NAKILAT ناقلات

2005 Annual Report

NAKILAT ناقــلات

Qatar Gas Transport Company Ltd. (NAKILAT)

A Joint-Stock Company

Name of the Company	Qatar Gas Transport Company Ltd. (NAKILAT), a joint-stock Company.
Capital of the Company	The authorized capital of the Company amounts to QR 5,600,000,000 (five billion and six hundred million Qatari Riyals) divided into 560,000,000 (five hundred and sixty million) shares.
The Nominal Value of the Stock	QR 10 (ten Qatari Riyals)
Headquarters of the Company	The headquarters and registered office of the Company are in the city of Doha, State of Qatar.
The Term of the Company	The fixed term of the Company is fifty Gregorian years, commencing from the date of issue of the decision of the Minister of Economy and Commerce authorizing its establishment. The term may be extended by a decision of the extraordinary general assembly.
The Financial Year of the Company	The financial year of the Company commences on 01 January and ends on 31 December of each year. The first financial year commenced upon establishment of the Company on 09 June 2004, and terminated on 31 December 2005.
Registration of Company's Stocks for Circulation	The Company's shares are registered on the Doha Securities Market, and the dealing of such shares is in accordance with the regulations of the market. A maximum of 25% of the total shares of the Company may be owned by non-Qatari citizens, in accordance with Government legislation.

Company Mission and Vision Statement

Vision Statement

Our Vision is to be the world's largest owner and operator of LNG vessels and associated product carriers. Our Ship Repair Yard will be a world class "center of excellence" for the repair and maintenance of very large LNG carriers and other large vessels, and a national asset for the State of Qatar. We will continue to expand our marine-related businesses such as Nakilat Agency, the chandlery, warehousing and provision of towage and coastal craft services, such that Nakilat is a full-service marine supplier that maximizes the synergies of these related businesses.
This will all be realized while maintaining the highest level of integrity, placing safety, health and the environment at the top of our agenda, and treating our employees and customers with respect and dignity.

Mission Statement

It is the Mission of Qatar Gas Transport Company to maximize shareholder value by optimizing investments in our core businesses of transporting LNG and associated products, and providing a fully-integrated logistics service to vessels trading onto Qatari ports; as well as seeking out new marine-related investment opportunities.

This will be accomplished through:

- Diligent management;
- Entrepreneurship;
- Recruiting, developing and retaining the highest quality personnel;
- Stringent cost control;
- Effective risk management;
- Innovative financing;
- Maximizing synergies available to us.

IN THE NAME OF

ALLAH

THE MOST

MERCIFUL

THE MOST

COMPASSIONATE

H.H. Sheikh Hamad Bin Khalifa Al-Thani
The Emir of the State of Qatar

H.H. Sheikh Tamim Bin Hamad Al-Thani
The Heir Apparent

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BOARD OF DIRECTORS

H.E. Abdullah Bin Hamad Al-Attiyah
Second Deputy Prime Minister
Minister of Energy and Industry
Chairman, QGTC

Mr. Faisal Mohammed Al-Suwaidi
Vice-Chairman, QGTC
Vice Chairman & Managing Director, Qatargas

BOARD OF DIRECTORS

Mr. Salem Batti Al Noaimi
Member

Mr. Khalifa Saqr Al Hitmi
Member

Mr. Ali Mohammad Al Hammadi
Member

Mr. Nasser Mohammad Al Noaimi
Member

Mr. Yaseen Ali Ahmed Al Binali
Member

CHAIRMAN'S MESSAGE

INTRODUCTION

As-salam alaykum,

On behalf of the Board of Directors of Qatar Gas Transport Company Ltd. ("QGTC" or "Nakilat"), I am pleased to present to you the company's first Annual Report, which covers the financial period from inception, on 09 June 2004, to 31 December 2005.

THE FLOTATION

A successful IPO

QGTC is one of the largest integrated industrial holding companies in Qatar and the GCC. The company's original flotation was one of the largest and most successful IPOs in our country's history.
With the flotation of the company on the Doha Securities Market in April 2005, we aimed at creating a low risk investment opportunity for the Qatari public. Since the flotation, the company has continued to remain one of the most actively traded securities on the Doha Securities Market.

LNG SHIPPING ACTIVITIES

Securing the LNG supply chain

QGTC is positioned to become the world's largest shipper of liquefied natural gas (LNG). Establishment of the company was a logical step for a country which has embarked on such an impressive number of gas development programs over the past few years.

QGTC has been set-up to handle the shipping requirements of all new LNG production in Qatar. Acting either alone, or in joint venture with other ship-owners, depending upon the circumstances, Nakilat will acquire large vessels and subsequently charter them to LNG producers to meet their transportation requirements. In its short history since inception, Nakilat has already formed a number of joint-ventures with international ship-owners, and further deals are underway.

The company's operations are therefore a fundamental component in the supply of Qatar's natural gas to world markets. Nakilat's significant investments in LNG tankers allow Qatar to secure another aspect of its LNG supply chain, while ensuring control over the cost of delivering its products, and further consolidating the country's ambition to become the world's largest exporter of natural gas.

Changing the fundamentals of the LNG business

By joining forces with various LNG venture partners and introducing very large LNG tankers, Nakilat has been able to develop cost-effective shipping solutions, allowing Qatari LNG to reach distant gas markets at reasonable cost.

By continuing to be innovative and introduce state-of-the-art technology, Nakilat will maintain a competitive edge.

OTHER ACTIVITIES

In addition to handling the shipping of all new LNG production in Qatar, Nakilat's activities also cover the transportation of associated products, plans for the construction of a ship repair yard, and domestic activities which include a shipping agency as well as a marine supply company.

Transportation of Associated Products

As LNG production increases significantly over the next decade, associated product output is similarly set to rise. The Qatargas II project alone is expected to deliver 1.7 million tonnes per year of LPG, plus 700,000 tonnes per year of sulphur and 100,000 barrels per day of condensate.
With the startup of "lean" LNG trains, the need for the transportation of associated products will inevitably increase. Not only are associated products valuable, but they must be exported in a timely and reliable manner, so that storage capacities are not exceeded and the production of LNG, GTL and pipeline gas production are not impeded.

It is anticipated that QGTC will become a primary transport provider for associated products from the gas industry, such as LPG and sulphur.

Ship Repair Yard

The company also has other interests, including plans to develop a world-class dry docking facility and Ship Repair Yard in the port of Ras Laffan. The QGTC yard will concentrate upon the repair of vessels at the larger end of the vessels spectrum, and will become a "centre of excellence" for repair and maintenance of LNG carriers. The Yard will occupy approximately 40 hectares (100 acres) and is estimated to cost some US $450 million.

Domestic Activities

Nakilat Shipping Agency was formed in 2005 after the privatization of the port shipping agency in Ras Laffan. Steady growth in the shipping industry and estimates for the number of ships calling at the port to treble to 4,000 vessels per annum within the next five years, led to the decision to privatize the RLC agency. Thus, the Nakilat Agency Company was formed. It is owned 95% by QGTC and 5% by Qatar Petroleum.

The Nakilat Shipping Agency is established to represent all vessels calling at the Port of Ras Laffan. Further down the line, the company is preparing to extend the service to other ports and act as a global hub agent. Its vision is to be recognized as a world-class shipping agency, which will coordinate and facilitate all the shipping needs and support to vessels at the Ras Laffan port.

Nakilat Fuji subsidiary company (owned 65% by QGTC & 35% by Middle East Fuji LLC) was formed in July 2005 to provide marine supplies and engineering services to vessels arriving at Ras Laffan port. It is Nakilat Fuji's goal to become the 'supplier of choice' for vessels calling in the ports of Ras Laffan, Messaied and Doha.

SUMMARY

Natural gas is no longer simply an environmentally-friendly form of energy - it has now become a major and integral part of Qatar's economic strategy.

Nakilat is therefore a key element in the development of the country. All of us at Nakilat are fully aware of this responsibility, and appreciate the strong interest and support shown for our company by the State of Qatar and its people. We realize the high expectations held by you all, and are working hard to help make them a reality.

In closing, the Board and I would like to express our appreciation and thanks to the shareholders, for their loyalty and continued support to the company. We would also like to acknowledge and thank our management team, our commercial venture partners and all the staff involved, for their hard work and commitment, which has made Nakilat an integral part of our country's continuing economic success.

Thank you, was-salam alaykum.

Abdullah bin Hamad Al-Attiyah
Second Deputy Prime Minister
Minister of Energy and Industry
Chairman of Qatar Gas Transport Company

BOARD OF DIRECTORS REPORT

INTRODUCTION

The Board of Directors of Qatar Gas Transport Company Ltd. ("QGTC" or "NAKILAT") is pleased to present its first Annual Report, which covers the period 09 June 2004 to 31 December 2005.

NAKILAT was formed in 2004, as part of a long-term privatization strategy established by HH Sheikh Hamad bin Khalifa al-Thani the Emir of Qatar, aimed at enabling the people of Qatar to share in the wealth generated by the oil, gas and petrochemical industries of the country.

Qatar aims to become the world's largest exporter of natural gas by the year 2010. Natural gas is transported to overseas markets in liquefied form, at very low temperature, in specially designed ships, known as LNG carriers. The primary role of NAKILAT is to own and operate a large fleet of LNG carriers, which will serve Qatar's LNG mega-projects, such as those of RasGas and QatarGas, in the years ahead.

DIVERSIFICATION

Developing Qatar's natural gas reserves

The economy of Qatar has grown at an incredible rate over the past few years. The country has not only benefited from high oil prices in recent times, but more importantly from its strategy of developing natural gas production, as well as other diversification initiatives. Such foresight from the Emir, HH Sheikh Hamad bin Khalifa al-Thani, has laid the foundation for the country's impressive economic progress.

An overview of the energy sector illustrates the potential rewards of developing Qatar's extremely large natural gas reserves. The world demand for oil is increasing at a steady, but modest rate, and the markets are currently well-supplied. However, the demand for natural gas is increasing rapidly, and Qatar is in an excellent position to supply new demand. The latest official figures show Qatar to have the third largest proven gas reserves in the world, after Russia and Iran. Presently, Qatar has an annual production capacity of 37.8bn cu metres. It is estimated that by the year 2011, Qatar will export 77 million tonnes of LNG annually to global markets, making Qatar the world's largest exporter of LNG.

These developments are being driven by the rising price of energy, coupled with booming global demand. The demand for LNG is rising worldwide, due to a surge in both domestic and industrial consumption, coupled with an increasing desire in many countries to move to cleaner fuel. European and US companies have been particularly interested in Qatari gas, and other countries are also now weighing in.

OUR COMPANY

High ambitions

NAKILAT is a company with high ambitions. It has set an objective of becoming the world's largest shipper of LNG by 2010. Although ambitious, this objective is not unrealistic when it is considered that the company has been set-up to handle the shipping requirements of all new LNG producers transportation requirements, which is expected to amount to over 77 million tonnes a year by 2011.

QGTC's ambitions extend far beyond the LNG market. It also intends to become a major transporter of associated products such as liquefied petroleum gas (LPG), sulphur and condensate, as well as the operator of one of the region's biggest ship repair facilities, which is scheduled to start up in 2009 at Ras Laffan. Such expansion is even more striking when the very short timescales in which QGTC aims to complete its development programs are considered.

Since incorporation, QGTC has established several subsidiary and joint venture companies:

(a) **Nakilat Agency Company Ltd.** (owned 95% by QGTC & 5% by Qatar Petroleum), was formed in May 2005, to privatize the Ras Laffan Port Agency. The scope of the company's activities has since been expanded to cover all international ports used by the LNG carriers of Qatar Liquefied Gas Company.

(b) Nakilat Fuji (owned 65% by QGTC & 35% by Middle East Fuji LLC) was formed in July 2005, to provide marine supplies and engineering services to vessels visiting the Port of Ras Laffan.

(c) Maran Nakilat (owned 30% by QGTC & 70% by Maran Ventures Inc.) was formed in July 2004, jointly owns 4 LNG Vessels to be chartered to RasGas.

(d) J4 Nakilat (owned 30% by QGTC & 70% by J4 Consortium (MOL, NYK, Mitsui and Kawasaki)) was formed in August 2004, jointly owns 1 LNG Vessels to be chartered to RasGas.

(e) Teekay II Nakilat (owned 30% by QGTC & 70% by Teekay) was formed in September 2004, jointly owns 3 LNG Vessels to be chartered to RasGas.

(f) OSG Nakilat JV (Nakilat Marine Services) (owned 50.1% by QGTC & 49.9% by OSG International Inc.) was formed in November 2004, jointly owns 4 LNG Vessels to be chartered to QatarGas.

(g) Pronav Nakilat Limited Partnership (owned 45% by QGTC & 55% by Neptana,Rana (General Partners) and Pronav (Limited Partner)) was formed in November 2004, jointly owns 4 LNG Vessels to be chartered to QatarGas.

(h) J5 Nakilat JV (owned 40% by QGTC & 60% by J5 Consortium (MOL, NYK, Mitsui, Iino and Kawasaki) was formed in July 2005, jointly owns 8 LNG Vessels to be chartered to RasGas.

(i) Teekay III Nakilat JV (owned 60% by QGTC & 30% by Teekay) was formed in September 2005, jointly owns 4 LNG Vessels to be chartered to RasGas.

QGTC's first operating period has been one of intensive activity QGTC will continue working toward becoming a world leader in marine transportation, through the provision of efficient and competitive services to the oil, gas and petrochemical industries of the State of Qatar. In this way, QGTC intends to create long-term value for its shareholders, customers and employees.

FINANCIAL REVIEW

A company in start-up phase

NAKILAT was formed in June 2004, prior to which the company did not trade. The financial results for the period 09 June 2004 to 31 December 2005 therefore reflect a company in start-up phase. Highlights in the first period of trading include:

Total Assets of the company increased to QR 2.9 billion (bn) as at 31 December 2005. Non-current assets, consisting of investments in LNG carriers, plant & equipment and other assets, totaled QR 1.9 bn, while current assets, including cash at bank stood at QR 0.98bn.

Shareholders' Equity amounted to QR 2.9 bn, mainly consisting of the initial equity contribution from the shareholders of QR 2.8 bn. This represents only half of the total equity contribution expected from the shareholders, with the other half scheduled for payment in 2007.

Total Operating Income for the year grossed a modest QR 85.5 million. Income consisted mainly of interest on QGTC's bank deposits QR 61.6 million and Share of profit from Joint Ventures QR 11.1 million. The company will be fully operational by the end of 2010. Income is expected to increase rapidly upon delivery of the vessels in the upcoming few years.

- **General & Administrative Expenses** amounted to QR 25.5m broken down as follow:

Professional Fees	QR13m
Staff Costs	QR 8m
Traveling	QR1.9m
Office Expenses	QR0.6m
Others (Rent/Telephones/Printing/etc)	QR2.0m

- **Cash and Cash Equivalents** QR 0.97 bn as at 31 December 2005. Major factors impacting the cash flow included:

	QR bn
Cash generated from financing activities (50% equity contribution)	2.79
Investments in LNG Carriers	(1.81)
Investment at DSM & other Qatari companies	(0.05)
Net Income received	0.04
Total Cash Balance	**0.97**

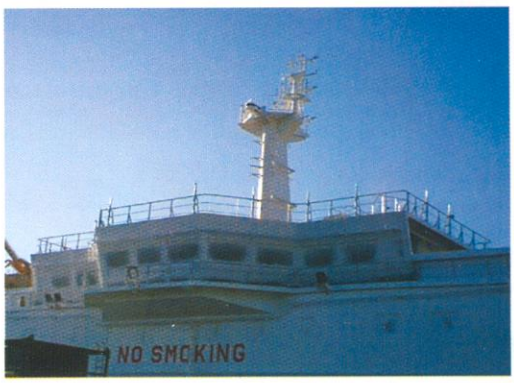
SUMMARY

An impressive start

NAKILAT has made an impressive start: long-term contracts have been initiated, projects are well underway and future demand has been secured. The fundamentals for the future success of the company are in place. With such a massive program of gas projects underway, Qatar looks set to reap the benefits of its natural energy resources - and continue on its path of stable economic growth, God Willing.

QGTC is vigorously pursuing opportunities in its various markets, developing ventures of strategic importance to the State of Qatar and its people. Accordingly, the Board of Directors of QGTC believes that the sound strategic direction adopted by our operating companies and their management teams, will eventually lead to healthy economic returns for both the country and our shareholders, God Willing.

As we look forward to next year, we reflect on the hard work and initiative of NAKILAT, its joint venture companies and their management teams, since inception. We believe that their combined efforts will, in due course, lead to great success for our company, God Willing.



CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD FROM JUNE 9, 2004 (INCEPTION DATE) TO DECEMBER 31, 2005 TOGETHER WITH AUDITORS' REPORT

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AUDITORS' REPORT

TO THE SHAREHOLDERS
QATAR GAS TRANSPORT (NAKILAT) (QGTC) Q.S.C.
DOHA – QATAR

We have audited the accompanying consolidated balance sheet of Qatar Gas Transport Company Limited, (Nakilat) (QSC), Doha - Qatar, as of December 31, 2005 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the period from June 9, 2004 (Inception Date) to December 31, 2005. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the joint venture entities have been audited by other auditors who expressed their unqualified opinion on the respective financial statements.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion and based on the audit work performed by the other auditors, the consolidated financial statements referred to above present fairly, in all materials respects, the financial position of Qatar Gas Transport Company Limited (Nakilat) (QSC), as of December 31, 2005 and the results of its operations, changes in its shareholders' equity and its cash flows for the period from June 9, 2004 (Inception Date) to December 31, 2005, in accordance with International Financial Reporting Standards.

Furthermore, in our opinion, the financial statements provide the information required by the Qatar Commercial Companies' Law No. 5 of 2002 and the Company's Articles of Association. We are also of the opinion that proper accounting records were maintained by the Company. We have obtained all the information and explanation which we considered necessary for the purpose of our audit. To the best of our knowledge and belief and according to the information given to us, no contraventions of the Law or the Company's Articles of Association were committed during the period which would materially affect the Company's activities or its financial position.

For Deloitte & Touche

Samer H. Jaghoub, CPA
Licence Number 88

Doha - Qatar
April 25, 2006

CONSOLIDATED BALANCE SHEET

AS OF 31 DECEMBER 2005

(Amounts expressed in thousands of Qatari Riyals)

ASSETS	Note	2005
Current Assets		
Bank balances and cash	5	966,891
Accounts receivable and other debit balances	6	16,934
Total Current Assets		**983,825**
Non-Current Assets		
Investments - Available for sale	7	124,774
Investment in joint ventures	8 (a)	1,805,856
Property and equipment	9	619
Total Non-Current Assets		**1,931,249**
Total Assets		**2,915,074**
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accruals	10	17,098
Total Current Liabilities		**17,098**
Non-Current Liabilities		
Provision for employees' end of service benefits and pension contributions		115
Total Non-Current Liabilities		**115**
Equity and Reserves		
Share capital	11	2,770,131
Legal reserve	12	18,952
Fair value reserve		77,930
Retained earnings		47,998
Hedging reserve		(19,445)
Equity Attributable to Equity Holders of the Parent		**2,895,566**
Minority interest		2,295
Total Equity		**2,897,861**
Total Liabilities and Equity		**2,915,074**

ABDULLAH BIN HAMAD AL-ATTIYAH
Chairman

FAISAL AL-SUWAIDI
Vice Chairman

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

FOR THE PERIOD FROM JUNE 9, 2004 (INCEPTION DATE) TO DECEMBER 31, 2005

(Amounts expressed in thousands of Qatari Riyals)

	Note	2005
Income:		
Income for marine and agency services		6,720
Dividend income	13	5,866
Interest income	14	61,648
Share of profit from Joint Ventures	8 (a)	11,120
Others		177
Total Income		**85,531**
Expenses:		
General and administrative expenses	15	(25,476)
Depreciation		(75)
Finance charges		(5,776)
Total Expenses		**(31,327)**
Net Profit for the Period		**54,204**
Attributable to:		
Equity holders of the parent		54,109
Minority interest		95
Earnings per share		QR. 0.09
Number of shares		554,026,140

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM JUNE 9, 2004 (INCEPTION DATE) TO DECEMBER 31, 2005

(Amounts expressed in thousands of Qatari Riyals)

	Note	Share Capital	Legal Reserve	Fair value Reserve	Retained Earnings	Hedging Reserve	Attributable to equity holders of parent	Minority Interest	Total
Capital contribution		2,770,131	-	-	-	-	2,770,131	-	2,770,131
Capital introduced by minority shareholder		-	-	-	-	-	-	2,200	2,200
Changes in fair value of investments		-	-	77,930	-	-	77,930	-	77,930
Decrease in fair value of cash flow hedging derivatives	17	-	-	-	-	(19,445)	(19,445)	-	(19,445)
Net profit for the period		-	-	-	54,109	-	54,109	95	54,204
Transfer to legal reserve		-	5,411	-	(5,411)	-	-	-	-
Excess of issuance fees	12	-	13,541	-	-	-	13,541	-	13,541
Directors remuneration		--	-	-	(700)	-	(700)	-	(700)
Balance as on December 31, 2005		**2,770,131**	**18,952**	**77,930**	**47,998**	**(19,445)**	**2,895,566**	**2,295**	**2,897,861**

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM JUNE 9, 2004 (INCEPTION DATE) TO DECEMBER 31, 2005

(Amounts expressed in thousands of Qatari Riyals)

	Note	2005
Cash Flows from Operating Activities		
Net profit for the period		54,204
Adjustments for:		
Depreciation of property and equipment		75
Dividend income		(5,866)
Share of profit from joint venture entities		(11,120)
Interest income		(61,648)
Provision for end of service benefits and pension fund		115
Finance charges		5,776
		(18,464)
Accounts receivable and other debit balances		(11,140)
Accounts payable and accruals		16,357
Net Cash used in Operating Activities		**(13,247)**
Cash Flows from Investing Activities		
Investments in Joint Venture entities		(1,814,181)
Purchases of investments - Available-for-sale		(46,844)
Purchase of property and equipment		(694)
Interests income received		59,029
Increase in time deposit		(102,230)
Net Cash Used in Investing Activities		**(1,904,920)**
Cash Flows from Financing Activities		
Dividend received		2,732
Proceeds on issue of shares		2,770,131
Proceeds from minority contributions		2,200
Proceeds from issuance fees - net		13,541
Finance charges paid		(5,776)
Net Cash From Financing Activities		**2,782,828**
Net Increase in Cash and Cash Equivalents		**864,661**
Cash and Cash Equivalents at Beginning of Period		0
Cash and Cash Equivalents at End of Period	**20**	**864,661**

The accompanying notes form an integral part of these consolidated financial statements.

1. Legal Status and Activities

Qatar Gas Transport Company Limited (Nakilat) (QSC) ("QGTC" or " the Company") is a Public Shareholding Company, incorporated in the State of Qatar on June 9, 2004, under Commercial Registration Number 28566 in accordance with Article No. 68 of the Qatar Commercial Companies Law No. 5 of year 2002. The approval for the formation of the Company was made under decision No. 70 of the Minister of Economy and Commerce. The Company is governed by its Memorandum and Articles of Association and Law No. 5 of 2002 concerning commercial companies. The shares of the Company started trading on the Doha Securities Market on April 7, 2005.

The purpose of the Company is to work in the industry of transport of gas and its various derivatives, dry docking, and other related activities.

The Company operates either directly or through its subsidiaries and joint venture companies in the State of Qatar and abroad.

2. Subsidiaries and Joint Venture Companies

The following are the details of the subsidiaries and joint venture entities of QGTC:

- **Nakilat Agency Company Ltd., ("Nakilat Agency")** is a Qatari Shareholding Company incorporated in the State of Qatar on May 15, 2005 under Commercial Registration Number 30587. QGTC owns 95% of Nakilat Agency. The Company is engaged in the provision of agency services for ships berthing at the Ras Laffan Industrial City. The Company started its operations during May 2005.

- **Nakilat Fuji LLC, ("Nakilat Fuji")** is a Joint Stock Qatari Company incorporated in the State of Qatar on June 28, 2005 under Commercial Registration Number 30968. QGTC owns 65% of Nakilat Fuji. The Company operates in the marine services industry and other related services in the State of Qatar. The Company started its operations from July 2005.

- **Nakilat Marine Services Ltd, ("Nakilat Marine")** is a Company incorporated and existing under the laws of the Marshall Islands under registration Number 12559. Nakilat Marine is a wholly owned subsidiary of QGTC. Nakilat Marine entered into a Joint Venture agreement to create an entity known as OSG Nakilat Shipping Corporation (OSG Nakilat) which is incorporated under the laws of the Marshall Islands. Nakilat Marine owns 50.1% of OSG Nakilat.

  The purpose of OSG Nakilat is to participate in the acquisition of four vessels through special purpose vehicles known as vessel owning companies.

- **QGTC Nakilat (1643-6) Holding Corporation** is a Company incorporated and existing under the laws of Marshall Islands under registration number 16634. QGTC Nakilat (1643-6) Holding Corporation is a wholly owned subsidiary of QGTC. QGTC Nakilat (1643-6) Holding Corporation entered in to a joint venture with Teekay Nakilat (III) Holding Corporation to create an entity known as Teekay Nakilat (III) Corporation which is incorporated under the laws of Marshall Island. QGTC Nakilat (1643-6) Holding Corporation owns 60% of the joint venture entity.

- **Maran Nakilat Company Limited**
  Qatar Gas Transport Company (QGTC) entered into a joint venture agreement with Maran Ventures Inc on July 29, 2005 to form Maran Nakilat Company Limited. The joint venture was incorporated under the

laws of the Cayman Islands with registration number HL 140425. QGTC owns a 30% of the joint venture entity.

- **Teekay II Nakilat Corporation**
  Qatar Gas Transport Company (QGTC) entered into a joint venture agreement with Teekay Nakilat Holding Corporation to form Teekay II Nakilat Corporation. The joint venture was incorporated on June 1, 2004 under the laws of Marshall Island. QGTC holds a 30% stake in the Teekay II Nakilat Corporation.

- **J5 Nakilat No.1 to No.8 Limited Companies** ("the Joint Venture Companies") are incorporated under the laws of the Marshall Islands with registration numbers 15150-15157 respectively. The Joint Venture Companies were formed following the Shareholders' agreement between Japanese shareholders Mitsui O.S.K Lines Ltd., Nippon Yusen Kabushiki Kaisha, Kawasaki Kisen Kisha Ltd., Mitsui & Company Ltd., IINO Kaiun Kaisha, Ltd. and QGTC dated July 31, 2005. QGTC owns 40% in each of the J5 companies.

- **Peninsula LNG Transport No.4 Ltd.-J4** ("the Joint Venture Company") is a company incorporated under the laws of the Marshall Islands with registration number HK 0712-980. The Joint Venture Company was formed following the Shareholders' agreement between Mitsui O.S.K Lines Ltd., Nippon Yusen Kabushiki Kaisha, Kawasaki Kisen Kisha Ltd., Mitsui & Company Ltd. and QGTC dated August 03, 2005. QGTC owns 30% interest in the company.

- **Nakilat Shipping Ltd, ("Nakilat Shipping")** is a Company incorporated and existing under the laws of Marshall Islands under registration number 12463. Nakilat Shipping is a wholly owned subsidiary of QGTC. The Company participates up to 45% in partnerships organised with Neptana, Rana, (General partners) and Pronav (Limited partner) for vessels companies Alexandra, Britta, Gabriela and Julia formed under German Companies Law. Nakilat Shipping has a limited liability status in the partnership.

3. Adoption of New and Revised International Financial Reporting Standards

The Company has adopted the new and revised Standards issued by the International Accounting Standards Board (the IASB) that are relevant to its operations and effective for accounting periods beginning on 1 January 2005.

At the date of authorisation of these financial statements, the following Interpretation was in issue but not yet effective:

- IFRIC 4 Determining whether an Arrangement contains a Lease

Management anticipates that the adoption of the above Interpretation in future periods will have no material impact on the financial statements of the Company.

4. Significant Accounting Policies

The significant accounting policies adopted are as set out below:

a) Accounting Convention

These consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments which have been stated at fair value.

b) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the company (its subsidiaries) and its joint venture entities referred to as the "Group".

c) Investment in subsidiary Company

A subsidiary is an entity where the parent can exercise control. Control is achieved where the parent company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

d) Investment in Joint Venture Company

A joint venture is a contractual arrangement whereby the Group and the other parties undertake an economic activity that is subject to joint control. Joint Venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using the equity method.

Under the equity method, investments in joint ventures are carried in the consolidated balance sheet at cost as adjusted for post acquisition changes in the Group's share of the net assets of the joint venture entity less impairment in value of individual investment.

Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture except to the extent that unrealised losses provide evidence of an impairment of the asset transferred.

e) Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is charged to write off the cost of these assets over their estimated useful lives, using the straight line method as follows:

	Depreciation Rates
Computer equipment	33.33%
Office equipment	15%
Heavy duty mobile equipment	20%
Furniture, fixture and fittings	15%

f) Available-for-Sale Investments

Investments are initially recognised at cost, being the fair value of the consideration given. After initial recognition, investments classified as "available-for-sale", are remeasured at fair value. Unrealised gains and losses are reported as a separate component of equity until the investment is disposed of or the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the statement of income for the period.

For investments traded in organised markets, fair value is determined by reference to quoted market bid prices. Where the investments are not traded in an active market, traded in small volumes or where there is no quoted market price, a reasonable estimate of fair value is determined by reference to the market value of a similar investment or is based on the expected discounted cash flows. Investments whose fair value can not be reliably measured are carried at cost less any impairment in value.

g) Accounts Receivable and Other Debit Balances

Accounts receivable and other debit balances are stated net of provision for amounts estimated to be doubtful of recovery. An estimate for doubtful debts is made when collection of the full amount is no longer probable, bad debts are written off as incurred.

h) Accounts Payable and Accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

i) Provisions

Provisions are recognised when the Group has an obligation either legal or constructive arising from a past event and the costs to settle the obligation are both probable and can be reliably measured.

j) Employees' End of Service Benefits and Pension Contributions

Employees' end of service benefits represent terminal gratuity and are provided for services rendered based on entitlements stipulated in the employees' contracts of employment and their length of service, subject to the completion of a minimum service period.

Under Law No. 24 of 2002 on Retirement and Pensions, contributions by the Group to a Government fund scheme for Qatari employees are calculated as a percentage of the Qatari employees' salaries.

k) Revenue

Revenue is recognised as and when the service is provided. Commission income is recognized based on the notification of third party in the period to which they relate.

Interest income is recognised on an accrual basis, taking into account the interest rate applicable and principal outstanding.

Dividend income is recognised, when the right to receive the dividend is established.

l) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, current accounts with banks and bank deposits having maturities of less than 90 days.

m) Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

n) Foreign Currencies

Transactions in foreign currencies are translated into Qatari Riyals at exchange rates in effect at the respective transaction dates. Monetary assets and liabilities denominated in foreign currencies at the period end are translated at exchange rates in effect at that date. Resultant exchange gains and losses are reflected in the statement of income.

o) Use of Estimates

The preparation of these consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and reported amounts of operating revenues and expenses during the reported period. It also requires management to exercise its judgment in the process of applying the accounting policies. Actual results could differ from those estimates.

p) Derivatives Financial Instruments and Hedging Activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the hedged item. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges contracted is recognised in equity.

5. Bank Balances and Cash:

	2005
Cash at bank and in hand	48,111
Time deposit	918,780
Total	**966,891**

The effective interest rate on time deposits varies between 4.25% to 4.95%.

6. Accounts receivable and other debit balances:

	2005
Accounts receivable	9,445
Accrued Income	5,285
Other debit balances	2,204
Total	**16,934**

7. Available-for-sale investments:

These are investments held in companies whose shares are quoted at the Doha Securities Market.

8 (a) Investment in Joint Ventures

	2005
Cost of investment in joint venture entities	1,814,181
Share of post-acquisition profit	11,120
Share of hedging reserve	(19,445)
Total	**1,805,856**

Details of the Group's joint venture at December 31, 2005 are as follows:

Name of Joint Venture Entity	Place of Incorporation and Operation	Proportion of Ownership Interest	Proportion of Voting Power Held	Principal Activity
OSG Nakilat Corporation	Marshall Islands	50.1%	50.1%	Chartering of vessels
Maran Nakilat Company Ltd.	Cayman Islands	30.0%	30.0%	Chartering of vessels
J5 Nakilat No. 1 to 8 Ltd.	Japan	40.0%	40.0%	Chartering of vessels
Peninsula LNG Transport No. 4 Ltd.	Marshall Islands	30.0%	30.0%	Chartering of vessels
Teekay II Nakilat Corporation	Marshall Islands	30.0%	30.0%	Chartering of vessels
Teekay Nakilat III Corporation	Marshall Islands	60.0%	60.0%	Chartering of vessels
Pronav:				
Alexandra	Germany	45.0%	45.0%	Chartering of vessels
Britta	Netherlands	45.0%	45.0%	Chartering of vessels
Gabriela	Marshall Island	45.0%	45.0%	Chartering of vessels
Julia	Liberia	45.0%	45.0%	Chartering of vessels

8 (b) Summarised financial information in respect of the Group's joint ventures is set out below:

	2005
Total assets	6,005,303
Total liabilities	(2,644,497)
Net Assets	**3,360,806**
Group's share of joint venture's net assets	1,805,856

	For the Period from June 9, 2004 to December 31, 2005
Income	35,454
Profit for the period	16,839
Group's share of joint venture for the period	11,120

9. Property and equipment:

	Computer Equipment	Office Equipment	Heavy Duty Mobile Equipment	Furniture and Fixtures	Total
Cost:					
Additions during the period	327	198	68	101	694
At December 31, 2005	327	198	68	101	694
Depreciation:					
Charge for the period	36	21	11	7	75
At December 31, 2005	36	21	11	7	75
Net Carrying Amount:					
At December 31, 2005	291	177	57	94	619

10. Accounts payable and accruals:

	2005
Accounts payable	6,067
Accruals	6,877
Advance from customers	4,154
Total	**17,098**

11. Share Capital:

	2005 Number of Shares
Authorised share capital	560,000,000
Issued share capital	554,026,140
Paid up capital 50% of issued capital of QR 10 each	2,770,131

The difference between the issued share capital and the authorised share capital relates to unissued shares. No decision has yet been taken regarding their allotment.

12. Legal Reserve:

The Articles of Association of the Company provides for legal reserve to the extent of 10% of net profit for the period until it reaches 50% of paid up share capital. This reserve is not available for distribution except for circumstances specified in the Articles of Association and the Commercial Companies Law.

During the period, the excess of the issuance fees collected has been taken to legal reserve. The issuance fees has been allocated as follows:

Issuance fees	27,701
Cost of initial public offering	(14,160)
Transferred to legal reserve	13,541

13. Dividend Income:

	For the period from June 9, 2004 to 31 December 2005
Dividends from available-for-sale investments	5,866

14. Interest income:

This represents interest on bank time deposits.

15. General and administrative expenses:

	For the period from June 9, 2004 to 31 December 2005
Professional fees**	13,028
Staff cost	8,033
Travelling expenses	1,923
Printing and stationary	98
Telephone and electricity	205
Rental charges	280
Office expenses	614
Motor vehicle running expenses	107
Property and equipment written off	299
Others	889
Total	**25,476**

** Professional fees represent fees paid for legal and financial advisory services in regard to different joint venture entities.

16. Related Party Transactions:

The remuneration of key management personnel of the Company during the period was as follows:

	For the period from June 9, 2004 (Inception Date) to December 31, 2005
Compensation of key management personnel	2,178
Board of Directors remuneration	700

17. Hedging Reserve:

This represents the Group's share of the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedge that was recognised by one of its joint venture entity.

18. Subsidiaries:

Details of the Company's subsidiaries at December 31, 2005 are as follows:

Name of Subsidiary	Place of incorporation (or registration) and operation	Proportion of ownership interest	Proportion of voting power held	Principal activity
Nakilat Agency Company Limited	Qatar	95%	95%	Agency services
Nakilat Fuji LLC	Qatar	65%	65%	Marine services
Nakilat Marine Services Ltd.	Marshall Islands	100%	100%	Holding Company
QGTC Nakilat (1643-6) Holding Corporation	Marshall Islands	100%	100%	Holding Company
Nakilat Shipping Ltd.	Marshall Islands	100%	100%	Holding Company

19. Financial instruments:

Fair value of financial instruments

Fair value is the amount for which an asset can be exchanged or a liability settled, between knowledgeable and willing parties at arms length. Since the accompanying consolidated financial statements have been prepared under the historical cost convention, the carrying value of the Group's financial instruments except for certain investments as recorded could therefore be different from the fair value. However, ~~in management's opinion~~, the fair values of the Group's financial assets and liabilities are not considered significantly different from their book value.

Interest rate risk

The Group is not significantly exposed to interest rate sensitivity as it hedges its risks to fluctuation in interest rate by entering into swap agreements.

Currency risk

As Qatar Riyal is pegged to the US Dollar, the balance in US Dollars are not exposed to currency risk.

20. Cash and cash equivalents:

	2005
Bank balances and cash	966,891
Less:	
Time deposits maturing after 90 days	(102,230)
Net	**864,661**

21. Approval of consolidated financial statements:

These consolidated financial statements were approved by the Board of Directors on April 25, 2006.

22. Commitments and Contingencies

(a) Capital Commitments

(i) Capital commitment in respect of investment in a joint venture is as follows:

Beneficiary Name	Amount Outstanding (in respect of share capital in the joint venture) US $ 000 (Nakilat Share 40%)	Date Due
Alexandra	10,031	December 2006
	20,062	October 2007
Britta	10,006	December 2006
	20,012	October 2007
Gabriela	10,142	December 2006
	20,285	December 2007
Julia	10,136	December 2006
	20,272	December 2007
Total	**120,946**	

(ii) Qatar Gas Transport Company Limited (Nakilat) has committed itself to contribute 30% of the shareholder equity required for the construction, delivery and chartering of one of its joint venture entity vessels and to fund 30 % of cost overruns (up to a maximum of 5% of the total cost).

(iii) Qatar Gas Transport Company Limited (Nakilat) has committed itself to fund 60% of 20% of the cost of the vessels of one of its joint venture entity, 60% of cost overruns, 60 % of dry docking costs when the vessel owning companies have insufficient funds and to fund up to 60% of US $ 60 million of other cash deficiencies in certain circumstances.

(b) Cross Guarantees

(i) Qatar Gas Transport Company Limited (Nakilat) has issued cross guarantees with regard to loans contracted by its joint ventures and joint venture partners. These loans are secured by way of fixed charges on the respective interest of the joint venture parties. Nakilat share of the total amount cross guaranteed is US $ 1,024 million.

(ii) Qatar Gas Transport Company Limited (Nakilat) has undertaken to guarantee obligations contracted by its joint venture entities towards the shipbuilders. Under the agreement, Nakilat will be liable to 40% of the outstanding contract price less installment paid plus interest and cost.The table in the following page shows the outstanding amount at December 31, 2005.

Joint Venture Entities	Contract Amount US $ 000	Outstanding Amount US $ 000	Nakilat Share 40% US $ 000
J5 Nakilat No. 1 Ltd.	234,342	187,474	74,990
J5 Nakilat No. 2 Ltd.	232,771	186,216	74,486
J5 Nakilat No. 3 Ltd.	236,922	189,538	75,815
J5 Nakilat No. 4 Ltd	238,760	191,008	76,403
J5 Nakilat No. 5 Ltd.	232,771	186,217	74,487
J5 Nakilat No. 6 Ltd.	240,094	192,075	76,830
J5 Nakilat No. 7 Ltd.	241,335	193,084	77,234
J5 Nakilat No. 8 Ltd.	236,101	188,881	75,552
Total			**605,797**

(c) Leases

One joint venture entered into a lease agreement with a lessor. Qatar Gas Transport Company Limited (Nakilat) undertook both as primary obligor and as guarantor to pay its share to the lessor on demand, all money and discharge all obligations and liabilities now on hereafter due, owing or incurred by the lessee to the lessor.

(d) Swap Commitments

(i) Qatar Gas Transport Company Limited (Nakilat) and one of its joint venture partner are contractually liable to Interest Rate Swap obligations contracted by certain joint venture entities in case the joint venture entities default on their obligations. The Swap obligations are:

Joint Venture Entities	**Aggregate Principle Amount US $ 000**	**Effective Date**
J5 Nakilat No. 1 Ltd.	194,179	31 March 2008 up to 31 March 2028
J5 Nakilat No. 2 Ltd.	192,963	30 April 2008 up to 30 April 2028
J5 Nakilat No. 3 Ltd.	196,156	30 April 2008 up to 30 April 2028
J5 Nakilat No. 4 Ltd.	197,522	31 May 2008 up to 31 May 2028
J5 Nakilat No. 5 Ltd.	193,040	30 June 2008 up to 30 June 2028
J5 Nakilat No. 6 Ltd.	198,586	30 June 2008 up to 30 June 2028
J5 Nakilat No. 7 Ltd.	199,498	31 August 2008 up to 31 August 2028
J5 Nakilat No. 8 Ltd.	195,547	30 September 2008 up to 30 September 2028
Total	**1,567,491**	

Nakilat liability is limited to 40% of the guaranteed liability.

Subsequent to the year end, these Swap Agreements were terminated and the respective joint venture entities entered into new swap agreements which are substantially the same as those of the previous swap agreements.

(ii) Qatar Gas Transport Company Limited (Nakilat) is committed to honour any swap indebtedness arising upon any termination or unwinding of any Swap Agreement contracted by one of its subsidiaries. The liability is limited to the amount, by which the total swap under the applicable swap agreement exceeds 20% of the notional principal amount by reference to which payment under the swap agreement would, had that swap agreement and / or any interest exchange arrangements thereunder not been terminated.