

**QATAR GAS TRANSPORT COMPANY LIMITED
(NAKILAT) (Q.S.C.)
DOHA - QATAR**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2011
TOGETHER WITH
INDEPENDENT AUDITOR'S REVIEW REPORT**

**QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (Q.S.C.)
DOHA – QATAR**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2011**

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Independent Auditor's Review Report

To
The Board of Directors
Qatar Gas Transport Company Limited (Nakilat) (Q.S.C.)
Doha - Qatar

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of **Qatar Gas Transport Company Limited (Nakilat) (Q.S.C.)**, which comprise the interim condensed consolidated statement of financial position as of **June 30, 2011** and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of selected explanatory notes (the "interim condensed consolidated financial statements"). Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with **International Accounting Standard No. (34), "Interim Financial Reporting"**. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with **International Accounting Standard No. (34), "Interim Financial Reporting"**.

Without modifying our conclusion above, we draw attention to note 13.2 to the interim condensed consolidated financial statements with regard to the financial information of the joint ventures for the six month period ended June 30, 2011 which were based on accounts certified by the management.


19 July 2011
Doha
State of Qatar


Gopal Balasubramaniam
KPMG
Qatar Auditors' Registry No. 251

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) Q.S.C.
DOHA – QATAR
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2011
(Amounts expressed in thousands of Qatari Riyals)

		June 30, 2011 (Reviewed)	December 31, 2010 (Audited)
ASSETS	Note		
Non-Current Assets:			
Property and equipment	3	26,050,524	26,338,076
Investment in joint venture companies	4	2,141,010	2,037,987
Loans to joint venture companies		1,118,140	1,121,414
Available-for-sale investments		129,843	129,973
Total Non-Current Assets		29,439,517	29,627,450
Current Assets:			
Trade and other receivables		254,198	254,421
Due from joint venture companies		32,397	21,663
Cash and bank balances	5	2,035,320	2,126,107
Total Current Assets		2,321,915	2,402,191
Total Assets		31,761,432	32,029,641
EQUITY AND LIABILITIES			
Equity:			
Share capital	6	5,538,440	5,538,003
Legal reserve	7	171,747	171,747
Fair value reserve		83,375	83,505
Translation reserve		28,626	28,626
Proposed cash dividend		-	415,520
Retained earnings		1,052,099	671,239
Total equity before hedge reserve and non-controlling Interests		6,874,287	6,908,640
Hedging reserve	8	(3,625,254)	(3,484,908)
Non-controlling interests		4,941	4,763
Non-Current Liabilities:			
Borrowings	9	24,293,796	24,666,403
Fair value of interest rate swaps	10	2,989,127	2,827,970
Provision for employees' end of service benefits		10,274	8,739
Total Non-Current Liabilities		27,293,197	27,503,112
Current Liabilities:			
Borrowings	9	949,713	885,540
Accounts payable and accruals		264,548	212,494
Total Current Liabilities		1,214,261	1,098,034
Total Equity and Liabilities		31,761,432	32,029,641

These interim condensed consolidated financial statements were approved on **July 19, 2011** by:



Sheikh Khalid Bin Khalifa Al Thani
Vice Chairman



Muhammad Ghannam
Managing Director

The accompanying notes from 1-13 form an integral part of these interim condensed consolidated financial statements.

**QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) Q.S.C.
DOHA – QATAR**

**CONDENSED CONSOLIDATED STATEMENT OF INCOME
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2011
(Amounts expressed in thousands of Qatari Riyals)**

	Note	Six Month Period Ended June 30, 2011 (Reviewed)	Six Month Period Ended June 30, 2010 (Reviewed)
<u>Income:</u>			
Revenue from wholly owned vessels		1,453,164	1,276,712
Share of profits from joint ventures	4	136,016	113,989
Income from marine and agency services		16,828	13,796
Profit from Islamic banks		6,399	18,653
Interest and dividend income		18,559	27,907
Other income		22,796	8,356
Total Income		1,653,762	1,459,413
<u>Expenses:</u>			
Operating costs of wholly owned vessels		(246,717)	(194,568)
General and administrative		(40,294)	(37,698)
Depreciation of property and equipment	3	(293,340)	(261,015)
Finance charges		(693,931)	(619,768)
Total Expenses		(1,274,282)	(1,113,049)
Profit for the period from operations		379,480	346,364
Gain/(Loss) on derivative instruments from joint ventures	4	1,937	(16,307)
Total profit for the period		381,417	330,057
Total profit for the period attributable to:			
Owners of the Company		381,239	329,867
Non-controlling interests		178	190
Total		381,417	330,057
Basic and diluted earnings per share (expressed in QR per share)	11	0.69	0.60

The accompanying notes from 1-13 form an integral part of these interim condensed consolidated financial statements.

**QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) Q.S.C.
DOHA – QATAR**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2011
(Amounts expressed in thousands of Qatari Riyals)**

	Six Month Period Ended June 30, 2011 (Reviewed)	Six Month Period Ended June 30, 2010 (Reviewed)
Total profit for the period	381,417	330,057
<u>Other comprehensive income</u>		
Changes in fair value of available-for-sale investments	(130)	(14,402)
Changes in fair value of cash flow hedging derivatives	(161,157)	(1,373,667)
Group's share of joint ventures' changes in fair value of cash flow hedging derivatives	20,811	(124,233)
Total comprehensive income for the period	<u>240,941</u>	<u>(1,182,245)</u>
Total comprehensive income for the period attributable to:		
Owners of the Company	240,763	(1,182,435)
Non-controlling interests	178	190
Total	<u>240,941</u>	<u>(1,182,245)</u>

The accompanying notes from 1-13 form an integral part of these interim condensed consolidated financial statements.

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) Q.S.C.
DOHA – QATAR

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2011
(Amounts expressed in thousands of Qatari Riyals)

	Share Capital	Legal Reserve	Fair Value Reserve	Translation Reserve	Proposed Dividend	Cash	Retained Earnings	Non-Controlling Interest	Hedging Reserve	Controlling Interest	Non- Controlling Interest
Balance as of January 01, 2010 (Audited)	5,537,812	105,280	60,640	28,626	277,013	-	504,796	6,514,167	(2,609,248)	4,362	190
Total profit for the period	-	-	-	-	-	-	329,867	329,867	-	-	-
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	-	-
-Changes in fair value of available-for-sale investments	-	-	(14,402)	-	-	-	-	(14,402)	-	-	-
-Changes in fair value of cash flow hedging derivatives	-	-	-	-	-	-	-	-	(1,373,667)	-	-
-Group's share of joint ventures' changes in fair value of cash flow hedging derivatives	-	-	-	-	-	-	-	-	(124,233)	-	-
Dividend paid to shareholders for 2009	-	-	-	-	(277,013)	-	-	(277,013)	-	-	-
Capital contribution	61	-	-	-	-	-	-	61	-	-	-
Balance as of June 30, 2010 – (Reviewed)	5,537,873	105,280	46,238	28,626	-	-	834,663	6,552,680	(4,107,148)	4,552	-
Balance as of January 01, 2011 (Audited)	5,538,003	171,747	83,505	28,626	415,520	-	671,239	6,908,640	(3,484,908)	4,763	178
Total profit for the period	-	-	-	-	-	-	381,239	381,239	-	-	-
Other comprehensive income for the period	-	-	-	-	-	-	-	(130)	-	-	-
-Changes in fair value of available-for-sale investments	-	-	(130)	-	-	-	-	-	-	-	-
-Changes in fair value of cash flow hedging derivatives	-	-	-	-	-	-	-	-	(161,157)	-	-
-Group's share of joint ventures' changes in fair value of cash flow hedging derivatives	-	-	-	-	-	-	-	-	20,811	-	-
Additional payment for social & sports fund contribution 2010	-	-	-	-	-	-	(379)	(379)	-	-	-
Dividend paid to shareholders for 2010	-	-	-	-	(415,520)	-	-	(415,520)	-	-	-
Capital contribution	437	-	-	-	-	-	-	437	-	-	-
Balance as of June 30, 2011 – (Reviewed)	5,538,440	171,747	83,375	28,626	-	-	1,052,099	6,874,287	(3,625,254)	4,941	-

The accompanying notes from 1-13 form an integral part of these interim condensed consolidated financial statements.

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) Q.S.C.
DOHA – QATAR
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2011
(Amounts expressed in thousands of Qatari Riyals)

	Note	Six Month Period Ended June 30, 2011 (Reviewed)	Six Month Period Ended June 30, 2010 (Reviewed)
Cash Flows from Operating Activities:			
Total profit for the period		381,417	330,057
Adjustments for:			
Depreciation of property and equipments	3	293,340	261,015
Finance charges		693,931	619,768
Share of profits from joint ventures		(136,016)	(113,989)
Loss on derivative instruments from a joint venture		(1,937)	16,307
Profit from Islamic banks		(6,399)	(18,653)
Interest, dividend and other income		(41,355)	(36,263)
Provision for doubtful receivables		450	-
Loss on disposal of property and equipments		7	-
		<u>1,183,438</u>	<u>1,058,242</u>
Working Capital Changes:			
Trade and other receivables		(975)	(64,105)
Accounts payable and accruals		26,773	(25,182)
Due from joint venture companies		(10,734)	(2,438)
Due to related parties		-	10,318
Cash generated from Operating Activities		<u>1,198,502</u>	<u>976,835</u>
Finance charges paid		<u>(691,263)</u>	<u>(681,483)</u>
Net Cash from Operating Activities		<u>507,239</u>	<u>295,352</u>
Cash Flows from Investing Activities:			
Loans to joint venture companies		17,737	3,114
Investment in joint venture companies	4	-	(510)
Dividend income received from joint ventures	4	47,532	48,007
Acquisition of property and equipments	3	(5,820)	(649)
Sale proceeds from disposal of property and equipments		25	-
Investment income received		48,502	63,033
Time deposits maturing after ninety days		(20,033)	(51,892)
Construction in progress		-	(544,314)
Net Cash from / (used in) Investing Activities		<u>87,943</u>	<u>(483,211)</u>
Cash Flows from Financing Activities:			
Proceeds from issue of shares against capital		437	61
Dividend paid to shareholders		(385,520)	(257,593)
Unpaid dividend transferred to separate bank account		(40,922)	(19,420)
Additional payment for social & sports fund contribution 2010		(379)	-
Proceeds from borrowings		112,887	994,137
Repayment of borrowings		(422,023)	(132,995)
Net Cash (used in) / from Financing Activities		<u>(735,520)</u>	<u>584,190</u>
Net (Decrease) / Increase in Cash and Cash Equivalents		<u>(140,338)</u>	<u>396,331</u>
Cash and Cash Equivalents at Beginning of the Period		<u>2,090,299</u>	<u>1,752,991</u>
Cash and Cash Equivalents at End of the Period	5.1	<u>1,949,961</u>	<u>2,149,322</u>

The accompanying notes from 1-13 form an integral part of these interim condensed consolidated financial statements.

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) Q.S.C.
DOHA – QATAR

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2011
(Amounts expressed in thousands of Qatari Riyals)

1. **Legal Status and Activities:**

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

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

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

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

These interim condensed consolidated financial statements are prepared in accordance with IAS 34 "Interim Financial Reporting" under the historical cost convention except for certain financial instruments which have been stated at fair value. The accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended December 31, 2010 and these interim condensed consolidated financial statements should be read in conjunction with the 2010 annual financial statements and the notes attached thereto, except for the adoption of certain revised new interpretations which are effective as of January 01, 2011. Adoption of these interpretations did not have any effect on the financial position or performance of the Group other than certain presentation and disclosure changes.

During the period, the Group has adopted revised IAS 24- Related Party Transactions, which clarifies and simplifies the definition of a related party.

A number of new standards, amendments to standards and interpretations have been issued that are not yet effective for the period ended 30 June 2011 and have not been applied in preparing these interim condensed consolidated financial statements.

These interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards. In addition, results for the six months ended **June 30, 2011** are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2011.

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) Q.S.C.
DOHA – QATAR
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2011
(Amounts expressed in thousands of Qatari Riyals)

3. Property and Equipment:

	<i>Vessels</i>	<i>SAP</i>	<i>Building</i>	<i>Equipments</i>	<i>Furniture and Fixtures</i>	<i>Others</i>	<i>Total</i>
Cost:							
At January 01, 2010 (Audited)	22,485,795	28,671	216	4,830	948	258,322	22,778,782
Additions during the year	-	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 (Audited)	<u>26,898,132</u>	<u>44,010</u>	<u>1,637</u>	<u>5,307</u>	<u>948</u>	<u>273,884</u>	<u>27,223,918</u>
Additions during the period	-	-	-	312	29	5,479	5,820
Disposal of asset	-	-	-	(165)	(28)	(30)	(223)
At June 30, 2011 (Reviewed)	<u>26,898,132</u>	<u>44,010</u>	<u>1,637</u>	<u>5,454</u>	<u>949</u>	<u>279,333</u>	<u>27,229,515</u>
Accumulated Depreciation:							
At January 01, 2010 (Audited)	306,272	7,168	129	2,184	234	12,768	328,755
Charge for the year	539,177	8,781	328	1,318	142	7,390	557,136
Disposal of asset	-	-	-	(49)	-	-	(49)
At December 31, 2010(Audited)	<u>845,449</u>	<u>15,949</u>	<u>457</u>	<u>3,453</u>	<u>376</u>	<u>20,158</u>	<u>885,842</u>
Charge for the period	284,396	4,401	164	617	71	3,691	293,340
Disposal of asset	-	-	-	(158)	(15)	(18)	(191)
At June 30, 2011 (Reviewed)	<u>1,129,845</u>	<u>20,350</u>	<u>621</u>	<u>3,912</u>	<u>432</u>	<u>23,831</u>	<u>1,178,991</u>
Net Carrying Amount:							
At June 30, 2011(Reviewed)	<u>25,768,287</u>	<u>23,660</u>	<u>1,016</u>	<u>1,542</u>	<u>517</u>	<u>255,502</u>	<u>26,050,524</u>
At December 31, 2010(Audited)	<u>26,052,683</u>	<u>28,061</u>	<u>1,180</u>	<u>1,854</u>	<u>572</u>	<u>253,726</u>	<u>26,338,076</u>

4. Investment in Joint Venture Companies:

	<u>QR '000'</u>
Balance – January 01, 2010 (Audited)	2,076,984
Investment in joint venture entity during the year 2010	510
Share of profits for the year 2010	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 2010	(173,961)
Dividend received during the year 2010	(83,320)
Balance – December 31, 2010 (Audited)	<u>2,037,987</u>
Share of profits for the six month period ended 30 June 2011	136,016
Gain on derivative instruments from a joint venture	1,937
Profit adjusted against loan to joint ventures	(8,241)
Share of hedging reserve for the period ended 30 June 2011	20,843
Dividend received during the six month period ended 30 June 2011	(47,532)
Balance – June 30, 2011 (Reviewed)	<u>2,141,010</u>

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) Q.S.C.
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2011
(Amounts expressed in thousands of Qatari Riyals)

5. **Cash and Bank Balances:**

	June 30, 2011 (Reviewed)	December 31, 2010 (Audited)
Cash on hand	133	131
Current account	1,171,102	913,046
Time deposits	798,759	1,177,122
Other bank balances (a)	24,404	24,886
Other bank balances (b)	40,922	10,922
Total	2,035,320	2,126,107

The effective interest and profit rates on the time deposits varies between 0.15% to 3% (2010: 0.25% to 6.3%).

Cash and bank balance does not include preplacement of funds with a joint venture of **QR 95 million** (2010: QR 175 million).

- (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.

5.1 **Cash and Cash Equivalents:**

	Six Month Period Ended June 30, 2011 (Reviewed)	Six Month Period Ended June 30, 2010 (Reviewed)
Cash and bank balances	2,035,320	2,245,913
Less:		
-Time deposits maturing after 90 days	(20,033)	(51,892)
-Other bank balances (a)	(24,404)	(25,279)
-Other bank balances (b)	(40,922)	(19,420)
	1,949,961	2,149,322

6. **Share Capital:**

	June 30, 2011 (Reviewed)	December 31, 2010 (Audited)
	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.	5,538,440	5,538,003

During the six month period ended 30 June 2011, the Company has received QR 437 thousands as the balance 50% amount in relation to shares which were 50% paid. At **June 30, 2011**, a total of **364,749** issued shares are 50% paid (2010: 452,047 issued shares were 50% paid).

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) Q.S.C.
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2011
(Amounts expressed in thousands of Qatari Riyals)

7. **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. No legal reserve has been computed for the purpose of these interim condensed consolidated financial statements.

8. **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 relates 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.

9. **Borrowings:**

These consist of the following:

	June 30, 2011 (Reviewed)	December 31, 2010 (Audited)
Loan	1,656,895	1,747,933
Senior bank facilities	14,172,490	14,275,387
Subordinated bank facilities	1,602,087	1,520,414
Senior bonds – Series “A”	3,095,299	3,095,299
Subordinated bonds – Series “A”	1,071,112	1,081,949
KEXIM Facility	1,504,109	1,583,273
KSURE Covered Facility	2,173,042	2,279,913
Less: Issuance cost of bonds	(31,525)	(32,225)
Total	25,243,509	25,551,943
Classified as:		
Payable within one year	949,713	885,540
Payable after one year	24,293,796	24,666,403

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) Q.S.C.
DOHA – QATAR

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2011
(Amounts expressed in thousands of Qatari Riyals)

10. **Fair Value of Interest Rate Swaps:**

The Group has entered into interest rate swap agreements with several financial institutions. As at **June 30, 2011** the total notional amount of swap agreements is **QR 15,928 million** (2010: QR 15,928 million) and net fair value is negative **QR 2,989 million** (2010: QR 2,828 million).

11. **Earnings Per Share:**

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

	Six Month Period Ended June 30, 2011 (Reviewed)	Six Month Period Ended June 30, 2010 (Reviewed)
Profit for the period attributable to the owners of the Company	381,239	329,867
Weighted average number of shares outstanding during the period	553,843,986	553,787,284
Basic and diluted earnings per share (expressed in QR per share)	0.69	0.60

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

12. **Commitments and Contingencies:**

A) Swap Commitments:

The Group has entered in to 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 Guarantee at **June 30, 2011** amounted to **QR 0.1 million** (2010: QR 0.1 million).

(iii) Letter of Credit at **June 30, 2011** amounted to **QR 401 million** (2010: QR 401 million).

(iv) Letter of Guarantee at **June 30, 2011** amounted to **QR 6.5 million** (2010: 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.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2011
(Amounts expressed in thousands of Qatari Riyals)

13. *Critical Accounting Judgments and Key Sources of Estimation Uncertainty:*

13.1 *Critical judgment in applying the Group's Accounting Policies*

In application of the Group's accounting policies, 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 at the time of preparing these interim condensed consolidated financial statements. Actual results may differ from these estimates. The underlying assumptions are reviewed on an ongoing basis.

Hedge effectiveness

Management reviews hedging relationship between the interest rate swaps and the underlying interest cash flows on a regular basis. The hedge was found to be highly effective. As a result, the fair value of the derivative is recorded in equity under hedging reserve.

Depreciation of Vessels

The depreciable cost (cost minus estimated salvage value) of vessels is depreciated over the estimated useful life, which is based on management's expectation of the usage of the asset, expected physical wear and tear, and the dry docking and repairs and maintenance program.

13.2 *Key sources of estimation uncertainty*

In the process of preparing these interim condensed consolidated financial statements, the management has made use of certain key assumptions that may have an impact on the current reported results.

Results of operations from joint venture entities

The Company uses the equity method of accounting to account for its joint ventures. Due to time constraints, the financial information of the joint ventures included in these interim condensed consolidated financial statements is based on the management accounts of these joint ventures for the six month period ended **June 30, 2011** which were not independently reviewed.

The share of profits and the share of changes in fair value of cash flow hedging derivatives from the investments in joint ventures considered for the six month period ended 30 June 2011 amounted to QR 136,016 thousands and QR 20,811 thousands respectively (2010: QR 113,989 thousands and QR 124,233 thousands).