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

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

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

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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KPMG
Audit
2nd Floor
Area 25, C Ring Road
PO Box 4473, Doha
State of Qatar

Telephone +974 4457 6444
Fax +974 4442 5626
Website www.kpmg.com.qa

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, 2011 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, 2011 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG

Report on Other Legal and Regulatory Requirements

We have obtained all the information and explanation which we considered necessary for the purpose of our audit. 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 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 Company or its consolidated financial position as of December 31, 2011.

March 20, 2012
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, 2011
(Amount Expressed in Thousands of Qatari Riyals)

	Note	December 31, 2011	December 31, 2010
ASSETS			
Non-Current Assets:			
Property and equipment	4	**25,751,167**	26,338,076
Investment in joint venture companies	5	**1,809,991**	2,037,987
Loans to joint venture companies	6	**1,118,524**	1,121,414
Available-for-sale-investments	7	**126,675**	129,973
Total Non-Current Assets		**28,806,357**	29,627,450
Current Assets:			
Inventories		**1,079**	-
Trade and other receivables	8	**342,025**	246,863
Due from joint venture companies		**21,889**	29,221
Cash and bank balances	9	**2,236,538**	2,126,107
Total Current Assets		**2,601,531**	2,402,191
Total Assets		**31,407,888**	32,029,641

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
AS OF DECEMBER 31, 2011
(Amount Expressed in Thousands of Qatari Riyals)

	Note	December 31, 2011	December 31, 2010
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	**10**	**5,538,449**	5,538,003
Legal reserve	**11**	**255,004**	171,747
Fair value reserve		**80,207**	83,505
Translation reserve		**28,626**	28,626
Proposed cash dividend	**10.1**	**470,922**	415,520
Retained earnings		**928,433**	671,239
Equity before hedging reserve and non-controlling interests		**7,301,641**	6,908,640
Hedging reserve	**12**	**(5,843,176)**	(3,484,908)
Non-Controlling Interests		**5,303**	4,763
Non-Current Liabilities:			
Borrowings	**13**	**23,803,146**	24,666,403
Fair value of interest rate swaps	**14**	**4,830,831**	2,827,970
Provision for employees' end of service benefits		**11,702**	8,739
Total Non-Current Liabilities		**28,645,679**	27,503,112
Current Liabilities:			
Borrowings	**13**	**977,546**	885,540
Accounts payable and accruals	**15**	**320,895**	212,494
Total Current Liabilities		**1,298,441**	1,098,034
Total Equity and Liabilities		**31,407,888**	32,029,641

These consolidated financial statements were approved by the Board of Directors and were signed on its behalf by the following on **March 20, 2012**.

Hamad Rashid Al Mohannadi	**Khaled Bin Khalifa Al Thani**	**Muhammad Ghannam**
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, 2011
(Amount Expressed in Thousands of Qatari Riyals)

	Note	For the Year Ended December 31, 2011	For the Year Ended December 31, 2010
Income:			
Revenue from wholly owned vessels		**3,005,095**	2,728,837
Share of profits from joint ventures	5	**271,930**	247,607
Income from marine and agency services		**38,813**	30,249
Profit from Islamic banks		**6,737**	28,272
Interest and dividend income		**37,071**	40,929
Vessels sub-chartering and other income		**60,112**	16,509
Total Income		**3,419,758**	3,092,403
Expenses:			
Operating costs of wholly owned vessels		**(532,771)**	(459,284)
General and administrative		**(88,774)**	(70,103)
Depreciation of property and equipment	4	**(591,600)**	(557,136)
Finance charges		**(1,396,194)**	(1,321,060)
Total Expenses		**(2,609,339)**	(2,407,583)
Profit from operations		**810,419**	684,820
Gain / (loss) on derivative instruments from joint ventures	5	**22,687**	(19,751)
Profit for the year		**833,106**	665,069
Attributable to:			
Owners of the Company		**832,566**	664,668
Non-controlling interests		**540**	401
Total		**833,106**	665,069
Basic and diluted earnings per share (expressed in QR per share)	19	**1.47**	1.17

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, 2011
(Amount Expressed in Thousands of Qatari Riyals)

	Note	For the Year Ended December 31, 2011	For the Year Ended December 31, 2010
Profit for the year		**833,106**	665,069
Other comprehensive income			
Changes in fair value of available-for-sale investments	7	(3,298)	22,865
Changes in fair value of cash flow hedging derivatives		(2,002,861)	(696,993)
Group's share of joint ventures' changes in fair value of cash flow hedging derivatives		(355,407)	(178,667)
Total comprehensive income for the year		**(1,528,460)**	(187,726)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(1,529,000)**	(188,127)
Non-controlling interests		**540**	401
Total		**(1,528,460)**	(187,726)

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, 2011
(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 01, 2010	5,537,812	105,280	60,640	28,626	277,013	504,796	6,514,167	(2,609,248)	4,362
Profit for the year 2010	-	-	-	-	-	664,668	664,668	-	401
Other comprehensive income for the year 2010									
-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)	-
Total comprehensive income for the year 2010	-	-	22,865	-	-	664,668	687,533	(875,660)	401
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 for 2010	-	-	-	-	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
Profit for the year 2011	-	-	-	-	-	**832,566**	**832,566**	-	**540**
Other comprehensive income for the year 2011									
-Changes in fair value of available- for- sale investments	-	-	**(3,298)**	-	-	-	**(3,298)**	-	-
-Changes in fair value of cash flow hedging derivatives	-	-	-	-	-	-	-	**(2,002,861)**	-
-Group's share of joint ventures' changes in fair value of cash flow hedging derivatives	-	-	-	-	-	-	-	**(355,407)**	-
Total comprehensive income for the year 2011	-	-	**(3,298)**	-	-	**832,566**	**829,268**	**(2,358,268)**	**540**
Transfer to legal reserve	-	**83,257**	-	-	-	**(83,257)**	-	-	-
Additional payment for social&sports fund contribution 2010	-	-	-	-	-	**(379)**	**(379)**	-	-
Social and sports fund contribution 2011	-	-	-	-	-	**(20,814)**	**(20,814)**	-	-
Dividend paid for 2010	-	-	-	-	**(415,520)**	-	**(415,520)**	-	-
Proposed cash dividend for 2011	-	-	-	-	**470,922**	**(470,922)**	-	-	-
Capital contribution	**446**	-	-	-	-	-	**446**	-	-
Balance as of December 31, 2011	**5,538,449**	**255,004**	**80,207**	**28,626**	**470,922**	**928,433**	**7,301,641**	**(5,843,176)**	**5,303**

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, 2011
(Amount Expressed in Thousands of Qatari Riyals)

	Note	For the year ended December 31, 2011	For the year ended December 31, 2010
Cash Flows from Operating Activities:			
Profit for the year		**833,106**	665,069
Adjustments for:			
Depreciation of property and equipment	4	**591,600**	557,136
Finance charges		**1,396,194**	1,321,060
Loss on disposal of property and equipment		**1,082**	7
Share of profits from joint ventures	5	**(271,930)**	(247,607)
(Gain) / loss on derivative instruments from a joint venture	5	**(22,687)**	19,751
Profit from Islamic banks		**(6,737)**	(28,272)
Interest, dividend and other income		**(97,183)**	(57,438)
Provision for doubtful receivables		**787**	-
Provision for employees' end of service benefits		**3,619**	3,253
		2,427,851	2,232,959
Working Capital Changes:			
Trade and other receivables		**(96,824)**	(75,223)
Accounts payable and accruals		**86,484**	(11,746)
Due from joint venture companies		**7,204**	(19,959)
Due to related parties		**-**	(607)
Inventories		**(1,079)**	-
Cash generated from operations		**2,423,636**	2,125,424
Finance charges paid		**(1,392,264)**	(1,392,247)
Employees' end of service benefits paid		**(656)**	(709)
Net Cash From Operating Activities		**1,030,716**	732,468
Cash Flows from Investing Activities:			
Loans to joint venture companies		**(9,077)**	(8,032)
Investment in joint venture companies		**-**	(510)
Dividend income received from joint ventures	5	**174,612**	83,320
Acquisition of property and equipments	4	**(5,798)**	(5,675)
Sale proceeds from disposal of property and equipment		**25**	3
Investment income received		**104,923**	97,105
Construction in progress		**-**	(821,947)
Net Cash From / (Used in) Investing Activities		**264,685**	(655,736)
Cash Flows from Financing Activities:			
Proceeds from issue of shares against capital		**446**	191
Dividend paid to shareholders		**(399,943)**	(266,091)
Unpaid dividend transferred to separate account		**(26,499)**	(10,922)
Additional payment for social & sports fund contribution 2010		**(379)**	-
Proceeds from borrowings		**112,887**	994,137
Repayments of borrowings		**(885,540)**	(456,739)
Net Cash (Used in) / From Financing Activities		**(1,199,028)**	260,576
Net Increase in Cash and Cash Equivalents		**96,373**	337,308
Cash and Cash Equivalents at Beginning of the Year		**2,090,299**	1,752,991
Cash and Cash Equivalents at End of the Year	9.1	**2,186,672**	2,090,299

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. *Adoption of New and Revised Standards:*

2.1 New Standards, Amendments and Interpretations Effective from 1 January 2011

The following standards, amendments and interpretations, which became effective 1 January 2011, are relevant to the Group:

IAS 24 (Revised) 'Related party disclosures'
The revised standard was issued in November 2009. The revised standard clarifies and simplifies the definition of a related party. The adoption of the revised standard did not have any significant impact on the related party disclosure of the Group.

Improvements to IFRS (2010)
Improvements to IFRS issued in May 2010 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 IFRS standards. There were no significant changes to the current accounting policies of the Group as a result of these amendments.

2.2 New Standards, Amendments and Interpretations that are not yet effective for the year ended 31 December 2011 and not yet adopted

The following standards and interpretations have been issued and are expected to be relevant to the Group in future periods, with effective dates on or after 1 January 2012.

IAS 1 (amendment) - Presentation of items of other comprehensive income

The amendments to IAS 1 require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendment is effective for annual periods beginning on or after 1 July 2012 with an option of early application. The application of this amendment has no significant impact on the consolidated financial statements of the Group.

2. *Adoption of New and Revised Standards (continued)*

2.2 New Standards, Amendments and Interpretations that are not yet effective for the year ended 31 December 2011 and not yet adopted (continued)

IAS 28 (2011) – Investment in Associates and Joint ventures

IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) has been amended to include:

- IFRS 5 applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and
- on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or vice versa, the entity does not remeasure the retained interest.

The standard is effective for annual periods beginning on or after 1 January 2013 and is applied retrospectively. Early adoption is permitted provided that the entire suite of consolidation standards is adopted at the same time.

The application of this amendment has no significant impact on the consolidated financial statements of the Group.

IFRS 9 - Financial Instruments

Standard issued November 2009
IFRS 9 (2009) 'Financial Instruments' is the first standard issued as part of a wider project to replace IAS 39 'Financial instruments: recognition and measurement'. IFRS 9 (2009) retains and simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost 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 guidance in IAS 39 on impairment and hedge accounting continues to apply. The 2009 standard did not address financial liabilities.

Standard issued October 2010
IFRS 9 (2010) adds the requirements related to the classification and measurement of financial liabilities, and de-recognition of financial assets and liabilities to the version issued in November 2009. It also includes those paragraphs of IAS 39 dealing with how to measure fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset, as well as the requirements of IFRIC 9 "reassessment of Embedded Derivatives".

The Group is considering the implications of the standard, the impact on the Group and timing of its adoption by the Group. While adoption of IFRS 9 is mandatory from 1 January 2015, earlier adoption is permitted.

IFRS 10 - Consolidated financial statements and IAS 27 Separate Financial Statements (2011)

IFRS 10 introduces a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees. An investor controls an investee when; it is exposed or has rights to variable returns from its involvement with that investee; it has the ability to affect those returns through its power over that investee; and there is a link between power and returns. Control is reassessed as facts and circumstances change.

IFRS 10 supersedes IAS 27 (2008) and SIC-12 Consolidation—Special Purpose Entities. The Group is yet to assess IFRS 10's full impact. The standard is effective for annual periods beginning on or after 1 January 2013. Early adoption is permitted provided that the entire suite of consolidation standards is adopted at the same time. IFRS 10 is applied retrospectively when there is a change in the control conclusion between IAS 27/SIC-12 and IFRS 10. IAS 27 (2011) supersedes IAS 27 (2008). IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications.

2. *Adoption of New and Revised Standards (continued)*

2.2 New Standards, Amendments and Interpretations that are not yet effective for the year ended 31 December 2011 and not yet adopted (continued)

IFRS 11 – Joint Arrangements

IFRS 11 focuses on the rights and obligations of joint arrangements, rather than the legal form (as is currently the case). It distinguishes joint arrangements between joint operations and joint ventures; and always requires the equity method for jointly controlled entities that are now called joint ventures; they are stripped of the free choice of using the equity method or proportionate consolidation.

IFRS 11 supersedes IAS 31 and SIC-13 Jointly Controlled Entities—Non-Monetary Contributions by Venturers. The Group is yet to assess IFRS 11's full impact. The standard is effective for annual periods beginning on or after 1 January 2013. Early adoption is permitted provided that the entire suite of consolidation standards is all adopted at the same time.

IFRS 12 - Disclosures of interests in other entities

IFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, aiming to provide information to enable users to evaluate the nature of, and risks associated with, an entity's interests in other entities; and the effects of those interests on the entity's financial position, financial performance and cash flows.

The Group is yet to assess IFRS 12's full impact. The standard is effective for annual periods beginning on or after 1 January 2013. Early adoption is permitted provided that the entire suite is adopted at the same time. Entities are encouraged to provide information required by IFRS 12 before the effective date, but this early disclosure would not compel the entity to apply either IFRS 12 in its entirety or the other new consolidation standards.

IFRS 13 - Fair value measurement

IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other IFRSs. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The standard is effective for annual periods beginning on or after 1 January 2013 with an option of early adoption.

2.3 Early Adoption of Standards

The Group did not early adopt new or amended standards/interpretations in 2011.

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.

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

3.1 *Basis of Preparation (continued)*

c) ***Functional and presentation currency***

The consolidated financial statements are presented in Qatari Riyals, which is 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.

i) ***Investment in Subsidiary Companies***

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 and any unrealized income and expenses are eliminated in preparing the consolidated financial statements.

ii) ***Investment in Joint Venture Companies***

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.

(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*

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 profit or loss 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 profit or loss 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.

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%

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.

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

3.2 *Significant Accounting Policies (continued)*

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, trade and other receivables, due from joint venture companies and cash and bank balances. Non derivative financial liabilities comprise accounts payable and accruals, 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 initially recognised at cost, being the fair value of the consideration given. 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.

iii) *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.

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.

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

3.2 *Significant Accounting Policies (continued)*

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 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.

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.

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 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.

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

3.2 *Significant Accounting Policies (continued)*

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 profit or loss. Any cumulative loss in respect of available-for-sale investments recognized previously in equity is transferred to consolidated profit or loss.

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 profit or loss. 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 profit or loss, 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 profit or loss.

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) :*

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 profit or loss, 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.

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 in consolidated profit or loss.

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.

(Amount Expressed in Thousands of Qatari Riyals)

4. *Property and Equipment:*

	Vessels	*SAP*	*Building*	*Equipments*	*Furniture and Fixtures*	*Others*	*Total*
Cost:							
At January 1, 2010	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 assets	-	-	-	(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
Additions during the year 2011	-	-	-	**581**	**302**	**4,915**	**5,798**
Disposal of assets	-	-	**(1,637)**	**(230)**	**(267)**	**(30)**	**(2,164)**
At December 31, 2011	**26,898,132**	**44,010**	**-**	**5,658**	**983**	**278,769**	**27,227,552**
Accumulated Depreciation:							
At January 1, 2010	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 assets	-	-	-	(49)	-	-	(49)
At December 31, 2010	845,449	15,949	457	3,453	376	20,158	885,842
Charge for the year 2011	**573,506**	**8,802**	**273**	**1,007**	**152**	**7,860**	**591,600**
Disposal of assets	**-**	**-**	**(730)**	**(222)**	**(87)**	**(18)**	**(1,057)**
At December 31, 2011	**1,418,955**	**24,751**	**-**	**4,238**	**441**	**28,000**	**1,476,385**
Net Carrying Amount:							
At December 31, 2011	**25,479,177**	**19,259**	**-**	**1,420**	**542**	**250,769**	**25,751,167**
At December 31, 2010	26,052,683	28,061	1,180	1,854	572	253,726	26,338,076

(Amount Expressed in Thousands of Qatari Riyals)

5. *Investment in Joint Ventures Companies:*

	QR '000'
Balance – January 01, 2010	2,076,984
Investment in joint venture entity during the year	510
Share of 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
Share of profit for the year	**271,930**
Gain on derivative instruments from a joint venture	**22,687**
Profit adjusted against loan to joint venture	**(2,405)**
Share of hedging reserve for the year *	**(345,596)**
Dividend received	**(174,612)**
Balance – December 31, 2011	**1,809,991**

* This excludes the share of losses on the hedging reserve from a joint venture amounting to a total of **QR 9.8 million** (2010: QR 4.7 million loss) which has been adjusted against the loan to the respective joint venture.

Details of the Group's joint venture companies at **December 31, 2011** 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 Ltd.	Japan	40%	Chartering of vessels
J5 Nakilat No. 2 Ltd.	Japan	40%	Chartering of vessels
J5 Nakilat No. 3 Ltd.	Japan	40%	Chartering of vessels
J5 Nakilat No. 4 Ltd.	Japan	40%	Chartering of vessels
J5 Nakilat No. 5 Ltd.	Japan	40%	Chartering of vessels
J5 Nakilat No. 6 Ltd.	Japan	40%	Chartering of vessels
J5 Nakilat No. 7 Ltd.	Japan	40%	Chartering of vessels
J5 Nakilat No. 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)

5. *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.

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

	December 31, 2011	December 31, 2010
Total assets	**28,691,796**	28,507,698
Total liabilities	**(24,568,556)**	(23,882,299)
Net assets	**4,123,240**	4,625,399
Group's share of joint venture's net assets	**1,809,991**	2,037,987

	For the Year Ended December 31, 2011	For the Year Ended December 31, 2010
Revenue	**2,980,250**	2,695,198
Profit for the year	**707,936**	545,161
Group's share of joint venture result for the year*	**294,617**	227,856

*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)

6. *Loans to Joint Venture Companies:*

	December 31, 2011	December 31, 2010
India LNG Transport Company No. 3 Limited (1)	**33,350**	38,636
Teekay Nakilat Corporation (1)	**48,367**	21,901
Nakilat Svitzerwijsmuller WLL (1)	**77,450**	94,740
Gulf LPG Transport Company WLL (1)	**522,857**	514,455
Nakilat-Keppel Offshore & Marine Limited (1 & 2)	**391,527**	425,645
Nakilat Damen Shipyards Qatar Limited (1)	**44,973**	26,037
Total	**1,118,524**	1,121,414

(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, 2011** is **1.62%** (2010: 2.3%).

(2) Includes a preplacement of funds of **QR 30 million** (2010: QR 175 million) for the Company's share of the joint venture capital expenditures requirements.

7. *Available-for-Sale Investments:*

	December 31, 2011	December 31, 2010
Balance at January 1	**129,973**	107,108
Changes in fair value	**(3,298)**	22,865
Balance at December 31	**126,675**	129,973

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

8. *Trade and Other Receivables:*

	December 31, 2011	December 31, 2010
Trade receivables	**104,276**	64,200
Less: Provision for doubtful receivables	**(1,816)**	(1,029)
	102,460	63,171
Accrued income	**4,675**	5,347
Other receivables	**234,890**	178,345
Total	**342,025**	246,863

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, 2011** 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, 2011**	December 31, 2010
Less than 60 days	**100,257**	62,095

(Amount Expressed in Thousands of Qatari Riyals)

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

	December 31, 2011	December 31, 2010
(ii) *Ageing of past due but not impaired*		
61-90 days	**143**	358
91-120 days	**404**	296
Over 120 days	**1,656**	422
Total	**2,203**	1,076
(iii) *Ageing of impaired trade receivables*		
Over 120 days	**1,816**	1,029
(iv) *Movement in the provision for doubtful receivables:*		
Balance at the beginning of the year	**1,029**	1,198
Additional provision during the year	**787**	-
Recovery of doubtful receivables during the year	**-**	(44)
Doubtful receivables written off during the year	**-**	(125)
Balance at end of the year	**1,816**	1,029

9. *Cash and Bank Balances:*

	December 31, 2011	December 31, 2010
Cash on hand	**247**	131
Cash at bank-Call and current accounts	**1,197,193**	913,046
Cash at bank-Time deposits	**989,232**	1,177,122
Other bank balances **(a)**	**23,367**	24,886
Other bank balances **(b)**	**26,499**	10,922
Total	**2,236,538**	2,126,107

The effective interest and profit rates on the time deposits varies between **0.5%** to **3%** (2010: 0.25% to 6.3%).

Cash and bank balances does not include preplacement of funds with a joint venture of **QR 30 million** (2010: QR 175) as mentioned in **note no. 6(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.

9.1 *Cash and Cash Equivalents:*

	December 31, 2011	December 31, 2010
Cash and bank balances	**2,236,538**	2,126,107
Less:		
Other bank balances **(a)**	**(23,367)**	(24,886)
Other bank balances **(b)**	**(26,499)**	(10,922)
	2,186,672	2,090,299

(Amount Expressed in Thousands of Qatari Riyals)

10. *Share Capital:*

	December 31, 2011	December 31, 2010
	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	**5,538,449**	5,538,003

At **December 31, 2011**, a total of **362,951** issued shares are 50% paid (2010: 452,047 issued shares were 50% paid).

10.1 *Proposed Cash Dividend:*

The Board of Directors has proposed a cash dividend of **QR 471 million** for the current year (2010: QR 415 million) which is subject to the approval of shareholders in the Annual General Meeting. The cash dividend for 2010 was approved by the shareholders at the Annual General Meeting held on April 17, 2011.

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, 2011	December 31, 2010
Loan - **note (a)**	**1,529,442**	1,747,933
Senior bank facilities - **note (b)**	**14,047,076**	14,275,387
Subordinated bank facilities - **note (c)**	**1,588,646**	1,520,414
Senior bonds – Series "A" - **note (d)**	**3,095,299**	3,095,299
Subordinated bonds Series "A" - **note (e)**	**1,059,936**	1,081,949
KEXIM Facility - **note (f)**	**1,424,946**	1,583,273
KSURE Covered Facility - **note (g)**	**2,066,171**	2,279,913
Less: Issuance costs of bonds	**(30,824)**	(32,225)
Total	**24,780,692**	25,551,943

(Amount Expressed in Thousands of Qatari Riyals)

13. *Borrowings (Continued):*

	December 31, 2011	December 31, 2010
Classified as:		
Payable within one year	**977,546**	885,540
Payable after one year	**23,803,146**	24,666,403

Note (a):
Represents USD 420 million against unsecured bank facility. The repayment began from March 2010 and will end in September 2014.

Note (b) :
Represents USD 2,157.5 million against the senior bank facility Tranche I, USD 909.7 million against the senior bank facility Tranche II and USD 790.2 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 began from June 2011 and will end in December 2025. The repayment of Tranche III began from June 2011 and will end in June 2019.

Note (c) :
Represents USD 169.4 million against the subordinated bank facility Tranche I, USD 122.8 million against the subordinated bank facility Tranche II and USD 144 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 began from June 2011 and will end in December 2025. The repayment of Tranche III began from June 2011 and will 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 176 million against the KSURE facility Tranche I and USD 391.3 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, 2011** is **2.2960%** (2010: 2.2893%).

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)

13. *Borrowings (continued):*

All these securities are subject to first priority to senior debts and bonds & second priority given 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, 2011** the outstanding notional amount of swap agreements is **QR 14,813 million** (2010: QR 15,928 million) and net fair value is negative **QR 4,831 million** (2010: negative QR 2,828 million).

15. *Accounts Payable and Accruals:*

	December 31, 2011	December 31, 2010
Accounts payable	**89,101**	49,838
Advances from customers	**110,080**	58,894
Payable to shareholders *	**23,367**	24,886
Other accruals	**51,034**	51,716
Social and sports fund contribution	**20,814**	16,238
Dividend payable	**26,499**	10,922
Total	**320,895**	212,494

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

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 20,814** thousands representing 2.5% of the net consolidated profit of the Group for the year ended **December 31, 2011** (December 31, 2010: QR 16,238 thousand). This appropriation has been presented in the statement of changes in equity.

17. *Related Party Transactions:*

	For the year ended December 31, 2011	For the year ended December 31, 2010
Loans to joint ventures (net)	**9,077**	8,032
Interest income on loans to joint ventures	**20,148**	22,047
Due from joint ventures	**21,889**	29,221
Compensation of key management personnel	**2,447**	2,403
Board of Directors' remuneration accrued	**1,550**	700

(Amount Expressed in Thousands of Qatari Riyals)

18. *Subsidiaries:*

Details of the Company's subsidiaries at **December 31, 2011** 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)

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, 2011	For the year ended December 31, 2010
Profit for the year attributable to the owners of the Company	**832,566**	664,668
Less: Appropriation for social and sports fund contribution	**(20,814)**	(16,238)
Profit for the year available to shareholders	**811,752**	648,430
Weighted average number of shares outstanding during the year	**553,844,885**	553,800,337
Basic and diluted earnings per share (expressed in QR per share)	**1.47**	1.17

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, 2011.**

(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 14,813 million** (2010 : QR 15,928 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, 2011** 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, 2011				December 31, 2010			
	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	-	**1,236,383**	**1,000,155**	**2,236,538**	-	1,328,785	797,322	2,126,107
Loans to joint ventures	-	**1,118,524**	-	**1,118,524**	-	1,121,414	-	1,121,414
	-	**2,354,907**	**1,000,155**	**3,355,062**	-	2,450,199	797,322	3,247,521
Financial liabilities								
Interest bearing loans and borrowings	**4,124,411**	**5,843,365**	-	**9,967,776**	4,145,023	5,478,670	-	9,623,693
Interest rate swap	**14,812,916**	-	-	**14,812,916**	15,928,250	-	-	15,928,250
	18,937,327	**5,843,365**	-	**24,780,692**	20,073,273	5,478,670	-	25,551,943
Net financial assets/ (liabilities)	**(18,937,327)**	**(3,488,458)**	**1,000,155**	**(21,425,630)**	(20,073,273)	(3,028,471)	797,322	(22,304,422)

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, 2011** would be an increase / decrease by **QR 17.4 million.**

(Amount Expressed in Thousands of Qatari Riyals)

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	
	2011	2010	**2011**	2010	**2011**	2010
	%	%	**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	**14,813**	15,928	**(4,831)**	(2,828)

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 1,012 million** as of **December 31, 2011** (2010: negative fair value of QR 657 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 12.67 million** (2010 : QR 12.9 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.

(Amount Expressed in Thousands of Qatari Riyals)

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 financial liabilities including finance cost payments and excluding the impact of netting agreements, if any:

31 December 2011	**Carrying Amounts**	**Less than 1 year**	**1-5 years**	**Over 5 Years**
Borrowings	24,780,692	977,546	4,202,734	19,600,412
Accounts payable and accruals	320,895	320,895	-	-
	25,101,587	**1,298,441**	**4,202,734**	**19,600,412**

31 December 2010	Carrying Amounts	Less than 1 year	1-5 years	Over 5 Years
Borrowings	25,551,943	885,540	4,402,850	20,263,553
Accounts payable and accruals	212,494	212,494	-	-
	25,764,437	1,098,034	4,402,850	20,263,553

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.

(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	
		2011	2010
Loans to joint venture companies	6	**1,118,524**	1,121,414
Due from joint venture companies		**21,889**	29,221
Trade and other receivables	8	**342,025**	246,863
Bank balances	9	**2,236,291**	2,125,976
Total		**3,718,729**	3,523,474

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.

Fair Value of Hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows.

- Level 1 : quoted prices (unadjusted) in active markets for identical assets and liabilities
- Level 2 : inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 December 2011	**Level 1**	**Level 2**	**Level 3**	**Total**
Available-for-sale investments	**126,675**	**-**	**-**	**126,675**
Interest rate swaps used for hedging	**-**	**4,830,831**	**-**	**4,830,831**
31 December 2010				
Available-for-sale investments	129,973	-	-	129,973
Interest rate swaps used for hedging	-	2,827,970	-	2,827,970

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.

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, 2011	December 31, 2010
Total debt (Borrowings)	13	**24,780,692**	25,551,943
Cash and cash equivalents	9.1	**(2,186,672)**	(2,090,299)
Net debt		**22,594,020**	23,461,644

(Amount Expressed in Thousands of Qatari Riyals)

21. *Capital Management (continued):*

	December 31, 2011	December 31, 2010
Equity before hedging reserve and non-controlling interests	**7,301,641**	6,908,640
Add: Non-controlling interests	**5,303**	4,763
Adjusted Equity (i)	**7,306,944**	6,913,403
Net debt to adjusted equity ratio	**309%**	339%

(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, 2011** amounted to **QR 0.6 million** (2010: QR 0.1 million).
(iii) Letter of Credit at **December 31, 2011** amounted to **QR 401 million** (2010: QR 401 million).
(iv) Letter of Guarantee at **December 31, 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.

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 vessels:

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.

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

(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 4,831 million**) is recorded in equity under hedging reserve.

(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.

24. *Profit for the year:*

Profit for the year is arrived at after charging staff cost amounting to **QR 65.2 million** (2010: QR 61 million).

25. *Comparative numbers:*

Certain comparative numbers have been reclassified to conform to the presentation adopted in the current year. However such reclassifications did not have any effect on the consolidated profit and consolidated equity for the comparative year.