Additions to intangibles		**-**	(32,774)
Proceeds from disposal of available-for-sale investments		**-**	212,223
Net cash flows used in investing activities		**(5,285,099)**	(19,873,275)

Continued…

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 March 2016

	Notes	***2016 QR'000***	*2015 QR'000*
FINANCING ACTIVITIES			
Issue of share capital	18 (c)	**4,733,950**	8,045,253
Net movement in interest-bearing loans		**1,879,658**	4,355,826
Net movement of loan to a joint venture		**(19,993)**	-
Net movement in non-controlling interest		**-**	(1,567)
Net cash flows from financing activities		**6,593,615**	12,399,512
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**6,523,894**	(1,687,178)
Net foreign exchange difference		**-**	(1,110)
Cash and cash equivalents at 1 April		**5,544,235**	7,232,523
CASH AND CASH EQUIVALENTS AT 31 MARCH	17	**12,068,129**	5,544,235

The attached notes 1 to 39 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016

	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 18 d)	4,733,950	-	-	-	-	-	-	4,733,950	-	4,733,950
Transfer to legal reserve (Note 20)	-	-	160,590	-	-	(160,590)	-	-	-	-
Transfer to furniture, fixtures and equipment reserve (Note 23)	-	-	-	5,827	-	(5,827)	-	-	-	-
Utilisation of furniture, fixtures and equipment reserve (Note 23)	-	-	-	(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 39 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 March 2016

	Attributable to equity holder of the parent									
	Share capital QR'000	*Capital reserve QR'000*	*Legal reserve QR'000*	*Furniture, fixtures and equipment reserve QR'000*	*Fair value reserve QR'000*	*Accumulated losses QR'000*	*Foreign currency translation reserve QR'000*	*Total QR'000*	*Non-controlling interest QR'000*	*Total equity QR'000*
At 1 April 2014	12,077,222	1,643,816	16,371,980	5,261	437,396	(581,448)	(191)	29,954,036	(820)	29,953,216
Profit for the year	-	-	-	-	-	373,479	-	373,479	440	373,919
Other comprehensive loss	-	-	-	-	(2,244,166)	-	(1,110)	(2,245,276)	-	(2,245,276)
Total comprehensive loss for the year	-	-	-	-	(2,244,166)	373,479	(1,110)	(1,871,797)	440	(1,871,357)
Issue of share capital (Note 18 (c))	26,619,542	-	-	-	-	-	-	26,619,542	-	26,619,542
Transfer to legal reserve (Note 20)	-	-	97,047	-	-	(97,047)	-	-	-	-
Transfer to furniture, fixtures and equipment reserve (Note 23)	-	-	-	5,855	-	(5,855)	-	-	-	-
Utilisation of furniture, fixtures and equipment reserve (Note 23)	-	-	-	(3,050)	-	3,050	-	-	-	-
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	(1,567)	(1,567)
At 31 March 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

The attached notes 1 to 39 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 2016 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.

The consolidated financial statements of Qatar Airways Q.C.S.C. as of and for the year ended 31 March 2016 were authorised for issue by the Board of Directors on 19 June 2016.

2 BUSINESS COMBINATION

Current 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").

2 BUSINESS COMBINATION (CONTINUED)

Current year acquisition (continued)

The fair value of the identifiable assets and liabilities of the Target Company at the Acquisition Date are 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. 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 Qatar Aviation Lease Company Q.J.S.C.
The Government of the State of Qatar transferred its 100% interest in Qatar Aviation Lease Company Q.J.S.C. (“QALC”) to the Company. The effective date of transfer is 1 April 2014, which is deemed to be the date when the Company established control over the activities of QALC. QALC and the Company are under common control of the Government of the State of Qatar, thus the assets and liabilities have been transferred at their carrying values at the date of transfer. The purchase consideration of QR 18.6 billion for the interest acquired was discharged through issuance of additional shares in the Company to the Government of the State of Qatar (Note 18(c)).The carrying values of the assets and liabilities of QALC as at the date of transfer were as follows:

	1 April 2014 *QR’000*
Total assets	
Aircraft and equipment	22,654,723
Other receivables and available-for-sale investment	4,822
Cash and bank balances *	1,013,055
	23,672,600
Total liabilities	
Interest-bearing loans	4,520,856
Derivative financial instruments	30,768
Employees’ end of service benefits	83
Accounts payable and accruals	546,604
	5,098,311
Total identifiable net assets acquired	18,574,289

Cash flow on acquisition	*1 April 2014* *QR’000*
Net cash acquired with the subsidiary*	1,013,055
Net cash flow on acquisition	1,013,055

*Included in cash and bank balances are short-term deposits amounting to QR 858 million.

From the date of acquisition to the financial year ended 31 March 2015, QALC has contributed revenues of QR 2,985.88 million and a net profit of QR 970.47 million to the consolidated Group results, before any eliminations.

2 BUSINESS COMBINATION (CONTINUED)

Prior year acquisition (continued)

Acquisition of Dhiafatina Holdings Limited (formerly HHR UK Holdings Limited)
On 16 October 2014 (the "acquisition date"), the Group acquired (through Dhiafatina for Hotels S.P.C., a subsidiary of the Group) 100% of the share capital of HHR UK Holdings Limited (the "Target Company"), a private company incorporated in the United Kingdom. The Target Company is the owner and holding company of Sheraton Skyline London Hotel (the "Hotel"). Thus, the purpose for the acquisition of the Target Company was to acquire the Hotel. The fair value of the identifiable assets and liabilities of the Target Company at the acquisition date were as follows:

	16 October 2014 *QR'000*
Total assets	
Property, plant and equipment	190,428
Trade and other receivables	15,426
Bank balances and cash	3,990
	209,844
Total liabilities	
Interest-bearing loan	124,829
Accounts payable and accruals	259
Income tax payable	847
	125,935
Total identifiable net assets acquired at fair value	83,909

Cash flow on acquisition	*16 October 2014* *QR'000*
Net cash acquired with the subsidiary*	3,990
Cash paid	(72,760)
Net cash flow on acquisition	(68,770)

From the acquisition date, Dhiafatina Holdings Limited contributed QR 15.8 million of operating revenue and QR 4.1 million of loss. It is not practical to determine the revenue and profit of the Group had the business combination occurred at the beginning of the year.

On all the acquired entities, 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.

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 available-for-sale financial assets 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.

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

3.2 Basis of consolidation (continued)

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 assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in the consolidated income statement
- Reclassifies the parent's share of components previously recognised in other comprehensive income to consolidated income statement or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

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

Name of the subsidiary	*Country of incorporation*	*Effective shareholding*	
		2016	***2015***
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%
Lambrini Holdings Limited	United Kingdom	-	100%
Oryx Holdings, Inc.	United States of America	100%	100%
Qatar Aviation Lease Company Q.J.S.C. (QALC)	State of Qatar	100%	100%

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.

Lambrini Holdings Limited, incorporated in Jersey, United Kingdom, is principally engaged in holding real estate properties. During the year, the Group liquidated the company.

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. and Al Maha Aviation Company, 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.

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

3.2 Basis of consolidation (continued)

Non-controlling interests
Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated income statement, consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. Acquisitions of non-controlling interests are accounted for using the parent extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

3.3 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective for annual periods beginning on or after 1 January 2015, which did not have any impact to the Group:

Standards	*Content*
IAS 19	Defined Benefit Plans: Employee Contributions (amendments)
Annual Improvements 2010 - 2012 Cycle	(issued in December 2013 and changes are effective 1 July 2014)
Annual Improvements 2011 - 2013 Cycle	(issued in December 2013 and changes are effective 1 July 2014)

The amendments to disclosures are more extensive and onerous than previous disclosures. These amendments did not have any impact on the Group.

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**
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
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 9	Financial Instruments (Effective)	1 January 2018
IFRS 15	Revenue from Contracts (Effective)	1 January 2018
IFRS 16	Leases	1 January 2019
Annual improvements to IFRSs 2012-2014		1 January 2016

**(annual periods beginning on or after)*

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 recorded at cost and is subsequently stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs attributed to progress payments made on account of aircraft and other qualifying assets under construction. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful life and depreciates them accordingly.

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 projects are 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	60%
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. Where the sale price is below fair value, any gains and losses are immediately recognised in the consolidated income statement, except where the loss is compensated for by future lease payments at below market price, it is deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. Where the sale price is above fair value, the excess over fair value is deferred and amortised over the period for which the asset is expected to be used.

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.

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

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

3.5 Summary of significant accounting policies (continued)

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.

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.

The financial statements of joint ventures are prepared for the same reporting year as the Group except for Linc Facility Services L.L.C., whose financial year ends on 31 December. When necessary, adjustments are made to bring the accounting period and policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its 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, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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

3.5 Summary of significant accounting policies (continued)

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

Financial instruments

Financial assets

Initial recognition and measurement
The Group has classified all financial assets within the scope of IAS 39 under loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

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

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the consolidated income statement. The losses arising from impairment are recognised in the consolidated income statement in "Finance costs" for loans and in "General and administrative expenses" for receivables.

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

After initial measurement, available-for-sale investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the fair value reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the consolidated income statement, or the investment is determined to be impaired, when the cumulative loss is reclassified from the fair value reserve to the consolidated income statement.

The Group evaluates whether the ability and intention to sell its available-for-sale investments in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

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

3.5 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Subsequent measurement (continued)

Available-for-sale investments (continued)
For a financial asset reclassified from the available-for-sale category, the fair value at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to the consolidated income statement over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated income statement.

Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest rate, less impairment.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as other income in the consolidated income statement. The losses arising from impairment are recognised in the consolidated income statement in finance costs. The Group has designated term deposits as held-to-maturity investments.

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.

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

3.5 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets
An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If such evidence exists, any impairment loss is recognised in the consolidated income statement. Impairment is determined as follows:

i. For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the consolidated income statement;
ii. For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
iii. For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Financial liabilities

Initial recognition and measurement
The Group has classified all financial liabilities within the scope of IAS 39 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 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.

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.

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

3.5 Summary of significant accounting policies (continued)

Financial instruments (continued)

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.

Unquoted investments except investment in mutual funds for which fair values cannot be reliably measured are stated at cost. 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 37.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement
The Group uses derivative financial instruments such as interest rate swap contracts to hedge its risks associated with interest rates, WTI/Brent crude oil swaps/option contracts to hedge its risks associated with jet-fuel price fluctuations and foreign exchange forward contracts to hedge its risks associated with currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The fair values of interest rate swap contracts and foreign exchange forward contracts are determined by reference to valuation reports provided by counterparties. The fair value of WTI/Brent crude oil swaps/option contracts are determined by reference to the available market information and option/swap 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 of cash flow hedges, which is recognised in other comprehensive income.

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

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

3.5 Summary of significant accounting policies (continued)

Financial instruments (continued)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)
At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

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

Fair value hedges
The change in the fair value of a hedging derivative is recognised in the consolidated income statement. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the consolidated income statement.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through the consolidated income statement over the remaining term of the hedge using the EIR method. EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in the consolidated income statement.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the consolidated income statement.

Cash flow hedges
The effective portion of the gain or loss 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.

The Group has interest rate swaps that are used as hedges for the exposure of changes in the cash flow of its floating rate secured loan. Refer to Note 34.

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

3.5 Summary of significant accounting policies (continued)

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.

Manufacturers' credits
The Group receives credits from manufacturers in connection with the acquisition of certain aircraft and engines. Depending on their nature, these credits are either recorded as a reduction to the cost of the related aircraft and engines or reduced from ongoing operating expenses. Where the aircraft are held under operating leases, these credits are deferred and reduced from the operating lease rentals on a straight-line basis over the period of the related lease as deferred credits.

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.

Accounts receivable
Accounts receivable are stated at the original invoice amount less an allowance for impairment of receivables. An estimate for provision for impairment of receivables is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

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

3.5 Summary of significant accounting policies (continued)

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.

Short-term deposits
Short-term deposits, principally comprising funds held with banks, are carried at amortised cost using the effective interest method. Such financial assets are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Gains and losses are recognised in consolidated income statement when the deposits are derecognised or impaired, as well as through the amortisation process.

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.

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.

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

3.5 Summary of significant accounting policies (continued)

Frequent flyer programme (continued)
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, with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in consolidated statement of other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is recycled to 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.

ii) 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 at exchange rates prevailing on the dates of the transactions.

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

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

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

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

	2016 ***QR'000***	*2015* *QR'000*
Scheduled services:		
Passenger	**26,692,450**	26,214,514
Cargo	**5,627,068**	5,084,000
	32,319,518	31,298,514
Other revenue:		
Sale of duty free goods and beverages	**1,924,068**	1,688,631
Ground handling services	**447,338**	406,962
Aircraft charters	**143,908**	181,002
Income from Hotel operations	**223,772**	158,480
In-flight catering and related service charges	**37,790**	68,686
Reservation and travel agency	**44,156**	42,722
Advertisement and promotions	**27,993**	23,898
	2,849,025	2,570,381
	35,168,543	33,868,895

5 OTHER OPERATING INCOME

	2016 ***QR'000***	*2015* *QR'000*
Frequent flyer programme	**165,478**	141,181
Tax release	**99,374**	86,319
Income from in-flight duty free	**37,888**	34,803
Income from Al Maha Services	**33,804**	16,519
Commission	**5,121**	4,359
Miscellaneous	**129,297**	34,844
	470,962	318,025

6 OPERATING EXPENSES

	2016 ***QR'000***	*2015* *QR'000*
Fuel costs	**9,180,684**	12,775,183
Salaries, allowances and other benefits	**6,538,707**	5,355,251
Depreciation (Note 11(a))	**5,311,134**	4,816,611
Landing, ground handling and over flying charges	**4,021,904**	3,557,775
Aircraft and engine operating leases	**1,456,531**	558,290
Passenger services	**1,398,381**	1,384,027
Aircraft maintenance and insurance	**1,011,200**	1,182,859
Cost of sales of duty free goods and beverages	**892,935**	779,596
Reservations, communications and revenue accounting	**849,397**	749,135
Revenue commissions	**846,964**	939,906
Advertisement and promotions	**389,528**	409,827
Cost of in-flight and other catering services	**377,989**	379,415
Indirect tax	**186,255**	112,264
Hotel operations	**109,030**	68,699
Miscellaneous	**21,196**	16,227
	32,591,835	33,085,065

7 OTHER INCOME

	2016 ***QR'000***	*2015* *QR'000*
Interest income	**397,719**	338,985
Liquidated and compensation claims from suppliers	**214,819**	835,158
Maintenance and development fees	**158,060**	138,778
Dividend income from available-for-sale investments	**129,353**	42,061
Infrastructure facility income	**107,835**	86,198
Management fees	**56,774**	136,359
Incentives and route subsidies	**31,640**	23,882
Gain on sale of available-for-sale investments	**-**	183,726
Miscellaneous	**182,536**	218,338
	1,278,736	2,003,485

8 GENERAL AND ADMINISTRATIVE EXPENSES

	2016	*2015*
	QR'000	*QR'000*
Salaries, allowances and other benefits	**1,640,467**	1,565,374
Bank charges and commission	**377,351**	349,347
Depreciation (Note 11(a))	**267,234**	226,245
Rental – office, vehicles, accommodation and equipment	**261,436**	203,652
Repairs, maintenance and insurance	**144,063**	133,745
Legal and consultancy fees	**101,330**	81,977
Communication	**76,362**	74,833
Provision for obsolete and slow-moving inventories (Note 15)	**50,297**	12,752
Stationery and publication materials	**40,777**	43,252
Impairment loss on receivables (Note 16(c))	**35,749**	14,422
Shipping and clearance expenses	**31,544**	35,736
Management fees	**26,161**	21,246
Office utilities	**20,226**	14,478
Travelling	**7,370**	6,217
Miscellaneous	**74,592**	131,461
	3,154,959	2,914,737

9 FINANCE COSTS

	2016	*2015*
	QR'000	*QR'000*
Interest expense	**432,922**	334,964
Ineffective portion of cash flow hedges	**-**	790
	432,922	335,754

10 INCOME TAX (EXPENSE) BENEFIT

The income tax (expense) benefit 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 jurisdiction to 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. The adjustments are based on the current understanding of the existing laws, regulations and practices of each jurisdiction in which the relevant subsidiary is 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
Lambrini Holdings Ltd.	United Kingdom	United Kingdom Corporation Tax Act 2010
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

11 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 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**

11 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 2014	22,218,125	4,398,418	2,708,214	851,024	1,732,756	11,592	439,222	11,569,213	43,928,564
Additions	8,116,947	-	-	55	43,622	1,901	46,003	8,164,799	16,373,327
Acquisition of subsidiaries (Note 2)	25,766,804	-	-	178,655	11,778	-	-	479,994	26,437,231
Reclassifications	4,977,617	1,374,432	1,077,017	60,324	249,881	(212)	7,272	(7,746,331)	-
Transfers	-	-	93,631	-	-	-	-	-	93,631
Disposals including write offs	(4,011,969)	(913,402)	(145,272)	(10,094)	(101,983)	(1,337)	(2,747)	(339,670)	(5,526,474)
Foreign currency translation adjustment	-	-	-	(23,829)	(8,301)	-	-	-	(32,130)
At 31 March 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
Depreciation and impairment:									
At 1 April 2014	9,881,631	1,939,073	1,031,196	185,787	1,096,492	10,955	295,401	-	14,440,535
Provided during the year	3,728,550	806,790	216,008	29,275	219,486	697	42,050	-	5,042,856
Acquisition of subsidiaries (Note 2)	3,592,076	-	-	-	4	-	-	-	3,592,080
Transfers	-	-	65,283	-	217	(217)	-	-	65,283
Recovery of impairment loss	-	-	-	(4,044)	(6,278)	(452)	-	-	(10,774)
Disposals including write offs	(384,129)	(869,639)	(95,495)	(284)	(91,185)	(1,234)	(2,506)	-	(1,444,472)
Foreign currency translation adjustment	-	-	-	(8,812)	(7,320)	-	-	-	(16,132)
At 31 March 2015	16,818,128	1,876,224	1,216,992	201,922	1,211,416	9,749	334,945	-	21,669,376
Net book value:									
At 31 March 2015	40,249,396	2,983,224	2,516,598	854,213	716,337	2,195	154,805	12,128,005	59,604,773

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes:

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

	2016 QR'000	*2015 QR'000*
Operating expenses (Note 6)	**5,311,134**	4,816,611
General and administrative expenses (Note 8)	**267,234**	226,245
	5,578,368	5,042,856

(b) Property, plant and equipment with a net carrying amount of QR 10,779 million (2015: QR 14,335 million) is mortgaged as security for certain interest-bearing loans (Note 24).

(c) Borrowing costs amounting to QR 3.1 million (2015: QR 57 million) was 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.

(d) 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:

	2016 QR'000	*2015 QR'000*
At 1 April	**14,130**	70,648
Disposed during the year	**(13,049)**	(28,170)
Transferred from/ (to) property, plant and equipment and inventory	**3,739**	(28,348)
At 31 March	**4,820**	14,130
Less: Allowance for impairment	**(4,820)**	(14,130)
	-	-

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

	2016 QR'000	*2015 QR'000*
At 1 April	**14,130**	70,648
(Impairment loss) Recoveries during the year	**3,739**	(28,348)
Amounts written-off	**(13,049)**	(28,170)
At 31 March	**4,820**	14,130

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes: (continued)

(e) *Aircraft fleet*

At 31 March 2016, the aircraft fleet comprised of 190 aircraft (2015: 159 aircraft) as follows:

Included in property, plant and equipment:

	2016 No.	*2015 No.*
Passenger		
Airbus A319	**2**	2
Airbus A320	**27**	31
Airbus A321	**4**	8
Airbus A330	**25**	25
Airbus A-340-600	**4**	4
Airbus A-380-800	**6**	4
Boeing B777-2DZLR	**-**	9
Boeing B777-3DZER	**27**	25
Boeing B787-8	**22**	15
Executive Jets		
Bombardier Challenger 605	**3**	3
Bombardier Global 5000	**5**	5
Gulfstream G650	**2**	-
	127	131
Freighter		
Boeing B777-200F	**8**	8
Airbus A330-200F	**5**	3
	13	11

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes: (continued)

(e) *Aircraft fleet (continued)*

Included under operating lease:

	2016	*2015*
	No.	*No.*
Passenger		
Airbus A320	**12**	-
Airbus A321	**4**	-
Airbus A330	**3**	4
Airbus A-340-600	**-**	-
Airbus 350-900	**8**	2
Boeing B777-200LR	**9**	-
Boeing B777-300DZER	**6**	3
Boeing B787-8	**5**	5
	47	14
Freighter		
Boeing B777-200F	**-**	-
Airbus A330-200F	**3**	3
	3	3
Total aircraft fleet	**190**	159

(f) Six Airbus A380 aircraft, seventeen Airbus A330 aircraft, eight Boeing B777 aircraft, six Boeing 787-8, two Gulf Stream aircraft and four Bombardier aircraft (2015: Four Airbus A380 aircraft, twenty Airbus A330 aircraft, five Airbus A321 aircraft, seven Airbus A320 aircraft, twelve Boeing B777 aircraft and four Bombardier aircraft), are registered in the names of certain special purpose companies that have been set up to securitise the respective finance obligations for each aircraft. These aircraft have been reflected as assets in the consolidated financial statements as the Group retains all the risks and rewards incidental to the ownership of the aircraft and enjoys substantially the same rights as to their use as it would for an asset registered in its own name (Refer to Note 24).

(g) Commitments under the aircraft operating leases are disclosed in Note 32.

12 INTANGIBLES

Intangible assets represent slots owned by the Group at London Heathrow airport, which establish the right to operate flights through that airport. These 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 slots have been reviewed and tested for impairment and the Group has not identified any impairment at the reporting date (2015: Nil).

13 INVESTMENT IN JOINT VENTURES

The Group has ownership interest in the following joint ventures:

Name	*Activities*	***Effective shareholding*** ***31 March 2016***	*31 March 2015*
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%
Ferrovial Qatar W.L.L. (FQ)	Primarily engaged in facility maintenance services	-	51%

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

	FMMC QR'000	***LFS QR'000***	***QASSP QR'000***	***FQ 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**

	FMMC QR'000	*LFS QR'000*	*QASSP QR'000*	*FQ QR'000*	*Total QR'000*
At 31 March 2015					
Current assets	203,136	44,735	17,507	45,548	310,926
Non-current assets	1,517	2,070	38,715	68	42,370
Current liabilities	(97,602)	(7,004)	(57,164)	(15,007)	(176,777)
Non-current liabilities	(3,840)	(474)	(533)	(528)	(5,375)
Net assets	103,211	39,327	(1,475)	30,081	171,144
The Group's share and the carrying amount of the investment	52,638	13,108	-	11,848	77,594

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

13 INVESTMENT IN JOINT VENTURES (CONTINUED)

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*	*FQ QR'000*	*Total QR'000*
2016					
Revenue	**380,535**	**128,031**	**104,467**	**57,758**	**670,791**
Profit for the year	**37,861**	**62,644**	**18,491**	**13,101**	**132,097**
Group's share of profit	**19,309**	**20,879**	**8,677**	**8,978**	**57,843**
2015					
Revenue	334,140	38,552	77,553	22,257	472,502
Profit for the year	68,952	16,292	2,093	7,695	95,032
Group's share of profit	35,166	5,189	1,067	3,848	45,270

The share in the losses of the joint ventures is recognised only up to the extent of the Group's investment in the joint ventures.

The joint ventures had no other contingent liabilities or capital commitments as at 31 March 2016 and 2015, except as disclosed in Note 30(b).

14 AVAILABLE-FOR-SALE INVESTMENTS

	2016 QR'000	*2015 QR'000*
Quoted equity shares	**6,453,117**	7,381,988
Quoted debt securities	**184,265**	-
Unquoted equity shares	**25,709**	25,709
Investment in mutual funds -net	**13,447**	36,484
	6,676,538	7,444,181

	2016 QR'000	*2015 QR'000*
At cost	**6,678,705**	6,463,590
Fair value reserve (Note 22)	**(2,167)**	980,591
	6,676,538	7,444,181

Fair values of quoted debt and equity securities are determined by reference to the published price. Investment in mutual funds is reported net of impairment amounting to QR 13.6 million (2015: Nil).

15 INVENTORIES

	2016 QR'000	2015 QR'000
Spare parts	**718,130**	611,090
Goods for resale	**261,719**	241,420
Catering materials	**192,860**	231,055
Goods-in-transit	**16,084**	23,375
Other supplies	**86,838**	82,701
	1,275,631	1,189,641
Less: Provision for obsolete and slow-moving inventories	**(75,354)**	(32,073)
	1,200,277	1,157,568

Movement in the provision for obsolete and slow-moving inventories is as follows:

	2016 QR'000	2015 QR'000
At 1 April	**32,073**	19,381
Provided during the year (Note 8)	**50,297**	12,752
Write-off during the year	**(7,016)**	(60)
At 31 March	**75,354**	32,073

16 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2016 QR'000	2015 QR'000
Trade accounts receivable	**2,394,301**	2,390,249
Amounts due from related parties (Note (a))	**235,838**	122,944
Accrued income	**68,188**	46,823
Deposits	**70,802**	76,733
Other receivables	**536,969**	500,495
	3,306,098	3,137,244
Less: Allowance for impairment of receivables (Note (c))	**(48,296)**	(28,089)
Less: Non-current portion of loan to a joint venture (Note (b))	**(12,224)**	-
	3,245,578	3,109,155
Prepayments	**237,244**	232,289
Advances to suppliers	**27,010**	16,815
	3,509,832	3,358,259

16 ACCOUNTS RECEIVABLE AND PREPAYMENTS (CONTINUED)

Notes:

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

	2016	*2015*
	QR'000	*QR'000*
Joint ventures:		
Qatar Airways SSP L.L.C.	**25,361**	49,460
Facilities Management and Maintenance Company L.L.C.	**2,496**	3,352
Ferrovial Qatar W.L.L.	**-**	61
Affiliates and other related parties:		
Amiri Flight	**185,080**	63,763
Hamad International Airport	**17,113**	-
Directors and other key management personnel	**50**	242
Other affiliates	**5,738**	6,066
	235,838	122,944

(b) For terms and conditions relating to amounts due from related parties, refer to Note 33. Out of the total amounts due from Qatar Airways SSP L.L.C., QR 19 million relates to interest bearing loan granted during the year.

(c) As at 31 March 2016, trade accounts receivable at nominal value of QR 48.3 million (2015: QR 28.1 million) were impaired. The other classes of financial assets were not impaired.

Movements in the allowance for impairment of receivables are as follows:

	2016	*2015*
	QR'000	*QR'000*
At 1 April	**28,089**	53,421
Charge for the year (Note 8)	**35,749**	14,422
Reversals	**-**	(530)
Amounts written-off	**(15,542)**	(39,224)
At 31 March	**48,296**	28,089

(d) At 31 March 2016, the ageing of unimpaired trade accounts receivable is as follows:

			Past due but not impaired				
	Total	*Neither past due nor impaired*	*< 30 days*	*30 – 60 days*	*61 – 90 days*	*91 – 120 days*	*>120 days*
	QR'000	*QR'000*	*QR'000*	*QR'000*	*QR'000*	*QR'000*	*QR'000*
2016	**2,346,005**	**2,051,944**	**121,659**	**68,862**	**50,465**	**15,534**	**37,541**
2015	2,362,160	2,110,638	147,963	49,326	8,742	14,128	31,363

Unimpaired receivables are expected on the basis of past experience to be fully recoverable. The trade accounts receivable includes certain receivables covered by collateral or bank guarantees.

17 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:

	2016	*2015*
	QR'000	*QR'000*
Cash at banks and on hand	**2,574,865**	2,404,427
Short-term deposits	**20,210,150**	12,230,593
	22,785,015	14,635,020
Less: Short-term deposits with original maturity of more than 3 months	**(10,716,686)**	(8,960,585)
Cash and bank balances as per consolidated statement of financial position	**12,068,329**	5,674,435
Less: Restricted bank balance	**(200)**	(130,200)
Cash and cash equivalents as per consolidated statement of cash flows	**12,068,129**	5,544,235

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 9,263 million (2015: QR 7,795 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 restricted deposits amounting to QR 500 million (2015:QR 75 million) in certain countries that the Group operates. The 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.

18 SHARE CAPITAL

	2016	*2015*
	QR'000	*QR'000*
Authorised shares		
5,217,031,379 shares of QR 10 each	**52,170,314**	52,170,314
Issued and fully paid shares		
4,343,071,400 shares (2015: 3,869,676,400 shares) of QR 10 (2015: QR 10) each	**43,430,714**	38,696,764

Notes:

(a) In 2011, the Extraordinary General Assembly of the Company approved the increase of the authorised and paid-up capital of the Company by issuing one share of nominal value of QR 10 at a premium of QR 16,300 million to the Government of the State of Qatar through conversion of shareholder advances. The share premium arising out of this increase in capital is included in the legal reserve (Note 20).

(b) In 2014, the Extraordinary General Assembly of the Company approved the increase of the authorised and paid up capital of the Company by issuing 1,193,342,200 shares of nominal value of QR 10 per share to the Government of the State of Qatar through conversion of shareholder advances (Note 21).

18 SHARE CAPITAL (CONTINUED)

Notes:

(c) In 2015, the Extraordinary General Assembly of the Company approved the increase of the authorised capital of the Company by 4,009,309,178 shares of nominal value of QR 10 per share, in the share capital of the Company. In the same Extraordinary General Assembly, paid up capital of the Company was also increased by issuance of 2,661,954,178 shares of nominal value of QR 10 per share to the Government of the State of Qatar on account of the following:.

	2015 *QR'000*
Shares issued in consideration for acquisition of QALC (Note 2)	18,574,289
Shares issued in consideration for cash	8,045,253
	26,619,542

(d) During the year, the Extraordinary General Assembly of the Company approved the increase of paid up capital of the Company by issuing 473,395,000 shares of nominal value of QR 10 per share to the Government of the State of Qatar through conversion of shareholder advances (Note 21). The Company is in the process of amending its Commercial Registration and Article of Association to reflect the changes.

19 CAPITAL RESERVE

Capital reserve represents 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.

20 LEGAL RESERVE

	2016 ***QR'000***	*2015* *QR'000*
Transfer of profit	**329,537**	168,947
Share premium (Note 18)	**16,300,080**	16,300,080
	16,629,617	16,469,027

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.

21 SHAREHOLDER ADVANCES

Shareholder advances represent advances from the Government of the State of Qatar, which are non-interest bearing and unsecured. These shareholder advances are repayable or convertible to share capital at the option of the Group's shareholder. Shareholder advances were converted to share capital, as explained in Note 18 to these consolidated financial statements.

22 FAIR VALUE RESERVE

	2016			2015		
	Cash flow hedges	***Available-for-sale investments***	***Total***	*Cash flow hedges*	*Available-for-sale investments*	*Total*
	QR'000	***QR'000***	***QR'000***	*QR'000*	*QR'000*	*QR'000*
At 1 April	**(2,787,361)**	**980,591**	**(1,806,770)**	(76,460)	513,856	437,396
Net unrealised gain on fair valuation	**-**	**(984,359)**	**(984,359)**	-	650,461	650,461
Net amount transferred to the consolidated income statement	**36,102**	**1,601**	**37,703**	-	(183,726)	(183,726)
Net unrealised loss on cash flow hedges	**(2,602,932)**	**-**	**(2,602,932)**	(2,710,901)	-	(2,710,901)
Net movement shown as part of other comprehensive income	**(2,566,830)**	**(982,758)**	**(3,549,588)**	(2,710,901)	466,735	(2,244,166)
At 31 March	**(5,354,191)**	**(2,167)**	**(5,356,358)**	(2,787,361)	980,591	(1,806,770)

23 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.

24 INTEREST-BEARING LOANS

	2016	*2015*
	QR'000	*QR'000*
Mortgage loans (i)	**11,405,058**	9,496,891
Term loan 1 (ii)	**5,273,652**	4,226,890
Term loan 2 (iii)	**1,456,600**	-
Term loan 3 (iv)	**983,205**	1,310,940
Term loan 4 (v)	**167,667**	-
Term loan 5 (vi)	**111,240**	116,068
Term loan 6 (vii)	**-**	2,366,975
	19,397,422	17,517,764
Presented in the consolidated statement of financial position as follows:		
Current portion	**3,485,995**	4,344,762
Non-current portion	**15,911,427**	13,173,002
	19,397,422	17,517,764

Notes:

i. A series of structured arrangements were entered into by the Group whereby a number of Special Purpose Companies (SPCs) were established for the purpose of purchasing the A330, A380, B777, B787-8, G650 and Bombardier aircraft from Airbus Industries, The Boeing Company, Gulf Stream and Bombardier. Pursuant to the aircraft purchase agreements and assignment and delegation agreements, these SPCs took title to these aircraft and subsequently, the Group entered into agreements with the SPCs to lease these aircraft. The SPCs entered into Aircraft Mortgage and Security Assignment Agreements with the Security Trustee mortgaging the aircraft and assigning all the rights relating to the aircraft to the Security Trustee. As the Group retains all risks and rewards incidental to the ownership of the aircraft and enjoys substantially the same rights as to their use as it would have for an asset registered in its own name, the assets (refer Note 11(f)) and the liabilities relating to these assets have been included in these consolidated financial statements. These loans carry interest at effective interest rate and are repayable over the period specified in each individual loan agreements and are guaranteed by the Government of the State of Qatar.

ii. Term loan 1 represents GBP denominated loan in 2015 obtained from a financial institution in the United Kingdom to partly finance the acquisition of available-for-sale investments. The loan is secured by a pledge of the investments and carries interest at commercial rate. The loan had an original maturity of twelve (12) months, which was extended until April 2016. In October 2015, the GBP term loan was converted to a three year USD term loan repayable at maturity and carries interest at commercial rate. At 31 March 2016, the current market value of the available-for sale investments pledged amounted to QR 5.96 billion (2015: QR 6.63 billion).

iii. Term loan 2 represents USD short term loan (6 months) obtained from a commercial bank in Qatar to finance working capital requirements of the Group. Loan carries interest at commercial rates.

iv. Term loan 3 represents a loan obtained by the Group from a Government owned entity in December 2013 for a total of US Dollar 450 million. This loan carries interest at fixed rate and repayable at fixed semi-annual instalments. The loan is unsecured and guaranteed by the State of Qatar.

24 INTEREST-BEARING LOANS (CONTINUED)

Notes: (continued)

v. Term loan 4 represents mortgage loan obtained by the Group from a Government owned entity in December 2015. The loan was obtained for the purpose of acquiring residential properties in State of Qatar. The loan shall be repaid in 5 annual instalments with 6 years grace period from the date of drawdown and carries interest at commercial rate to be paid in semi-annual payments. The loan is secured by the residential properties with a carrying amount of QR 160 million.

vi. Term loan 5 outstanding as of 31 March 2015 was subsequently settled by the subsidiary from the proceeds of the new GBP loan obtained during the year from a financial institution owned by the State of Qatar. The loan is repayable within 10 years and carries interest at GBP Libor rate plus an applicable margin.

vii. Term loan 6 represents three-year, syndicated term loan entered by a subsidiary for the purpose of acquiring aircraft amounting to US Dollar 650 million in January 2013. The syndicated term loan includes participation by a Government-owned entity, whose balance is considered as not significant. The syndicated term loan carries interest at LIBOR plus margin. The interest is payable on the last day of each interest period. The syndicated term loan is unsecured and guaranteed by the State of Qatar. In January 2016, the loan has matured and was settled in full by the subsidiary.

25 EMPLOYEES' END OF SERVICE BENEFITS

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

	2016	*2015*
	QR'000	*QR'000*
At 1 April	**913,955**	728,788
Acquisition of a subsidiary (Note 2)	**-**	83
Provided during the year	**229,410**	233,884
End of service benefits paid	**(217,785)**	(48,800)
At 31 March	**925,580**	913,955

26 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:

	2016	*2015*
	QR'000	*QR'000*
Current portion (Note 28)	**46,945**	49,043
Non-current portion	**79**	52
	47,024	49,095

27 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.

Movement in the unredeemed frequent flyer liabilities recognised in the consolidated statement of financial position is as follows:

	2016 ***QR'000***	*2015* *QR'000*
At 1 April	**558,785**	546,603
Net provision during the year	**(6,668)**	12,182
At 31 March	**552,117**	558,785

28 ACCOUNTS PAYABLE AND ACCRUALS

	2016 ***QR'000***	*2015* *QR'000*
Trade accounts payable	**1,837,018**	2,607,513
Accrued expenses	**1,885,975**	1,779,910
Current portion of retention payable (Note 26)	**46,945**	49,043
Interest payable	**37,750**	25,681
Maintenance provision (Note (b))	**28,998**	31,503
Amounts due to related parties (Note (a))	**10,243**	16,116
Advances to suppliers	**8,469**	5,655
Unearned revenue	**6,375**	10,491
Tax payable	**1,522**	5,424
Notes payable	**-**	5,045
Other payables	**378,741**	358,346
	4,242,036	4,894,727

Notes:

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

	2016 ***QR'000***	*2015* *QR'000*
Affiliates and other related parties:		
Hamad International Airport	**-**	13,022
Aer Rianta International Middle East W.L.L.	**1,219**	984
Other affiliates	**9,024**	2,110
	10,243	16,116

Terms and conditions relating to amounts due to related parties are disclosed in Note 33.

28 ACCOUNTS PAYABLE AND ACCRUALS (CONTINUED)

Notes (continued):

(b) Movement in the maintenance provision recognised in the consolidated statement of financial position is as follows:

	2016 ***QR'000***	*2015* *QR'000*
At 1 April	**31,503**	30,441
Provided during the year	**68,156**	23,433
Utilised during the year	**(70,661)**	(22,371)
At 31 March	**28,998**	31,503

29 CREDITS RECEIVED FROM SUPPLIERS

The credits received from suppliers are presented in the consolidated statement of financial position as follows:

	2016 ***QR'000***	*2015* *QR'000*
Current portion	**2,824**	11,772
Non-current portion	**31,068**	218,947
	33,892	230,719

30 CONTINGENT LIABILITIES

(a) The Group is involved in certain claims and litigations related to its operations. In the opinion of management, 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 2016, the Group had contingent liabilities in respect of performance bonds, letters of credit and letters of guarantee amounting to QR 304 million (2015: QR 381 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.

31 CAPITAL COMMITMENTS

Commitments for the purchase of aircraft and engines

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

	2016	*2015*
	QR'000	*QR'000*
Authorised and contracted	**225,632,197**	235,710,704

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

	Number of Aircraft	
	2016	*2015*
Within 1 year	**35**	40
More than 1 year	**171**	184
	206	224

Other capital projects

	2016	*2015*
	QR'000	*QR'000*
Other capital projects	**132,603**	105,019

Others

As at 31 March 2016, the Group had raised various orders amounting to QR 1,221 million (2015: QR 878 million) to purchase rotables, spares and other aircraft related items. The Group expects to receive these within six months.

32 COMMITMENTS UNDER OPERATING LEASES

The Group operates 50 (2015: 17) aircraft under operating lease agreements. The Group's obligation under these operating leases up to the earliest termination dates are as follows:

	2016	*2015*
	QR'000	*QR'000*
Within one year	**1,692,735**	609,698
After one year but not more than five years	**7,981,972**	2,491,900
More than five years	**4,560,131**	2,143,402
	14,234,838	5,245,000

33 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:

	2016 ***QR'000***	*2015* *QR'000*
Affiliates and other related parties:		
Other income	**163,145**	132,542
Interest income	**153,158**	113,307
Finance cost	**31,515**	36,122
Management fees	**11,822**	10,837

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 2016, there was no impairment of receivables relating to amounts owed by related parties (2015: 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 16, 28, 17 and 24 respectively.

In addition to the above, the Group has also entered into transactions 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 was as follows:

	2016 ***QR'000***	*2015* *QR'000*
Short-term benefits	**38,113**	40,091
Employees' end of service benefits and pension benefits	**2,271**	1,950
	40,384	42,041

34 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Interest rate swaps
The Group has entered into interest rate swap contracts effective up to February 2016 in order to hedge against the interest rate risk arising from certain loans due to variable interest rates. Under the terms of the interest rate swap contracts, the Group pays fixed rates ranging from 3.365% to 4.262% plus applicable margin and receives floating LIBOR rates. The terms of the interest rate swap contracts have been negotiated to match the terms of the loans and borrowings. All interest rate swap contracts have expired during the year and the Group has not entered into new contracts.

Fuel hedging contracts
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. A change in price of one US Dollar per barrel of jet fuel affects the Group's annual fuel costs by QR 134 million (2015: QR 112 million) assuming no change in volume of fuel consumed.

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.

Derivative financial instruments included in the consolidated statement of financial position are as follows:

	2016 QR'000	*2015 QR'000*
Derivative assets		
Foreign exchange forward contracts	**63,716**	4,876
Positive fair value	**63,716**	4,876

	2016 QR'000	*2015 QR'000*
Derivative liabilities		
Jet fuel hedging contracts	**5,230,042**	2,680,227
Interest rate swap contracts	**-**	36,102
Foreign exchange forward contracts	**125,112**	26,228
Negative fair value	**5,355,154**	2,742,557
Presented in the consolidated statement of financial position as:		
Current portion	**3,520,416**	300,890
Non-current portion	**1,834,738**	2,441,667
	5,355,154	2,742,557

35 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 QR 166 million (2015: QR 133 million) and is included in other income.

36 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, available-for-sale investments, 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.

	Effect on profit	
	2016	*2015*
	QR'000	*QR'000*
	+25b.p	*+25b.p*
US Dollars	**(23,198)**	(20,600)
Others	**22,787**	(9,538)

36 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 explained in Note 34.

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

Trade accounts payable and interest bearing loans include an amount of QR 2,414 million (2015: QR 7,326 million) due in foreign currencies, mainly in Euro, US Dollar, Chinese Yuan, Hong Kong Dollar, Indian Rupee and Great Britain Pound.

Trade accounts receivable includes an amount of QR 943 million (2015: QR 1,827 million) in foreign currencies, mainly in Euro, US Dollar, Indian Rupee, Nigerian Naira, Australian Dollar, Hong Kong Dollar, Chinese Yuan, Iranian Rial and Great Britain Pound.

Bank balances includes an amount of QR 637 million (2015: QR 233 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, Iranian Rial 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, 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	
	2016	*2015*
	QR'000	*QR'000*
	5%	*5%*
Euro	**(29,160)**	(25,606)
Great Britain Pound	**13,467**	(187,461)
Iranian Rial	**4,063**	3,144
Other currencies	**23,342**	12,730
	11,711	(197,193)

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 2016		
London Stock Exchange	+5%	**273,674**
Qatar Exchange	+5%	**24,512**
Madrid Stock Exchange	+5%	**24,470**
At 31 March 2015		
London Stock Exchange	+5%	304,212
Qatar Exchange	+5%	37,397
Madrid Stock Exchange	+5%	27,494

36 FINANCIAL RISK MANAGEMENT (CONTINUED)

Jet fuel price risk
The jet fuel price risk sensitivity analysis 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 QR'000	*Effect on profit QR'000*	*Effect on equity QR'000*
At 31 March 2016	**+1**	**(134,001)**	**118,585**
At 31 March 2015	+1	(112,382)	106,405

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
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's exposure to credit risk is indicated by the carrying amount of its assets which consist principally of trade accounts receivable, other receivables, derivative financial instruments, amounts due from related parties, other deposits, short-term deposits and bank balances.

The Group sells its passenger and cargo transportation services through its offices and appointed sales agents in each country in which it operates. The sale is largely achieved through International Air Transport Association ("IATA") approved agents. All IATA agents have to meet minimum financial criteria applicable to their country of operation to remain accredited. Adherence to the financial criteria is monitored on an ongoing basis by IATA through their agency programme. Accordingly, management is of the opinion that the credit risks associated with such sales agent is relatively small owing to a broad diversification.

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

The Group's five largest debtors account for 3% of outstanding trade accounts receivable as at 31 March 2016 (2015: 9%). Its maximum exposure with regard to the trade accounts receivable, net of allowance reflected at the reporting date was:

	2016 QR'000	*2015 QR'000*
Qatar	**502,925**	1,040,141
Other countries	**1,843,080**	1,322,019
	2,346,005	2,362,160

36 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	2016 ***QR'000***	*2015* *QR'000*
Bank balances and short-term deposits	**17,417,252**	14,625,947
Deposits	**70,802**	76,733
Available-for-sale investments - debt securities	**184,265**	-
Amounts due from related parties	**235,838**	122,944
Derivative financial instruments	**63,716**	4,876
Other receivables	**536,969**	500,495
	18,508,842	15,330,995

The Group places significant short-term deposits with banks. The Group reduces the exposure of credit risk arising from bank balances by maintaining bank accounts with reputed banks.

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet 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.

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 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	**10,243**	**-**	**-**	**10,243**
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**
	9,637,427	**13,971,642**	**4,774,685**	**28,383,754**

36 FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

	Less than 1 year QR'000	*1 to5 years QR'000*	*> 5 years QR'000*	*Total QR'000*
At 31 March 2015				
Interest-bearing loans	4,670,877	11,584,021	2,551,559	18,806,457
Trade accounts payable	2,607,513	-	-	2,607,513
Amounts due to related parties	16,116	-	-	16,116
Note payable	5,045	-	-	5,045
Retention payable	49,043	52	-	49,095
Derivative financial instruments	300,890	2,441,667	-	2,742,557
Other financial liabilities	384,027	-	-	384,027
	8,033,511	14,025,740	2,551,559	24,610,810

The following table shows the gross undiscounted cash flows of interest rate swaps and 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 2016				
Foreign exchange forward contracts				
Inflows	**63,716**	**-**	**-**	**63,716**
Outflows	**(125,112)**	**-**	**-**	**(125,112)**
Net	**(61,396)**	**-**	**-**	**(61,396)**

	Less than 1 year QR'000	*1 to 5 years QR'000*	*> 5 years QR'000*	*Total QR'000*
At 31 March 2015				
Interest rate swaps contracts				
Inflows	2,992	24,965	7,125	35,082
Outflows	(4,799)	(12,139)	(2,333)	(19,271)
Net	(1,807)	12,826	4,792	15,811
Foreign exchange forward contracts				
Inflows	4,876	-	-	4,876
Outflows	(26,228)	-	-	(26,228)
Net	(21,352)	-	-	(21,352)

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 2016 and 2015.

Capital, which includes share capital and retained earnings is measured at QR 44,582 million as on 31 March 2016 (2015: QR 38,389 million).

37 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of trade accounts receivable, available-for-sale investments, 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 2016, 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 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	**6,466,564**	**6,453,117**	**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**

At 31 March 2015	*Total*	*Level 1*	*Level 2*	*Level 3*
	QR'000	*QR'000*	*QR'000*	*QR'000*
Assets measured at fair value:				
Available-for-sale investments	7,418,472	7,381,988	36,484	-
Foreign exchange contracts	4,876	-	4,876	-
Liabilities measured at fair value:				
Jet fuel hedging contracts	2,680,227	-	2,680,227	-
Foreign exchange forward contracts	26,228	-	26,228	-
Interest rate swap contracts	36,102	-	36,102	-
Unredeemed frequent flyer liabilities	558,785	-	-	558,785

During the year ended 31 March 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 option/swap contracts were determined by reference to available market information. As the Group hedges its jet fuel requirements in WTI OIL NYMEX/Brent and that the majority of the Group's fuel uplifts are in US Dollar, the WTI price US Dollar 38.34/bbl (2015: US Dollar 47.60/bbl) and Brent price US Dollar 39.60/bbl (2015: US Dollar 55.11/bbl) were used as the input for market fuel price to the valuation model.

The fair values of WTI/Brent crude oil swap contracts are also 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.

The fair values of interest rate swaps and foreign exchange forward contracts have been derived from the counter party valuations as at the end of the reporting date.

The fair values of the financial instruments, with the exception of certain unquoted shares included in available-for-sale investments, which are carried at cost (Note 14), are not materially different from their carrying values.

38 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 available-for-sale financial investments
The Group treats available-for-sale financial investments as impaired when there has been a significant or prolonged decline in fair value below its cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires considerable judgment. The Group treats “significant” generally as 20% or more and ‘prolonged’ as greater than six (6) months. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and discount factors for unquoted equities.

Impairment losses on equity investments are not reversed through the consolidated income statement and increase in fair value after impairment are recognised directly in equity through other comprehensive income.

Impairment of trade accounts receivable and amounts due from related parties
An estimate of the collectible amount of trade accounts receivable and amounts due from related parties is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and an allowance applied according to the length of time past due.

At the reporting date, gross trade accounts receivable and amounts due from related parties were QR 2,394 million and QR 236 million, respectively (2015: QR 2,390 million and QR 123 million, respectively) with allowance for impairment of receivables amounting to QR 48 million and Nil, respectively (2015: QR 28 million and Nil, respectively). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated income statement.

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 1,276 million (2015: QR 1,190 million) with provision for obsolete and slow-moving inventories amounting to QR 75 million (2015: QR 32 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.

38 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

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

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

Revenue recognition
Passenger revenue is recognised when the transportation is provided. Ticket sales that are not expected to be used for transportation (‘unutilised flight documents’) are recognised as revenue using estimates regarding the timing of recognition based on the terms and conditions of the ticket and historical trends.

During the year, changes in estimates regarding the timing of revenue recognition primarily for unutilised flight documents were made. The change in estimate reflected more accurate and timely data obtained through the increased use of electronic tickets.

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.

Fair value of financial instruments
When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of the financial instruments.

Consolidation
The Group has carried out an assessment of its arrangements with other shareholders, through a review of shareholder agreements and other documentation establishing rights and obligations of the shareholders, for its investments in joint venture and other entities. In assessing whether the Group exercises control over an investee, the Group has considered whether it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

39 COMPARATIVE FIGURES

Certain comparatives for 2015 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.