ANNUAL REPORT 2013

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.

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, State of Qatar.
www.nakilat.com.qa

Term of the Company

The fixed term of the Company is 50 Gregorian years, commencing from July 18, 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.

Financial Year of the Company

The Financial Year of the Company commences on January 1 and ends on December 31.

Listing of the Company's Stocks on Qatar Exchange

The Company's shares are listed on the Qatar Exchange, and the dealing of such shares is in accordance with the regulations of the Qatar Exchange and Qatar Financial Markets Authority.

IN THE NAME OF ALLAH MOST MERCIFUL
AND MOST GRACIOUS

His Highness
Sheikh Hamad Bin Khalifa Al-Thani
The Father Emir of the State of Qatar

His Highness
Sheikh Tamim Bin Hamad Al-Thani
The Emir of the State of Qatar

VISION

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

MISSION

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.

SAFETY, HEALTH, ENVIRONMENT AND QUALITY POLICY

At Nakilat, we value our people, partners, shareholders, customers, suppliers, community and the environment. We believe in and are committed to establishing a world-class company by

Placing Safety, Health, Environment and Quality (SHEQ) at the top of our agenda, with the aim of causing no harm to people and the environment.

Setting targets for Safety, Health, Environment and Quality improvement, and measure, appraise and report SHEQ performance to drive continual improvement.

Providing adequate resources and leadership to effectively implement the company SHEQ management system and achieve SHEQ objectives.

Maintain the highest level of integrity with all stakeholders.

Treating employees, partners and customers with respect and dignity.

Encouraging teamwork and collaboration in order to support the achievement of our mission goals.

Recognizing and rewarding accomplishments.

Striving to be innovative and continually improve performance, by sharing best practices and implementation of lessons learnt.

Encouraging entrepreneurship and empowering individuals to lead and take responsibility.

Openly communicating and sharing related information within the corporation.

Complying with applicable Safety, Health, Environment, Quality, Legal and other requirements related to our activities.

CONTENTS

BOARD OF DIRECTORS


HE Dr. Mohammed Bin Saleh Al Sada
Chairman


Mr. Khalid Bin Khalifa Al-Thani
Vice Chairman


Mr. Hetmi Ali Al-Hetmi
Member


Mr. Ali Ahmad Al-Kuwari
Member


Dr. Abdullah Bin Ali Bin Seoud Al-Thani
Member


Mr. Ismail Omar Al Daffaa
Member


Ms. Aysha Mohammed Al Nuaimi
Member

BOARD OF DIRECTORS' REPORT

HE Dr. Mohammed Bin Saleh Al Sada
Minister of Energy & Industry
Chairman of Nakilat

On behalf of Nakilat's Board of Directors, I am pleased to present to you Nakilat's Annual Report for the year 2013. As you will read in this, Nakilat's ninth Annual Report, 2013 has been a year full of growth and positive developments for both Nakilat and, due to Nakilat's position at the helm of activities at Erhama Bin Jaber Al Jalahma Shipyard, for the State of Qatar's marine industry.

Indeed, in November we were honored to host HE Sheikh Abdullah Bin Nasser Bin Khalifa Al-Thani, Prime Minister and Interior Minister of the State of Qatar, together with HE Ahmad Bin Abdullah Al-Mahmoud, Deputy Prime Minister, and HE Saleh Mohammad Al-Nabit, Minister of Development Planning and Statistics, for a visit to Erhama Bin Jaber Al Jalahma Shipyard. Their Excellencies toured the shipyard's state-of-the-art facilities and the visit was an excellent opportunity to provide an update on activities at the yard. We are truly grateful to Their Excellencies for their time spent at Erhama Bin Jaber Al Jalahma Shipyard and for the support shown for the State of Qatar's marine industry.

It is also my pleasure to report the appointment of Eng. Abdullah Fadhalah Al Sulaiti to the position of Nakilat's Managing Director, effective November 1, 2013. Eng. Abdullah Al Sulaiti joined Nakilat in February 2011 as Deputy Managing Director, having been Shipping Manager at Qatargas from 2006 to 2011. Nakilat's Board of Directors is pleased to offer Eng. Abdullah Al Sulaiti their full support in his role of Nakilat's Managing Director.

As the State of Qatar remains unchallenged in its position as the world's largest exporter of liquefied natural gas (LNG), Nakilat continues to transport this energy to destinations around the globe via its fleet of LNG vessels, which represent approximately 15 per cent of the world's marine LNG-carrying capacity. Nakilat has successfully enhanced its competitive position and its lead in the field of global transport of LNG to world markets through achieving the addition of four joint venture vessels to Nakilat's LNG fleet, thus increasing the company's total LNG vessel count from 54 to 58 once these vessels are delivered in 2014. The four new vessels will transfer gas produced by global energy projects outside Qatar, which demonstrates the confidence and prestige that energy companies around the world associate with Nakilat. The expansion of the company's business in global markets will have strategic and operational benefits, increasing the company's possibilities for future growth of business operations and profitability, to achieve attractive returns on our shareholders' investments and diversify sources of new revenue for the State of Qatar.

Nakilat also completed its first full year of technically operating and managing the four very large liquefied petroleum gas (LPG) carriers jointly owned with Milaha, further cementing Nakilat and with it the State of Qatar as a well-rounded marine industry operator.

Key to the success of Nakilat and of the essential role the company plays in the State of Qatar's energy infrastructure is the company's business, operational and financial strength.

Nakilat's sound and reliable financial structure and business model was revalidated with the reaffirmation of Nakilat's ratings by the major ratings agencies. Standard & Poor's and Moody's rate the Nakilat Inc. senior debt as AA- and Aa3. Both Standard & Poor's and Moody's rate Nakilat Inc. only one notch below the State of Qatar which is rated as AA and Aa2 respectively. The Fitch rating agency also rates Nakilat Inc.'s senior debt as A+. All Nakilat's ratings stated above were reaffirmed with a stable outlook in 2013.

The financing agreements achieved by Nakilat are also testament to the company's firm foundations. Nakilat successfully arranged US $917 million in refinancing with Qatar National Bank for its wholly owned subsidiary Nakilat Inc. while refinancing another US $1.33 billion for the joint venture Maran Nakilat Co. Ltd., in which Nakilat simultaneously increased its ownership to 40 per cent from 30 per cent and added the four vessels mentioned.
The strength of business at Qatar Petroleum-owned and Nakilat-developed and -operated Erhama Bin Jaber Al Jalahma Shipyard made financing of those ventures possible. In December 2013, Nakilat successfully arranged a US $160 million bank financing for its shipyard joint ventures, ship repair yard Nakilat-Keppel Offshore & Marine (N-KOM) and shipbuilder Nakilat Damen Shipyards Qatar (NDSQ), with Al Khaliji Bank.

Steady and consistent execution of Nakilat's business strategy continues to contribute strong returns to its shareholders. As of 31 December 2013, Nakilat's total assets, including Nakilat's share of its joint ventures' assets, was over QR 44 billion, compared with QR 27.6 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, giving a total assets value of QR 54.6 billion managed by Nakilat.

Nakilat net profit reached QR 730 million for 2013. For its 2013 strong financial performance, Nakilat's Board of Directors is pleased to recommend to Nakilat's General Assembly a cash dividend of QR 1.10 Qatari Riyal per share, which is a 37.5 per cent increase on the IPO estimate of 80 Dirhams. On a cumulative basis, total dividends for 2009-2013 would be QR 4.20, which is 2.2 times the IPO estimate of QR 1.88.

Indeed, 2013 was full of positive developments for Erhama Bin Jaber Al Jalahma Shipyard. At the beginning of the year I had the honor of inaugurating and naming the shipyard's landmark project, the 140m-long load-out and recovery (LOR) barge Al Ghatroushah, the largest vessel of its kind ever to have been built in the State of Qatar. Al Ghatroushah now serves as part of Erhama Bin Jaber Al Jalahma Shipyard's infrastructure, adding to the capabilities of what is indisputably one of the largest and most technically-advanced shipyards in the region. Development of Erhama Bin Jaber Al Jalahma Shipyard continues to advance, with the addition of floating docks planned for 2015.

Business at Nakilat's shipyard joint ventures was also on an upward trend throughout 2013. N-KOM celebrated completion of its 200th project since the shipyard's inauguration in 2010 and passed the milestone of over 18,500 tonnes of fabrication work completed since 2011. For the second consecutive year N-KOM received the Ship Repair / Shipyard Award at the Seatrade Middle East and Indian Subcontinent Awards. The company was also awarded an important contract by Technip for work on a significant offshore project for the ultimate benefit of Qatar Petroleum. In the same year, NDSQ signed a landmark order for construction of a 69m-long fast luxury vessel, to be built entirely in Qatar, as well as a contract for the construction of an additional seven workboats for use by fellow Nakilat joint venture entity Nakilat SvitzerWijsmuller (NSW) at the Port of Ras Laffan. At the same time the company continued work on the 19-vessel order for the Port of Mesaieed, delivering 10 of these workboats in 2013, while NDSQ's state-of-the-art Superyacht Hall was also well utilized in 2013, with a total of seven megayacht refit projects completed by NDSQ in 2013.

For the bold vision of the State of Qatar's firmly established and continuously advancing marine industry, and for Nakilat's essential role within this sector, Nakilat's Board of Directors expresses its sincerest thanks and appreciation to HH Sheikh Tamim Bin Hamad Al Thani, the Emir of the State of Qatar, and to HH Sheikh Hamad Bin Khalifa Al Thani, the Father Emir of the State of Qatar. The prudent leadership, wise guidance and continuous support of HH the Emir and of HH the Father Emir has allowed Nakilat and with it the State of Qatar's marine industry to grow and diversify to the great advancement of this nation and with the intention of bringing sustainable benefits to our future generations.

Nakilat's Board of Directors also extends its gratitude to Qatar Petroleum for the invaluable support of Nakilat's activities, and to Ras Laffan Industrial City for the crucial assistance provided to Erhama Bin Jaber Al Jalahma Shipyard. The Board of Directors would also like to thank Nakilat's partners, shareholders, management and employees for their cooperation and commitment, without which our company's continued success would not be possible.

MANAGING DIRECTOR'S REVIEW

Eng. Abdullah Fadhalah Al Sulaiti
Managing Director of Nakilat

Since its inception in 2004 and during each year of operation, Nakilat has broken new ground for the shipping and marine industries in the State of Qatar. 2013 has been no exception to this trend of continued growth and advancement.

In November 2013, we were deeply honored to welcome HE Sheikh Abdullah Bin Nasser Bin Khalifa Al-Thani, Prime Minister and Interior Minister of the State of Qatar, together with HE Ahmad Bin Abdullah Al-Mahmoud, Deputy Prime Minister, and HE Saleh Mohammad Al-Nabit, Minister of Development Planning and Statistics, to Erhama Bin Jaber Al Jalahma Shipyard for a tour of the shipyard's world-class facilities. During the visit we were able to share with Their Excellencies firsthand the ongoing developments at the shipyard and an update of our activities. We sincerely appreciate the visit from Their Excellencies to the shipyard and the strong interest in our operations.

As discussed in the Board of Directors' Report by HE Dr. Mohammed Bin Saleh Al Sada, Minister of Energy and Industry and Chairman of Qatar Petroleum and of Nakilat, to whom we are deeply thankful for his wise guidance and crucial support, this is the first year that I, as Nakilat's Managing Director, have the honor of presenting our company's Annual Report. I am happy to state that in 2013 Nakilat continued along its path of carefully-planned growth and strategic development.

In addition to the expansion of its fleet and the ongoing success of the shipyard, Nakilat's firm commitment to providing a well-rounded offering of marine services in Qatari waters has been augmented by developments with our port-based businesses, Nakilat SvitzerWijsmuller (NSW) and Nakilat Agency Company (NAC). Qatar Petroleum has chosen NSW to operate an additional seven vessels at the Port of Ras Laffan and NSW has placed a build order for these new vessels with our shipbuilding joint venture NDSQ. Meanwhile NAC has taken over the agency operations for all hydrocarbon vessels at Mesaieed Industrial City from 1 September 2013.

Our company's commitment to the continued expansion of its marine services offering and to the ongoing strengthening of the State of Qatar's marine industry, with particular emphasis on activities at Erhama Bin Jaber Al Jalahma Shipyard, is a clear expression of Nakilat's firm support of the Qatar National Vision 2030 and to the sustainable development of our country through diversification of our economy and through carefully directed growth.

This commitment to sustainable development expands beyond our business activities and into the culture of our organization, filtering down through all our departments to the grass roots of our day-to-day operations.

To illustrate the priority placed upon these important values at every level of operations at Nakilat and its joint venture companies, we have provided details in this Annual Report of our achievements pertaining to our commitment to safety, health, the environment, quality and the sustainability of our operations, particularly in the context of the development goals of the State of Qatar as a whole.

High on our list of such achievements in 2013 is Nakilat's contribution to the Annual Sustainable Development Industry Report (SDIR) for the third consecutive year. Overseen by HE Dr. Mohammed Bin Saleh Al Sada, the SDIR helps align the State of Qatar's Energy and Industry sector with the long-term goals of the country, as outlined in documents such as the Qatar National Vision 2030, which was developed under the wise direction of HH Sheikh Tamim Bin Hamad Al-Thani, the Emir of the State of Qatar.

Key to the sustainable development of Nakilat and of the State of Qatar is the employment and professional development of Qatari nationals. In this regard, Nakilat is particularly proud of its Marine Cadet Program, which celebrated its second year of operation in 2013. The program allows young Qatari nationals to train for careers in shipping, both aboard Nakilat's vessels and ashore, thus enhancing the Qatarization of Nakilat's workforce and, for these talented young people, helping to lay the foundations for dynamic careers in the State of Qatar's marine industry.

We are equally proud of our accomplishments related to safety, health and the environment in 2013. Our LNG and LPG fleets achieved Lost Time Injury Frequencies and Total Recordable Case Frequencies below the industry averages for 2013, while regular drills involving international cooperation maintain our resources in a constant state of emergency preparedness. For our employees at our office locations in Doha and Ras Laffan, we organized a range of events and materials highlighting important issues related to both safety at work and in the home, and to health.

Awareness campaigns on topics such as cancer and diabetes were held for our staff across our two office locations and environmental initiatives such as N-KOM's beach clean-up activate our employees' enthusiasm for caring for their natural surroundings here in the State of Qatar.

Our employees are also directly involved, both through participation in internal and external audits and through compliance, in maintaining and obtaining internationally recognized certification in the fields of health, safety, the environment and quality. Nakilat received certification for the management of quality, occupational health and safety, and the environment — ISO 9001, OHSAS 18001 and ISO 14001 respectively — with the shipyard joint ventures NDSQ and N-KOM joining Nakilat in these achievements.

Financial Results Highlights for the Year Ended 31 December 2013

Total 2013 profit from operations was QR 755.7 million compared with QR 746.5million for 2012. 2013 net profit after loss on derivative instruments from a joint venture was QR 730.0 million compared with QR 766.0 million after gain on derivative instrument from a joint venture for 2012. The loss on derivative instruments of QR 25.7 million for 2013, compared with QR 19.5 million gain on derivative instruments for 2012, was due to a technical disqualification (for accounting purposes) of the applicable derivatives (carried in the books of the company's overseas joint venture) as hedging instruments in accordance with International Accounting Standard 39. The change in the accounting treatment is only a noncash accounting transaction 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 risks on borrowed funds. The risks are 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.

MANAGING DIRECTOR'S REVIEW

Total Assets of Nakilat as of 31 December 2013 was QR 30.7 billion compared to QR 30.9 billion as of 31 December 2012, reflecting a reduction primarily to the depreciation of property and equipment. Current assets, including cash and bank balances stood at QR 2.2 billion as of 31 December 2013. Non-current assets, consisting mainly of investments in LNG carriers, property and equipment and other assets were QR 28.5 billion as of 31 December 2013. As of 31 December 2013, total assets of Nakilat, including Nakilat's share of its joint ventures assets was over QR 44 billion, compared with QR 27.6 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, giving a total assets value of QR 54.6 billion managed by Nakilat.

Total borrowing as of 31 December 2013 was QR 23.1 billion compared to QR 23.9 billion as of 31 December 2012 reflecting repayments of the borrowings.

Total equity before hedging reserve and non-controlling interests as of 31 December 2013 was QR 7.8 billion compared to QR 7.6 billion as of 31 December 2012. Negative hedging reserve as of 31 December 2013 decreased at QR 3.4 billion compared to QR 5.8 billion as of 31 December 2012 due primarily to a decrease in the year end mark to market value resulting a reduction in the liability that reflects reduced swap rates. The negative hedging reserve represents an accounting transaction from the revaluation to fair value of interest rate swaps. The hedging reserve is expected to decrease over time as loans are repaid and the notional amounts of the swaps decrease. The hedging reserve is not expected to impact either income statement or retained earnings. The negative hedging 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.

For the prudent and inspired leadership that has enabled us to complete the accomplishments celebrated in this Annual Report we express our deepest gratitude to HH Sheikh Tamim Bin Hamad Al Thani, the Emir of the State of Qatar, whose sage guidance has allowed Nakilat's operations and the State of Qatar's marine industry to flourish. We are also sincerely thankful for the generous support and invaluable direction of HH Sheikh Hamad Bin Khalifa Al Thani, the Father Emir of the State of Qatar.

We would also like to express our profound appreciation of HE Dr. Mohammed Bin Saleh Al Sada for his strong support of all Nakilat's activities and for his expert supervision of the State of Qatar's marine industry. We also take this opportunity to thank Nakilat's Board of Directors for their excellent oversight of our company.

We are grateful to our charterers, Qatargas and RasGas, for their continued support. We are also thankful for the contribution made to our activities by the management and employees of Qatar Petroleum and to Ras Laffan Industrial City for their valuable efforts towards the operations of Erhama Bin Jaber Al Jalahma Shipyard.

Our appreciation also extends to our former Managing Director, Mr. Muhammad Ghannam, as well as our shareholders, partners and employees, who all helped make Nakilat's achievements and ongoing development possible.

2013 HIGHLIGHTS

FINANCE

- Nakilat's wholly owned subsidiary Nakilat Inc. arranges refinancing worth US $917 million with Qatar National Bank.
- Nakilat increases its ownership in Maran Nakilat Co. Ltd. as the joint venture signs US $662.4 million refinancing with Qatar Islamic Bank and Barwa Bank.
- Nakilat arranges a US $160 million bank financing transaction for N-KOM (US $120 million) and NDSQ (US $40 million) with Al Khaliji Bank.
- Major ratings agencies reaffirm Nakilat's ratings for 2013 with stable outlook.

FLEET

- Expansion of joint venture Maran Nakilat Co. Ltd. grows Nakilat's total LNG fleet in 2014.
- Nakilat signs Memorandum of Understanding (MoU) for collaboration in areas of mutual interest with the state energy company of Algeria, Sonatrach.
- The second cohort of young Qataris is welcomed onto Nakilat's Marine Cadet Program.
- A total of 221 sea-staff are directly employed by Nakilat's wholly-owned subsidiary QGTCMI at the close of 2013.

NAKILAT-KEPPEL OFFSHORE & MARINE (N-KOM)

- N-KOM receives the Ship Repair / Shipyard Award at the Seatrade Middle East and Indian Subcontinent Awards for the second year running.
- The successful completion of 200 projects is celebrated at the shipyard.
- Over 18,500 tonnes of fabrication work is completed by N-KOM since 2011.
- N-KOM is re-certified by the American Petroleum Institute for ISO 14001 and OHSAS 18001.

NAKILAT DAMEN SHIPYARDS QATAR (NDSQ)

- HE Dr. Mohammed Bin Saleh Al Sada, the Minister of Energy and Industry and Chairman of Qatar Petroleum and of Nakilat, unveils the name of the 140m steel barge Al Ghatroushah, the first project to be completed by NDSQ.
- NDSQ signs a contract for the construction of a 69m-long fast luxury vessel, to be built entirely in the State of Qatar.
- By the end of 2013, NDSQ has delivered a total of 10 vessels from the 19-vessel order for Mesaieed.
- NDSQ signs a contract to build seven vessels for fellow Nakilat joint venture NSW.
- NDSQ receives approval for the ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 management standards.

MARINE SERVICES

- Nakilat SvitzerWijsmuller (NSW) signs a contract with Qatar Petroleum to operate seven new vessels at the Port of Ras Laffan.
- In 2013 NSW performs in excess of 13,000 tug jobs.
- Nakilat Agency Company (NAC) takes over the agency operations for all hydrocarbon vessels at Mesaieed Industrial City.
- In 2013 NAC attends to approximately 3,500 vessels and handles around 21,000 crew movements.
- The services of Nakilat's Vessel Support Unit (VSU) are expanded to the Port of Mesaieed.

SUSTAINABLE DEVELOPMENT

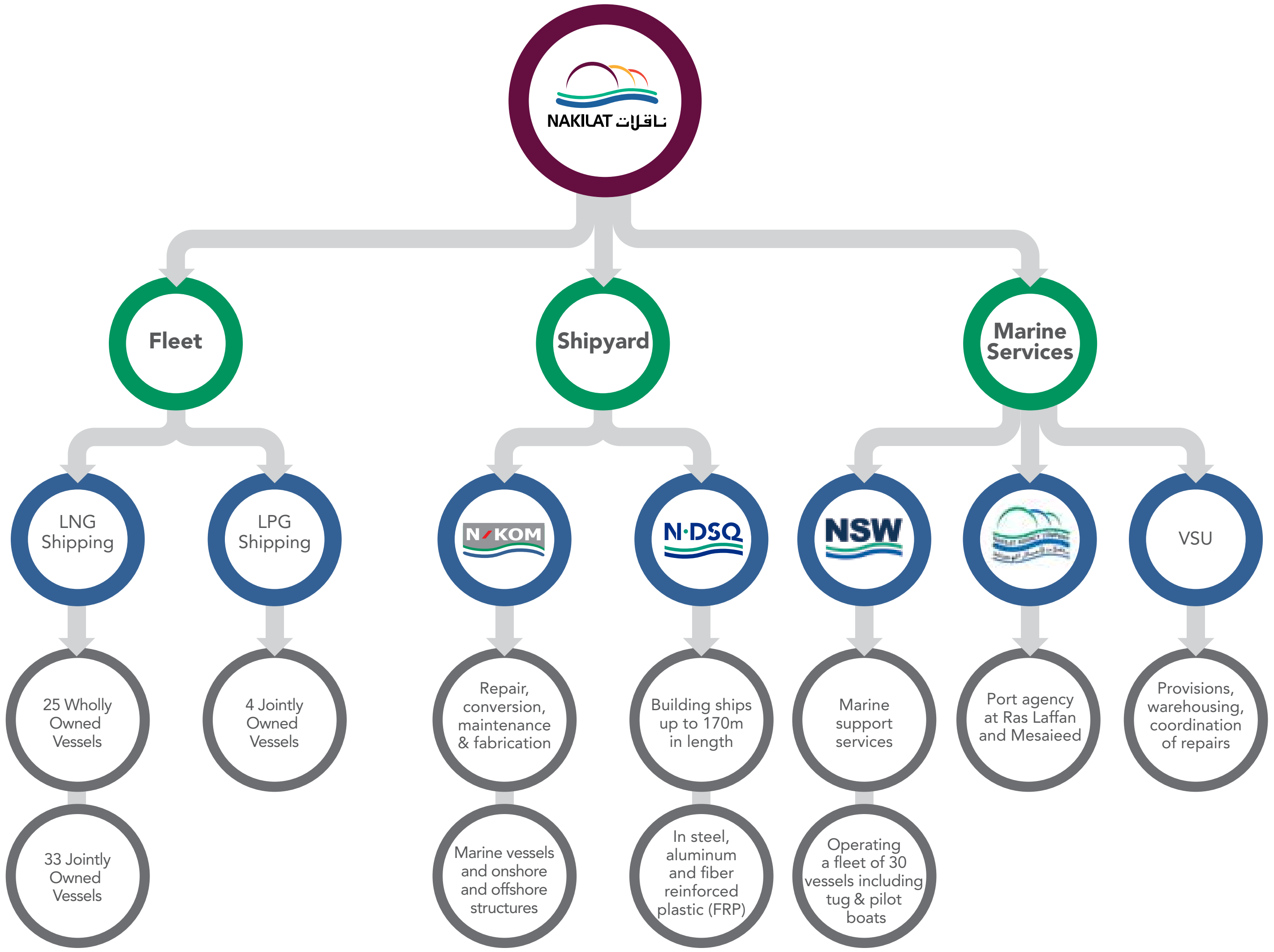
- In 2013 Nakilat increases its Qatari headcount by 63 per cent compared to 2012.
- Qatari employees participate in 37 professional training programs in 2013.
- Nakilat LNG and LPG fleets achieve Lost Time Injury Frequencies (LTIF) and Total Recordable Case Frequencies (TRCF) below the industry averages.

CORPORATE PROFILE

Nakilat is a Qatari marine company providing the essential transportation link in the State of Qatar's LNG supply chain. Its LNG shipping fleet is the largest in the world, growing to 58 LNG vessels in 2014. In addition Nakilat manages and operates four very large LPG carriers, which Nakilat jointly owns with Milaha.

Via two strategic joint ventures – Nakilat-Keppel Offshore & Marine (N-KOM) and Nakilat Damen Shipyards Qatar (NDSQ) – Nakilat operates the ship repair and construction facilities at Erhama Bin Jaber Al Jalahma Shipyard in the State of Qatar's Port of Ras Laffan.

Nakilat also provides port agency services through Nakilat Agency Company (NAC) for the Ports of Ras Laffan and Mesaieed and warehousing for vessels in Qatari waters via Nakilat's Vessel Support Unit (VSU). Joint venture Nakilat-SvitzerWijsmuller (NSW) offers marine support services at the Port of Ras Laffan and at the State of Qatar's Halul Island, operating a fleet of 30 vessels including tug boats, pilot boats and other harbor craft.



STRENGTHS

PART OF THE QATARI LNG VALUE CHAIN

Qatar is the world's single largest supplier of LNG: it is the world's leading LNG exporter (source: US Energy Information Administration). The State of Qatar liquefies 77 million tons per annum of LNG from the North Field gas reserve. Under the auspices of Qatar Petroleum and through its Qatargas and RasGas operations, the LNG produced in the State of Qatar is sold to customers around the world typically via long-term contracts, which provides stable revenues. The entire value chain enjoys strong sponsorship from the State of Qatar.

Nakilat provides the essential transportation link in this value chain.

LONG-TERM STABILITY

The State of Qatar's LNG sales are on long-term contracts in multiple markets throughout the world and Qatari ventures have ownership interest or long-term contracted capacity in regasification terminals in selected key markets.

Nakilat's revenues are stable due to the majority of our vessels being chartered on 25-year, fixed-rate time charters with Qatargas and RasGas.

SOLID CREDIT RATINGS

The two major credit rating agencies, Standard & Poor's and Moody's, rate the Nakilat Inc. senior debt as AA- and Aa3 and the Nakilat Inc. subordinated debt as A+ and A1 respectively. Both Standard & Poor's and Moody's rate Nakilat Inc. only one notch below the State of Qatar which is rated as AA and Aa2.

Nakilat Inc. continues to be rated by the agencies as highly as any non-governmental entity in the State of Qatar could be rated. This is indicative of the company's very low credit risk, its very strong capacity to meet financial commitments and high credit quality. The Fitch rating agency also rates Nakilat Inc.'s senior debt as A+ and its subordinated debt as A-. All Nakilat's ratings stated above were reaffirmed with a stable outlook in 2013.

LOW RISK DEVELOPMENT STRATEGY

Nakilat has established a proven track record with Qatargas, RasGas and Tasweeq in successfully delivering results of ambitious projects via prudent development strategies.

WORLD-CLASS PARTNERS

A strategic alliance with Shell International Trading and Shipping Company Ltd. (STASCO), a leading international vessel operator with extensive experience in operating gas vessels, currently oversees operations and management of Nakilat's wholly-owned LNG ships.

Nakilat has formed joint ventures with leading ship repairer Keppel Offshore & Marine and with premier shipbuilder Damen Shipyards Group to operate Erhama Bin Jaber Al Jalahma Shipyard in Ras Laffan. To offer a full spectrum of marine services in Qatari waters, Nakilat has partnered with Svitzer, a global market leader in towage and emergency response.

SAFETY, HEALTH, ENVIRONMENT AND QUALITY

Nakilat is firmly committed to prioritizing safety, health, the environment and quality in all of its operations and activities. As a Qatari company with a wide international reach, our responsibilities and obligations are many and diverse. By placing care of people and of the environment at the top of our agenda, we are able to fulfil our duties towards our stakeholders and communities both at home and abroad.

INTERNATIONAL CODES AND STANDARDS

All of Nakilat's vessels comply with the International Safety Management (ISM) code. Nakilat is also certified ISO 9001 for Quality Management, OHSAS 18001 for Occupational Health and Safety, and ISO 14001 for Environmental Management. All ISO and OHSAS certifications are awarded by Lloyd's Register Quality Assurance (LRQA).

DEDICATED POLICY

Alongside Nakilat's Vision and Mission statements, our company Safety, Health, Environment and Quality (SHEQ) Policy provides a set of priorities and principles to guide our every decision and action as a company.
As stated in the policy, our ultimate aims are no harm to people and protection of the environment.

REGULAR TRAINING, DRILLS AND PARTICIPATION

Nakilat participates in a program of routine drills involving collaboration with local and international companies, which helps the company maintain a high level of preparedness in the event of an emergency.
Frequent drills, regular training, and awareness sessions are organized for our employees, covering areas such as fire safety and defensive driving. Nakilat and our joint venture companies are also active participants in initiatives to raise awareness of health, safety and environmental issues in the State of Qatar.

QUALITY MANAGEMENT

In line with our ISO 9001 certification, internal and external auditors control the quality of Nakilat's operations and management systems through regular audit sessions, carried out by both internal and external auditors.

SUSTAINABLE DEVELOPMENT

The Qatar National Vision 2030 guides Nakilat's growth and development in a manner aligned with the future aims of the State of Qatar. In 2013 Nakilat made its third consecutive annual contribution to the Sustainable Development Industry Report, published by the HSE Regulations and Enforcement Directorate (DG) to showcase the achievements and benchmark the activities of companies in the State of Qatar's Energy and Industry sector. Please see the chapter beginning on page 37 for more details of Nakilat's commitment to Sustainable Development and the company's related achievements in 2013.

SHEQ HIGHLIGHTS 2013

- Nakilat submitted its third annual Sustainability Report and received a Certificate of Appreciation from HE Dr. Mohammed Bin Saleh Al Sada, Minister of Energy and Industry and Chairman of Qatar Petroleum and of Nakilat, for its participation in the annual Sustainable Development Industry Report.
- Nakilat LNG and LPG fleets achieved Lost Time Injury Frequency (LTIF) and Total Recordable Case Frequency (TRCF) below the industry averages for 2013.
- Nakilat successfully underwent external audits to verify compliance with ISO 9001 and OHSAS 18001 standards as well as ISM certification for the Fleet, and obtained ISO 14001 certification.
- Nakilat participated in regular emergency drills including the nationally significant exercise Eagle Resolve.
- Nakilat provided training and awareness sessions covering significant safety, health and environmental issues for all staff members.
- NDSQ received certificates of approval for the ISO 9001, ISO 14001 and OHSAS 18001 management standards.
- N-KOM was re-certified for the ISO 14001 and OHSAS 18001 management standards.

HISTORY

2004

JUNE
- Nakilat established.

2005

Two LNG vessels delivered to Nakilat

APRIL
- Nakilat awarded 25-year time charter by Qatargas 2 for six Q-Max vessels.
- Construction begins on the Shipyard in Ras Laffan.

SEPTEMBER
- Nakilat awarded 25-year time charter by Qatargas 3 for 10 large LNG carriers.
- Towage joint venture with Svitzer incorporated.

OCTOBER
- Nakilat-Svitzer joint venture awarded 22-year service contract by Qatar Petroleum for the Port of Ras Laffan.

NOVEMBER
- Nakilat awarded additional Q-Max vessel by RasGas 3 charterer.
- Nakilat formed a strategic alliance with Shell Trading and Shipping Company Limited (STASCO) for the management of 25 wholly-owned LNG carriers.

2006

Two LNG vessels delivered to Nakilat

APRIL
- Floatation of Nakilat shares on Qatar Exchange.

MAY
- Nakilat Agency Company (NAC) Ltd. formed.

2007

Eight LNG vessels delivered to Nakilat

FEBRUARY
- Nakilat awarded 25-year time charter by Qatargas 4 for eight large LNG carriers.

APRIL
- Steel cutting for first Q-Max.

NOVEMBER
- Delivery of first Q-Flex, Al Gattara.

DECEMBER
- First Q-Flex vessel at Ras Laffan carrying Qatargas cargo.

2008

21 LNG vessels delivered to Nakilat

SEPTEMBER
- Delivery of first Q-Max, Mozah.

NOVEMBER
- Joint venture Nakilat-Keppel Offshore & Marine (N-KOM) incorporated.

2009

18 LNG vessels delivered to Nakilat

MARCH
- All four LPG ships delivered.

2010

Three LNG vessels delivered to Nakilat

JANUARY
- Joint venture Nakilat Damen Shipyards Qatar (NDSQ) created.

NOVEMBER
- Erhama Bin Jaber Al Jalahma Shipyard inaugurated. N-KOM and NDSQ begin operations.

2011

APRIL
- Nakilat receives ISO 9001:2008 and OHSAS 18001:2007 certification.
- N-KOM completes first LNG dry-docking project, Simaisma.
- Gulf Drilling International and N-KOM sign major contract.

MAY
- N-KOM receives first Qatargas vessel, Al Wakrah.
- NDSQ receives ISO 9001:2008 certification.

2012

JUNE
- Nakilat assumes management of its four LPG carriers.

AUGUST
- Nakilat closes US $380 million Islamic financing.

SEPTEMBER
- NDSQ completes construction of its first vessel, a 140m load-out and recovery barge.
- First Qatari marine cadets sign with Nakilat.

NOVEMBER
- NDSQ launches first three mooring boats of a 19-vessel order.

DECEMBER
- Nakilat secures US $200 million of financing for Gulf LPG.

2013

MARCH
- NDSQ signs contract to build a 69m fast luxury vessel.
- Nakilat signs MoU with Algerian state energy company Sonatrach.

JUNE
- Nakilat Inc. arranges refinancing worth US $917 million.

JULY
- Nakilat increases its ownership in Maran Nakilat Co. Ltd.

OCTOBER
- NDSQ and NSW sign a shipbuilding contract for seven new vessels with NSW to operate the vessels on delivery.
- NDSQ certified ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007.

NOVEMBER
- Eng. Abdullah Al Sulaiti is appointed as Managing Director of Nakilat.
- N-KOM wins 'Ship Repair Shipyard' award for the second consecutive year at the Seatrade Middle East & Indian Subcontinent Awards 2013.
- N-KOM re-certified for ISO 14001 and OHSAS 18001.
- Nakilat arranges a US $160 million bank financing transaction for N-KOM and NDSQ.

SHAREHOLDERS

QATAR PETROLEUM

Qatar Petroleum is a state-owned public corporation established by Emiri Decree No. 10 in 1974. It is responsible for all phases of the oil and gas industry in the State of Qatar.

The principal activities of Qatar Petroleum, its subsidiaries and joint ventures are the exploration, production, local and international sale of crude oil, natural gas and gas liquids, refined products, synthetic fuels, petrochemicals, fuel additives, fertilizers, LNG, steel and aluminium.

Qatar Petroleum's strategy of conducting hydrocarbon exploration and development are through Exploration and Production Sharing Agreements (EPSA) and Development and Production Sharing Agreements (DPSA) concluded with major international oil and gas companies.

The operations and activities of Qatar Petroleum and its affiliates are conducted at various onshore locations, including Doha, Dukhan and the Mesaieed and Ras Laffan Industrial Cities, as well as offshore areas, including Halul Island, offshore production stations, drilling platforms and the North Field.

Thriving on a spirit of enterprise, our joint ventures are underpinned by transparency, innovation and high standards of quality and service.
At Qatar Petroleum, we are committed to one thing above all: Excellence.

QATAR SHIPPING COMPANY SPC

Qatar Shipping is a diversified Qatar-based shipping company offering comprehensive services to meet specific needs in the shipment of LPG, LNG, crude and clean oil. Qatar Shipping is currently owned by Qatar Navigation QSC (Milaha) as one of its business arms in the local and global market.

QATAR NAVIGATION (MILAHA) QSC

Milaha is a diversified Qatar-based shipping company offering, among other things, marine transportation in gas, petroleum products, containers and bulk; offshore support services; port management and operations; logistics services; shipyard; trading agencies; real estate investments; and asset management. Milaha owns a large fleet of container vessels, general cargo vessels, barges and tugs.

QATAR PENSION FUND

Qatar Pension Fund is a legal entity with an independent budget set within the general budget of the State. It is directly attached to the Council of Ministers. The authority aims to secure honorable life for pensioners and their dependents in accordance with the pension and retirement law. It is responsible for managing and investing the financial resources of the retirement fund and is run by a board of directors.

QATAR FOUNDATION

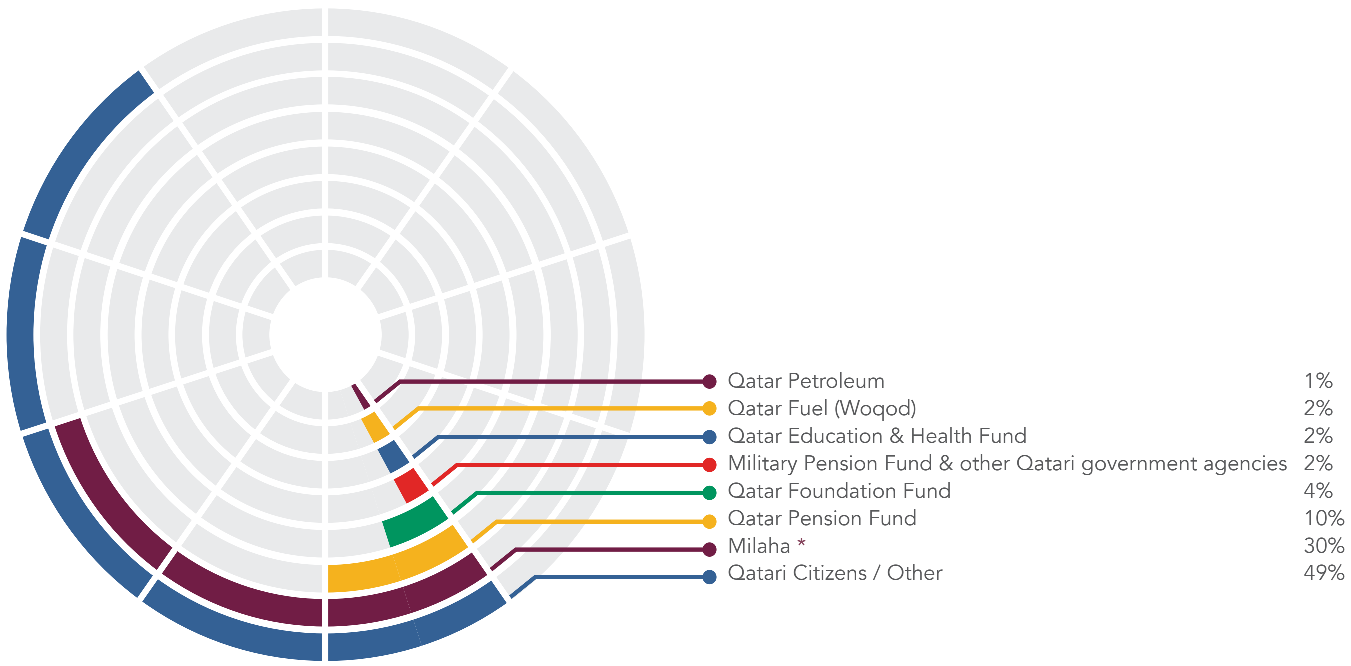
Qatar Foundation is an independent, private, non-profit, chartered organization founded in 1995 by Emiri decree to support centers of excellence that develop people's abilities through investments in human capital, innovative technology, state of the art facilities and partnerships with elite organizations, thus raising the competency of people and the quality of life.

QATAR FUEL (WOQOD)

Qatar Fuel (Woqod) is a public share company listed on the Doha Securities Market since 2002. The company is responsible for the distribution of all fuels within the State of Qatar. This includes diesel, gasolines and aviation fuel through a fleet of more than 150 road tankers. The company trades in ship-to-ship bunkering, bitumen importation and distribution, lubricants, and modern service stations. Woqod also distributes all LPG in the State of Qatar.

MILITARY PENSION FUND AND QATAR EDUCATION & HEALTH FUND

Investment funds control the shares attributed to the Military Pension Fund and the Qatar Education & Health Fund.



* Milaha is the new identity for the two combined companies Qatar Navigation and Qatar Shipping.

CHARTERERS

QATARGAS

Qatargas was established in 1984, and pioneered the LNG industry in Qatar. Today, Qatargas, under the guidance of HE Dr. Mohammed Bin Saleh Al Sada, Minister of Energy & Industry and Chairman of the Board of Directors at Qatargas, is the largest LNG producing company in the world, with an annual LNG production capacity of 42 million tonnes per annum (MTA) and is realizing its vision to deliver LNG to its customers around the globe, from its world-class facilities in Qatar. Qatargas' Ras Laffan Terminal Operations team operates all the oil products, tank farms and related marine terminals at Ras Laffan Industrial City in the State of Qatar. Ras Laffan is the largest LNG and oil products export terminal in the world.

RASGAS COMPANY LIMITED (RASGAS)

RasGas Company Limited (RasGas) is one of the world's premier integrated LNG enterprises and together with Qatargas makes the State of Qatar the world's leading producer of LNG at 77 MTA. 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 2001, RasGas has developed world-class facilities for the extraction, storage, processing and export of LNG.

QATAR INTERNATIONAL PETROLEUM MARKETING COMPANY LTD. (TASWEEQ)

Qatar International Petroleum Marketing Company Ltd. (Tasweeq) Q.J.S.C. was incorporated in July 2007 by Emiri Decree Law No. 15 of 2007, is wholly owned by the Government of the State of Qatar and operates independently from other oil and gas companies.

Tasweeq is the sole exporter of petroleum products from the State of Qatar known as Regulated Products, which consist of LPG, Sulphur, Condensates, Refined Products (naphtha, motor gasoline and jet fuel) and, in 2011, GTL products (naphtha and blended jet fuel). Tasweeq also markets Qatar Petroleum's crude oil entitlements under an agency agreement with Qatar Petroleum. These are known as Non-Regulated Products and consist of Qatar Land, Qatar Marine, Al-Shaheen and Al-Rayyan crude oils.

In November 2008, Tasweeq established its first international office in Singapore to serve as a liaison with strategic Asian markets. The Singapore Representative Office provides marketing support to the headquarters in Qatar by gathering market intelligence and seeking regional business development opportunities.

While direct business with Tasweeq continues to decline, we continue to work and negotiate with Tasweeq in an attempt to increase LPG, sulphur and condensate volumes that Nakilat could carry for Tasweeq, to allow Nakilat to grow and diversify its business activities.

FLEET

Nakilat's core business of shipping Qatari liquefied natural gas (LNG) to global markets is key to our company's strength. Our fleet, growing to 58 wholly- and jointly-owned vessels, represents one of the world's newest and largest LNG fleets, with all vessels incorporating modern technology to ensure the safe, environmentally sound and cost-effective transportation of LNG. The ships represent a total investment of approximately US $11 billion and have a combined carrying capacity of over 8.5 million cubic meters of LNG cargo space.

Nakilat LNG ships are utilized in meeting the transportation requirements of the State of Qatar's LNG industry, providing the country and the world with a strategically important 'floating pipeline' of clean energy. Nakilat's LNG vessels are chartered through long-term time charter agreements with Qatargas and RasGas. Our 25 wholly owned LNG vessels are operated via a strategic alliance with Shell International Trading and Shipping Company Ltd. (STASCO). Nakilat's 33 jointly-owned LNG vessels are operated by the vessel's co-owners, which include many of the world's leading ship owning and operating companies.

In addition to the 58 LNG carriers, Nakilat also jointly-owns four liquefied petroleum gas (LPG) carriers through Gulf LPG, a joint venture owned 50 per cent by Nakilat and 50 per cent by Milaha. Gulf LPG's four very large LPG carriers are fully operated and managed by Nakilat Shipping Qatar Limited (NSQL), a wholly-owned subsidiary of Nakilat.

RECRUITMENT OF QATARI MARINE CADETS

The second cohort of young Qataris to join Nakilat's Marine Cadet Program was enrolled in September 2013. Nakilat sponsors its marine cadets through a four- to five-year degree course at the International Maritime College of Oman (IMCO), including 12 months of sea time spent aboard Nakilat ships. Upon completion of the program, the cadets will be qualified as deck officers or marine engineers with secured jobs aboard Nakilat vessels.

Nakilat will continue to dispatch its marine cadets to study in Oman and other countries in schools with high maritime standards, until the State of Qatar's own international maritime academy is established.

LPG SHIP MANAGEMENT

In February 2012 the process of transferring the ship management of the four LPG Very Large Gas Carriers (VLGCs) from STASCO to NSQL began. The process was completed by June of the same year.

NSQL has built a strong ship management team in Doha along with all necessary infrastructure and systems. Since completion of the transition and throughout 2013, NSQL has demonstrated its capabilities through high standards of safety and technical performance excellence, which continue to be consolidated as NSQL gains more experience.

EMPLOYMENT OF SEA STAFF

Officers aboard Nakilat's fleet total some 760 seafarers. Since 2011 Nakilat's wholly-owned subsidiary Qatar Gas Transport Company Marshall Islands (QGTCMI) has been gradually transferring our officers from Shell's employment to QGTCMI's.

At the close of 2013, 221 officers were employed by QGTCMI, with larger numbers of sea staff expected to transition to QGTCMI's employment during the second phase of the transition, which is currently in progress.

2013 ACHIEVEMENTS

COLLABORATION WITH ALGERIA'S SONATRACH

In March 2013 Nakilat signed a Memorandum of Understanding for collaboration in areas of mutual interest with the state energy company of Algeria and Africa's largest oil and gas company, Sonatrach.

Nakilat and Sonatrach agreed upon transportation collaboration for liquefied gases. Further potential areas of collaboration include the co-ownership of gas carriers, vessel dry-docking, and the construction of vessels in both countries.

The two companies also discussed the sharing of technical information and experience as well as collaboration with regard to the logistical support of their fleets.

INCREASED OWNERSHIP OF MARAN JOINT VENTURE AND FLEET EXPANSION

In July 2013, Nakilat increased its ownership of Maran Nakilat Co. Ltd., the joint venture between Nakilat and Maran Ventures Inc., to 40 per cent.

In addition, Maran Nakilat Co. Ltd. is expanding its fleet of LNG carriers from four vessels to eight, with the delivery of four new LNG carriers scheduled for 2014, bringing Nakilat's total LNG fleet to 58 vessels.

The vessels being added to Maran Nakilat Co. Ltd.'s fleet are currently under construction in Korea. The four new vessels will carry LNG cargos for producers from across the world and will be the first LNG carriers in the fleet not chartered to RasGas or Qatargas.

QATAR'S FLOATING PIPELINE

Nakilat's Fleet

- Transportation is integral to Qatar's ability to connect massive gas reserves to markets around the world
- LNG is critical to Qatar Petroleum and the State of Qatar
- RasGas and Qatargas are vital to Qatar Petroleum and international oil company partners
- Qatar produces 77 million tonnes per annum (MTA) of LNG
- Nakilat was established to play a key role in shipping for Qatari LNG projects
- Nakilat vessels represent approximately 15 per cent of the global LNG tonnage and is the largest LNG fleet in the world

Fleet Composition

LNG
14 Q-Max
31 Q-Flex
13 Conventional
LPG
4 VLGC

LNG Carriers

25 wholly-owned vessels
14 Q-Max (capacity: 263,000m^3 - 266,000m^3)
11 Q-Flex (capacity: 210,000m^3 - 217,000m^3)
33 jointly-owned vessels

- Nakilat ownership ranges from 20-60 per cent, aggregate average 45 per cent
- 13 Conventional (capacity: 145,000m^3 - 170,000m^3)
- 20 Q-Flex (capacity: 216,000m^3)

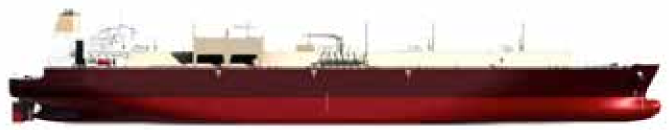
Q-Max and Q-Flex

- Q-Max and Q-Flex are the world's largest and most advanced LNG vessels.
- In service since 2007.
- Q-Flex: approximately 50 per cent more cargo capacity than conventional LNG carriers.
- Q-Max: approximately 80 per cent more cargo capacity than conventional LNG carriers.

13 LNG Vessels
Conventional (145,000m^3 - 170,000 m^3)

31 LNG Vessels
Q-Flex (210,000m^3 - 216,000 m^3)

14 LNG Vessels
Q-Max (263,000m^3 - 266,000 m^3)



SHIPYARD

In 2007 Qatar Petroleum mandated Nakilat to manage the design and construction of a world-class ship repair and construction yard in the State of Qatar's Port of Ras Laffan. With the first phases completed in 2010, Erhama Bin Jaber Al Jalahma Shipyard enjoyed its third full-year of operation in 2013.

Nakilat operates the shipyard via two joint ventures that were established with world-leading companies – Nakilat Keppel Offshore & Marine (N-KOM), which specializes in ship repair, and Nakilat Damen Shipyards Qatar (NDSQ), focusing on shipbuilding. In line with the Emiri vision, N-KOM and NDSQ continue to forge ahead with developing a strong and dynamic marine industry in the State of Qatar.

NAKILAT-KEPPEL OFFSHORE & MARINE (N-KOM)

Established: 2008.
Ownership: N-KOM is owned 79 per cent by Nakilat, 20 per cent by KS Investments Ltd, a wholly-owned subsidiary of Keppel Offshore & Marine, and one percent by Qatar Petroleum.
Area of yard: 50.8 hectares.
Facilities: Two dry docks (360m x 66m and 400m x 80m); piers and quays totaling 2,750m in length, equipped with cranes of 100m outreach; a complete range of support facilities, such as steel shop, machine shop, electrical shop, pipe shop, mechanical shop, cryogenic cleanrooms and large stores. The facility for small vessel repairs has four tower cranes of 25-tonne lifting capacity each, two mobile boat hoists (300-tonne and 1,100-tonne), a floating quay of 200m, dry berth area as well as a production support facility. The addition of a 6,250-tonne lift capacity floating dock (163m x 26m) and a Q-Max floating dock (405m x 66m) with 120,000-tonne lifting capacity, is planned for 2015.
Activities: N-KOM focuses on the repair and maintenance of marine vessels and conversion as well as fabrication of offshore and onshore structures, such as jack-up drilling rigs, land rigs and their components.
Accreditations: American Petroleum Institute (API) ISO 9001; API OHSAS 18001; API ISO 14001; API Spec Q1, 2B, 4F and API ISO/TS 29001; American Society of Mechanical Engineers (ASME) Certification Audit for Pressure Vessels Certification; ASME Stamps U, U2, S and PP; National Board R Stamp for Repair of Pressure Vessels.

2013 ACHIEVEMENTS

- N-KOM successfully completed its 200th project at the shipyard, including the dry docking and repair of Q-Max and Q-Flex LNG carriers, LPG carriers and Very Large Crude Carriers (VLCCs); jack up rig conversion and commissioning; offshore fabrication projects; and land rig servicing.
- In November 2013 N-KOM received the Ship Repair / Shipyard Award at the Seatrade Middle East and Indian Subcontinent Awards for the second consecutive year.
- N-KOM completed over 18,500 tonnes of fabrication work since 2011, including fabrication of mud tanks for SAIPEM and Iraq Drilling Company.
- Technip awarded N-KOM the contract for an offshore project awarded to Technip by Qatar Petroleum.
- N-KOM delivered the first Ballast Water Treatment System (BWTS) retrofit for a Nakilat LNG carrier.
- The company established a 'flying squad' with qualified personnel to undertake offshore / anchorage repairs.
- The American Petroleum Institute (API) recertified N-KOM for ISO 14001 and OHSAS 18001.
- A dedicated Business Centre was established, focusing on customer relations, immigration and hospitality services.
- N-KOM partnered with The Youth Company Qatar for youth development programs and internship opportunities.
- N-KOM employees carried out a successful coastal clean-up at Ras Laffan's Northern Beach.

NAKILAT DAMEN SHIPYARDS QATAR (NDSQ)

Established: 2010.
Ownership: NDSQ is owned 70 per cent by Nakilat and 30 per cent by Damen Shipyards Group of the Netherlands.
Area of yard: 18 hectares.
Facilities: Construction hall of 270m in length by 65m wide; assembly hall of 180m in length consisting of four bays; finishing and refit hall for high-value vessels, 180m long x 70m wide x 50m high, divided into two separate bays that are independently climate controlled; outfitting pier of 400m in length equipped with a 30-tonne crane; load-out and recovery (LOR) barge with 10,500 tonnes lifting capacity; workshops, stores and other support facilities.
Activities: NDSQ focuses on the construction of steel, aluminum and fiber reinforced plastic (FRP) boats, of up to 170m in length. Its production capability includes a wide range of commercial vessels (including tugs, offshore supply boats and cargo vessels), naval vessels and superyachts. NDSQ can also undertake the refit of superyachts and naval vessels.
Accreditations: ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007.

2013 ACHIEVEMENTS

- NDSQ's first and biggest vessel, Al Ghatroushah, the 140m LOR barge, was officially inaugurated and named by HE Dr. Mohammed Bin Saleh Al Sada, Minister of Energy and Industry and Chairman of Qatar Petroleum and of Nakilat, in January 2013.
- In March 2013 NDSQ signed a contract for the construction of a 69m-long fast luxury vessel, to be built entirely at NDSQ's Ras Laffan facility. The customized vessel will be based on the proven axe-bow hull of Damen's 67m Sea-Axe navy, coastguard and yacht support vessels. The vessel will be equipped with the latest technology and will reach speeds of up to 20 knots.
- In October 2013 NDSQ signed a contract to build seven vessels — two 60-ton bollard pull (BP) azimuth stern drive (ASD) tugs, two 45-ton BP ASD tugs, two 15-ton BP twin-screw mooring boats and one pilot boat — which will be ready for service by autumn 2014 / spring 2015 for use by fellow Nakilat joint venture NSW at the Port of Ras Laffan.
- NDSQ received certification from Lloyd's Register Quality Assurance (LRQA) for aligning its quality, environmental and safety management systems with internationally recognized standards. A certificate of approval for the ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 management standards was presented by LRQA to NDSQ during a ceremony at Erhama Bin Jaber Al Jalahma Shipyard in Ras Laffan in October 2013. The ISO environmental and OHSAS safety management system approvals were awarded to NDSQ for the first time along with reconfirmation of the ISO quality management system approval, which was originally awarded to NDSQ in 2011.
- NDSQ continues to deliver vessels under the 19-vessel contract for use at the Port of Mesaieed. By the end of 2013, a total of 10 vessels were delivered with the remaining nine to be delivered in 2014.
- In 2013, NDSQ completed a total of seven repair, maintenance and refit projects on megayachts.

MARINE SERVICES

Nakilat offers a comprehensive range of marine services to vessels operating in Qatari waters and for those calling at the Ports of Ras Laffan and Mesaieed. These services were established to provide an integrated solution for ships requiring supplies and amenities off the Qatari coast.

NAKILAT SVITZERWIJSMULLER (NSW)

NSW is a joint venture company established in 2006 and owned 70 per cent by Nakilat and 30 per cent by Svitzer Middle East Ltd., part of international towage operator Svitzer, which is wholly-owned by Danish shipping group A. P. Moller-Maersk. NSW operates a fleet of 30 vessels, including 25 NSW-owned vessels. The fleet comprises tug boats, pilot boats, line boats, crew boats and other harbor craft, based at the Port of Ras Laffan as well as operating in the offshore fields off Halul Island. NSW offers a range of services including towing, escorting, berthing, pilot support, line handling services afloat and ashore, emergency response, and marine maintenance support.

2013 ACHIEVEMENTS

- In October 2013 NSW signed a contract with Qatar Petroleum to operate seven vessels at the Port of Ras Laffan for a period of 14 years. In the same month, NSW placed an order for the seven new vessels with fellow Nakilat joint venture NDSQ. The new additions to NSW's fleet will be two 60-ton bollard pull (BP) azimuth stern drive (ASD) tugs, two 45-ton BP ASD tugs, two 15-ton BP twin-screw mooring boats and one pilot boat.
- Along with the multiple marine services carried out around and within the port of Ras Laffan, NSW performed in excess of 13,000 tug jobs during the year, securing efficient turnaround of all vessels calling at the port.

NAKILAT AGENCY COMPANY (NAC)

Nakilat Agency Company Ltd. (NAC) is owned 95 per cent by Nakilat and five per cent by Qatar Petroleum. NAC has been appointed by, and operates as sole agent under the Qatar Petroleum Port Agency Licenses for the Ports of Ras Laffan and Mesaieed, representing all vessels calling at Ras Laffan and all hydrocarbon vessels calling at Mesaieed. NAC acts on behalf of and offers port and shipping agency services to ship owners, shippers, ship operators, charterers, local manufacturers, receivers, other agencies, shipping customers and services providers, liaising with the Ports of Ras Laffan and Mesaieed. NAC deals with an average of 3,400 vessels per annum.

Since May 2005 NAC has been the licensed agent for the Port of Ras Laffan and in September 2013 NAC took over the agency operations for all hydrocarbon vessels calling at Mesaieed. NAC's key role is the effective turnaround of vessels calling at Ras Laffan and Mesaieed. As part of its services, NAC provides assistance for communication and co-ordination of activities between the ship and shore parties to ensure safe and on-time berthing, loading and discharge operations. Other core elements of NAC's duties include correct execution of shipping documentation, customs formalities, immigration requirements, port and government regulatory matters, provision of supplies and services including catering to the needs of crew.

2013 ACHIEVEMENTS

- NAC has successfully completed eight years of LTI free operations since its inception in May 2005.
- NAC took over the agency operations for all hydrocarbon vessels at MIC from 1 September 2013.
- In 2013 NAC attended to around 3,500 vessels and handled approximately 21,000 crew movements.
- NAC took over the processing of Ras Laffan Industrial City gate passes on behalf of N-KOM from 1 November 2013.
- NAC's Qatarization drive has reached 14 per cent as of December 2013.

VESSEL SUPPORT SERVICES

Nakilat's Vessel Support Unit (VSU) offers a complete range of supply and support services to all ships operating in Qatari waters, 24 hours a day, seven days a week. The VSU aims to cover the widest range of clients' needs.

The VSU offers the ability to manage, store and maintain any ship materials and provide provision of a broad range of material supplies, liaison for repair and maintenance services at Ras Laffan and in the region. The VSU has its own wholly-owned warehousing facilities, including dehumidified, climate-controlled storage with options such as refrigeration and freezing, inventory management services, capacity for short and long term storage of ship spares, and a 24-hour delivery service. The VSU handles all import and export processes interfacing with the Qatar Customs Authorities and other Qatari government entities to ease material movement processes.

2013 ACHIEVEMENTS

- Nakilat's VSU established a freight forwarding contract with Gulf Warehousing Company.
- The VSU provided services to around 200 vessels during 2013.
- The VSU provided assistance to N-KOM, NDSQ, NSW, NAC, Nakilat fleet vessels and Erhama Bin Jaber Al Jalahma Shipyard throughout 2013.
- Vessel support services were expanded to the Port of Mesaieed.
- The VSU enhanced its use of SAP software to meet business requirements.
- A long-term storage preservation process was initiated for the Depot Spares section of the VSU.

SUSTAINABLE DEVELOPMENT

Sustainable development is a core value that has guided Nakilat's growth and success since the company's inception in 2004. A priority in everything we do, sustainable development continues to shape our corporate culture.

In 2013 Nakilat published its third annual Sustainable Development Report and participated for the third consecutive year in Qatar's Sustainable Development Industry Report, published by the HSE Regulations and Enforcement Directorate (DG), which summarizes the progress of the Qatari Energy and Industry Sector. Nakilat is also committed to aligning its goals with those of the State of Qatar, as defined in the Qatar National Vision 2030 (QNV 2030). Nakilat's sustainable development achievements for 2013 can be summarized and aligned within the four developmental pillars of the QNV 2030: economic, human, social and environmental development.

ECONOMIC DEVELOPMENT

Key Indicators: sound economic management; responsible exploitation of oil and gas; suitable economic diversification.

2013 ACHIEVEMENTS

- Continued emphasis on diversification through growth of Erhama Bin Jaber Al Jalahma Shipyard and Nakilat's marine services offering, including:
  - NDSQ signs a contract to build seven vessels for NSW.
  - NSW chosen by Qatar Petroleum to operate the seven new vessels at the Port of Ras Laffan on a 14-year contract.
  - NDSQ signs a contract to build a 69m fast luxury vessel.
  - NDSQ launches a total of 10 vessels from the 19-vessel order for Mesaieed.
  - N-KOM signs a contract with Technip for a major Qatar Petroleum fabrication project.
- Consolidation of Nakilat's ship management activities.
- Financing agreements including:
  - Nakilat's wholly owned subsidiary Nakilat Inc. arranges refinancing worth US $917 million with Qatar National Bank.
  - Nakilat increases its ownership in Maran Nakilat Co. Ltd. as the joint venture signs US $662.4 million refinancing with Qatar Islamic Bank and Barwa Bank.
  - Nakilat arranges a US $160 million bank financing transaction for N-KOM (US $120 million) and NDSQ (US $40 million) with Al Khaliji Bank.
- Nakilat Inc. strong senior debt ratings of AA- and Aa3 by S&P and Moody's respectively and A+ by Fitch were affirmed for 2013 with a stable outlook.

HUMAN DEVELOPMENT

Key Indicators: an educated employee population; a healthy and safe workforce - both physically and mentally; highly motivated employees.

2013 ACHIEVEMENTS

- Nakilat celebrated the achievements of its first Qatari Marine Cadets, who joined the program in 2012, and welcomed new Qatari recruits to the program for 2013, with a view to positioning qualified deck officers and marine engineers of Qatari nationality in strategic positions aboard Nakilat's fleet and within the company's operations.
- In 2013, Nakilat's visibility among Qatari students and potential national employees has been enhanced, further raising the company's profile as an employer-of-choice for Qatari nationals. Initiatives included active participation at the Qatar Career Fair and on-campus representation for the communication of career opportunities. The enrolment of 2013's Marine Cadets onto Nakilat's scholarship program was a direct result of the company's program of school visits.
- Nakilat has increased its Qatari headcount by 63 per cent compared to 2012, adding 32 Qatari employees to its workforce, including new Marine Cadets.
- As part of the development of Nakilat's Qatari employees, external training programs were also implemented. Qatari employees participated in 37 professional training programs in 2013, covering subjects such as English, Technical and Soft Skills, and Supervision.
- Nakilat conducted health awareness sessions for all company staff at Nakilat's head office and at Erhama Bin Jaber Al Jalahma Shipyard. The two employee awareness sessions were to improve awareness of the issues surrounding cancer and diabetes. These programs were conducted in cooperation with Hamad Medical Corporation and the Qatar Cancer Society. The sessions provided presentations by subject matter experts, information pamphlets and relevant tests for interested participants. In addition Nakilat also held a blood drive in 2013.
- In November 2013 and as part of the company's commitment to the continuous improvement of staff communications and operations, Nakilat held its first Employee Forum, which was attended by over 200 staff members.
- Nakilat's PR department successfully organized crisis communications training for the senior management of Nakilat and its joint ventures, and trained a team of in-house telephone responders capable of communicating with the media in Arabic and English.
- Nakilat provided training to all staff members in significant SHEQ issues by providing all staff with defensive driving training, SHEQ Awareness sessions and Integrated Management System (IMS) training.

SUSTAINABLE DEVELOPMENT

SOCIAL DEVELOPMENT

Key Indicators: social care and protection; a sound social structure; international cooperation.

2013 ACHIEVEMENTS

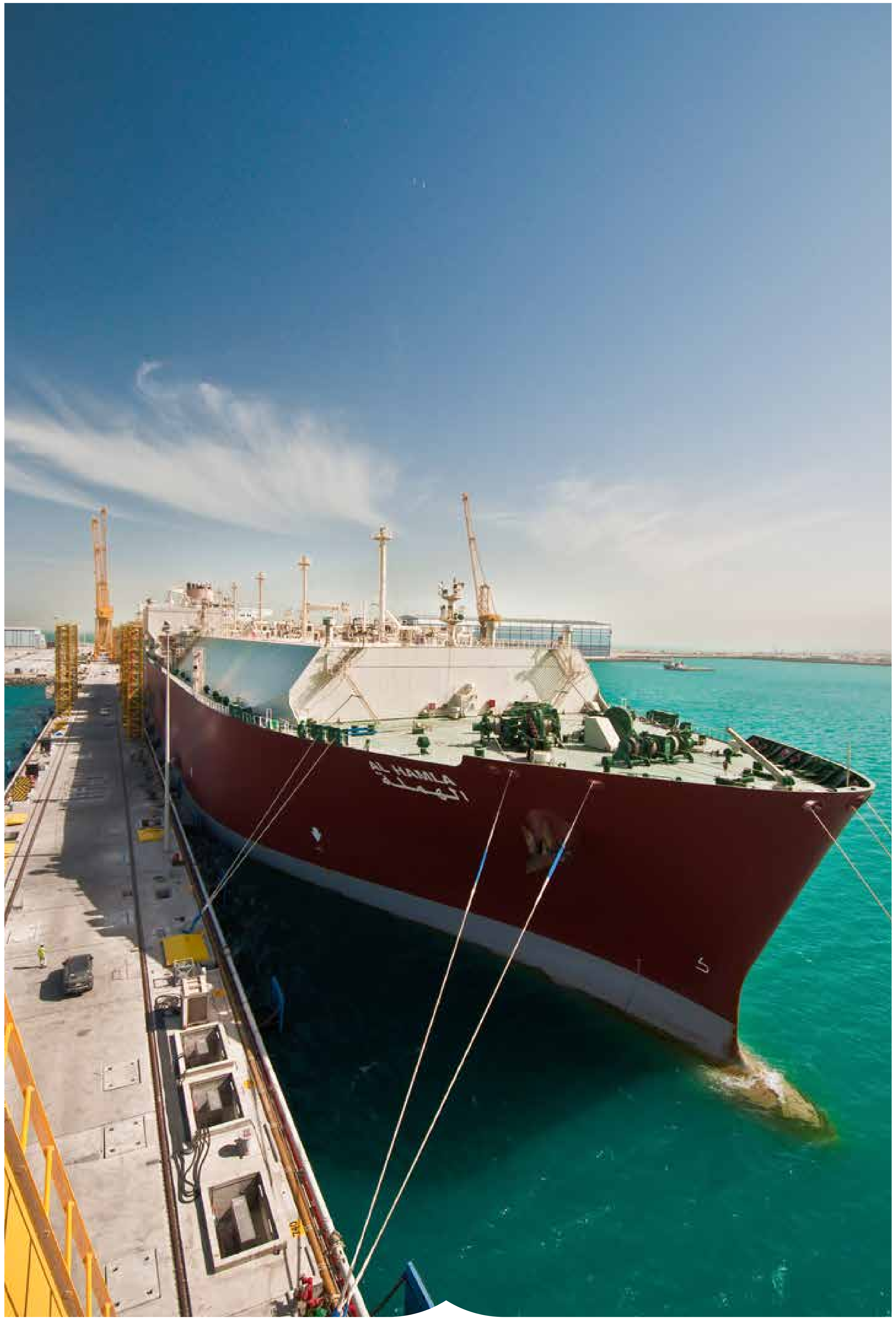
- The signing of a MoU with Algerian state energy company Sonatrach for collaboration in areas of mutual interest.
- Nakilat has continuously improved its Emergency Response capability with regular emergency drills and exercises. Nakilat actively participated in nationally significant exercise Eagle Resolve held in early 2013. The drill was used as a test of the preparedness of Qatari and multinational forces for specific threat scenarios.
- The continued success of Nakilat's existing international partnerships, such as N-KOM, NDSQ, NSW and its ship-owning joint ventures.
- Traditional Qatari celebrations such as National Day and Garangao are shared at Nakilat's offices with national and expat employees together.
- Nakilat, N-KOM, NDSQ and NSW participate regularly in school, college, university and community events to raise awareness of our companies' activities and of the employment and training opportunities on offer to Qatari nationals.

ENVIRONMENTAL DEVELOPMENT

Key Indicators: a balance between development needs and protecting the environment.

2013 ACHIEVEMENTS

- N-KOM organized a coastal clean-up at Ras Laffan's Northern Beach to ensure a safe breeding ground during the turtle nesting season.
- Nakilat concluded major repair periods with the dry docking of the two Nakilat-managed LPG vessels safely, successfully and without incident.
- Nakilat successfully and seamlessly achieved the transition of all four Nakilat-managed LPG vessels to the Marshall Islands flag.The transition included undergoing an external audit to obtain a Marshall Island Document of Compliance. All vessels have undergone internal and external audits and received full term International Safety Management (ISM) and International Ship and Port Facility Security Code (ISPS) certification. This was all achieved in a short period of time, safely and without incident.
- Nakilat's LNG fleet achieved a Lost Time Injury Frequency (LTIF) of 0.37 and a Total Recordable Case Frequency (TRCF) of 0.37, while Nakilat's LPG fleet achieved a LTIF of 0.00 and a TRCF of 1.37, which are all below the industry average LTIF of 1.03 and TRCF of 2.22.
- Nakilat continued its efforts to achieve superior Safety, Health and Environmental (SHE) performance. Continuing from last year Nakilat has established a uniform reporting platform for all Nakilat companies and joint venture interests. Nakilat companies have set stringent SHE targets which are reported against and monitored and assessed frequently. Nakilat and its joint venture companies' SHE performance was favorable compared to the industry average in the industry group sectors.
- Nakilat successfully underwent external audits to verify compliance ISO 9001 OHSAS 18001 standards and ISM certification for the Fleet. Nakilat also obtained ISO 14001 certification for Nakilat corporate office and Nakilat Shipping Qatar Limited (NSQL) in November 2013 after a yearlong process of embedding the necessary policies and procedures into the company's management systems.



QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)
DOHA – QATAR

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

CONTENTS

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 the "Group"), which comprise the consolidated statement of financial position as at December 31, 2013 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and applicable provision of Qatar Commercial Companies Law and for such internal control as management determines is necessary to enable the preparation of 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 whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 in 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.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Qatar Gas Transport Company Limited (Nakilat) Q.S.C. at December 31, 2013 and its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matter

The consolidated financial statements of Qatar Gas Transport Company Limited (Nakilat) Q.S.C. for the year ended December 31, 2012, were audited by another auditor who expressed an unqualified opinion on those consolidated financial statements on March 10, 2013.

Report on other legal and regulatory requirements

We are also of the opinion that proper books of account were maintained by the Group and physical inventory verification has been duly carried out. We have obtained all the information and explanations which we considered necessary for the purpose of our audit. To the best of our knowledge and belief and according to the information given to us, no contraventions of the Qatar Commercial Companies Law No. 5 of 2002 and the Company's Articles of Association were committed during the year which would materially affect the Group's activities or its financial position.

For **Deloitte & Touche**
Qatar Branch

S. Jaghoub

Doha – Qatar
February 24, 2014

Samer Jaghoub
Managing Partner -Qatar
License No. 88

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)
DOHA – QATAR
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2013
(Amount Expressed in Thousands of Qatari Riyals)

	Note	December 31, 2013	December 31, 2012
ASSETS			
Non-Current Assets:			
Property and equipment	4	**24,855,318**	25,192,056
Investment in joint venture companies	5	**2,641,403**	2,018,819
Loans to joint venture companies	6	**804,651**	1,084,733
Available-for-sale-investments	7	**175,865**	145,036
Total Non-Current Assets		**28,477,237**	28,440,644
Current Assets:			
Inventories		**25,730**	25,052
Trade and other receivables	8	**237,947**	321,716
Due from joint venture companies	17(b)	**20,993**	9,506
Cash and bank balances	9	**1,930,976**	2,095,928
Total Current Assets		**2,215,646**	2,452,202
Total Assets		**30,692,883**	30,892,846

The accompanying notes 1-25 form an integral part of these consolidated financial statements.

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)
DOHA – QATAR
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS OF DECEMBER 31, 2013
(Amount Expressed in Thousands of Qatari Riyals)

	Note	December 31, 2013	December 31, 2012
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	10	**5,538,458**	5,538,456
Legal reserve	11	**404,457**	331,554
Fair value reserve		**129,397**	98,568
Translation reserve		**28,626**	28,626
Proposed cash dividend	10.1	**609,423**	554,026
Retained earnings		**1,072,693**	1,044,219
Equity before hedging reserve and non-controlling interests		**7,783,054**	7,595,449
Hedging reserve	12	**(3,443,428)**	(5,836,454)
Equity after hedging reserve and before non-controlling interests		**4,339,626**	1,758,995
Non-Controlling Interests		**6,842**	5,836
Non-Current Liabilities:			
Borrowings	13	**22,273,733**	23,117,905
Fair value of interest rate swaps	14	**2,824,135**	4,814,759
Provision for employees' end of service benefits		**18,144**	14,665
Total Non-Current Liabilities		**25,116,012**	27,947,329
Current Liabilities:			
Borrowings	13	**843,964**	822,213
Accounts payable and accruals	15	**381,614**	356,783
Due to joint venture companies	17(b)	**4,825**	1,690
Total Current Liabilities		**1,230,403**	1,180,686
Total Equity and Liabilities		**30,692,883**	30,892,846

These consolidated financial statements were approved by the Board of Directors and were signed on its behalf by the followin

HE Dr. Mohammed Bin Saleh Al-Sada	Khaled Bin Khalifa Al Thani	Abdullah Fadhalah Al-Sulaiti
Chairman	Vice Chairman	Managing Director

The accompanying notes 1-25 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, 2013
(Amount Expressed in Thousands of Qatari Riyals)

	Note	For the Year Ended December 31, 2013	For the Year Ended December 31, 2012
Income:			
Revenue from wholly owned vessels		**3,015,138**	3,005,870
Share of profits from joint ventures	5	**300,753**	253,654
Income from marine and agency services		**47,108**	39,440
Interest income on loans to joint ventures	17	**19,687**	24,344
Interest, dividend and profit from Islamic banks		**17,259**	24,016
Vessels sub-chartering and other income		**21,234**	72,931
Total Income		**3,421,179**	3,420,255
Expenses:			
Operating costs	25	**(650,301)**	(621,657)
General and administrative		**(103,407)**	(71,230)
Depreciation of property and equipment	4	**(606,129)**	(593,861)
Finance charges		**(1,305,597)**	(1,386,977)
Total Expenses		**(2,665,434)**	(2,673,725)
Profit from operations		**755,745**	746,530
(Loss) / gain on derivative instruments from a joint venture	5	**(25,713)**	19,502
Profit for the year		**730,032**	766,032
Attributable to:			
Owners of the Company		**729,026**	765,499
Non-controlling interests		**1,006**	533
Total		**730,032**	766,032
Basic and diluted earnings per share (expressed in QR per share)	19	**1.32**	1.38

The accompanying notes 1-25 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, 2013
(Amount Expressed in Thousands of Qatari Riyals)

	Note	For the Year Ended December 31, 2013	For the Year Ended December 31, 2012
Profit for the year		**730,032**	766,032
Other comprehensive income			
Items that may be reclassified subsequently to statement of income			
Changes in fair value of available-for-sale investments	7	**30,829**	18,361
Changes in fair value of cash flow hedging derivatives		**1,951,691**	55,005
Group's share of joint ventures' changes in fair value of cash flow hedging derivatives		**441,335**	(48,283)
Total comprehensive income for the year		**3,153,887**	791,115
Total comprehensive income for the year attributable to:			
Owners of the Company		**3,152,881**	790,582
Non-controlling interests		**1,006**	533
Total		**3,153,887**	791,115

The accompanying notes 1-25 form an integral part of these consolidated financial statements.

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)
DOHA – QATAR
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2013
(Amount Expressed in Thousands of Qatari Riyals)

	Share Capital	Legal Reserve	Fair Value Reserve	Translation Reserve	Proposed Cash Dividend	Retained Earnings	Equity Before Hedging Reserve and Non-Controlling Interests	Hedging Reserve	Non-Controlling Interests
Balance as of January 1, 2012	5,538,449	255,004	80,207	28,626	470,922	928,433	7,301,641	(5,843,176)	5,303
Profit for the year 2012	-	-	-	-	-	765,499	765,499	-	533
Other comprehensive income for the year 2012									
-Changes in fair value of available- for- sale investments	-	-	18,361	-	-	-	18,361	-	-
-Changes in fair value of cash flow hedging derivatives	-	-	-	-	-	-	-	55,005	-
-Group's share of joint ventures' changes in fair value of cash flow hedging derivatives	-	-	-	-	-	-	-	(48,283)	-
Total comprehensive income for the year 2012	-	-	18,361	-	-	765,499	783,860	6,722	533
Transfer to legal reserve	-	76,550	-	-	-	(76,550)	-	-	-
Social and sports fund contribution 2012 (note 16)	-	-	-	-	-	(19,137)	(19,137)	-	-
Dividend declared for 2011	-	-	-	-	(470,922)	-	(470,922)	-	-
Proposed cash dividend for 2012	-	-	-	-	554,026	(554,026)	-	-	-
Capital contribution	7	-	-	-	-	-	7	-	-
Balance as of December 31, 2012	5,538,456	331,554	98,568	28,626	554,026	1,044,219	7,595,449	(5,836,454)	5,836
Profit for the year 2013	**-**	**-**	**-**	**-**	**-**	**729,026**	**729,026**	**-**	**1,006**
Other comprehensive income for the year 2013									
-Changes in fair value of available- for- sale investments	**-**	**-**	**30,829**	**-**	**-**	**-**	**30,829**	**-**	**-**
-Changes in fair value of cash flow hedging derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,951,691**	**-**
-Group's share of joint ventures' changes in fair value of cash flow hedging derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**441,335**	**-**
Total comprehensive income for the year 2013	**-**	**-**	**30,829**	**-**	**-**	**729,026**	**759,855**	**2,393,026**	**1,006**
Transfer to legal reserve	**-**	**72,903**	**-**	**-**	**-**	**(72,903)**	**-**	**-**	**-**
Social and sports fund contribution 2013 **(note 16)**	**-**	**-**	**-**	**-**	**-**	**(18,226)**	**(18,226)**	**-**	**-**
Dividend declared for 2012	**-**	**-**	**-**	**-**	**(554,026)**	**-**	**(554,026)**	**-**	**-**
Proposed cash dividend for 2013	**-**	**-**	**-**	**-**	**609,423**	**(609,423)**	**-**	**-**	**-**
Capital contribution	**2**	**-**	**-**	**-**	**-**	**-**	**2**	**-**	**-**
Balance as of December 31, 2013	**5,538,458**	**404,457**	**129,397**	**28,626**	**609,423**	**1,072,693**	**7,783,054**	**(3,443,428)**	**6,842**

The accompanying notes 1-25 form an integral part of these consolidated financial statements.

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)
DOHA – QATAR
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Amount Expressed in Thousands of Qatari Riyals)

	Note	For the year ended December 31, 2013	For the year ended December 31, 2012
Cash Flows from Operating Activities:			
Profit for the year		**730,032**	766,032
Adjustments for:			
Depreciation of property and equipment	4	**606,129**	593,861
Finance charges		**1,305,597**	1,386,977
Share of profits from joint ventures	5	**(300,753)**	(253,654)
Loss / (gain) on derivative instruments from a joint venture	5	**25,713**	(19,502)
Interest income on loans to joint ventures	17	**(19,687)**	(24,344)
Interest, dividend and profit from Islamic banks		**(17,259)**	(24,016)
Other income		**(7,195)**	(25,540)
Provision for doubtful receivables		**150**	-
Provision for employees' end of service benefits		**4,713**	4,150
		2,327,440	2,403,964
Working Capital Changes:			
Inventories		**(678)**	(23,973)
Trade and other receivables		**83,871**	18,901
Accounts payable and accruals		**22,833**	(12,617)
Due from joint venture companies		**(7,364)**	9,119
Due to joint venture companies		**3,135**	1,690
Cash generated from operations		**2,429,237**	2,397,084
Finance charges paid		**(1,304,493)**	(1,386,757)
Employees' end of service benefits paid		**(1,234)**	(1,187)
Net Cash From Operating Activities		**1,123,510**	1,009,140
Cash Flows from Investing Activities:			
Loans to joint venture companies-net		**296,844**	(37,661)
(Investment) / Refund of investment in a joint venture company		**(153,213)**	15,964
Dividend income received from joint ventures	5	**191,309**	110,467
Acquisition of property and equipment	4	**(269,391)**	(34,750)
Investment income received		**39,766**	78,572
Net Cash From Investing Activities		**105,315**	132,592
Cash Flows from Financing Activities:			
Proceeds from issue of share capital		**2**	7
Dividend paid to shareholders		**(546,990)**	(433,397)
Unpaid dividend transferred to separate bank account		**(26,457)**	(43,474)
Proceeds from borrowings		**3,339,540**	1,383,781
Repayments of borrowings		**(4,137,124)**	(2,215,666)
Transaction costs of refinancing		**(29,174)**	-
Costs incurred for Islamic financing		**-**	(10,619)
Net Cash Used in Financing Activities		**(1,400,203)**	(1,319,368)
Net Decrease in Cash and Cash Equivalents		**(171,378)**	(177,636)
Cash and Cash Equivalents at Beginning of the Year		**2,009,036**	2,186,672
Cash and Cash Equivalents at End of the Year	9.1	**1,837,658**	2,009,036

The accompanying notes 1-25 form an integral part of these consolidated financial statements.

1. *Reporting Entity:*

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 Qatar Commercial Companies Law No. 5 of 2002. The shares of the Company started trading in 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. *Application of new and revised International Financial Reporting Standards (IFRSs):*

2.1 New and revised IFRSs affecting amounts reported in the consolidated financial statements

The following are the new and revised IFRSs that were effective in the current year and have been applied in the preparation of these consolidated financial statements:

(i) New Standards

Effective for annual periods beginning on or after January 1, 2013

- **IFRS 10*** *Consolidated Financial Statements*
- **IFRS 11*** *Joint Arrangements*
- **IFRS 12*** *Disclosure of Interests in Other Entities*
- **IFRS 13** *Fair Value Measurement*

(ii) Revised Standards

Effective for annual periods beginning on or after July 1, 2012

- **IAS 1 (Revised)** *Presentation of Financial Statements - Amendments to introduce new terminology for the income statement and other comprehensive income.*

Effective for annual periods beginning on or after January 1, 2013

- **IFRS 1 (Revised)** *First Time Adoption of International Financials Reporting Standards – Amendments to allow prospective application of IAS 39 or IFRS 9 and paragraph 10A of IAS 20 to government loans outstanding at the date of transition to IFRS.*
- **IFRS 7 (Revised)** *Financial Instruments Disclosures - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities.*
- **IAS 19 (Revised)** *Employee Benefits - Amended Standard to change the accounting for defined benefit plans and termination benefits.*
- **IAS 27 (Revised)*** *Consolidated and Separate Financial Statements (Early adoption allowed) - Reissued as IAS 27 Separate Financial Statements.*
- **IAS 28 (Revised)*** *Investments in Associates (Early adoption allowed) -Reissued as IAS 28 Investments in Associates and Joint Ventures.*
- **IFRS 10,11 and 12 amendments*** *Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the first-time application of the standards.*
- **Annual improvements to IFRSs 2009-2011 cycle** *Amendments to issue clarifications on five IFRSs- IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34.*

2. *Application of new and revised International Financial Reporting Standards (IFRSs) (Continued):*

2.1 New and revised IFRSs affecting amounts reported in the consolidated financial statements (continued)

* In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011). These five standards are effective for annual periods beginning on or after January 1, 2013. Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the first-time application of the standards.

(iii) New Interpretations

Effective for annual periods beginning on or after January 1, 2013

- **IFRIC 20** *Stripping Costs in the Production Phase of a Surface Mine*

The adoption of these new and revised standards had no significant effect on the consolidated financial statements of the Group for the year ended December 31, 2013, other than certain presentation and disclosure changes.

2.2 New and revised IFRSs in issue but not yet effective (Early adoption allowed)

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

(i) New Standards

Effective for annual periods beginning on or after January 1, 2017

- **IFRS 9** *Financial Instruments*

(ii) Revised Standards

Effective for annual periods beginning on or after January 1, 2014

- **IAS 32 (Revised)** *Financial Instruments: Presentation – Amendments to clarify existing application issues relating to the offsetting requirements.*
- **IFRS 10,12 and IAS 27 (Revised)** *Amendments to introduce an exception from the requirement to consolidate subsidiaries for an investment entity.*
- **IAS 36 (Revised)** *Amendments arising from recoverable amount disclosures for non-financial assets.*
- **IAS 39 (Revised)** *Amends IAS 39 Financial Instruments: Recognition and Measurement to make it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.*

Effective for annual periods beginning on or after January 1, 2017

- **IFRS 7 (Revised)** *Financial Instruments Disclosures - Amendments requiring disclosures about the initial application of IFRS 9.*

Effective for annual periods beginning on or after July 1, 2014

- **IAS 19 (Revised)** *Amended to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.*
- **Annual improvements to IFRSs 2010-2012 cycle** *Amendments to issue clarifications on IFRSs - IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 38 and IAS 24.*
- **Annual Improvements 2011-2013 Cycle** *Amendments to issue clarifications on IFRSs - IFRS 1, IFRS 3, IFRS 13 and IAS 40.*

2. *Application of new and revised International Financial Reporting Standards (IFRSs) (Continued):*

2.2 New and revised IFRSs in issue but not yet effective (Early adoption allowed) (continued)

(iii) New Interpretation

Effective for annual periods beginning on or after January 1, 2014
- **IFRIC 21** *Levies*

Management anticipates that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the consolidated financial statements of the Group in the period of initial application, other than certain presentation and disclosure changes.

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

3.1 *Basis of Preparation*

a) *Statement of compliance*

These consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by International Accounting Standard Board (IASB).

b) *Basis of measurement*

These consolidated financial statements have been prepared under the historical cost basis, except for available-for-sale investments and cash flow hedging derivatives which are carried at fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

c) *Functional and presentation currency*

The consolidated financial statements are presented in Qatari Riyals, which is also the Company's functional currency. All financial information presented in Qatari Riyals has been rounded to the nearest thousands, except when otherwise indicated.

d) *Use of estimates and judgments*

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in **note 23** to these consolidated financial statements.

3.2 *Significant Accounting Policies*

The following significant accounting policies have been applied in the preparation of these consolidated financial statements.

a) *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. 5 and 18** for details.

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

3.2 *Significant Accounting Policies (continued)*

a) *Basis of Consolidation (continued)*

i) *Investment in Subsidiary Companies*

Subsidiaries are entities controlled by the Company. Control is achieved when the Company;

- has power over the investee;
- is exposed, or has rights to variable returns from its involvement with the investee; and
- has the ability to use its power to effect its returns.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interest even if this results in the non-controlling interests having a deficit balance.

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 assets, liabilities, equity, income, expenses and cash flows relating to transactions between entities in the Group are eliminated in full on consolidation.

ii) *Investment in Joint Ventures*

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount.

b) *Property and Equipment*

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, including the capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalized and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalized only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognized in consolidated statement of income as the expense is incurred. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in consolidated statement of income in the year the asset is derecognized. The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If any such indication exists and where the carrying value of an asset exceeds the estimated recoverable amount, the asset is written down to its recoverable amount.

Dry-docking costs incurred on the leased vessels are capitalized and amortised over a period of five years.

(Amount Expressed in Thousands of Qatari Riyals)

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

3.2 *Significant Accounting Policies (continued)*

b) *Property and Equipment (continued)*

Depreciation is charged following the straight-line method over the estimated useful lives of the related assets as follows:

Vessels	2.5%
Computer equipment	33.33%
Plant equipment	20%
Office equipment	15%
Telecom equipment	20%
Furniture and fixtures	15%
Vehicles	20%
SAP	20%
Dry docking costs	20%

c) *Borrowing costs*

Borrowing costs are finance and other costs that the Group incurs in connection with the borrowing of funds. 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. All the other borrowing costs are charged to statement of income.

d) *Financial Instruments*

Financial instruments represent the Group's financial assets and liabilities. Financial assets and financial liabilities are recognized on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial instruments also include commitments not recognized but adequately disclosed in the respective notes to the consolidated financial statements.

Non-derivative financial assets and liabilities

Non-derivative financial assets include available-for-sale investments, loans to joint ventures, trade and other receivables, due from joint venture companies and cash and bank balances. Non derivative financial liabilities comprise accounts payable, borrowings and due to related parties.

i) *Available-for-Sale Investments*

Available-for-sale investments are non-derivative financial assets that are designated as available for sale and are not classified as an investment at fair value through profit or loss or held to maturity or loans or receivables. Available-for-sale investments are equity securities and are initially recognised at cost, being the fair value of the consideration given plus any directly attributable transaction costs. After initial recognition, they 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 profit or loss 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.

ii) *Trade and Other Receivables*

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

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

3.2 *Significant Accounting Policies (continued)*

d) *Financial Instruments (continued)*

iii) *Cash and Cash Equivalents*

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

iv) *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.

v) *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.

De-recognition of financial assets

A financial asset is de-recognized where:

- the right to receive cash flows from the asset have expired or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement and
- either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

De-recognition of financial liabilities

A financial liability is de-recognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognized in the consolidated statement of income.

e) *Inventories*

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle. Net realisable value is based on estimated replacement cost.

f) *Provisions*

Provisions are recognized 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.

g) *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. The expected costs of these benefits are accrued over the period of employment. The Group has no expectation of settling its end of service benefits obligations in near term and hence classified this as a non-current liability.

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 Company's obligations are limited to its contributions which are expensed when due and remitted to the General Retirement and Pension Authority on a monthly basis.

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

3.2 *Significant Accounting Policies (continued)*

h) *Revenue and other income*

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.

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

Revenue from vessel sub-chartering is recognized on the accrual basis.

Interest income is recognized 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.

i) *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 consolidated statement of income. Any cumulative loss in respect of available-for-sale investments recognized previously in other comprehensive income is transferred to consolidated statement of income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in statement of income. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

Impairment of Non-Financial Assets

The carrying amounts of the Group's non-financial assets other than inventories 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 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.

j) *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 presentation 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, 2013
(Amount Expressed in Thousands of Qatari Riyals)

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

3.2 *Significant Accounting Policies (continued)*

j) *Foreign Currencies (continued)*

Exchange differences arising, are recognized in other comprehensive income, and presented in translation reserve in equity. Such exchange differences are reclassified to consolidated statement of income, as part of the gain or loss on disposal, in the period in which the foreign operation is disposed of.

k) *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 inception of the hedge relationship 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.

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 in consolidated statement of income.

l) *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 total cost is transferred to the property and equipment and depreciated to their estimated salvage value on a straight line basis over their estimated useful lives.

m) *Leases*

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
c) there is a change in the determination of whether fulfilment is dependent on a specified asset; or
d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting commences or ceases from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

The Group as lessor
Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(Amount Expressed in Thousands of Qatari Riyals)

4. *Property and Equipment:*

	Vessels	*Dry Docking Costs*	*SAP*	*Equipments*	*Furniture and Fixtures*	*Others*	*Total*
Cost:							
At January 1, 2012	26,898,132	-	44,010	5,658	983	278,769	27,227,552
Additions during the year 2012	-	26,225	-	537	-	7,988	34,750
At December 31, 2012	26,898,132	26,225	44,010	6,195	983	286,757	27,262,302
Additions during the year 2013	**-**	**256,240**	**-**	**901**	**-**	**12,250**	**269,391**
At December 31, 2013	**26,898,132**	**282,465**	**44,010**	**7,096**	**983**	**299,007**	**27,531,693**
Accumulated Depreciation:							
At January 1, 2012	1,418,955	-	24,751	4,238	441	28,000	1,476,385
Charge for the year 2012	575,077	1,348	8,802	595	142	7,897	593,861
At December 31, 2012	1,994,032	1,348	33,553	4,833	583	35,897	2,070,246
Charge for the year 2013	**573,507**	**16,143**	**7,369**	**727**	**140**	**8,243**	**606,129**
At December 31, 2013	**2,567,539**	**17,491**	**40,922**	**5,560**	**723**	**44,140**	**2,676,375**
Net Carrying Amount:							
At December 31, 2013	**24,330,593**	**264,974**	**3,088**	**1,536**	**260**	**254,867**	**24,855,318**
At December 31, 2012	24,904,100	24,877	10,457	1,362	400	250,860	25,192,056

5. *Investment in Joint Ventures Companies:*

	QR
Balance – January 1, 2012	1,809,991
Refund of investment in a joint venture company	(15,964)
Share of profit for the year	253,654
Gain on derivative instruments from a joint venture	19,502
Loss adjusted against loan to joint ventures	70,906
Share of hedging reserve for the year *	(8,803)
Dividend received	(110,467)
Balance – December 31, 2012	2,018,819
Additional investment in a joint venture company	**153,213**
Share of profit for the year	**300,753**
Loss on derivative instruments from a joint venture	**(25,713)**
Gain adjusted against loan to joint ventures	**(6,327)**
Share of hedging reserve for the year *	**391,967**
Dividend received	**(191,309)**
Balance – December 31, 2013	**2,641,403**

* This excludes the share of gains on the hedging reserve from joint ventures amounting to a total of **QR 10.4 million** (2012: QR 0.5 million loss) adjusted against the loan to the respective joint venture and **QR 38.9 million** (2012: QR 38.9 million loss) adjusted against the fair value of interest rate swaps.

Details of the Group's joint venture companies at **December 31, 2013** are as follows:

Name of Joint Ventures	*Place of Incorporation*	*Proportion of Ownership Interest*	*Principal Activity*
Maran Nakilat Company Ltd.	Cayman Islands	40%	Chartering of vessels
J5 Nakilat No. 1 Ltd.	Marshall Islands	40%	Chartering of vessels
J5 Nakilat No. 2 Ltd.	Marshall Islands	40%	Chartering of vessels
J5 Nakilat No. 3 Ltd.	Marshall Islands	40%	Chartering of vessels
J5 Nakilat No. 4 Ltd.	Marshall Islands	40%	Chartering of vessels
J5 Nakilat No. 5 Ltd.	Marshall Islands	40%	Chartering of vessels
J5 Nakilat No. 6 Ltd.	Marshall Islands	40%	Chartering of vessels
J5 Nakilat No. 7 Ltd.	Marshall Islands	40%	Chartering of vessels
J5 Nakilat No. 8 Ltd.	Marshall Islands	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

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

Name of Joint Ventures	*Place of Incorporation*	*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 Limited	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 Limited**	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.

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

	December 31, 2013	December 31, 2012
Total assets	**29,132,830**	28,374,491
Total liabilities	**(23,352,311)**	(23,719,047)
Net assets	**5,780,519**	4,655,444
Group's share of joint venture's net assets	**2,641,403**	2,018,819

	For the Year Ended December 31, 2013	For the Year Ended December 31, 2012
Revenue	**3,617,790**	3,261,460
Profit for the year	**580,218**	702,524
Group's share of joint venture result for the year*	**275,040**	273,156

*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, 2013
(Amount Expressed in Thousands of Qatari Riyals)

6. *Loans to Joint Venture Companies:*

	December 31, 2013	December 31, 2012
India LNG Transport Company No. 3 Limited **(1)**	**41,058**	30,842
Teekay Nakilat Corporation **(1)**	**48,367**	48,367
Nakilat Svitzerwijsmuller WLL **(1)**	**52,729**	69,721
Gulf LPG Transport Company WLL **(1)**	**158,703**	486,442
Nakilat-Keppel Offshore & Marine Limited **(1 & 2)**	**403,738**	356,588
Nakilat Damen Shipyards Qatar Limited **(1)**	**100,056**	92,773
Total	**804,651**	1,084,733

(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, 2013** is **2%** (2012: 2.03%).

(2) The joint venture has obtained loans from the joint venture partners up till December 31, 2013 to complete the infrastructure for its state of art ship yard in the region, which is a part of the vision of State of Qatar, therefore no risk of impairment or indication of impairment on this loan.

7. *Available-for-Sale Investments:*

	December 31, 2013	December 31, 2012
Balance at January 1	**145,036**	126,675
Changes in fair value	**30,829**	18,361
Balance at December 31	**175,865**	145,036

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

8. *Trade and Other Receivables:*

	December 31, 2013	December 31, 2012
Trade receivables	**18,482**	22,574
Less: Provision for doubtful receivables	**(1,495)**	(1,345)
	16,987	21,229
Accrued income	**2,842**	2,697
Other receivables*	**218,118**	297,790
Total	**237,947**	321,716

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.

* Other receivables include an amount of **QR 53.6 million** (2012: QR 11.5 million) relating to the excess of dry-dock costs over the originally estimated budgeted costs for dry-docking. The Group is currently negotiating with the Charterer to recover this amount and believe that it is recoverable from the Charterer.

As at **December 31, 2013** the ageing of trade receivables and movement in the provision for doubtful receivables are as follows:

(i) ***Ageing of neither past due nor impaired***	**December 31, 2013**	December 31, 2012
Less than 60 days	**12,653**	18,132

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

	December 31, 2013	December 31, 2012
(ii) ***Ageing of past due but not impaired***		
61-90 days	**1,450**	567
91-120 days	**492**	53
Over 120 days	**2,392**	2,477
Total	**4,334**	3,097
(iii) ***Ageing of impaired trade receivables***		
Over 120 days	**1,495**	1,345
(iv) ***Movement in the provision for doubtful receivables:***		
Balance at the beginning of the year	**1,345**	1,816
Additional provision during the year	**150**	-
Recovery of doubtful receivables during the year	**-**	(471)
Balance at end of the year	**1,495**	1,345

9. *Cash and Bank Balances:*

	December 31, 2013	December 31, 2012
Cash on hand	**274**	250
Cash at bank-Call and current accounts	**1,420,761**	1,447,787
Cash at bank-Time deposits*	**416,623**	560,999
Other bank balances **(a)**	**22,257**	22,866
Other bank balances **(b)**	**71,061**	64,026
Total	**1,930,976**	2,095,928

* All time deposits have a maturity of equal to or less than 90 days. The effective interest and profit rates on the time deposits varies between **0.13%** to **1.6 %** (2012: 0.17% to 2.2%).

9.1 *Cash and Cash Equivalents:*

	December 31, 2013	December 31, 2012
Cash and bank balances	**1,930,976**	2,095,928
Less:		
Other bank balances **(a)**	**(22,257)**	(22,866)
Other bank balances **(b)**	**(71,061)**	(64,026)
	1,837,658	2,009,036

(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.

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)
DOHA – QATAR
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Amount Expressed in Thousands of Qatari Riyals)

10. *Share Capital:*

	December 31, 2013	December 31, 2012
	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	**5,538,458**	5,538,456

At **December 31, 2013**, a total of **361,080** issued shares are 50% paid (2012: 361,566 issued shares were 50% paid).

10.1 *Proposed Cash Dividend:*

The Board of Directors has proposed a cash dividend of **QR 609 million** for the current year (2012: QR 554 million) which is subject to the approval of shareholders in the Annual General Meeting. The cash dividend for 2012 was approved by the shareholders at the Annual General Meeting held on March 27, 2013.

11. *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.

12. *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 consolidated profit or loss 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.

13. *Borrowings:*

These consist of the following:

	December 31, 2013	December 31, 2012
Loan - **note (a)**	**1,268,457**	1,383,781
Senior bank facilities - **note (b)**	**13,525,666**	13,784,580
Subordinated bank facilities - **note (c)**	**1,534,020**	1,560,398
Senior bonds – Series "A" - **note (d)**	**3,095,299**	3,095,299
Subordinated bonds Series "A" - **note (e)**	**1,011,627**	1,036,525
KEXIM Facility - **note (f)**	**1,108,291**	1,266,619
KSURE Covered Facility - **note (g)**	**1,638,688**	1,852,430
Less: Issuance costs of bonds	**(28,022)**	(29,423)
Less: Costs incurred for Islamic financing	**(8,322)**	(10,091)
Less: Transaction costs of refinancing	**(28,007)**	-
Total	**23,117,697**	23,940,118

13. *Borrowings (Continued):*

	December 31, 2013	December 31, 2012
Classified as:		
Payable within one year	**843,964**	822,213
Payable after one year	**22,273,733**	23,117,905

Note (a):
Represents USD 348.3 million against the Islamic finance facilities. The repayment began from March 2013 and will end in September 2018.

Note (b) :
Represents USD 2,070 million against the senior bank facility Tranche I, USD 876.2 million against the senior bank facility Tranche II and USD 767.8 million against senior bank facility Tranche IV. The repayment of Tranche I began from December 2010 and will end in December 2025. The repayment of Tranche II began from June 2011 and will end in December 2025. The repayment of Tranche IV began from December 2013 and will end in December 2025. During the year, Tranche III of USD 769.5 million was replaced by Tranche IV.

Note (c) :
Represents USD 162.5 million against the subordinated bank facility Tranche I, USD 118.1 million against the subordinated bank facility Tranche II and USD 140.6 million against subordinated bank facility Tranche IV. The repayment of Tranche I began from December 2010 and will end in December 2025. The repayment of Tranche II began from June 2011 and will end in December 2025. The repayment of Tranche IV began from December 2013 and will end in December 2025. During the year, Tranche III of USD 140.7 million was replaced by Tranche IV.

Note (d) :
Represents the senior bonds issued under the Tranche I financing program. The repayment will begin from June 2021 and will 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 the drawdown against the KEXIM facility Tranche I. The repayment began from December 2009 and will end in December 2020.

Note (g) :
Represents USD 137 million against the KSURE facility Tranche I and USD 313 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 (excluding hedge), loans and bonds as above at **December 31, 2013** is **2.3438%** (2012: 2.6499%).

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 subsidiaries 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, 2013
(Amount Expressed in Thousands of Qatari Riyals)

13. *Borrowings (continued):*

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

14. *Fair Value of Interest Rate Swaps:*

The Group has entered into interest rate swap agreements with several financial institutions. As at **December 31, 2013** the outstanding notional amount of swap agreements is **QR 13,653 million** (2012: QR 14,240 million) and net fair value is negative **QR 2,824 million** (2012: negative QR 4,815 million).

15. *Accounts Payable and Accruals:*

	December 31, 2013	December 31, 2012
Accounts payable	**102,075**	97,333
Advances from customers	**65,516**	82,709
Payable to shareholders **(1)**	**22,257**	22,866
Other accruals	**52,633**	59,605
Deferred income **(2)**	**49,846**	11,107
Social and sports fund contribution **(note 16)**	**18,226**	19,137
Dividend payable	**71,061**	64,026
Total	**381,614**	356,783

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

(2) This is relating to the excess of dry dock costs over the originally estimated budgeted costs for dry docking. This will be amortized over the life of the dry docking costs.

16. *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 18,226** thousands representing 2.5% of the net consolidated profit of the Group for the year ended **December 31, 2013** (December 31, 2012: QR 19,137 thousand). This appropriation has been presented in the consolidated statement of changes in equity.

17. *Related Party Transactions:*

		For the year ended December 31, 2013	For the year ended December 31, 2012
(a)	Transactions with related parties during the year are as follows:		
	Loans to joint ventures (net)	**296,844**	(37,661)
	Interest income on loans to joint ventures	**19,687**	24,344
(b)	Balances with related parties are as follows:		
	Due from joint venture companies	**20,993**	9,506
	Due to joint venture companies	**4,825**	1,690
(c)	Key management compensation:		
	Compensation of key management personnel	**3,032**	2,711
	Board of Directors' remuneration accrued	**3,850**	1,550

18. *Subsidiaries:*

Details of the Company's subsidiaries at **December 31, 2013** are as follows:

Name of Subsidiaries	*Place of Incorporation (or registration)*	*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%	Ship Management Company
QGTC Shipping (M.I.) Inc.	Marshall Islands	100%	Shipping Company

* Share 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, 2013
(Amount Expressed in Thousands of Qatari Riyals)

19. *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, 2013	For the year ended December 31, 2012
Profit for the year attributable to the owners of the Company	**729,026**	765,499
Weighted average number of shares outstanding during the year	**553,845,820**	553,845,577
Basic and diluted earnings per share (expressed in QR per share)	**1.32**	1.38

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.

20. *Financial Risk Management:*

The Group has exposure to the following risks from its use of financial instruments:

I Market risk
II Liquidity risk
III Credit risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework and internal audit activities.

I *Market Risk*

Market risk is the risk that changes in market prices, such as interest rates, equity prices and foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments.

(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.

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.

(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, 2013**.

(Amount Expressed in Thousands of Qatari Riyals)

20. ***Financial Risk Management (continued):***
I ***Market Risk (continued)***
(a) ***Interest Rate Risk (continued)***
(i) ***Interest Rate Sensitivity Analysis (continued)***

With the exception of certain term loans amounting to **QR 13,653 million** (2012 : QR 14,240 million), which are covered by interest rate swap contracts **(Note 14)**, a portion of the Group's financial assets and liabilities as of **December 31, 2013** 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, 2013				December 31, 2012			
	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	-	**678,145**	**1,252,831**	**1,930,976**	-	793,785	1,302,143	2,095,928
Loans to joint ventures	-	**804,651**	-	**804,651**	-	1,084,733	-	1,084,733
	-	**1,482,796**	**1,252,831**	**2,735,627**	-	1,878,518	1,302,143	3,180,661
Financial liabilities								
Interest bearing loans and borrowings	**4,042,575**	**5,422,167**	-	**9,464,742**	4,092,310	5,607,504	-	9,699,814
Interest rate swap	**13,652,955**	-	-	**13,652,955**	14,240,304	-	-	14,240,304
	17,695,530	**5,422,167**	-	**23,117,697**	18,332,614	5,607,504	-	23,940,118
Net financial assets/ (liabilities)	**(17,695,530)**	**(3,939,371)**	**1,252,831**	**(20,382,070)**	(18,332,614)	(3,728,986)	1,302,143	(20,759,457)

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, 2013** would be an increase / decrease by **QR 19.7 million** (December 31, 2012: QR 18.6 million).

20. ***Financial Risk Management (continued):***
I ***Market Risk (continued)***
(a) ***Interest Rate Risk (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

Outstanding receive floating Pay fixed contracts	*Average contracted fixed interest rate*		*Notional principal amount outstanding*		*Fair value*	
	2013	2012	**2013**	2012	**2013**	2012
	%	%	**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	**13,653**	14,240	**(2,824)**	(4,815)

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 619 million** as of **December 31, 2013** (2012: negative fair value of QR 1,061 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) ***Equity price risk***

The Group is subject to equity price 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 at the reporting date is expected to result in an increase or decrease of **QR 17.5 million** (2012 : QR 14.5 million) in the assets and equity of the Group.

(c) ***Currency risk***

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The significant foreign currency transactions are denominated in United States Dollar ("USD") which is pegged with the functional currency of the Company. Therefore the Management is of the opinion that the Group's exposure to currency risk is minimal.

20. *Financial Risk Management (continued):*

II *Liquidity Risk*

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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.

The following are the contractual maturities of non-derivative financial liabilities including finance cost payments and excluding the impact of netting agreements, if any:

Non-Derivative Financial Liabilities

31 December 2013	**Carrying Amounts**	**Less than 1 year**	**1-5 years**	**Over 5 Years**
Borrowings	**23,117,697**	**843,964**	**4,319,646**	**17,954,087**
Accounts payable	**328,981**	**328,981**	**-**	**-**
	23,446,678	**1,172,945**	**4,319,646**	**17,954,087**

31 December 2012	Carrying Amounts	Less than 1 year	1-5 years	Over 5 Years
Borrowings	23,940,118	822,213	3,522,149	19,595,756
Accounts payable	297,178	297,178	-	-
	24,237,296	1,119,391	3,522,149	19,595,756

III *Credit risk*

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, loans and receivable from joint venture companies and bank balances.

The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables. Credit evaluations are performed on all customers requiring credit and are approved by the Group's management.

The credit risk on bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. Bank balances are held with reputed banks in and outside Qatar. Given these reputation management do not expect these banks to fail on their obligations.

The Group maintains a provision for doubtful accounts receivable; the estimation of such provision is reviewed periodically and established on a case by case basis. Please refer **note 8** for trade receivables ageing.

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)
DOHA – QATAR
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Amount Expressed in Thousands of Qatari Riyals)

20. *Financial Risk Management (continued):*

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows.

	Note	Carrying amount	
		December 31, 2013	December 31, 2012
Loans to joint venture companies	6	**804,651**	1,084,733
Due from joint venture companies		**20,993**	9,506
Trade and other receivables	8	**237,947**	321,716
Bank balances	9	**1,930,702**	2,095,678
Total		**2,994,293**	3,511,633

Fair Value of Financial Instruments

The fair value of available-for-sale investments are derived from quoted market prices in an active market. 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.

Fair Value Hierarchy

As at December 31, the Group held the following financial instruments measured at fair value.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that is not based on observable market data.

31 December 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value:				
Available-for-sale investments	**175,865**	**-**	**-**	**175,865**
Financial liabilities measured at fair value:				
Interest rate swaps used for hedging	**-**	**2,824,135**	**-**	**2,824,135**
31 December 2012				
Financial assets measured at fair value:				
Available-for-sale investments	145,036	-	-	145,036
Financial liabilities measured at fair value:				
Interest rate swaps used for hedging	-	4,814,759	-	4,814,759

21. *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.

21. Capital Management (continued):

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, 2013	December 31, 2012
Total debt (Borrowings)	13	**23,117,697**	23,940,118
Cash and cash equivalents	9.1	**(1,837,658)**	(2,009,036)
Net debt		**21,280,039**	21,931,082
Equity before hedging reserve and non-controlling interests		**7,783,054**	7,595,449
Add: Non-controlling interests		**6,842**	5,836
Adjusted Equity (i)		**7,789,896**	7,601,285
Net debt to adjusted equity ratio		**273%**	288%

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

22. 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*

The Company has issued cross guarantees to the various banks with regard to loans and interest rate swaps.

(ii) Bank Guarantees at **December 31, 2013** amounted to **QR 0.85 million** (2012: QR 0.7 million).

(iii) Letter of Guarantee at **December 31, 2013** amounted to **QR 6.5 million** (2012: QR 6.5 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) Tax Contingency:

One of the joint ventures of the Company is the lessee under finance lease arrangements for its LNG carriers. The lessor to these lease arrangements has requested the joint venture to enter into negotiations for a mutually agreed upon termination of these leases as the UK tax authority has been advising the lessor to terminate these finance lease arrangements. The joint venture believes that the matter is at a preliminary stage and taxing authority would not be successful in this matter. If the challenge was successful, the joint venture could be subject to additional costs. The Company estimates its share of the potential exposure of these additional costs to be QR 52.98 million.

(E) Other Contingencies:

(i) One of the joint ventures of the Company has received notification from the lessor relating to the credit rating downgrade of a bank that was providing the letter of credit to the joint venture's leases. As a result, the lessor has claimed an increase to the lease rentals over the remaining term of the Leases. The joint venture is at initial stage of challenging the claim. The joint venture is also considering other options to reduce the effect of the credit rating downgrade. The Company estimates its share of the potential exposure of these additional costs to be QR 13.44 million.

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)
DOHA – QATAR
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Amount Expressed in Thousands of Qatari Riyals)

22. Commitments and Contingencies (continued):

(E) Other Contingencies (continued):

(ii) The Company head chartered a LNG Vessel from Head Owners for chartering business on back to back terms with Sub Charterer who entered into a further sub charter agreement on back to back terms with Sub-Sub Charterer. The Vessel was rejected by Load Port authority and the Vessel was later withdrawn by Head Owners leading to disputes under the charters. Sub-Sub charterers are claiming approximately US$23.3 million. In turn the Sub-charter is claiming this plus loss of profit from the Company and the Company is claiming this plus their own loss of profit against Head Owner. The charter party arbitration process is continuing. On the present information the Company considers that the claims and potential counterclaims they may face will probably not require an outflow of resources. Although the Company recognizes that back to back contracts are not a guarantee that a party in the middle of such a chain of contracts is immune it is more likely that either the Head Owner at the top of the chain or the Sub-sub charterer at the bottom will bear the liabilities.

23. Critical Accounting Estimates and 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.

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.

(i)Useful life of property and equipment:

As described in **note 3.2(b)**, 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.

(ii) Impairment of receivables:

An estimate of the collectible amount of trade accounts receivable and due from related parties is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis.

At the reporting date, there was no allowance for impairment of due from related parties or other receivables as the Group does not have collection concern with regards to its receivables from its related parties.

(iii)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 (negative **QR 2,824 million**) is recorded in equity under hedging reserve.

(Amount Expressed in Thousands of Qatari Riyals)

23. *Critical Accounting Estimates and Judgments (continued):*

(iv)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.

(v) Classification of lease:

Lease classification is determined by Management at the inception of the lease. Changes to the particulars of a lease after inception, other than by renewing the lease, which would have resulted in a different classification of the lease had the revised terms been in effect at the inception of the lease, should be considered as the inception of a revised agreement over the remaining term.

Management has applied judgments for the classification of its lease arrangements based on the following primary indicators;

- transfer of ownership of the asset at the end of the lease term;
- option to purchase the leased asset at a price that is sufficiently lower than the fair value at the date of the purchase;
- term of the lease is for the major part of the economic life of the asset;
- present value of the minimum lease payments which is calculated based on rate of return implicit in the lease and fair value of the leased asset;
- nature of the asset including its specialization, purpose of creation for the lessee and requirements for major modification to be used by other lessee;

Key estimates used by Management include calculation of IRR, useful life and salvage value.

24. *Operating Lease:*

The Company has various lease agreements for wholly owned LNG vessels. The charter revenue of these vessels are accounted for as operating leases. Future minimum rentals receivables under non-cancellable operating leases at 31 December are as follows:

	December 31, 2013	December 31, 2012
Lease Rentals Receivables:		
Not later than 1 year	**2,456,782**	2,456,782
Later than 1 year but not later than 5 years	**9,833,855**	9,833,855
Later than 5 years	**38,199,716**	40,656,498
Total	**50,490,353**	52,947,135

25. *Operating Costs:*

Operating cost mainly includes running and maintenance costs for vessels.