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

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

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

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

Contents	**Pages**
Independent Auditor's Report	1-2
Consolidated Financial Statements	
Consolidated Statement of Financial Position	3-4
Consolidated Statement of Income	5
Consolidated Statement of Comprehensive Income	6
Consolidated Statement of Changes in Equity	7
Consolidated Statement of Cash Flows	8
Notes to the Consolidated Financial Statements	9 – 28

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Independent Auditor's Report

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

Report on the Consolidated Financial Statements

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

Responsibility of the Directors for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

Other Matter

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

Report on Other Legal and Regulatory Requirements

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

March 14, 2011
Doha
State of Qatar

Gopal Balasubramaniam
KPMG
Qatar Auditors' Registry Number 251

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1. *Legal Status and Activities:*

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

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

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

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

2. *Adoption of New and Revised Standards:*

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

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

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

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

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

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

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

a) *Basis of Preparation*

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

b) *Basis of Consolidation*

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) and its share of movements in equity of joint venture entities collectively referred to as the "Group". Refer to **notes no. 6 and 19** for details.

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

c) *Investment in Subsidiary Company*

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

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

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

d) *Investment in Joint Venture Company*

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

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

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

e) *Property and Equipment*

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses if any. Depreciation is charged following the straight-line method over the estimated useful lives of the related assets as follows:

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

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

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

f) ***Borrowing costs***

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

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

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

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

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

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

i) ***Accounts Payable and Accruals***

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

j) ***Provisions***

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

k) ***Employees' End of Service Benefits and Pension Contributions***

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

Under Law No. 24 of 2002 on Retirement and Pension, contributions by the Company to a Government Fund Scheme for Qatari employees are calculated as a percentage of the Qatari employees' salaries. The Company's obligations are limited to its contributions which are expensed when due and remitted to the Pension Authority on a monthly basis.

l) ***Revenue***

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

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

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

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

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

m) *Cash and Cash Equivalents*

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

n) *Impairment*

Impairment of Financial Assets

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

Impairment of Non Financial Assets

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

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

o) *Foreign Currencies*

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

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

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

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

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

p) *Derivative Financial Instruments and Hedging Activities*

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

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

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

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

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

q) *Interest bearing Loans and Borrowings*

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

r) *Vessels Under Construction*

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

(Amount Expressed in Thousands of Qatari Riyals)

4. *Property and Equipment:*

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

5. *Construction in Progress:*

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

(Amount Expressed in Thousands of Qatari Riyals)

5. *Construction in Progress (continued):*

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

6. *Investment in Joint Ventures Companies:*

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

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

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

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

(Amount Expressed in Thousands of Qatari Riyals)

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

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

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

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

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

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

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

(Amount Expressed in Thousands of Qatari Riyals)

7. *Loans to Joint Venture Companies:*

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

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

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

8. *Available for Sale Investments:*

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

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

9. *Trade and Other Receivables:*

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

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

The average credit period is approximately 60 days.

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

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

(Amount Expressed in Thousands of Qatari Riyals)

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

	December 31, 2010	December 31, 2009
(ii) *Ageing of past due but not impaired*		
61-90 days	**358**	663
91-120 days	**296**	426
Over 120 days	**422**	1,537
Total	**1,076**	2,626
(iii) *Ageing of impaired trade receivables*		
Over 120 days	**1,029**	1,198
(iv) *Movement in the provision of doubtful debts:*		
Balance at the beginning of the year	**1,198**	1,098
Additional provision during the year	**-**	161
Recovery of doubtful debts during the year	**(44)**	(8)
Doubtful debts written off during the year	**(125)**	(53)
Balance at end of the year	**1,029**	1,198

10. *Cash and Bank Balances:*

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

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

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

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

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

10.1 *Cash and Cash Equivalents:*

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

(Amount Expressed in Thousands of Qatari Riyals)

11. *Share Capital:*

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

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

11.1 *Proposed Cash Dividend:*

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

12. *Legal Reserve:*

The Articles of Association of the Company require the Company to provide for a legal reserve at 10% of net profit for each year until it reaches 50% of paid up share capital. This reserve is not available for distribution except for circumstances specified in the Articles of Association.

13. *Hedging Reserve:*

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

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

14. *Borrowings:*

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

(Amount Expressed in Thousands of Qatari Riyals)

14. *Borrowings (Continued):*

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

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

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

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

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

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

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

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

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

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

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

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

(Amount Expressed in Thousands of Qatari Riyals)

14. *Borrowings (continued):*

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

15. *Fair Value of Interest Rate Swaps:*

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

16. *Accounts Payable and Accruals:*

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

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

17. *Social and Sports Fund Contribution:*

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

18. *Related Party Transactions:*

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

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

(Amount Expressed in Thousands of Qatari Riyals)

19. *Subsidiaries:*

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

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

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

(Amount Expressed in Thousands of Qatari Riyals)

20. *Earnings Per Share:*

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

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

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

21. *Financial Risk Management:*

Financial Risk Factors

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

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

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

(a) Interest Rate Risk

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

(i) *Interest Rate Sensitivity Analysis*

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

(Amount Expressed in Thousands of Qatari Riyals)

21. *Financial Risk Management (continued):*

Interest rate risk exposures

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

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

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

(Amount Expressed in Thousands of Qatari Riyals)

21. *Financial Risk Management (continued):*

(ii) Interest rate swap contracts

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

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

Cash flow hedges

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

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

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

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

(b) Liquidity Risk

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

(c) Credit risk

The Group has no significant concentration of credit risk.

(Amount Expressed in Thousands of Qatari Riyals)

21. *Financial Risk Management (continued):*

(d) *Market risk*

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

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

Fair Value of Financial Instruments

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

22. *Capital Management:*

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

Gearing ratio

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

The gearing ratio at the year end was as follows:

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

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

(Amount Expressed in Thousands of Qatari Riyals)

23. *Commitments and Contingencies:*

A) Swap Commitments:

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

B) Guarantees and Letter of Credit:

(i) *Cross Guarantees*

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

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

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

C) Time Charter:

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

D) Undrawn Facilities:

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

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

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

24. *Critical Accounting Judgments:*

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

Critical judgment in applying accounting policies:

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

Useful life of vessels:

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

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

24. *Critical Accounting Judgments (continued):*

Hedge effectiveness:

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

Impairment of available – for – sale equity investments:

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

25. *Profit for the year:*

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

26. *Comparative numbers:*

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