# NAKILAT ANNUAL REPORT 2010


NAKILAT ناقلات

# Qatar Gas Transport Company Ltd. (Nakilat) Q.S.C.

## A Qatari Shareholding 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.

Tel: + 974 4499 8111, Fax: + 974 4448 3111, P.O. Box: 22271, Doha, Qatar
www.nakilat.com.qa

### The Term of the Company

The fixed term of the Company is fifty Gregorian years, commencing from 18 July 2004, the date of issuance of the decision of the Minister of Business and Trade of Qatar authorizing its establishment. The term may be extended by a decision of a Company's extraordinary general assembly.

### The Financial Year of the Company

The financial Year of the Company commences on 01 January and ends on 31 December.

### Registration of the Company's Stocks for Circulation

The Company's shares are registered on the Qatar Exchange, and the dealing of such shares is in accordance with the regulations of the Qatar Exchange. A maximum of 25% of the total shares of the Company may be owned by non-Qatari citizens, in accordance with Goverment legislation.

## Company Vision and Mission Statement

## Vision Statement

To be the world's leading owner and operator of vessels for the transportation of LNG and associated products, and to be the provider-of-choice for ship repair and constructions services, as measured by customer satisfaction; financial profitability; growth; operational efficiency; and high standards of safety, health and environment and quality.

## Mission Statement

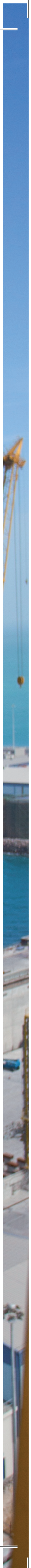
To maximize shareholder value by:

- Optimizing investment in core businesses of transporting LNG and associated products through stringent cost controls, effective risk management and innovative financing.
- Establishing "centers of excellence" for the repair and maintenance of very large LNG carriers and other vessels, and for the construction of small, high value ships, thereby providing assets for the State of Qatar.
- Providing a fully integrated logistics service to vessels.
- Identifying and capturing synergies.
- Recruiting, developing and retaining the highest quality personnel in the industry.
- Complying fully with all applicable legislation, regulations and relevant marine industry standards.
- Demonstrating the highest ethical standards for integrity in all business relationships.

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

*Nakilat Svitzerwijismuller tug in Drydock # 1*



# Annual Report 2010
# Contents

# Board of Directors*

**Mr. Hamad Rashid Al Mohannadi**
Chairman, Nakilat

**Mr. Ahmed Yousef Al Khulaifi**
Vice-Chairman, Nakilat

*** Board Members as of 25th January, 2011**

*Nakilat ships loading cargo at the Port of Ras Laffan*

**Mr. Salem Butti Al-Naimi**
Member

**Mr. Najeeb Khalifa Al-Sada**
Member

**Dr. Abdullah Bin Ali Bin Seoud Al -Thani**
Member

**Mr. Ismail Omar Al-Daff**
Member

**Ms. Aysha Mohammed Al-Nuaimi**
Member

# Chairman's Report

Al Salam alaikum,

On behalf of the Board of Directors of Qatar Gas Transport Company Ltd. (Nakilat), I am pleased to welcome you to this year's Annual General Meeting, and the opportunity to present the Company's sixth Annual Report for fiscal year 2010. A brief overview of Nakilat's major achievements during the past year follows.

Nakilat made significant progress in 2010 in its LNG shipping portfolio with the delivery of its final four vessels into the LNG fleet. The combined fleet of 54 state-of-the-art marine carriers represents a total investment of approximately US$11 billion (QR 40 billion) and the distinction of being the world's undisputed leader in LNG shipping capacity.

With Nakilat's LNG fleet now fully operational, the Company fields a Fleet unmatched in design configuration, engineering and new technology that together provide maximum delivery volumes, enhanced maneuverability, safety and cost effectiveness. While the vessels were originally designed to the highest industry standards, Nakilat continues to explore opportunities to further enhance vessel reliability by closely monitoring new developments in marine technology.

As Nakilat's core business continues to evolve, our near-term focus is to consolidate efficiencies in our shipping operations; to identify any and all opportunities for operational synergies and cost effectiveness. While the Company continues to look at the specific details that will enable us to reduce operating expenses, Nakilat also continues its strategic initiatives as evidenced by its plans to further consolidate its shipping business model; with the objective of better serving Qatar's marine transport sector--the cornerstone of the country's hydrocarbon export industry.

Nakilat's Fleet, also includes four Very Large Gas Carriers in a joint venture agreement with Qatar Shipping Company (Q-Ship). These ships are utilized for the transport of LPG cargoes and, together with our LNG Fleet, will provide Nakilat, our partners and our customers with many years of outstanding performance.

In addition to our core marine transportation business, the company further diversified its business portfolio via the commissioning in late 2010, of a major portion of its new world-class, Erhama Bin Jaber Al Jalahma Shipyard in the Port of Ras Laffan. His Highness Sheikh Hamad Bin Khalifa Al Thani, The Emir of the State of Qatar, inaugurated the shipyard's first three phases on November 23rd.

To operate the new shipyard, Nakilat signed an agreement in early 2010, with Damen Shipyard Qatar Holding B.V., a wholly-owned subsidiary of Damen Shipyards Group, to form the Nakilat Damen Shipyards Qatar (NDSQ) joint venture. The new company's primary objective is to construct high value ships of up to 120 meters in length. In 2010, and in support and on behalf of NDSQ, Nakilat signed a Memorandum of Understanding (MoU) agreement with the Qatar Emiri Naval Forces for the construction and delivery of six (6) Naval Patrol Boats. A further MoU with Qatar Petroleum was executed for the provision of 19 vessels including harbour tugs, pilot and service boats at the Port of Mesaieed.

NDSQ began commercial operations last year with the construction of a Load-Out/Recovery Barge for Qatar Petroleum. When completed, the barge will be 140 meters in length with a beam of 35 meters and the capability to launch and recover vessels and offshore equipment up to a weight of 10,000 tonnes. NDSQ also made significant progress in 2010 in its ISO 9001 certification which is expected in the first half of 2011.

Nakilat's other joint venture company at the new shipyard--Nakilat-Keppel Offshore & Marine Ltd. (N-KOM) a joint venture between Nakilat and KS Investements Ltd., a wholly-owned subsidiary of Keppel Offshore & Marine Ltd. --further strengthened its credentials as a leading shipyard in the Middle East via the signing in 2010 of a three-year Fleet Servicing Agreement with Shell International Trading and Shipping Company Limited (STASCO). N-KOM also signed a Memorandum of Understanding with Gulf Drilling International, and entered into Letters of Intent with Idemitsu Tanker, Mitsui O.S.K. Lines, NYK Lines, Kawasaki Kisen Kaisha ("K-Line"), Iino Kaiun Kaisha (Iino Lines) and Marine Contracting Association (MARCAS) to provide shipyard and dry docking services for their vessels. A further MoU was signed with the Qatar Emiri Naval Forces for ship repair services.

N-KOM began operations in 2010, and successfully fabricated massive dry dock gates in September requiring some 2,700 tonnes of steel for use at the shipyard's graving docks. During 2010, N-KOM was also presented with certification from DNV (Det Norske Veritas) for its Integrated Management Systems covering ISO 9001 for Quality, OSHAS 18001 for Occupational Health and Safety and ISO 14001 for Environmental Management.

Nakilat's financial performance during 2010 contributed to a strong balance sheet and attractive returns for shareholders. Net profit for 2010 was 665 million Qatari Riyals compared with 589 million Qatari Riyals, for 2009, an increase of 13%. For its 2010 performance, Nakilat's Board of Directors is pleased to recommend to the General Assembly a cash dividend of 75 dirhams per share compared with 9 dirhams estimated in its IPO, or a success multiple of over 8 times the IPO estimate.

In conclusion, I and the Board of Directors believe that Nakilat is well positioned financially, operationally and managerially to meet its planned strategic targets, and effectively structured to act on new business opportunities.

On this occasion, the Board of Directors has the honour to present its thanks and gratitude to His Highness Sheikh Hamad Bin Khalifa Al Thani, the Emir of Qatar, and to His Highness Sheikh Tamim Bin Hamad Al Thani, the faithful Heir Apparent, for their continued guidance and support. I also take this opportunity to thank His Excellency Abdullah Bin Hamad Al Attiyah for the wise stewardship and direction he provided to Nakilat as the former Chairman and in his capacity of Deputy Prime Minister and Minister of Energy and Industry. The Board also wishes to extend its appreciation to His Excellency Dr. Mohammed Saleh Al-Sada in his capacity as Minister of Energy and Industry. A note of special thanks is also extended to Qatar Petroleum for their many and ongoing contributions to Nakilat's success. Finally, we thank our partners, shareholders, management and employees for their energy, expertise and many accomplishments to date.

Mr. Hamad Rashid Al Muhannadi
Chairman, Nakilat

*Al Dafna By Robert Lloyd*

# Managing Director's Report

To Our Shareholders,

On behalf of Nakilat, I am pleased to present the many highlights of the Company's major achievements in 2010.

The past year was of great importance to Nakilat. Nakilat reached an historic milestone on 23 November 2010, when, under the patronage of His Highness Sheikh Hamad Bin Khalifa Al Thani, The Emir of the State of Qatar, Nakilat inaugurated the first three phases of its new world-class Erhama Bin Jaber Al Jalahma Shipyard in the Port of Ras Laffan. The new Shipyard is of key economic and strategic importance to the State of Qatar. It will ensure our Fleet is maintained to the highest possible quality standards, while also providing impetus for the development and growth of a new marine industry in Qatar. The new Shipyard is a truly outstanding asset for the State of Qatar and for Nakilat.

Following significant and successful staffing efforts in 2010, operations at the new shipyard began in the latter part of 2010. Initial projects and successes were robust with N-KOM's fabrication and installation of massive dry dock gates for the shipyard's graving docks, and with the certification via DNV of the company's Integrated Management Systems (ISO 9001, OSHAS 18001 and IS0 14001). N-KOM was also successful in negotiating new business opportunities via a signed three year Fleet Servicing Agreement with STASCO; in signing MoU's with the Qatar Navy and Gulf Drilling International for Ship Repair and Dry Dock Services; and in Letters of Intent with six major shipping companies for various shipyard services.

NDSQ also began construction of its first vessel in late 2010, a 140 meter Load-Out/Recovery Barge, for Qatar Petroleum. NDSQ's new business initiatives resulted in MoU's with the Qatar Emiri Naval Forces for the construction of six (6) Naval Patrol Boats and with Qatar Petroleum for the construction of 19 commercial vessels (tugs, pilot and supply boats) for use at the Port of Mesaieed. NDSQ also made significant progress in its ISO 9001 certification which is expected in early 2011.

On 12 August 2010, "Rasheeda", our final ship to be constructed was delivered to the Nakilat fleet. With "Rasheeda" in service, Nakilat's 25 wholly-owned ships combine to complete an LNG fleet of 54 vessels—the largest and most modern LNG fleet in the world. Added to these impressive assets, the fleet also includes four Very Large Gas Carriers for the transport of LPG. "Rasheeda's" commissioning marked the successful completion of a very aggressive and unprecedented LNG ship construction program. In less than five years Nakilat has become a world leader in LNG shipping; solidifying its strategic position in Qatar's LNG supply chain, and, in turn, becoming the country's floating pipeline to world markets.

Nakilat achieved another significant milestone when on 13 April 2010, Nakilat's Ordinary Annual General Meeting approved its first cash dividend distribution to its shareholders totaling 5% of the nominal value of its share capital, which was equivalent to 50 Dirhams per share. Nakilat's Board of Directors is recommending the distribution of an additional cash dividend for its 2010 performance of 75 Dirhams for a total cash dividend distribution to date of 125 Dirhams. This compares with a combined IPO estimate for this same period of 19 Dirhams or a success multiple of nearly 6.6 times the IPO estimate.

All of these accomplishments have been achieved due to the strength of Nakilat's strategies, its robust business model, the abilities, values and focus of its people, and the tremendous support of its Board of Directors and shareholders.

### Future Plans

In the year ahead, Nakilat will continue its efforts to develop the necessary infrastructure and management systems that will achieve our strategic objectives and optimize shareholder value. We will further identify and pursue value-added opportunities that correspond to our business mandate.

We will continue to enhance the efficiency, safety and reliability of our operations by utilizing best practices benchmarking, the implementation of ISO certification, and other measures as appropriate. We will implement a comprehensive Qatarization program that will attract, develop and retain Qatari national employees and provide for the highest quality personnel in the industry.

## Financial Results Highlights For The Year Ended 31 December 2010

• Total 2010 profit from operations was QR 684.8 million compared with QR 581.7 million for 2009, an increase of 18%. The 2010 net profit after fair value hedge loss from joint ventures was QR 665.1 million compared with QR 588.9 million for 2009, after a gain on derivative instrument from joint ventures. The loss on derivative instruments of QR 19.8 million for 2010, compared with a gain on derivative instruments of QR 19.9 million for 2009, was due to a technical disqualification (for accounting purposes) of the applicable derivatives (carried in the books of certain of the company's overseas joint ventures) as hedging instruments in accordance with International Accounting Standard 39. The change in accounting treatment requires only a non-cash accounting entry and does not affect the economics of the derivative transactions nor the cash flows or liquidity of the company. Nakilat and its joint ventures are exposed to interest rate risk on borrowed funds. The risk is managed by the use of interest rate swap contracts, which will protect the company from increases in interest rates in the future. The majority of Nakilat and its joint ventures borrowings were obtained at the time the company's Time Charter Party agreements were signed with our charterers.

• Total Assets of Nakilat as of 31 December 2010 were QR 32.0 billion, increased by QR 0.8 billion from December 31, 2009. Current assets, including cash and bank balances stood at QR 2.4 billion as of 31 December 2010. Non-current assets, consisting mainly of investments in LNG carriers, property and equipment and other assets, were QR 29.6 billion, an increase of QR 0.3 billion from December 31, 2009. Total assets, including Nakilat's share of its joint ventures assets, were over QR 43 billion, compared with QR 30.4 billion projected in its IPO prospectus. In addition, Nakilat also has an economic interest and full operational and management responsibilities in the QR 10.6 billion Erhama Bin Jaber Al Jalahma Shipyard, with funding by Qatar Petroleum in the Port of Ras Laffan.

• Nakilat's total investment portfolio has increased from the QR 30.4 billion projected in its IPO prospectus to QR 53.6 billion, including shipyard investments, as of 31 December 2010.

• Total borrowing as of 31 December 2010 was QR 25.6 billion compared to QR 25.0 billion as of 31 December 2009, reflecting an additional loan incurred primarily to finance the construction of LNG vessels.

• Total equity before hedge reserve and non–controlling interest as of 31 December 2010, was QR 6.9 billion compared to QR 6.5 billion as of 31 December 2009. Negative hedging reserve as of 31 December 2010 increased to QR 3.5 billion compared with QR 2.6 billion as of 31 December 2009, due primarily to the increase in the mark to market value resulting in an increase in the liability that reflects lower swap rates. The negative hedging reserve represents an accounting entry from the revaluation to fair value of interest rate swaps. The hedging reserve is expected to decrease over time as loans are repaid and as the notional amount of the swaps decreases. The reserve on designated hedges is not expected to impact either income statement or retained earnings. The negative hedge reserve arises on interest rate swaps that relate to variable interest bearing loans taken to build ships. The Company also enters into long-term time charter agreements to lock-in the future cash inflows from ships. This strategy is expected to result in a more stable stream of cash flows in the future and minimize uncertainties associated with shipping spot rate movements or interest rate movements.

All of our accomplishments through 2010 have been achieved due to the clear vision of His Highness Sheikh Hamad Bin Khalifa Al-Thani, The Emir of the State of Qatar, and from the guidance received from His Excellency Abdullah Bin Hamad Al-Attiyah, in his capacity as Deputy Premier and Minister of Energy and Industry. Without the tremendous support and personal commitment from His Excellency Abdullah Bin Hamad Al-Attiyah in implementing the vision and objective established by His Highness, the world-class Erhama Bin Jaber Al Jalahma Shipyard would not have been completed in 3 years from its inception. It is also based on the foresight and guidance from His Excellency that Nakilat added 25 wholly owned LNG vessels to its 29 jointly owned LNG fleet. Our accomplishments have also been achieved due to the support from the management and our colleagues at Qatar Petroleum.

Mr. Muhammad Ghannam
Managing Director, Nakilat

# In special appreciation to
# H.E. Abdullah Bin Hamad Al-Attiyah
## Deputy Premier and Chairman of the Emiri Diwan,

for his leadership and guidance to Nakilat in his former capacity of Deputy Premier and Minister of Industry and Energy and as Chairman, Nakilat.


*H.E. Abdullah Bin Hamad Al Attiyah attending Her Highness Sheikha Mozah Bint Nasser Al-Missned ship naming ceremony for the first Q-Max*


*H.E. Abdullah Bin Hamad Al Attiyah touring the Erhama Bin Jaber Al Jalahma Shipyard*

*(266,000 CBM) LNG Carrier, "MOZAH". The special ceremony was held at Samsung Heavy Industries shipyard on Geoje Island, Korea.*

# Board of Director's Report

## About Nakilat

Nakilat (which means"carriers" in Arabic) is a Qatari shipping company that forms an integral link in the LNG supply chain for the State of Qatar. It was established in 2004 and is a joint stock company owned 50% by its founding shareholders and 50% by the public as a result of an IPO in 2005.

Nakilat's large fleet transport LNG produced from Qatar's North Field -- the world's largest non-associated gas field with approximately 15% of the world's proven reserves -- to global markets. The Nakilat fleet consists of 54 LNG vessels, making it the largest LNG ship owner in the world. Nakilat also co-owns four very large LPG carriers.

Nakilat is further developing Qatar's marine industrial base via the new Erhama Bin Jaber Al Jalahma Shipyard, a world-class shipbuilding and ship repair facility in the Port of Ras Laffan. To operate the shipyard's repair facilities, Nakilat formed a joint venture ("JV") with Keppel Offshore & Marine - a global leader in ship repair and conversion. This JV, Nakilat-Keppel Offshore & Marine (N-KOM) repairs and maintains very large LNG carriers and a wide range of other vessels, including the conversion of tankers to Floating Production, Storage and Offloading, and to Floating Storage and Offloading units.

*Four Ships Naming Ceremony at Samsung Heavy Industries*

Nakilat has also formed a JV with Damen Shipyards Group - a world renowned shipbuilder. This JV, Nakilat Damen Shipyards Qatar (NDSQ), manages the construction of high-value ships of up to 120 meters in length, including commercial vessels, naval and coast guard vessels and luxury yachts.

Nakilat has also commenced work on designing a facility dedicated to the repair and maintenance of vessels less than 120m in length. This facility, which is being engineered to service over 200 vessels per year, is scheduled to commence operations in 2012.

Additionally, work will soon commence to establish a Boat Production Facility in the shipyard utilizing fibre reinforced plastic (FRP) technology for the supply of leisure craft and commercial workboats to local and international markets. The final phase of Nakilat's development strategy will include the fabrication of structures for the offshore oil and gas industry and components for land-based petrochemical and industrial plants.

The combination of these comprehensive marine industrial capabilities are both strategic and key to the goal of positioning the State of Qatar as an internationally recognized center of excellence in ship building, repair and conversion.

# Our Strengths

### Integration into the Qatari LNG Chain

Nakilat is an integral component in Qatar's LNG supply chain. The company provides a key role in one of the world's largest, most advanced energy projects under the auspices of Qatar Petroleum and through its Qatargas and RasGas operations and their joint venture partners. The LNG produced and sold to global customers is typically marketed via long-term contracts, providing stable revenues.

## Strong sponsorship of the entire value chain from the State of Qatar

### Upstream

Qatari upstream ventures produce gas from the North Field through long-term concessions and collectively liquefy 77 mtpa of LNG through onshore facilities they construct and own.

*North Field Production Platform - Photo Courtesy of Qatargas*

### Midstream / Shipping

Qatari upstream ventures ship LNG in state-of-the-art vessels, which are chartered through long-term time charters with reputable ship owners and operators. Nakilat's LNG fleet consists of 14 Q-Max, 31 Q-Flex, and 9 Conventional vessels. The Fleet also includes 4 LPG ships.

### Downstream/ Regasification

Qatari downstream ventures have ownership interest or long term contracted capacity in regasification terminals in selected key markets around the world.
Qatar's investments in the infrastructure supporting its LNG supply chain, include the following strategically located terminal facilities:

- South Hook Terminal, Europe's largest LNG terminal located in the United Kingdom.
- Adriatic LNG Terminal, the first-ever offshore gravity based terminal located in Italy.
- Golden Pass LNG Terminal, located in the Texas 'Golden Triangle' energy area in the United States.

*South Hook (LNG) Terminal - Photo Courtesy of South Hook*

### Marketing

Qatari upstream ventures have long term LNG sales contracts with a range of credit worthy off-takers in multiple markets in Asia and Europe. During 2010, 23 shipments were effectively marketed via these long term sales contracts.

### Nakilat is a Highly Rated World-Class Carrier

The FITCH Rating Agency reaffirmed Nakilat Inc.'s senior secured debt rating at "A+" and its subordinated debt rating at "A-" with Stable Outlooks respectively. Standard & Poor's Rating Services raised its long-term corporate credit rating on Nakilat Inc. to "AA-" from "A+" and at the same time raised the issue ratings on Nakilat Inc.'s senior secured bonds to "AA-" from "A+", and the issue ratings on its secured subordinated bonds to "A+" from "A".

### Stable Cash Flows via 25 Year Time Charters

Nakilat's revenues are stable due to long-term and fixed-rate Time Charters.

### Low Risk Development Strategy

Nakilat has established a proven track record with Qatargas, RasGas and Tasweeq in successfully delivering results to ambitious projects via prudent development strategies. Our discreet and pragmatic development strategies have allowed us to successfully deliver world class assets in the form of 54 state of the art LNG vessels, all on time and within budget. Thoughtful planning and tireless execution enabled Nakilat to mitigate and then successfully eliminate,risks associated with vessel construction delay, vessel construction cost overrun, crew recruitment, shipyard counter party, LNG projects delay, financing, and many other risks associated with a typical project startup. Nakilat's established track record of flawless execution of complex projects is a key strength of the Company.

### Sound Operating and Management Program

Nakilat has entered into strategic alliance with Shell International Trading and Shipping Company Ltd. (STASCO), a leading international vessel operator with extensive experience in operating LNG vessels.

### World-Class Shipyard and Ship Repair Facility

Nakilat has developed the new Erhama Bin Jaber Al Jalahma Shipyard, a world-class shipbuilding and ship repair facility located in the Port of Ras Laffan.

To operate the new Shipyard, Nakilat has formed joint ventures with Keppel Offshore & Marine – a global leader in ship conversion and repair, and with Damen Shipyard Group – a world leading shipbuilder– in support of Qatar's new marine industry sector. These joint ventures are currently positioned to provide high quality services in the repair, maintenance and conversion of vessels of all sizes, and for the construction of high value ships of up to 120 meters in length.

The Shipyard will also include facilities for the fabrication of structures for the offshore oil and gas industry and for land-based petrochemical and industrial plants. In addition, facilities are being constructed for the repair and maintenance of vessels less than 120m in length, and for the production of leisure craft, commercial workboats and custom luxury yachts for both local and international markets. Nakilat will create strategic partnerships with world leading companies to operate these new joint ventures.

*The Erhama Bin Jaber Al Jalahma Shipyard, Port of Ras Laffan*

# Our Shareholders*

### Qatar Petroleum (QP)

QP manages Qatar's interests in substantially all oil, gas, petrochemical and refining enterprises in Qatar and abroad. QP, previously known as Qatar General Petroleum Corporation, was created in 1974 by Emiri Decree and is wholly-owned by the State of Qatar. QP is engaged in all phases of the hydrocarbon business, including exploration drilling, production, refining, transportation, storage, regional sales and exports. Since 1988 the State of Qatar has entrusted QP with the responsibility of supervising hydrocarbon exploration and production activities conducted in Qatar in conjunction with foreign companies.

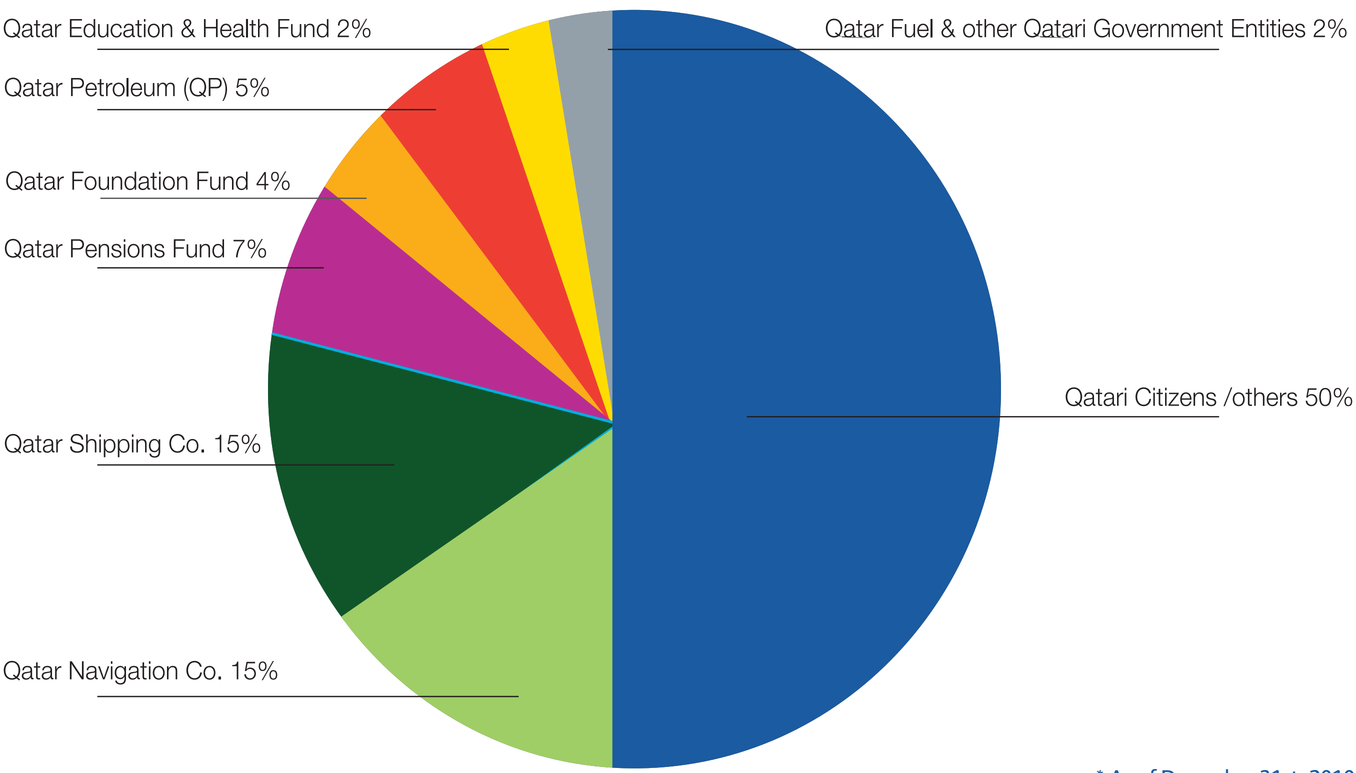
QP owns a majority interest in companies engaged in crude oil, LNG, steel and fertilizer production and most of the companies engaged in petrochemical production in Qatar. Additionally, QP is involved, either through joint ventures or as the agent of the State of Qatar,in all the gas-to liquid (GTL) and pipeline gas supply projects in Qatar. Further information about QP can be found at: www.qp.com.qa

### Qatar Shipping Company (Q.S.C.)

Q-Ship is a diversified Qatar-based shipping company offering comprehensive services to meet specific needs in the shipment of LPG, LNG, crude and clean oil. Further information about Q-Ship can be found at: www.qship.com

### Qatar National Navigation & Transport Company (QNNTC)

QNNTC is also a diversified Qatar-based shipping company offering, among other things, marine transport, freight, trading, vessel repair and fabrication, shipping agency and cargo handling services. QNNTC also provides offshore service vessels. QNNTC owns a large fleet of container vessels, general cargo vessels, barges and tugs. Further information about QNNTC can be found at: www.qatarnav.com



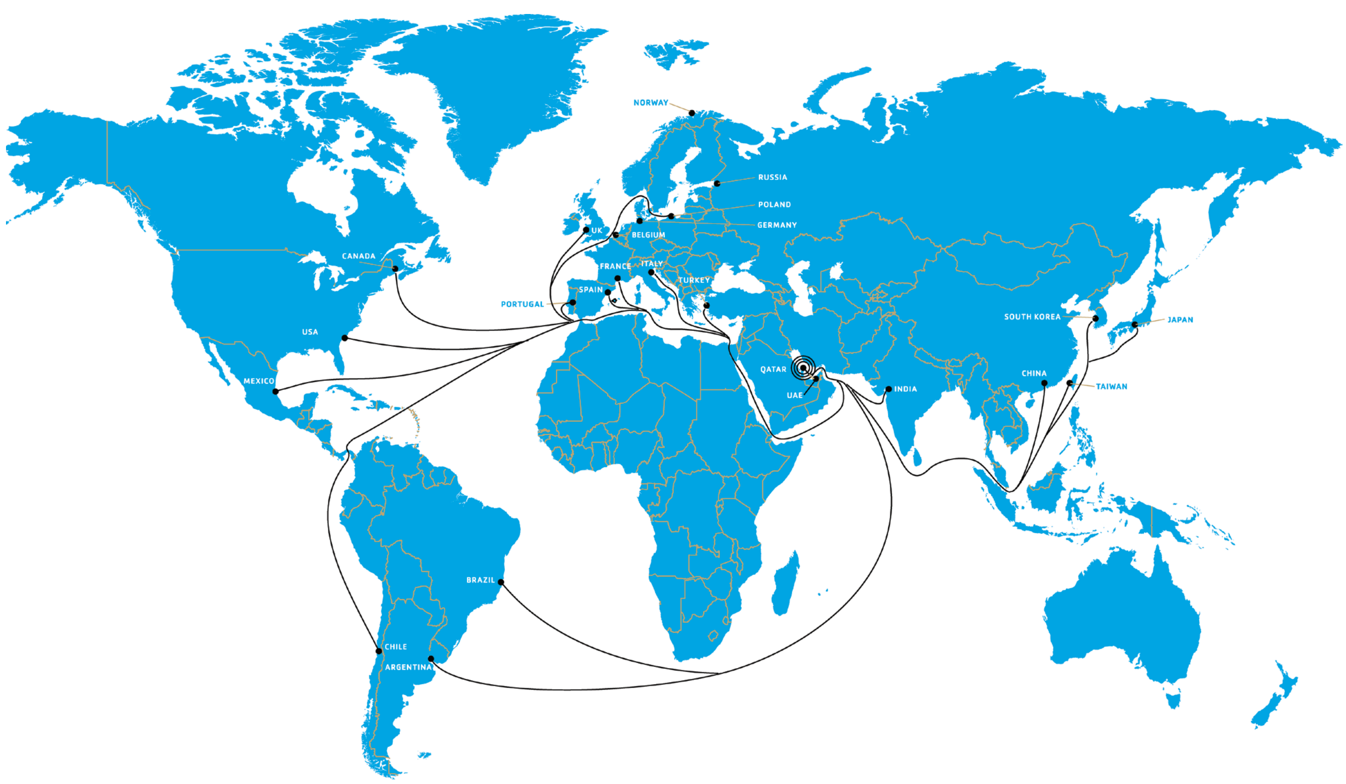

* As of December 31st, 2010

# Snapshot of Nakilat

### Transportation Integral to Qatar's Ability to Connect Massive Gas Reserves to Market


LNG value chain is critical to Qatar Petroleum (QP) and State of Qatar.

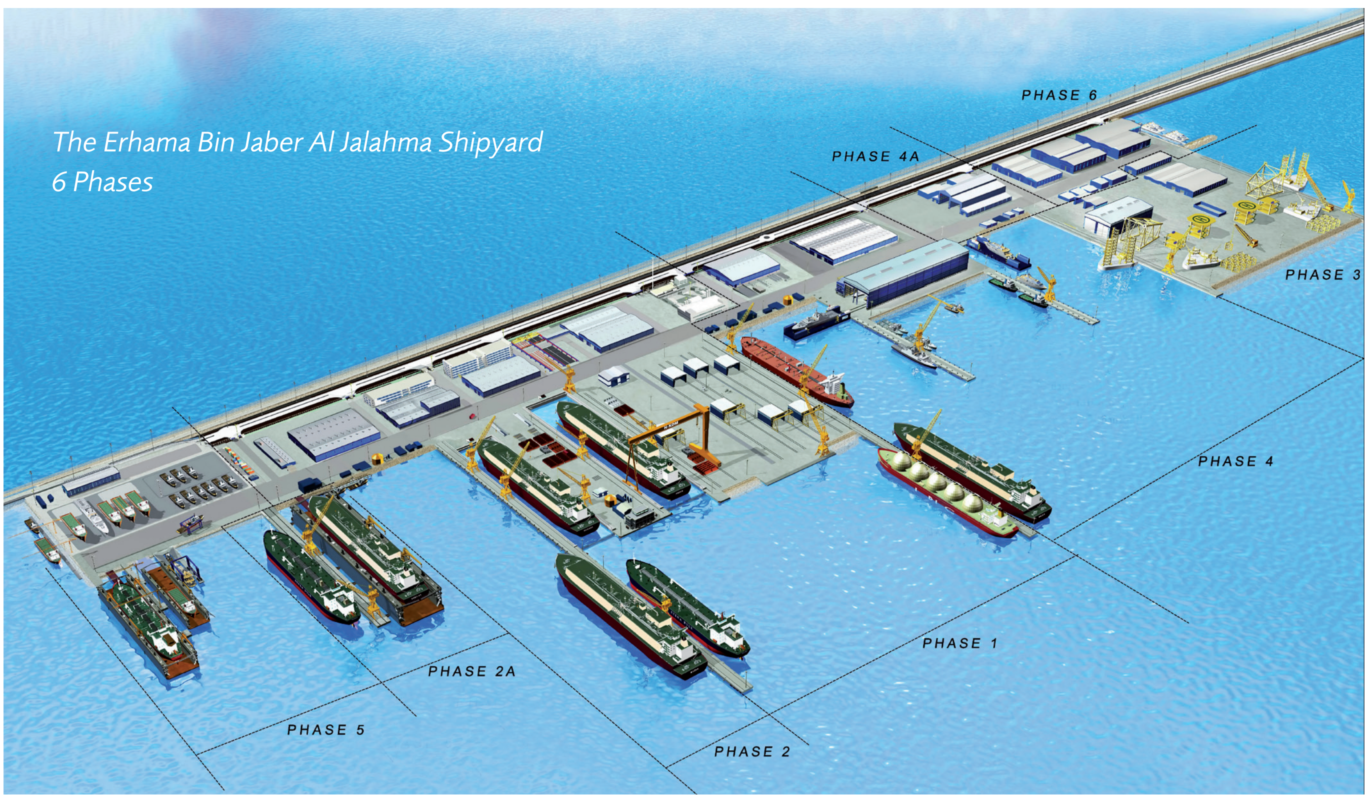
- Qatar produces over 30% of the global LNG supply.
- RasGas and Qatargas ventures are vital to QP and its international oil company partners.
- Transportation is integral to connecting gas reserves and infrastructure to global markets.
- Nakilat established to play a key role in transporting Qatari LNG projects.
- Nakilat is the world's largest LNG shipping company and owns over 16% of the global LNG shipping tonnage, i.e., 8.5 million cubic meters of cargo capacity.
- Port of Ras Laffan to receive 3,200 vessels calling in 2011, increasing to more than 4000 ships in 2013, and to 5000 ships in 2018.



### The Erhama Bin Jaber Al Jalahma Shipyard Facilities: key to positioning Qatar as an internationally recognized Center of Excellence in Ship Building, Repair and Conversion

| Phase | Activity | Joint Venture Partner |
|---|---|---|
| Phase 1+2 | Repair and Conversion of Very Large Ships (e.g. LNGCs, VLCCs) Repair of Medium-Sized Ships (e.g. 20,000 dwt to 80,000 dwt) | N-KOM |
| Phase 3 | Fabrication and Maintenance of Offshore Structures (& components for land-based petrochemical plant) | NAKILAT ناقلات + Partner |
| Phase 4 | Construction of High Value Small Ships (< 120m length) | N-DSQ |
| Phase 5 | Repair of Small Ships (< 20,000 dwt) | NAKILAT ناقلات + Partner |
| Phase 6 | FRP Commercial and Leisure Boat Production | NAKILAT ناقلات + Partner |

- Nakilat operates a world-class Shipyard and Ship Repair Facility at the Port of Ras Laffan.
- Nakilat's Ship Repair Facility will provide comprehensive services for its own fleet of vessels, and market surplus capacity for the repair, maintenance and conversion of very large ships to the marine transportation industry.
- Nakilat's Shipyard will construct, repair and maintain all varieties of high-value ships of up to 120m in length, and also produce leisure craft and commercial workboats for local and international markets.



# Our Ventures and Services

## Nakilat's vision and mission statement is being realized through our wholly-owned subsidiaries and joint ventures.

### Nakilat Inc.
The company was founded in April 2006 and is a wholly-owned subsidiary of Nakilat. It was set up for the sole purpose of obtaining financing for acquiring wholly-owned LNG vessels.

### Nakilat Shipping (Qatar) Limited
The company was founded in March 2007 and is a wholly-owned subsidiary of Nakilat. It manages the operation of the wholly-owned LNG vessels and the LPG vessels owned by Gulf LPG Transport Company W.W.L

### Nakilat–Keppel Offshore & Marine Limited
In March 2007, Nakilat signed an agreement with KS Investments Ltd., a wholly-owned subsidiary of Keppel Offshore & Marine Ltd. to jointly develop and manage the world-class ship repair yard facility at the Erhama Bin Jaber Al Jalahma Shipyard in the Port of Ras Laffan. The company was incorporated in November 2008.

### Nakilat Damen Shipyards Qatar, Limited
In January 2010 Nakilat signed an agreement with Damen Shipyards Group of the Netherlands, to form a Joint Venture to manage the new world-class shipbuilding facility for the construction of high-value ships, at the Erhama Bin Jaber Al Jalahma Shipyard. The company was incorporated in July 2010.

*Nakilat Svitzerwijismuller tugs and support vessels at Ras Laffan Port*

### Nakilat Agency Company Limited
The company was founded in May 2005, and is owned 95% by Nakilat and 5% by Qatar Petroleum. It acts as the exclusive agent for all ships calling at the Port of Ras Laffan.

### Nakilat Svitzerwijsmuller W.L.L.
The company, incorporated in September 2006, is 70% owned by Nakilat and 30% by Svitzer Middle East Limited. The company owns and operates tug boats, pilot boats and other harbor craft at Ras Laffan Port. The joint venture agreement between Nakilat and Svitzer was signed following the award of a 22-year service contract for Harbour Towage and Mooring Services by Qatar Petroleum.

### Gulf LPG Transport Company W.L.L.
The company, founded in March 2008, is 50% owned by Nakilat and 50% by Qatar Shipping Company (Q-Ship) through a Joint Venture Agreement. The company is responsible for the ownership and operation of 4 VLGC's.

### Maran Nakilat Company Limited
The company, founded in July 2004, is 30% owned by Nakilat and 70% by Maran Ventures Inc. It owns 4 conventional LNG vessels that have been chartered to RasGas.

### Peninsula LNG Transport No.4 Ltd.
The company, founded in August 2004, is 30% owned by Nakilat and 70% by J4 Consortium (MOL, NYK, Mitsui, and K-Line). It jointly owns 1 conventional LNG vessel chartered to RasGas.

### Teekay Nakilat Corporation
The company, founded in September 2004, is 30% owned by Nakilat and 70% by Teekay. It jointly owns 3 conventional LNG vessels chartered to RasGas.

### OSG Nakilat Corporation
The company, founded in November 2004, is 50.1 % owned by Nakilat and 49.9% by OSG International Inc. It jointly owns 4 Q-Flex LNG vessels chartered to Qatargas.

### QGTC Nakilat (2245-8) Investment Ltd.
The company was founded in November 2004. Nakilat has a 45% interest in 4 Q-Flex LNG vessels chartered to Qatargas. The remaining 54% and 1% interest in each of these LNG vessels is owned by German commercial partners and Pronav respectively.

### J5 Nakilat No.1 to No.8 Ltd Companies
The company, incorporated in July 2005, is 40% owned by Nakilat and 60% by J5 Consortium (MOL, NYK, Mitsui, Iino Lines and K-Line). It jointly owns 8 Q-Flex LNG vessels chartered to RasGas.

### Teekay Nakilat (III) Corporation

The company, incorporated in August 2005, is 60% owned by Nakilat and 40% by Teekay. It jointly owns 4 Q-Flex LNG vessels chartered to RasGas.

### India LNG Transport Company (No.3) Limited

The company, incorporated in March 2006, features equity interests of 20% by Nakilat, MOL 26%, SCI 26%, NYK 16.67%, K-Line 8.33% and Petronet 3%. The company jointly owns 1 conventional LNG vessel chartered to Petronet, which the charterer uses to transport LNG from Ras Laffan to receiving ports in India.

### Vessel Support Services

In support of its maritime operations, Nakilat provides comprehensive Vessel Support Services to all ships in Qatari waters requiring the supply of goods and services. This includes secure warehousing and specialized dehumidified storage in a new 10,800 square meter facility unique to the region. Nakilat's "One-Stop-Shop" service support provides everything ships need to maintain operations and obtain all provisions required in a timely and efficient manor to meet demanding voyage schedules.

*Depot Stores*

*Jack-up rig Al Khor under repair*

# Our Charterers

Nakilat's financial strength derives from the quality and financial strength of its agreements with its Charterers, two of whom (Qatargas and RasGas) represent the world's largest LNG companies, with aggregate LNG production capacity of 77 million tonnes per annum (mtpa).

Qatar's LNG projects have become essential business drivers in terms of production growth, reserves replacement and cash flow generation for many of the world's largest publicly listed oil companies, including ExxonMobil, Shell, ConocoPhillips and Total. In this context, each Nakilat Charterer is a significant financial entity in its own right. The Charterers include:

## Qatargas Operating Company Limited (Qatargas)

Qatargas pioneered the liquefied natural gas (LNG) industry in Qatar. It's rapid growth in production capabilities allows for the delivery of LNG cargoes to customers around the globe from its world-class facilities in Qatar.

Qatargas 1 was established in 1984. A succession of successful expansion programs followed that included the development of Qatargas 2; Qatargas 3 and Qatargas 4 projects. Qatargas has progressively established itself as the world's leading LNG producer. Qatargas has recently accomplished its production capacity of 42 mtpa of LNG from its seven LNG trains, of which four are the largest in the world – known as mega trains - each with a production capacity of 7.8 mtpa.

Today, Qatargas' customers are spread throughout the four corners of the world including Japan, Spain, France, the United Kingdom, Canada, Mexico, the United States and China, with additional output intended for markets in Europe, Asia and North America.

All Qatargas trains are located in Ras Laffan Industrial City and are operated and maintained by Qatargas Operating Company Limited. The Company also operates 146,000 barrels per day condensate refinery in Ras Laffan - - Laffan Refinery - - which was streamed in 2009.

*Al Sadd Chartered to Qatargas*

## RasGas Company Limited (RasGas)

RasGas Company Limited (RasGas) is one of the world's premier integrated liquefied natural gas (LNG) enterprises. In a relatively short period of time, RasGas has achieved a reputation as a safe and reliable supplier of LNG and has transformed a regional resource into a key component of the global energy mix.

Since its creation in 1993, RasGas has developed world-class facilities for the extraction, storage, processing and export of LNG, and has entered into long-term agreements to supply LNG to customers in Korea, India, Italy, Spain, Belgium, Taiwan, and the Americas.

RasGas has emerged as a leading player in the global natural gas industry, supplying and delivering LNG to an international portfolio of customers via a fleet of long term chartered LNG tankers and by initiating technology-led projects such as the production and sale of helium.

RasGas has seven LNG trains in production with a production capacity of over 35 mtpa.

## Qatar International Petroleum Marketing Company (Tasweeq)

Qatar International Petroleum Marketing Company (Tasweeq) is a state-owned company with the mandate of capturing maximum market value from the rapidly increasing exports of LNG related products.

Since its creation in 2007, Tasweeq has marketed products reliably and efficiently to customers worldwide.  In addition to marketing crude oil and  condensates, Tasweeq also markets LNG related products, including liquefied petroleum gas, sulphur, field and plant condensates

*Al Sahla Chartered to RasGas*

# Organizational Development Update

Nakilat's corporate vision and management practices continue to emphasize safety, the reliability and quality of our ships and land-based assets, environmental protection and the insistence upon the highest standards of integrity in all business relationships.

Consistent with these leadership principles, continuous improvement is central to all of our business operations. In this context, Nakilat has made significant departmental achievements in 2010. The following list summarizes the Company's organizational development initiatives during the past year.

### Finance Department

Having successfully built and maintained a highly effective and efficient Finance Department in a relatively short period of time, the Finance Department continues to strengthen its ability to support Nakilat's vision and mission through implementing accounting best practices to ensure the overall integrity of Nakilat's accounting records; and to protect and safeguard the company's assets and stakeholders' interests. Nakilat Finance Department has also initiated a corporate shared services program for some of its joint ventures.

During 2010, Nakilat identified an opportunity to improve operational efficiency and generate income by moving the Teekay joint venture's Corporate Services function to Nakilat with effect from January 1, 2011. The accounting services provided will generate QR 2.2 million per year in revenue for Nakilat while high grading services in this area with the joint venture.

### Treasury and Planning Department

In compliance with financing documents, Treasury and Planning engaged in optimizing cash flow from Nakilat Inc. Utilizing provision for Acceptable Credit Support, a Letter of Credit Facility was established. Substantial liquidity was released from Nakilat Inc. to enhance shareholder value. Additionally, mechanisms were put in place for a successful release of trapped cash from Nakilat Inc. Treasury and Planning interacted with Rating Agencies and successfully accomplished reaffirmation or upgrade of Nakilat ratings by FITCH and S&P respectively.

### Business Systems and Controls Department

Has implemented an effective controls management process and established relevant policies and procedures to manage risks in compliance with regulations and standards. During the year, provided quality SAP user support and partnered with Operations, Accounting and Information Technology Departments to design and implement quality SAP solutions to all new or changing business requirements, such as withholding tax functionality, depot spares and automating the foreign currency protection allowance. The department also implemented a document management system within SAP that allows users to attach scan images of invoices, delivery notes, contracts, etc. to relevant SAP documents. This provides for a seamless review of SAP transactions to their source documents.

### Information Technology Department

Has fully implemented an integrated SAP Business Software for our joint venture companies, Nakilat Damen Shipyard Qatar and Nakilat-Keppel Offshore & Marine, which includes procure to pay, procurement and invoice processing, electronic bank statement reconciliation, project systems, human resources and payroll, objectives setting and employee performance evaluation, portal and workflow. SAP Inventory Management and Physical Inventory system has also been implemented for Nakilat depot spares warehouse. The SAP Business Software for Nakilat is now in its 2nd year of smooth business operation. A full datacenter has also been set-up at the Erhama Bin Jaber Al Jalahma shipyard in the Port of Ras Laffan, to support the shipyard operations, and it is fully linked to Nakilat main office data center in Doha.

### Supply Department

Has continued to develop its Vessel Support business throughout 2010 and now all personnel connected to this business operate from the shipyards large warehouse facility where they are closer and better able to meet customer needs. The Nakilat fleet, and many other vessels calling at the port, now order and receive all their fresh provisions and items of chandlery in Ras Laffan, where we are able to offer greater value and efficiency than elsewhere in the region. The "one stop shop" concept of providing all goods and services from the port continues to grow in support of vessels sailing non-stop to and from various ports of call.

### Human Resources Department

Has developed and begun implementation of an industry-leading and comprehensive Qatarization program during 2010. The new program involves aggressive and focused recruitment targets and strategies, and the use of individual development plans with all Qatari employees that aim to optimize individual growth opportunities.

Actions completed in 2010 in support of Qatarization include the following:

- Survey of best practices through visits to Qatar Petroleum, Qatargas and Shell Oil Qatar's Qatarization units and implementation of these practices within Nakilat.
- Preparation and implementation of comprehensive P&P and recruitment materials, to include the use of individual development plans with each Qatari employee and the introduction of Coach and Mentor roles to assist with implementation efforts.
- Recruitment of seven (7) Qataris
- Participation on campus at Qatar University, select high schools and at the Qatar Career Fair to increase awareness of Nakilat and its opportunities.

During 2010, the Human Resources Department also:

- High-graded its recruitment and employment processes.
- Designed and initiated work on the Company's first formal job evaluation program utilizing the Hay Guide Chart Profile methodology, which also required the updating of all position descriptions
- Designed revisions to its performance management system to allow for more effective performance evaluations, coaching for higher performance and development of national employees

### Public Relations Department

- Managed and coordinated the November 23rd Inaugural Ceremony of the Erhama Bin Jaber Al Jalahma Shipyard, attended by His Highness Sheikh Hamad Bin Khalifa Al Thani, The Emir of the State of Qatar and more than 630 guests from around the globe, including leaders from government and industry.
- Organized and officiated at the Nakilat and Damen Shipyards Group signing ceremony to announce the agreement and landmark partnership for the formation of the Nakilat Damen Shipyards Qatar (NDSQ) joint venture.
- Participated in key national and international conferences and exhibitions. Qatar Career Fair (to create awareness among Qatar youth about employment, training and career opportunities at Nakilat) and at Doha International Maritime Defence Exhibition & Conference-DIMDEX (to market and promote the Erhama Bin Jaber Al Jalahma Shipyard and our joint venture partnerships).

### Nakilat Safety, Health, Environment, Security and Quality Assurance Achievements

- Nakilat is committed to a culture that seeks to continuously improve its safety performance with ongoing training efforts, recognition awards programs and awareness campaigns.
- To fulfil Nakilat's commitment to high standards for Safety, Health, Environment, Security and Quality Assurance (SHE&QA) during 2010, Nakilat prepared applicable policies and procedures and made resources available in support of these requirements.
- Nakilat and its various companies recorded an outstanding year of accomplishment during 2010. All vessels in service achieved high standards of SHE &QA performance. The Erhama Bin Jaber Al Jalahma shipyard achieved a milestone of 16 million man-hours without a Lost Time Incident (LTI). Nakilat Svitzerwijsmuller achieved 5.8 million LTI free man-hours since the start of their operations.
- Nakilat Agency Company also accomplished 5 years of successful operation without a single LTI.
- Nakilat is working with the Port of Ras Laffan and Qatar Petroleum on a Slops and Sludge Disposal facility at Ras Laffan for ships coming to the shipyard for dry-docking.
- Nakilat has continuously improved its Emergency Response Procedures with ongoing reviews of the Emergency Response Plan, to include lessons learned following regular Emergency Response Drills involving our operator, STASCO, with our joint venture Owners: Maran Gas, OSG, Teekay and with our Charterers: Qatargas and RasGas. In 2010, 8 Ship-Shore Emergency drills have been completed.
- Nakilat is implementing an Integrated Management System to achieve operational efficiency and customer satisfaction standards that are consistent with Nakilat's Vision and Mission. Certification under ISO 9001:2008, 18001:2007 OHSAS, ISM & ISPS is underway with the assistance of Lloyd's Register.
- Nakilat as a member of QP DG HSE Maritime Task Force is engaged in IMO conventions evaluation and compliance of all new International and Local regulations.
- Nakilat has entered an agreement with MAN B & W for ship's engine maintenance and performance monitoring, which will assist in hydrocarbon emission reduction.

# Nakilat Fleet Operations

The Nakilat fleet consists of 25 wholly-owned, 29 jointly-owned LNG carriers and 4 jointly-owned LPG ships.

## Fleet Vessels

All of Nakilat vessels have been delivered from Korean shipyards. The last vessel in Nakilat's wholly-owned fleet of 25 vessels, "Rasheeda", was delivered on 12th August 2010. Included in the wholly- owned Fleet are 14 Q-Max vessels with a nominal cargo capacity of 263,000 to 266,000$m^3$ and 11 Q-Flex ships with a nominal cargo capacity of 210,000 to 217,000 $m^3$. The new vessels provide Nakilat and its Charterers with the latest technology for safe, cost effective and reliable LNG transportation.

Nakilat also has key joint venture partnerships with many of the world's leading shipping companies. In total, Nakilat jointly-owns and operates 29 LNG carriers. Nakilat's ownership share in these partnership vessels ranges from 20% to 60%, with an aggregate average of 43%. Nine of these vessels are conventional size with a nominal cargo capacity of 150,000 $m^3$ with the remaining 20 ships of the Q-Flex size and a cargo capacity of 216,000 $m^3$.

Together, Nakilat's jointly and wholly-owned fleet of 54 LNG vessels represents a total investment of approximately US $11 Billion. The fleet's carrying capacity of over 8.5 million cubic metres of LNG cargo firmly establishes Nakilat as the largest LNG shipping company in the world.

The Q-Max and Q-Flex vessels with nominal cargo capacities of 266,000m and 216,000$m^3$respectively are the world's largest and most advanced LNG vessels and have been in service since late 2007 delivering LNG cargoes to global ports that include the USA, UK, Japan, Korea, Spain, India, Turkey, Canada and China.

The Q-Flex ships have approximately 50% more cargo capacity than conventional LNG carriers, and the larger Q-Max vessels have over 80% more cargo capacity. Due to economies of scale and engine efficiency, the ships require approximately 40% less energy per unit of cargo than conventional LNG carriers. The end result is a reduction in transportation costs between 20 to 30%.


*Nakilat ships loading cargo at the Port of Ras Laffan*

## Ship Management

Management of the wholly-owned LNG Fleet is contracted to Nakilat Shipping (Qatar) Limited (NSQL) a wholly owned subsidiary of Nakilat. A Master Services Agreement (MSA) was signed between NSQL and Shell International Trading and Shipping Company (STASCO) in late 2006 for a number of shipping services. Included in these services is the ship management of Nakilat LNG and LPG vessels with a provision to hand over management of the vessels to NSQL (Doha) between 2018 and 2022. A dynamic and ambitious road map has been developed to assume the roles and full management responsibility for the vessels within this time period. Nakilat's Fleet Department is leading this process and continues to develop in-house capabilities to meet the significant challenges and responsibilities associated with LNG ship management.

## Nakilat Shipping

Nakilat's Fleet Department roles and responsibilities include Technical, Operations and Safety, Health, Environment & Quality Assurance (SHE&Q). It provides due diligence, oversight and monitoring of ship management to optimize asset effectiveness. The Fleet Department ensures that SHE&Q and operational standards exceed the recognized international industry requirements.

Recognizing the extreme importance for operating costs to be controlled and for the joint venture partners to operate the LNG vessels safely and competently in a manner that protects the reputation and integrity of Nakilat, a process has been developed to closely monitor the standards and costs.

*Al Gattara at Port  in Ras Laffan*

## Marine Academy

To support Nakilat's ongoing sea staffing requirements, Nakilat, in consultation with the Qatar Foundation, is working on a feasibility study for the establishment of a high caliber, globally recognized International Maritime Academy in Qatar (IMAQ) to serve and support Qatar's rapidly growing maritime sector. Our vision is to establish an IMAQ in alliance with one of the world's leading maritime institutions to create a regional "center–of-excellence" in education and training for the marine, shipping and offshore industries.

## LPG Vessels & Sulphur Transport

In addition to its fleet of LNG vessels, Nakilat also co-owns four Very Large LPG Carriers (VLGC's) of 82,000m³ each. These VLGC's are commercially managed by a special purpose pool, "Gulf LPG Transport Company W.L.L ", through a 50:50 joint venture agreement with Qatar Shipping Company (Q-Ship). Nakilat provides shipping services to Tasweeq to cover its LPG exports. Additionally, Nakilat supports Tasweeq by securing bulk vessels from the market for the transportation of sulphur to world markets.

*Bu Sidra*

# Erhama Bin Jaber Al Jalahma Shipyard

The State of Qatar has had minimal capacity for the repair and conversion of large ships; for the fabrication of offshore structures; or for the construction of high value small ships. Qatar's requirements in these sectors have historically been served by foreign companies.

The resultant loss of business to Qatari industry was significant, and major opportunities to develop the country's industrial base were not being exploited.

To address this situation, His Highness The Emir of Qatar, Sheikh Hamad bin Khalifa Al Thani, instructed Nakilat and Qatar Petroleum to develop and implement a long-term strategy to establish state-of-the-art facilities for the construction and maintenance of a wide range of marine and offshore structures. Development of this strategy was completed in 2007, and comprises the following phases:

| Phase | Activity |
|---|---|
| 1 | Repair and conversion of very large ships (e.g. LNGCs, VLCCs). |
| 2 | Repair of medium-sized ships (e.g. 20,000 dwt to 80,000 dwt). |
| 2A | Addition of a Q-Max sized floating dock for ship repair. |
| 3 | Fabrication and maintenance of offshore structures (and components for land-based petrochemical plant). |
| 4 | Construction of high value small ships (< 120m length). |
| 4A | Addition of a hall for finishing and re-fit of "superyachts" and military vessels. |
| 5 | Repair of small ships (< 20,000 dwt). |
| 6 | Construction of FRP boats for the commercial and leisure markets. |

The above facilities are all to be located in the expanded Port of Ras Laffan, and are known collectively as the Erhama Bin Jaber Al Jalahma Shipyard.

In February 2007, Qatar Petroleum (QP) appointed Nakilat to manage the design and construction of Phases 1 and 2 – the major ship repair facilities – and undertake various studies relating to the remaining phases. Subsequently, QP gave its approval to proceed with design and construction of Phases 2A, 4, 4A, 5 and 6, all under Nakilat's management.

Nakilat created a Project Task Force (PTF) to manage development of the Shipyard, with team members from Nakilat, QP, and with Nakilat's "strategic partners" for managing the Shipyard.

By late 2007, construction of Phases 1 and 2 commenced, and the PTF had begun working with leading international consultants on Market Assessments and Feasibility Studies for the remaining phases.

All Shipyard facilities have been designed in accordance with the best international practices and standards. The Shipyard will occupy some 110 hectares (272 acres) of reclaimed land along the south breakwater of the expanded Port of Ras Laffan.

By the end of 2010, the PTF comprised 48 employees and much had been achieved, as summarized on pages 36 to 43.

*The Erhama Bin Jaber Al Jalahma Shipyard*

## Phases 1 and 2: Repair and Conversion of Large / Medium Sized Ships

In March 2007, Nakilat formed a Joint Venture with Keppel Offshore & Marine - a global leader in ship conversion and repair, as well as leading designer and builder of jack-up and semi-submersible drilling and production platforms - to operate the Phases 1 and 2 of the Shipyard. The new joint venture company, Nakilat-Keppel Offshore and Marine (N-KOM), mobilized throughout 2010 and completed construction of the Shipyard's drydock gates in the 4th quarter.

Phases 1 and 2 will not only serve the Nakilat fleet, but also undertake work for other ship-owners on a commercial basis.

Key features of the facilities are:

| | |
|---|---|
| Site area: | 43 hectares (106 acres). |
| Two Graving Docks: | 400m long x 80m wide, with 12m of water over the cill.<br>360m long x 66m wide, with 10m of water over the cill. |
| One Floating Dock: | 220m long x 38 m wide, 28,000t lift capacity. |
| Quays: | Six full length berths, totalling 2.4 km in length. |
| Workshops: | Full range of support facilities, such as machine shop, pipe shop, steel shop, stores. |
| Other: | Offices, amenities, medical centre, fire station, facilities for ships' crews, etc. |

By 4th quarter 2010, construction of Phases 1 and 2 was substantially completed, and preparations to commence ship repair operations were well advanced. On 23 November 2010, His Highness The Emir of Qatar inaugurated the Shipyard, with some 630 guests present. Ship repair operations have now commenced, and the facilities are expected to build up to maximum capacity over the next five years.Completion of Phase 2A, the addition of a Q-Max floating dock (405m long x 64m wide, 75,000t lift capacity) and construction of a new quay (some 400m long), is projected for 2nd quarter 2014.

*The Erhama Bin Jaber Al Jalahma Shipyard, Drydocks 1 & 2*

*His Highness Sheikh Hamad Bin Khalifa Al Thani, The Emir of the State of Qatar, Inaugurating The Erhama Bin Jaber Al Jalahma Shipyard*

## Phase 3: Yard for Fabrication and Maintenance of Offshore Structures

By the end of 2010, the Shipyard's Phase 3 status was as follows:

- Market Assessment complete.
- Feasibility Study complete.
- Overall facility layout complete.
- Site reclamation complete.

The schedule for construction of Phase 3 will be determined during 2011.


*Offshore Oil & Gas Production Facilities, Qatargas North Field-Bravo*

### Phase 4: Ship Construction Facility (Vessels < 120m length)

The range of activities to be undertaken in the new Ship Construction Facility includes the following:

- Ship types:
  - Commercial vessels.
  - Coastal defence vessels (Navy and Coast Guard).
  - Luxury yachts.
- Ship sizes:
  - 120m overall length.
  - 5,000t displacement.
  - 10,000t dwt.
- Activities:
  - New construction (primary activity).
  - Major refit.

In January 2010, Nakilat established a Joint Venture with Damen Shipyards Group - a world leader in the design and construction of specialist ships - to manage Phase 4. This JV is known as Nakilat Damen Shipyards Qatar (NDSQ).

Phase 4 was inaugurated by His Highness The Emir of Qatar on 23 November 2010. The first vessel is currently under construction .

*The Erhama Bin Jaber Al Jalahma Shipyard*

## Phase 4

*Corvette*

*Tugs*

### Phase 4A: Superyacht Hall

Phase 4A will have two principal functions:

- Final outfitting and painting of superyacht hulls produced in the main Construction Hall of the Phase 4 facilities.
- Refit and upgrade of superyachts and naval vessels.

The Phase 4A facilities will permit simultaneous work on two superyachts without interference between operations in the Hall's two bays, thereby providing for very high levels of surface finish and overall quality which are essential for superyachts, i.e., yachts beginning in length at approximately 45 meters.

Operationally, Phase 4A will be fully integrated with the facilities in Phase 4. In turn, Phase 4 is linked operationally to Phases 1 and 2, for supply of components for construction of the hulls of superyachts and provision of other services, such as pipe spool fabrication and machining.

The target for start of operations in Phase 4A is 3rd quarter 2012.

Phase 4A will be operated by Nakilat Damen Shipyards Qatar, and will benefit from the expertise of Amels, a wholly owned subsidiary of Damen, which specializes in the design, construction and re-fit of superyachts.

*Custom Luxury Yachts*

## Phase 5: Repair of Small Ships

Phase 5 is closely related to Phases 1 and 2, and optimized for the repair of small ships.

The addition of Phase 5 will give Nakilat the capability to cover the entire ship repair / refit / conversion market from the smallest to the largest vessels operating in the Arabian Gulf.

Phase 5 has the following key features:

- Site area: 7.5 hectares (18.5 acres).
- One Floating Dock: 140m long x 25m wide, 5,000t lift capacity.
- Two Travelifts: 1,100t lift capacity, for ships of up to 75m in length.
  300t lift capacity, for ships of up to 35m in length.
- Fourteen Berths: Six onshore repair berths for ships of up to 75m in length.
  Eight onshore repair berths for ships of up to 35m in length.
- Quays: 280m of afloat berths.

By the end of 2010, the Market Study for Phase 5 has been completed. The bund for reclamation of the site was also completed and Engineering work had commenced. Reclamation of the site started in December 2010, and will be completed in 1st quarter 2011. Construction of Phase 5 is expected to be completed in 2nd quarter 2012.

*Small Ship Repair - Nakilat Svitzer Tug in N-KOM Drydock*

## Phase 6: Fibre Reinforced Plastic (FRP) Boat Production

Phase 6 is dedicated to the production of FRP leisure craft and workboats for the local and international markets.

The Feasibility Study for Phase 6 has been completed, the site has been reclaimed and preliminary engineering is underway. Selection of an appropriate "strategic partner" is well advanced.

It is expected that partner selection will be completed in 2011, following which detailed design of the facilities will commence. The tentative target for start of production in Phase 6 is Second Quarter of 2013.

*Superyachts at Port Arabia Marina at The Pearl-Qatar, Courtesy of United Development Company*

NAKILAT ناقلات

QATAR GAS TRANSPORT COMPANY LIMITED
(NAKILAT) (QSC)

DOHA - QATAR

# CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

# Contents


Al Hamla by Robert Lloyd

**Independent Auditor’s Report**

To
The Shareholders
Qatar Gas Transport Company Limited (Nakilat) Q.S.C.
Doha
State of Qatar

**Report on the Consolidated Financial Statements**
We have audited the accompanying consolidated financial statements of Qatar Gas Transport Company Limited (Nakilat) Q.S.C. (“the Company”) and its subsidiaries (together referred to as “the Group”), which comprise the consolidated statement of financial position as at December 31, 2010 and the consolidated statements, of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

***Responsibility of the Directors for the Consolidated Financial Statements***
Directors are 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 Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor’s 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 our judgement, 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, we consider internal control relevant to the Group’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report (Continued)
Qatar Gas Transport Company Limited (Nakilat) Q.S.C

***Opinion***
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2010 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

***Other matter***
The consolidated financial statements as at and for the year ended December 31, 2009 were audited by another auditor, whose report dated March 24, 2010, expressed an unqualified opinion on those consolidated financial statements.

**Report on Other Legal and Regulatory Requirements**
In addition, in our opinion, the Group has maintained proper accounting records and the consolidated financial statements are in agreement therewith. We reviewed the report of the Board of Directors and confirm that the financial information contained therein is in agreement with the books and records of the Group. We are not aware of any violations of the applicable provisions of Qatar Commercial Companies Law No 5 of 2002, or the terms of Articles of Association having occurred during the year which might have had a material effect on the business of the Group or its consolidated financial position as of December 31, 2010. Satisfactory explanations and information have been provided to us by the management in response to all our requests.

March 14, 2011
Doha
State of Qatar

Gopal Balasubramaniam
KPMG
*Qatar Auditors' Registry Number 251*

**QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)**
**DOHA QATAR**
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**AS OF DECEMBER 31, 2010**
**(Amount Expressed in Thousands of Qatari Riyals)**

| | Note | December 31, 2010 | December 31, 2009 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-Current Assets:** | | | |
| Property and equipment | 4 | **26,338,076** | 22,450,027 |
| Construction in progress | 5 | **-** | 3,624,184 |
| Investment in joint venture companies | 6 | **2,037,987** | 2,076,984 |
| Loans to joint venture companies | 7 | **1,121,414** | 1,108,006 |
| Available-for-sale-investments | 8 | **129,973** | 107,108 |
| **Total Non-Current Assets** | | **29,627,450** | 29,366,309 |
| **Current Assets:** | | | |
| Trade and other receivables | 9 | **254,421** | 101,642 |
| Due from joint venture companies | | **21,663** | 1,704 |
| Cash and bank balances | 10 | **2,126,107** | 1,778,939 |
| **Total Current Assets** | | **2,402,191** | 1,882,285 |
| **Total Assets** | | **32,029,641** | 31,248,594 |

The accompanying notes 1-26 form an integral part of these consolidated financial statements.

**QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)**
**DOHA – QATAR**
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**AS OF DECEMBER 31, 2010**
**(Amount Expressed in Thousands of Qatari Riyals)**

| | Note | December 31, 2010 | December 31, 2009 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **EQUITY:** | | | |
| Share capital | 11 | **5,538,003** | 5,537,812 |
| Legal reserve | 12 | **171,747** | 105,280 |
| Fair value reserve | | **83,505** | 60,640 |
| Translation reserve | | **28,626** | 28,626 |
| Proposed cash dividend | 11.1 | **415,520** | 277,013 |
| Retained earnings | | **671,239** | 504,796 |
| **Total equity before hedge reserve and non-controlling interests** | | **6,908,640** | 6,514,167 |
| **Hedging reserve** | 13 | **(3,484,908)** | (2,609,248) |
| **Non-Controlling Interests** | | **4,763** | 4,362 |
| **Non-Current Liabilities:** | | | |
| Borrowings | 14 | **24,666,403** | 24,556,405 |
| Fair value of interest rate swaps | 15 | **2,827,970** | 2,130,977 |
| Provision for employees' end of service benefits | | **8,739** | 6,195 |
| **Total Non-Current Liabilities** | | **27,503,112** | 26,693,577 |
| **Current Liabilities:** | | | |
| Borrowings | 14 | **885,540** | 458,140 |
| Accounts payable and accruals | 16 | **212,494** | 186,989 |
| Due to related party | | **-** | 607 |
| **Total Current Liabilities** | | **1,098,034** | 645,736 |
| **Total Equity and Liabilities** | | **32,029,641** | 31,248,594 |

These consolidated financial statements were approved on **March 14, 2011**.

| | | |
|---|---|---|
| **Hamad Rashid Al Mohannadi** | **Ahmed Yousif Al Khulaifi** | **Muhammad Ghannam** |
| **Chairman** | **Vice Chairman** | **Managing Director** |

The accompanying notes 1-26 form an integral part of these consolidated financial statements.

**QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)**
**DOHA – QATAR**
**CONSOLIDATED STATEMENT OF INCOME**
**FOR THE YEAR ENDED DECEMBER 31, 2010**
**(Amount Expressed in Thousands of Qatari Riyals)**

| | Note | For the Year Ended December 31, 2010 | For the Year Ended December 31, 2009 |
|---|---|---|---|
| **Income:** | | | |
| Revenue from wholly owned vessels | | **2,728,837** | 1,493,650 |
| Share of operating profits from joint ventures | 6 | **247,607** | 218,066 |
| Other adjustments from joint ventures | | **-** | 63,041 |
| Income from marine and agency services | | **30,249** | 29,311 |
| Profit from Islamic banks | | **28,272** | 65,401 |
| Interest and dividend income | | **40,929** | 37,206 |
| Other income | | **16,509** | 7,785 |
| **Total Income** | | **3,092,403** | 1,914,460 |
| **Expenses:** | | | |
| Operating costs of wholly owned vessels | | **(459,284)** | (205,265) |
| General and administrative | | **(70,103)** | (58,888) |
| Depreciation of property and equipment | 4 | **(557,136)** | (314,685) |
| Finance charges | | **(1,321,060)** | (753,970) |
| **Total Expenses** | | **(2,407,583)** | (1,332,808) |
| **Profit from operations** | | **684,820** | 581,652 |
| Social and sports fund contribution | 17 | **-** | (12,649) |
| (Loss)/ gain on derivative instruments from joint ventures | 6 | **(19,751)** | 19,939 |
| **Total Profit for the year** | | **665,069** | 588,942 |
| **Attributable to:** | | | |
| Owners of the Company | | **664,668** | 588,427 |
| Non-controlling interests | | **401** | 515 |
| **Total** | | **665,069** | 588,942 |
| Basic and diluted earnings per share (expressed in QR per share) | 20 | **1.17** | 1.06 |

The accompanying notes 1-26 form an integral part of these consolidated financial statements.

**QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)**
**DOHA – QATAR**
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED DECEMBER 31, 2010**
**(Amount Expressed in Thousands of Qatari Riyals)**

| | Note | For the Year Ended December 31, 2010 | For the Year Ended December 31, 2009 |
|---|---|---|---|
| **Total profit for the year** | | **665,069** | 588,942 |
| **Other comprehensive income** | | | |
| Increase in the fair value of available-for-sale investments | 8 | **22,865** | 10,600 |
| Exchange difference arising on translating foreign operations | | **-** | 4,584 |
| Changes in fair value of cash flow hedging derivatives | | **(696,993)** | 2,884,718 |
| Group's share of joint ventures' changes in fair value of cash flow hedging derivatives | | **(178,667)** | 421,287 |
| **Total comprehensive income for the year** | | **(187,726)** | 3,910,131 |
| **Total comprehensive income for the year attributable to:** | | | |
| Owners of the Company | | **(188,127)** | 3,909,616 |
| Non-controlling interests | | **401** | 515 |
| **Total** | | **(187,726)** | 3,910,131 |

**QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)**
**DOHA – QATAR**
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED DECEMBER 31, 2010**
**(Amount Expressed in Thousands of Qatari Riyals)**

| | Share Capital | Legal Reserve | Fair Value Reserve | Translation Reserve | Proposed Cash Dividend | Retained Earnings | Total Equity Before Hedge Reserve and Non-Controlling Interests | Hedging Reserve | Non-Controlling Interests |
|---|---|---|---|---|---|---|---|---|---|
| Balance as of January 01, 2009 | 5,537,655 | 46,438 | 50,040 | 24,042 | - | 251,930 | 5,910,105 | (5,915,253) | 4,464 |
| Total profit for the year | - | - | - | - | - | 588,427 | 588,427 | - | 515 |
| Other Comprehensive income for the year | | | | | | | | | |
| -Changes in fair value of available- for -sale investments | - | - | 10,600 | - | - | - | 10,600 | - | - |
| -Exchange difference arising on translating foreign operations | - | - | - | 4,584 | - | - | 4,584 | - | - |
| -Changes in fair value of cash flow hedging derivatives | - | - | - | - | - | - | - | 2,884,718 | - |
| -Group's share of joint ventures' changes in fair value of cash flow hedging derivatives | - | - | - | | - | - | - | 421,287 | - |
| Transfer to legal reserve | - | 58,842 | - | - | - | (58,842) | - | - | - |
| Proposed cash dividend | - | - | - | - | 277,013 | (277,013) | - | - | - |
| Capital contribution | 157 | - | - | - | - | - | 157 | - | - |
| Adjustment due to liquidation of a subsidiary | - | - | - | - | - | 294 | 294 | - | (617) |
| Balance as of December 31, 2009 | 5,537,812 | 105,280 | 60,640 | 28,626 | 277,013 | 504,796 | 6,514,167 | (2,609,248) | 4,362 |
| Total profit for the year | - | - | - | - | - | **664,668** | **664,668** | - | **401** |
| Other Comprehensive income for the year | | | | | | | | | |
| -Changes in fair value of available- for- sale investments | - | - | **22,865** | - | - | - | **22,865** | - | - |
| -Changes in fair value of cash flow hedging derivatives | - | - | - | - | - | - | - | **(696,993)** | - |
| -Group's share of joint ventures' changes in fair value of cash flow hedging derivatives | - | - | - | - | - | - | - | **(178,667)** | - |
| Transfer to legal reserve | - | **66,467** | - | - | - | **(66,467)** | - | - | - |
| Social and sports fund contribution | - | - | - | - | - | **(16,238)** | **(16,238)** | - | - |
| Dividend paid for 2009 | - | - | - | - | **(277,013)** | - | **(277,013)** | - | - |
| Proposed cash dividend | - | - | - | - | **415,520** | **(415,520)** | - | - | - |
| Capital contribution | **191** | - | - | - | - | - | **191** | - | - |
| **Balance as of December 31, 2010** | **5,538,003** | **171,747** | **83,505** | **28,626** | **415,520** | **671,239** | **6,908,640** | **(3,484,908)** | **4,763** |

**QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)**
**DOHA – QATAR**
**CONSOLIDATED STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED DECEMBER 31, 2010**
**(Amount Expressed in Thousands of Qatari Riyals)**

| | Note | For the Year Ended December 31, 2010 | For the Year Ended December 31, 2009 |
|---|---|---|---|
| **Cash Flows from Operating Activities:** | | | |
| Total Profit for the year | | **665,069** | 588,942 |
| Adjustments for: | | | |
| Depreciation of property and equipment | 4 | **557,136** | 314,685 |
| Finance charges | | **1,321,060** | 753,970 |
| Loss on disposal of property and equipment | | **7** | - |
| Share of operating profits & other adjustments from joint ventures | 6 | **(247,607)** | (281,107) |
| Loss / (Gain) on derivative instruments from joint ventures | 6 | **19,751** | (19,939) |
| Profit from Islamic banks | | **(28,272)** | (65,401) |
| Interest, dividend and other income | | **(57,438)** | (44,991) |
| Provision for doubtful receivables | | **-** | 161 |
| | | **2,229,706** | 1,246,320 |
| **Working Capital Changes:** | | | |
| Trade and other receivables | | **(75,223)** | 17,971 |
| Accounts payable and accruals | | **(9,202)** | 27,916 |
| Due from joint venture companies | | **(19,959)** | 1,451 |
| Due to related parties | | **(607)** | 524 |
| Inventory | | **-** | 7 |
| Cash generated from operations | | **2,124,715** | 1,294,189 |
| Finance charges paid | | **(1,392,247)** | (1,254,421) |
| **Net Cash from Operating Activities** | | **732,468** | 39,768 |
| **Cash Flows from Investing Activities:** | | | |
| Loans to joint venture companies | | **(8,032)** | (537,382) |
| Investment in joint venture companies | | **(510)** | (641) |
| Dividend income received from joint ventures | 6 | **83,320** | 89,230 |
| Acquisition of property and equipments | 4 | **(5,675)** | (1,592) |
| Investment income received | | **97,105** | 127,073 |
| Sale proceeds from disposal of property and equipment | | **3** | - |
| Time deposits maturing after ninety days | | **-** | 9,098 |
| Construction in progress | | **(821,947)** | (5,707,565) |
| **Net Cash Used in Investing Activities** | | **(655,736)** | (6,021,779) |
| **Cash Flows from Financing Activities:** | | | |
| Proceeds from issue of shares against capital | | **191** | 157 |
| Dividend paid to shareholders | | **(266,091)** | - |
| Unpaid dividend transferred to separate account | | **(10,922)** | - |
| Proceeds from borrowings | | **994,137** | 5,896,415 |
| Repayments of borrowings | | **(456,739)** | (114,785) |
| **Net Cash from Financing Activities** | | **260,576** | 5,781,787 |
| **Net Increase / (Decrease) in Cash and Cash Equivalents** | | **337,308** | (200,224) |
| **Cash and Cash Equivalents at Beginning of the Year** | | **1,752,991** | 1,953,215 |
| **Cash and Cash Equivalents at End of the Year** | 10.1 | **2,090,299** | 1,752,991 |

**QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)**
**DOHA – QATAR**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED DECEMBER 31, 2010**
**(Amount Expressed in Thousands of Qatari Riyals)**

## 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 Ministry of Business and Trade. 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 Qatar Exchange on April 7, 2005.

The main purpose of the Company is to work in the industry of gas transport either through direct acquisition of ocean going vessels or by investing in joint ventures with other parties.

The Company operates either directly or through its subsidiaries and joint venture companies (collectively referred to as the "**Group**"). The operations of the Group are conducted within the economic environment in the State of Qatar.

Although mostly the joint venture entities are located abroad, their trading activities are mainly derived from contracts with local companies in Qatar. The Group can be therefore viewed to provide services within the same economic environment and subject to the same economic risk.

## 2. *Adoption of New and Revised Standards:*

### 2.1 *New Standards, Amendments and Interpretations Effective from 1 January 2010*

Improvements to IFRS issued in April 2009 contained numerous amendments to IFRS that the IASB considers non-urgent but necessary. Improvements to IFRS comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual standards. The amendments are effective for annual periods beginning on or after 1 January 2010 with earlier adoption permitted. No changes or accounting policies are made as a result of these amendments.

### 2.2 *New Standards, Amendments and Interpretations that are not yet Effective for the year ended 31 December 2010 and not yet adopted*

A number of new standards, amendments to standards and interpretations have been issued that are not yet effective for the year ended 31 December 2010, and have not been applied in preparing these consolidated financial statements.

-**IFRS 9, Financial Instruments** is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets, amortized costs and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard can be adopted early and prospectively, and prior periods needed not be restated if an entity adopts the standard for reporting periods beginning before 1 January 2012.

-**Revised IAS 24 (revised), Related Party Disclosures**, issued in November 2009. It supersedes IAS 24, Related Party Disclosures, issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities. The Group will apply the revised standard from 1 January 2011. When the revised standard is applied, the Group and the parent will need to disclose any transactions between its subsidiaries and its associates.

**QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)**
**DOHA – QATAR**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED DECEMBER 31, 2010**
**(Amount Expressed in Thousands of Qatari Riyals)**

## 3. Basis of Preparation and Significant Accounting Policies:

### a) Basis of Preparation

These consolidated financial statements are prepared under the historical cost convention, except for certain financial instruments which have been stated at fair value. These consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRS).

### 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 share of movements in equity of joint venture entities collectively referred to as the "Group". Refer to **notes no. 6 and 19** for details.

All figures are expressed in thousands of Qatari Riyals except where stated otherwise.

### 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 statement of financial position 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 accumulated impairment losses if any. Depreciation is charged following the straight-line method over the estimated useful lives of the related assets as follows:

| | |
|---|---|
| Vessels | 2.5% |
| Building | 20% |
| Computer equipment | 33.33% |
| Plant equipment | 20% |
| Office equipment | 15% |
| Telecom equipment | 20% |
| Furniture and fixtures | 15% |
| Vehicles | 20% |
| SAP | 20% |

**QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)**
**DOHA QATAR**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED DECEMBER 31, 2010**
**(Amount Expressed in Thousands of Qatari Riyals)**

3. ***Basis of Preparation and Significant Accounting Policies (continued):***

Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Major additions, replacements and improvements are capitalized.

f) ***Borrowing costs***

Borrowing costs directly attributable to the acquisition and construction of qualifying assets, which are assets that take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. Interest income earned on the temporary investment of the borrowings pending their expenditure on the qualifying assets is deducted from the borrowing costs eligible for capitalization.

g) ***Investments Available for- Sale***

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 recognized in other comprehensive income and presented 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 consolidated statement of income for the year.

For investments traded in active markets, fair value is determined by reference to quoted market bid prices at the close of business on the date of the statement of financial position.

h) ***Trade and Other Receivables***

Trade receivables are stated at original invoice amount less provisions for amounts estimated to be doubtful debts. An estimate of doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

i) ***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.

j) ***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.

k) ***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 Pension, contributions by the Company to a Government Fund Scheme for Qatari employees are calculated as a percentage of the Qatari employees salaries. The Companys obligations are limited to its contributions which are expensed when due and remitted to the Pension Authority on a monthly basis.

l) ***Revenue***

Revenue for time charter is recognized on the accrual method in line with agreements entered into with charter parties under the operating lease as risks and rewards relating to the ownership of the vessels have not been transferred.

**QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)**
**DOHA QATAR**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED DECEMBER 31, 2010**
**(Amount Expressed in Thousands of Qatari Riyals)**

**3.** ***Basis of Preparation and Significant Accounting Policies (continued) :***

Revenue from marine and agency services is recognised as and when the services are rendered.

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

Dividend income from investments is recognized when the shareholder's right to receive payment is established.

m) ***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.

n) ***Impairment***

***Impairment of Financial Assets***

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. All impairment losses are recognized in the consolidated statement of income.

***Impairment of Non Financial Assets***

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognized in the consolidated statement of income, whenever the carrying amount of an asset exceeds its recoverable amount.

The impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

o) ***Foreign Currencies***

Foreign currency transactions are recorded in Qatari Riyals at the rate of exchange prevailing at the date of each transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Qatari Riyals at the rate of exchange prevailing at the year end. The resultant exchange difference is included in the consolidated statement of income.

The individual financial statements of subsidiaries and joint ventures in the Group are presented in the currency of the primary economic environment in which they operate (functional currency). For the purpose of these consolidated financial statements, the results and financial position of each entity are expressed in the functional currency of the parent company.

The assets and liabilities of the foreign operations are expressed in Qatari Riyals using exchange rates prevailing at the reporting date. Income and expenses are translated at the average exchange rates for the year unless exchange rates fluctuated significantly during the year in which case the exchange rates at the dates of the transactions are used.

**QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)**
**DOHA QATAR**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED DECEMBER 31, 2010**
**(Amount Expressed in Thousands of Qatari Riyals)**

**3.** ***Basis of Preparation and Significant Accounting Policies (continued) :***

Exchange differences arising, are classified as equity and transferred to the Group's translation reserve. Such exchange differences are recognised in the profit or loss in the period in which the foreign operation is disposed of.

p) ***Derivative Financial Instruments and Hedging Activities***

The Group entered into a variety of derivative financial instruments to manage its exposure against adverse movement in interest rate.

Derivatives are initially recognized at fair value on the date the derivative contracts are entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group has designated its interest rate swaps as hedges of the exposure to variability in cash flows (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The total fair value of hedging derivatives is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and as a current asset or liability if the remaining maturity of the hedged item is less than 12 months.

In circumstances where derivative financial instruments do not qualify as effective hedges, they are marked to market at each period end and changes in fair value are recorded as profit or loss.

q) ***Interest bearing Loans and Borrowings***

Interest bearing loans and borrowings are recognized initially at fair value of the amounts borrowed, less directly attributable transaction costs. Subsequent to initial recognition, interest bearing loans and borrowings are measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. Installments due within one year at amortized cost are shown as a current liability.

r) ***Vessels Under Construction***

Vessels under construction which include the ship builders' costs, interest capitalized and other costs relating to the vessels are initially recorded at cost. Once vessels are placed in service, the costs will be transferred to property and equipment and depreciated to their estimated salvage value on a straight line basis over their estimated useful lives.

**QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)**
**DOHA – QATAR**
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED DECEMBER 31, 2010**
**(Amount Expressed in Thousands of Qatari Riyals)**

**4. *Property and Equipment:***

| | *Vessels* | *SAP* | *Building* | *Equipments* | *Furniture and Fixtures* | *Others* | *Total* |
|---|---|---|---|---|---|---|---|
| **Cost:** | | | | | | | |
| At January 1, 2009 | 2,260,029 | 28,671 | 216 | 3,533 | 723 | 258,344 | 2,551,516 |
| Additions during the year 2009 | - | - | - | 1,324 | 238 | 30 | 1,592 |
| De-recognition of assets | - | - | - | (27) | (13) | (52) | (92) |
| Transfer from Construction in progress | 20,225,766 | - | - | - | - | - | 20,225,766 |
| At December 31, 2009 | 22,485,795 | 28,671 | 216 | 4,830 | 948 | 258,322 | 22,778,782 |
| Additions during the year 2010 | **-** | **383** | **-** | **536** | **-** | **4,756** | **5,675** |
| Disposal of asset | **-** | **-** | **-** | **(59)** | **-** | **-** | **(59)** |
| Transfer from Construction in progress | **4,412,337** | **14,956** | **1,421** | **-** | **-** | **10,806** | **4,439,520** |
| **At December 31, 2010** | **26,898,132** | **44,010** | **1,637** | **5,307** | **948** | **273,884** | **27,223,918** |
| **Accumulated Depreciation:** | | | | | | | |
| At January 1, 2009 | 6,143 | 1,434 | 86 | 942 | 128 | 5,396 | 14,129 |
| Charge for the year 2009 | 300,129 | 5,734 | 43 | 1,269 | 119 | 7,391 | 314,685 |
| Related to de-recognized assets | - | - | - | (27) | (13) | (19) | (59) |
| At December 31, 2009 | 306,272 | 7,168 | 129 | 2,184 | 234 | 12,768 | 328,755 |
| Charge for the year 2010 | **539,177** | **8,781** | **328** | **1,318** | **142** | **7,390** | **557,136** |
| Disposal of asset | **-** | **-** | **-** | **(49)** | **-** | **-** | **(49)** |
| **At December 31, 2010** | **845,449** | **15,949** | **457** | **3,453** | **376** | **20,158** | **885,842** |
| **Net Carrying Amount:** | | | | | | | |
| **At December 31, 2010** | **26,052,683** | **28,061** | **1,180** | **1,854** | **572** | **253,726** | **26,338,076** |
| At December 31, 2009 | 22,179,523 | 21,503 | 87 | 2,646 | 714 | 245,554 | 22,450,027 |

**5. *Construction in Progress:***

| | *Vessels Under Construction* | | | | | | |
|---|---|---|---|---|---|---|---|
| | *Ship-Building Cost* | *Other Program Cost* | *Sub Total* | *Dry Docking Facility Under Construction* | *Software System Implementation Cost* | *Building Under Construction* | *Total* |
| At January 1, 2009 | 16,116,279 | 1,479,698 | 17,595,977 | 64,618 | 3,245 | - | 17,663,840 |
| Additions during the year | 5,320,011 | 859,742 | 6,179,753 | 23,397 | 11,626 | 1,136 | 6,215,912 |
| Transfer to property and equipment | (18,229,012) | (1,996,754) | (20,225,766) | - | - | - | (20,225,766) |
| Transfer to loan to JV | - | - | - | (29,802) | - | - | (29,802) |
| At December 31, 2009 | 3,207,278 | 342,686 | 3,549,964 | 58,213 | 14,871 | 1,136 | 3,624,184 |
| Additions / (recovered) during the year | **700,160** | **225,129** | **925,289** | **(24,269)** | **85** | **285** | **901,390** |
| Transfer to other receivables | **-** | **(62,916)** | **(62,916)** | **(23,138)** | **-** | **-** | **(86,054)** |
| Transfer to property and equipment | **(3,907,438)** | **(504,899)** | **(4,412,337)** | **(10,806)** | **(14,956)** | **(1,421)** | **(4,439,520)** |
| **At December 31, 2010** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Note** | | **(a)** | | | | | |

**QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)**
**DOHA – QATAR**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED DECEMBER 31, 2010**
**(Amount Expressed in Thousands of Qatari Riyals)**

## 5. *Construction in Progress (continued):*

**Note (a):** It includes interest expense capitalized during the year net of interest income earned from temporary placement of borrowed funds amounting to **QR 79 million** (2009: QR 479 million).

## 6. *Investment in Joint Ventures Companies:*

| | **QR '000'** |
|---|---:|
| Balance – January 01, 2009 | 1,464,444 |
| Refund of investment in joint venture entity during the year | (641) |
| Share of operating profit and other adjustments for the year | 281,107 |
| Gain on derivative instruments from joint ventures | 19,939 |
| Loss adjusted against loan to joint venture | 30,411 |
| Share of hedging reserve for the year * | 366,370 |
| Share of exchange difference arising on translating foreign operations | 4,584 |
| Dividend received | (89,230) |
| Balance – December 31, 2009 | 2,076,984 |
| Investment in joint venture entity during the year | **510** |
| Share of operating profit for the year | **247,607** |
| Loss on derivative instruments from joint ventures | **(19,751)** |
| Profit adjusted against loan to joint venture | **(10,082)** |
| Share of hedging reserve for the year * | **(173,961)** |
| Dividend received | **(83,320)** |
| **Balance – December 31, 2010** | **2,037,987** |

* This excludes the share of losses on the hedging reserve from the joint ventures amounting to a total of **QR 4.7 million** (2009: QR 13.1 million gain) which has been adjusted against the loan to the respective joint venture.

Details of the Group's joint venture companies at **December 31, 2010** are as follows:

| *Name of Joint Ventures* | *Place of Incorporation and Operation* | *Proportion of Ownership Interest* | *Principal Activity* |
|---|---|---|---|
| Maran Nakilat Company Ltd. | Cayman Islands | 30% | Chartering of vessels |
| J5 Nakilat No. 1 to 8 Ltd. | Japan | 40% | Chartering of vessels |
| Peninsula LNG Transport No. 4 Ltd. | Marshall Islands | 30% | Chartering of vessels |
| Teekay Nakilat Corporation | Marshall Islands | 30% | Chartering of vessels |
| Pronav: | | | |
| - Neptana Schiffsbetriebsgesellschaft mbH & Co. TS "Alexandra" KG | Germany | 45% | Chartering of vessels |
| - Nausola Schiffsbetriebsgesellschaft mbH & Co. TS "Britta" KG | Netherlands | 45% | Chartering of vessels |
| -Nauranto Schiffsbetriebsgesellschaft mbH & Co. TS "Gabriela" KG | Marshall Islands | 45% | Chartering of vessels |
| -Neptora Schiffsbetriebsgesellschaft mbH & Co. TS "Julia" KG | Liberia | 45% | Chartering of vessels |

**QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)**
**DOHA – QATAR**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED DECEMBER 31, 2010**
**(Amount Expressed in Thousands of Qatari Riyals)**

**6.** ***Investment in Joint Ventures Companies (continued):***

| ***Name of Joint Ventures*** | ***Place of Incorporation and Operation*** | ***Proportion of Ownership Interest*** | ***Principal Activity*** |
|---|---|---|---|
| Teekay Nakilat (III) Corporation ** | Marshall Islands | 60% | Chartering of vessels |
| OSG Nakilat Corporation ** | Marshall Islands | 50.1% | Chartering of vessels |
| India LNG Transport Company No. 3 Ltd. | Malta | 20% | Chartering of vessels |
| Nakilat Svitzerwijsmuller WLL ** | Qatar | 70% | Chartering of vessels |
| Gulf LPG Transport Company WLL | Qatar | 50% | Chartering of vessels |
| Nakilat-Keppel Offshore & Marine Ltd** | Qatar | 80% | Operate and maintain the Ship Repair Yard. |
| Nakilat Damen Shipyards Qatar Limited** | Qatar | 70% | Design, construct & operate the Ship Building Yard. |

** Although the Group holds more than half of the equity shares in these entities, it does not exercise control over the entities. Decisions need unanimous consent of both parties. Consequently, the Group accounts for these as investments in joint ventures.

**6.1** Summarized financial information in respect of the Group's joint venture companies are set out below:

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Total assets | **28,507,698** | 29,016,278 |
| Total liabilities | **(23,882,299)** | (24,312,423) |
| Net Assets | **4,625,399** | 4,703,855 |
| Group's share of joint venture's net assets | **2,037,987** | 2,076,984 |

| | **For the Year Ended December 31, 2010** | For the Year Ended December 31, 2009 |
|---|---|---|
| Revenue | **2,695,198** | 2,576,400 |
| Profit for the year | **545,161** | 602,259 |
| Group's share of joint venture result for the year* | **227,856** | 301,046 |

*After making the necessary adjustments to certain joint venture financial statements to comply with the Group accounting policies.

**QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)**
**DOHA QATAR**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED DECEMBER 31, 2010**
**(Amount Expressed in Thousands of Qatari Riyals)**

**7.** ***Loans to Joint Venture Companies:***

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| India LNG Transport Company No. 3 Limited **(1)** | **38,636** | 35,484 |
| Teekay Nakilat Corporation **(1)** | **21,901** | 17,846 |
| Nakilat Svitzerwijsmuller WLL **(1)** | **94,740** | 118,585 |
| Gulf LPG Transport Company WLL **(1)** | **514,455** | 499,836 |
| Nakilat-Keppel Offshore & Marine Limited **(1 & 2)** | **425,645** | 436,255 |
| Nakilat Damen Shipyards Qatar Limited **(1)** | **26,037** | - |
| **Total** | **1,121,414** | 1,108,006 |

**(1)** These interest bearing loans have been given to the joint ventures and repayment is subject to liquidity of the joint venture companies. The weighted average interest rate at **December 31, 2010** is **2.3%** (2009: 2.7%).

**(2)** Includes a preplacement of funds of **QR 175 million** (2009: QR 313.2 million) for the Company's share of the joint venture capital expenditures requirements.

**8.** ***Available for Sale Investments:***

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Balance at January 1 | **107,108** | 96,508 |
| Changes in fair value | **22,865** | 10,600 |
| **Balance at December 31** | **129,973** | 107,108 |

Available for sale investments represent investment in listed securities in the Qatar Exchange.

**9.** ***Trade and Other Receivables:***

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Trade receivable | **64,200** | 10,920 |
| Less: Provision for doubtful debts | **(1,029)** | (1,198) |
| | **63,171** | 9,722 |
| Accrued income | **12,905** | 21,104 |
| Other receivables | **178,345** | 70,816 |
| **Total** | **254,421** | 101,642 |

The Group has provided fully for all receivables where collection of the amount is no longer probable.

The average credit period is approximately 60 days.

As at **December 31, 2010** the ageing of trade receivables and movement in the provision for doubtful debts are as follows:

| **(i) *Ageing of neither past due nor impaired*** | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Less than 60 days | **62,095** | 7,096 |

**QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)**
**DOHA QATAR**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED DECEMBER 31, 2010**
**(Amount Expressed in Thousands of Qatari Riyals)**

**9. *Trade and Other Receivables (continued):***

**(ii) *Ageing of past due but not impaired***

| | December 31, 2010 | December 31, 2009 |
|---|---|---|
| 61-90 days | **358** | 663 |
| 91-120 days | **296** | 426 |
| Over 120 days | **422** | 1,537 |
| **Total** | **1,076** | 2,626 |

**(iii) *Ageing of impaired trade receivables***

| | December 31, 2010 | December 31, 2009 |
|---|---|---|
| Over 120 days | **1,029** | 1,198 |

**(iv) *Movement in the provision of doubtful debts:***

| | December 31, 2010 | December 31, 2009 |
|---|---|---|
| Balance at the beginning of the year | **1,198** | 1,098 |
| Additional provision during the year | **-** | 161 |
| Recovery of doubtful debts during the year | **(44)** | (8) |
| Doubtful debts written off during the year | **(125)** | (53) |
| ***Balance at end of the year*** | **1,029** | 1,198 |

**10. *Cash and Bank Balances:***

| | December 31, 2010 | December 31, 2009 |
|---|---|---|
| Cash on hand | **131** | 396 |
| Current account | **913,046** | 610,517 |
| Time deposits | **1,177,122** | 1,142,078 |
| Other bank balances **(a)** | **24,886** | 25,948 |
| Other bank balances **(b)** | **10,922** | - |
| **Total** | **2,126,107** | 1,778,939 |

The effective interest and profit rates on the time deposits varies between **0.25%** to **6.3%** (2009: 0.25% to 6.5%).

Cash and bank balances does not include preplacement of funds with a joint venture of **QR 175 million** (2009: QR 313.2) as mentioned in **note no. 7(2).**

**(a)** Cash payable to shareholders for unclaimed proceeds of their shares auctioned related to the second IPO call.

**(b)** Cash payable to shareholders for unclaimed dividend for the year.

**10.1 *Cash and Cash Equivalents:***

| | December 31, 2010 | December 31, 2009 |
|---|---|---|
| Cash and bank balances | **2,126,107** | 1,778,939 |
| Less: | | |
| Other bank balances **(a)** | **(24,886)** | (25,948) |
| Other bank balances **(b)** | **(10,922)** | - |
| | **2,090,299** | 1,752,991 |

**QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)**
**DOHA QATAR**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED DECEMBER 31, 2010**
**(Amount Expressed in Thousands of Qatari Riyals)**

## 11. *Share Capital:*

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| | **Number of Shares** | Number of Shares |
| Authorized share capital | **560,000,000** | 560,000,000 |
| Issued share capital | **554,026,360** | 554,026,360 |
| | **Amount** | Amount |
| **Issued and Paid up share capital with a par value of QR 10 each** | **5,538,003** | 5,537,812 |

At **December 31, 2010**, a total of **452,047** issued shares are 50% paid (2009: 490,337 issued shares were 50% paid).

### 11.1 *Proposed Cash Dividend:*

The Board of Directors has proposed a cash dividend of **QR 415 million** for the current year (2009: QR 277 million) which is subject to the approval of shareholders in the Annual General Meeting.

## 12. *Legal Reserve:*

The Articles of Association of the Company require the Company to provide for a legal reserve at 10% of net profit for each year 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.

## 13. *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 recognized by one of its subsidiaries and its share from the joint venture companies.

The negative hedging reserve represents an accounting entry from the revaluation to fair value the interest rate swaps. The hedging reserve is expected to decrease over time as loans are repaid and the notional amount of the swaps decreases. The reserve on designated hedges is not expected to impact either statement of income or retained earnings. The negative hedge reserve arises on interest rate swaps that relate to variable interest bearing loans taken to build vessels. The Group also enters into long-term time charter agreements to lock-in the future cash inflows from vessels. This strategy is expected to result in a more stable stream of cash flows in the future and minimize uncertainties associated with shipping spot rate movements or interest rate movements.

## 14. *Borrowings:*

| These consist of the following: | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Loan - **note (a)** | **1,747,933** | 1,820,764 |
| Senior bank facilities - **note (b)** | **14,275,387** | 13,768,617 |
| Subordinated bank facilities - **note (c)** | **1,520,414** | 1,107,025 |
| Senior bonds – Series "A" - **note (d)** | **3,095,299** | 3,095,299 |
| Subordinated bonds Series "A" - **note (e)** | **1,081,949** | 1,092,458 |
| KEXIM Facility - **note (f)** | **1,583,273** | 1,741,600 |
| KSURE Covered Facility - **note (g)** | **2,279,913** | 2,422,408 |
| Less: Issuance costs of bonds | **(32,225)** | (33,626) |
| **Total** | **25,551,943** | 25,014,545 |

**QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)**
**DOHA – QATAR**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED DECEMBER 31, 2010**
**(Amount Expressed in Thousands of Qatari Riyals)**

## 14. *Borrowings (Continued):*

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| **Classified as:** | | |
| Payable within one year | **885,540** | 458,140 |
| Payable after one year | **24,666,403** | 24,556,405 |

**Note (a):**
Represents the drawdown amounting to USD 500 million against unsecured bank facility. The repayment began from March 2010 and will end in September 2014.

**Note (b) :**
Represents USD 2,197 million against the senior bank facility Tranche I, USD 925 million against the senior bank facility Tranche II and USD 798 million against senior bank facility Tranche III. The repayment of Tranche I began from December 2010 and will end in December 2025. The repayment of Tranche II will begin from June 2011 and end in December 2025. The repayment of Tranche III will begin from June 2011 and end in June 2019.

**Note (c) :**
Represents USD 172.5 million against the subordinated bank facility Tranche I, USD 125 million against the subordinated bank facility Tranche II and USD 120 million against subordinated bank facility Tranche III. The repayment of Tranche I began from December 2010 and will end in December 2025. The repayment of Tranche II will begin from June 2011 and end in December 2025. The repayment of Tranche III will begin from June 2011 and end in June 2019.

**Note (d) :**
Represents the senior bonds issued under the Tranche I financing program. The repayment will begin from June 2021 and end in December 2033.

**Note (e) :**
Represents the subordinated bonds issued under the Tranche I financing program. The repayment began from December 2010 and will end in December 2033.

**Note (f) :**
Represents KEXIM facility Tranche I. The repayment began from December 2009 and will end in December 2020.

**Note (g) :**
Represents USD 195.6 million against the KSURE facility (previously known as KEIC) Tranche I and USD 430.4 million against the KSURE facility Tranche II. The repayment of Tranche I began from December 2009 and will end in December 2020. The repayment of Tranche II began from December 2010 and will end in December 2021.

The weighted average interest rate on short/long term facilities, loans and bonds as above at **December 31, 2010** is **2.2893%** (2009: 2.7099%).

The bank facilities and bonds have been used to finance the acquisition of the vessels.

The Group's obligation under the facilities is secured by a charge over the vessels and guarantees issued by each of the company's subsidiary who have irrevocably and unconditionally guaranteed the punctual payments of the debts.

The bank facilities and bonds are further secured against accounts and all permitted investments made from the funds received against the initial draw down, shares in each of the subsidiary, all the insurance policies entered by the Company or any of the subsidiary and insurance proceeds. These are also secured by Company's right, title and interest in any contract, intercompany loans and floating charges over the Company's other assets and any other contract in which each of the subsidiary is a party .

**QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)**
**DOHA – QATAR**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED DECEMBER 31, 2010**
**(Amount Expressed in Thousands of Qatari Riyals)**

## 14. *Borrowings (continued):*

All these securities are subject to first priority to senior debts and bonds & second priority given to subordinated debts and bonds.

## 15. *Fair Value of Interest Rate Swaps:*

The Group has entered into interest rate swap agreements with several financial institutions. As at **December 31, 2010** the total notional amount of swap agreements is **QR 15,928 million** (2009: QR 15,928 million) and net fair value is negative **QR 2,828 million** (2009: negative QR 2,131 million).

## 16. *Accounts Payable and Accruals:*

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Accounts payable | **49,838** | 58,860 |
| Advances from customers | **58,894** | 52,332 |
| Payable to shareholders * | **24,886** | 25,948 |
| Other accruals | **51,716** | 37,200 |
| Social and sports fund contribution | **16,238** | 12,649 |
| Dividend payable | **10,922** | - |
| **Total** | **212,494** | 186,989 |

* Cash payable to shareholders for unclaimed proceeds of their shares auctioned related to the second IPO call.

## 17. *Social and Sports Fund Contribution:*

Qatar Law no. 13 of 2008 requires Qatari listed shareholding companies with IPO to pay 2.5% of net profit to a social and sports fund. In pursuant to this Law and further clarifications for the Law issued in 2010, the Group has made an appropriation of **QR 16,238** thousands representing 2.5% of the net consolidated profit of the Group for the year ended **December 31, 2010**. The contribution to social and sports fund for the year ended December 31, 2009 amounting to **QR 12,649** thousands was recognized as an expense in the statement of income since the consolidated financial statements for the year ended December 31, 2009 were published before the Group received the instructions from the Ministry of Finance and Economy stating it is an appropriation of the profit.

## 18. *Related Party Transactions:*

The remuneration of key management personnel of the company during the year was as follows:

| | **For the year ended December 31, 2010** | For the year ended December 31, 2009 |
|---|---|---|
| Compensation of key management personnel | **2,403** | 2,272 |
| Board of Directors Remuneration | **700** | 700 |

**QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)**
**DOHA QATAR**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED DECEMBER 31, 2010**
**(Amount Expressed in Thousands of Qatari Riyals)**

**19. *Subsidiaries:***

Details of the Company's subsidiaries at **December 31, 2010** are as follows:

| *Name of Subsidiaries* | *Place of Incorporation (or registration) and Operation* | *Proportion of Ownership & Voting Interest* | *Principal Activity* |
|---|---|---|---|
| Nakilat Agency Company Limited (Q.S.C) | Qatar | 95% | Agency services |
| Nakilat Inc. | Marshall Islands | 100% | Holding Company |
| -Nakilat Haloul Inc. | Marshall Islands | 100% | Chartering of vessels |
| -Nakilat Umm Slal Inc. | Marshall Islands | 100% | Chartering of vessels |
| -Nakilat Bu Samra Inc. | Marshall Islands | 100% | Chartering of vessels |
| -Nakilat S.H.I. 1694 Inc. | Marshall Islands | 100% | Chartering of vessels |
| -Nakilat S.H.I. 1695 Inc. | Marshall Islands | 100% | Chartering of vessels |
| -Nakilat S.H.I. 1696 Inc. | Marshall Islands | 100% | Chartering of vessels |
| -Nakilat S.H.I. 1697 Inc. | Marshall Islands | 100% | Chartering of vessels |
| -Nakilat H.H.I 1908 Inc | Marshall Islands | 100% | Chartering of vessels |
| -Nakilat H.H.I. 1909 Inc. | Marshall Islands | 100% | Chartering of vessels |
| -Nakilat H.H.I 1910 Inc. | Marshall Islands | 100% | Chartering of vessels |
| -Nakilat Al Ghuwairiya Inc. | Marshall Islands | 100% | Chartering of vessels |
| -Nakilat Lijmiliya Inc. | Marshall Islands | 100% | Chartering of vessels |
| -Nakilat Al Samriya Inc. | Marshall Islands | 100% | Chartering of vessels |
| -Nakilat DSME 2264 Inc. | Marshall Islands | 100% | Chartering of vessels |
| -Nakilat DSME 2265 Inc. | Marshall Islands | 100% | Chartering of vessels |
| -Nakilat DSME 2266 Inc. | Marshall Islands | 100% | Chartering of vessels |
| -Nakilat S.H.I. 1726 Inc. | Marshall Islands | 100% | Chartering of vessels |
| -Nakilat S.H.I. 1751 Inc. | Marshall Islands | 100% | Chartering of vessels |
| -Nakilat S.H.I. 1752 Inc. | Marshall Islands | 100% | Chartering of vessels |
| -Nakilat S.H.I. 1753 Inc. | Marshall Islands | 100% | Chartering of vessels |
| -Nakilat S.H.I. 1754 Inc. | Marshall Islands | 100% | Chartering of vessels |
| -Nakilat DSME 2283 Inc. | Marshall Islands | 100% | Chartering of vessels |
| -Nakilat DSME 2284 Inc. | Marshall Islands | 100% | Chartering of vessels |
| -Nakilat DSME 2285 Inc. | Marshall Islands | 100% | Chartering of vessels |
| -Nakilat DSME 2286 Inc. | Marshall Islands | 100% | Chartering of vessels |
| QGTC Nakilat (1643-6) Holding Corporation * | Marshall Islands | 100% | Holding Company |
| QGTC Nakilat (2245-8) Investment Limited * | Marshall Islands | 100% | Holding Company |
| Nakilat Marine Services Limited * | Marshall Islands | 100% | Holding Company |
| Nakilat Shipping (Qatar) Limited | Qatar | 100% | Shipping Management Company |

* Shares capital in these subsidiaries was issued at no par value.

**QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)**
**DOHA QATAR**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED DECEMBER 31, 2010**
**(Amount Expressed in Thousands of Qatari Riyals)**

## 20. *Earnings Per Share:*

Basic earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year.

| | **For the year ended December 31, 2010** | For the year ended December 31, 2009 |
|---|---|---|
| Profit for the year attributable to the owners of the Company | **664,668** | 588,427 |
| Less: Appropriation for social and sports fund contribution | **(16,238)** | - |
| Profit for the year available to shareholders | **648,430** | 588,427 |
| Weighted average number of shares outstanding during the year | **553,800,337** | 553,781,192 |
| ***Basic and diluted earnings per share (expressed in QR per share)*** | **1.17** | 1.06 |

There were no potentially dilutive shares outstanding at any time during the year and hence the diluted earnings per share are equal to the basic earnings per share.

## 21. *Financial Risk Management:*

### *Financial Risk Factors*

These risks include interest rate risk, liquidity risk, credit risk and market risks.

The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge interest rate fluctuation risk exposure. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on interest rate risk, credit risk and the use of financial derivatives. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Treasury function reports periodically to the Group's management that monitors risks and policies implemented to mitigate risk exposures.

### *(a) Interest Rate Risk*

The Group is exposed to interest rate risk as the Group borrows funds at both fixed and floating interest rates. The risk is managed by the Group by the use of interest rate swap contracts. The Group's policy is to use interest rate swap instruments on certain of its borrowings. The difference between the fixed-rate interest cost (payment) and the variable-rate interest cost (receipt) is settled periodically.

### (i) *Interest Rate Sensitivity Analysis*

The Group is exposed to interest rate risk on its bank balances, loans to joint ventures and borrowings. The table below demonstrates the sensitivity of the Group's profit to reasonably possible changes on the Group's profit for one year, based on the floating interest rate of financial assets and liabilities held at **December 31, 2010**.

**QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)**
**DOHA QATAR**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED DECEMBER 31, 2010**
**(Amount Expressed in Thousands of Qatari Riyals)**

## 21. *Financial Risk Management (continued):*

### *Interest rate risk exposures*

With the exception of certain term loans amounting to **QR 15,928 million** (2009 : QR 15,928 million), which are covered by interest rate swap contracts **(Note 15)**, a portion of the Group's financial assets and liabilities as of **December 31, 2010** are exposed to interest rate fluctuations. The Group's exposure to interest rate risk and the effective interest rates on its financial assets and liabilities are summarized below:

| | **December 31, 2010** | | | | December 31, 2009 | | | |
|---|---|---|---|---|---|---|---|---|
| | ***Fixed interest rate*** | ***Floating interest rate*** | ***Non-interest bearing*** | ***Total*** | *Fixed interest rate* | *Floating interest rate* | *Non-interest bearing* | *Total* |
| **Financial assets** | | | | | | | | |
| Bank balances and cash | **-** | **2,125,976** | **131** | **2,126,107** | - | 1,778,543 | 396 | 1,778,939 |
| Loans to joint ventures | **-** | **1,121,414** | **-** | **1,121,414** | - | 1,108,006 | - | 1,108,006 |
| | **-** | **3,247,390** | **131** | **3,247,521** | - | 2,886,549 | 396 | 2,886,945 |
| **Financial liabilities** | | | | | | | | |
| Interest bearing loans and borrowings | **4,145,023** | **1,747,933** | **-** | **5,892,956** | 4,154,131 | 1,820,764 | - | 5,974,895 |
| Interest rate swap | **15,928,250** | **3,730,737** | **-** | **19,658,987** | 15,928,250 | 3,111,400 | - | 19,039,650 |
| | **20,073,273** | **5,478,670** | **-** | **25,551,943** | 20,082,381 | 4,932,164 | - | 25,014,545 |
| **Net financial assets/ (liabilities)** | **(20,073,273)** | **(2,231,280)** | **131** | **(22,304,422)** | (20,082,381) | (2,045,615) | 396 | (22,127,600) |

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the net effect on the profit for the year ended **December 31, 2010** would be an increase / decrease by **QR 11.1 million**.

**QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)**
**DOHA QATAR**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED DECEMBER 31, 2010**
**(Amount Expressed in Thousands of Qatari Riyals)**

**21.** ***Financial Risk Management (continued):***

***(ii) Interest rate swap contracts***

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the cash flow exposures on the issued variable rate debt. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows quoted by the respective swap counter parties.

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at reporting date:

***Cash flow hedges***

| | ***Average contracted fixed interest rate*** | | ***Notional principal amount*** | | ***Fair value*** | |
|---|---|---|---|---|---|---|
| ***Outstanding receive floating Pay fixed contracts*** | **2010** | 2009 | **2010** | 2009 | **2010** | 2009 |
| | **%** | % | **QR (million)** | QR (million) | **QR (million)** | QR (million) |
| Less than 1 year | **--** | -- | -- | -- | -- | -- |
| 1 to 2 years | **--** | -- | -- | -- | -- | -- |
| 2 to 5 years | **--** | -- | -- | -- | -- | -- |
| 5 years and above | **5.58** | 5.58 | **15,928** | 15,928 | **(2,828)** | (2,131) |

In addition to the above the Group has also accounted for its share of the negative fair value of interest rate swaps relating to Joint Ventures amounting to **QR 657 million** as of **December 31, 2010** (2009: negative fair value of QR 421 million).

The interest rate swap settles semi annually. The floating rate on interest rate swaps is LIBOR. The Group will settle the difference between the fixed and floating rate on a net basis.

The majority of interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously.

***(b) Liquidity Risk***

The ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in **note 23(D)** is a listing of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

***(c) Credit risk***

The Group has no significant concentration of credit risk.

**QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)**
**DOHA QATAR**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED DECEMBER 31, 2010**
**(Amount Expressed in Thousands of Qatari Riyals)**

## 21. *Financial Risk Management (continued):*

### (d) *Market risk*

The Group is subject to market risk in relation to available-for-sale investments. The Group evaluates the current market value and other factors including normal volatility in share price for quoted equities and other relevant factors in order to manage its market risk.

A 10% increase or decrease in market value of the Group's portfolio of available-for-sale investments is expected to result in an increase or decrease of **QR 12.9 million** in the assets and equity of the Group.

### *Fair Value of Financial Instruments*

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows quoted by the respective swap counter parties. The fair value of other financial instruments approximates their carrying value.

## 22. *Capital Management:*

The Group manages its capital to ensure that it will continue as a going concern while maximizing the return to stakeholders through the optimization of invested capital. The capital structure of the Group consists of debt and equity comprising issued share capital, legal reserve, fair value reserve, non-controlling interests, hedging reserve, translation reserve and retained earnings.

### *Gearing ratio*

The Group's management reviews the capital structure on a regular basis.

The gearing ratio at the year end was as follows:

| | Note | December 31, 2010 | December 31, 2009 |
|---|---|---|---|
| Total debt (Borrowings) | **14** | 25,551,943 | 25,014,545 |
| Cash and cash equivalents | **10.1** | (2,090,299) | (1,752,991) |
| ***Net debt*** | | **23,461,644** | 23,261,554 |
| Total equity before hedge reserve and non-controlling interest | | **6,908,640** | 6,514,167 |
| Add: Non-controlling interests | | **4,763** | 4,362 |
| ***Adjusted Equity (i)*** | | **6,913,403** | 6,518,529 |
| ***Net debt to adjusted equity ratio*** | | **339%** | 357% |

(i) Adjusted equity includes all equity except negative cash flow hedge reserve of the Group.

**QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)**
**DOHA QATAR**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED DECEMBER 31, 2010**
**(Amount Expressed in Thousands of Qatari Riyals)**

**23.** ***Commitments and Contingencies:***

***A) Swap Commitments:***

The Group has entered into several interest rate swap contracts in respect of interest payable on the variable interest rate bearing loans.

***B) Guarantees and Letter of Credit:***

(i) *Cross Guarantees*

Qatar Gas Transport Company Limited QSC has issued cross guarantees to the various banks with regard to loans and interest rate swaps.

(ii) Bank Guarantees at **December 31, 2010** amounted to **QR 0.1million** (2009: QR 0.1 million).

(iii) Letter of Credit at **December 31, 2010** amounted to **USD 110 million (QR 401 million)**.

***C) Time Charter:***

The Group entered into various time charter agreements with two time charterer parties for the time charter of its vessels for an initial term of approximately 25 years from delivery date of each vessel with an option to renew.

***D) Undrawn Facilities:***

As at **December 31, 2010**, the Group had the following undrawn facilities:

| | USD | QR |
|---|---|---|
| Senior bank facilities | 5 million | 18.2 million |
| Subordinated bank facilities | 26 million | 94.6 million |

Commitment fees relating to these undrawn facilities have been paid up to **December 31, 2010**.

**24.** ***Critical Accounting Judgments:***

In application of the Group's accounting policies, which are described in **note 3** management is required to make certain judgments about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The associated assumptions are based on factors that are considered to be relevant. Actual results may differ from these estimates. The underlying assumptions are reviewed on an ongoing basis.

***Critical judgment in applying accounting policies:***

The following critical judgments were made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognized in these consolidated financial statements.

***Useful life of vessels:***

As described in **note 3(e)**, the Group's management reviews the estimated useful life of the property & equipment at the end of each annual reporting period.

Management estimates the useful lives for the Group's vessels based on historical experience and other factors, including the expectation of the future events that are believed to be reasonable under the circumstances.

**QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)**
**DOHA QATAR**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED DECEMBER 31, 2010**
**(Amount Expressed in Thousands of Qatari Riyals)**

## 24. *Critical Accounting Judgments (continued):*

### *Hedge effectiveness:*

Management reviews its hedging relationship between the interest rate swaps and the underlying loans on a regular basis. The hedge was found to be highly effective. As result, the fair value of the derivative (a total deficit of **QR 2,828 million**) is recorded in equity under hedging reserve.

### *Impairment of available for sale equity investments:*

The Group treats available -for-sale equity investments as impaired when there has been a significant or prolonged decline in fair value below its cost or where other objective evidence of impairment exists. The determination of what is significant or prolonged requires considerable judgment. The Group evaluates the investments on a case by case basis taking into account normal volatility in share price for quoted equities.

## 25. *Profit for the year:*

Profit for the year is arrived at after charging staff cost amounting to **QR 61 million** (2009: QR 44 million).

## 26. *Comparative numbers:*

Certain comparative numbers have been reclassified to conform to the presentation adopted in the current year.