

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2012
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, 2012**

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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 statement of financial position of **Qatar Gas Transport Company Limited (Nakilat) (Q.S.C.)** (the "Company"), as of **June 30, 2012**, the interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes (the "interim condensed consolidated financial statements"). The Board of Directors of the Company is responsible for the preparation and 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 14.2 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, 2012 which were based on accounts certified by the management.

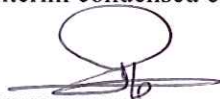
18 July 2012
Doha
State of Qatar

Gopal Balasubramaniam
KPMG
Qatar Auditors' Registry No. 251

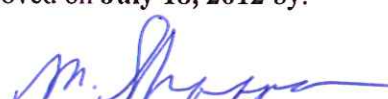
QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) Q.S.C.
DOHA – QATAR
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2012
(Amounts expressed in thousands of Qatari Riyals)

		June 30, 2012 (Reviewed)	December 31, 2011 (Audited)
ASSETS	Note		
Non-Current Assets:			
Property and equipment	3	25,461,735	25,751,167
Investment in joint venture companies	4	1,941,768	1,809,991
Loans to joint venture companies		1,078,360	1,118,524
Available-for-sale investments		119,264	126,675
Total Non-Current Assets		28,601,127	28,806,357
Current Assets:			
Inventories		492	1,079
Trade and other receivables		383,852	342,025
Due from joint venture companies		15,794	21,889
Cash and bank balances	5	1,860,739	2,236,538
Total Current Assets		2,260,877	2,601,531
Total Assets		30,862,004	31,407,888
EQUITY AND LIABILITIES			
Equity:			
Share capital	6	5,538,456	5,538,449
Legal reserve	7	255,004	255,004
Fair value reserve		72,796	80,207
Translation reserve		28,626	28,626
Proposed cash dividend		-	470,922
Retained earnings		1,309,102	928,433
Equity before hedging reserve and non-controlling Interests		7,203,984	7,301,641
Hedging reserve	8	(6,013,028)	(5,843,176)
Non-controlling interests		5,435	5,303
Non-Current Liabilities:			
Borrowings	9	23,307,330	23,803,146
Fair value of interest rate swaps	10	5,030,128	4,830,831
Provision for employees' end of service benefits		13,396	11,702
Total Non-Current Liabilities		28,350,854	28,645,679
Current Liabilities:			
Borrowings	9	987,867	977,546
Accounts payable and accruals		325,049	320,895
Due to related parties		1,843	-
Total Current Liabilities		1,314,759	1,298,441
Total Equity and Liabilities		30,862,004	31,407,888

These interim condensed consolidated financial statements were approved on July 18, 2012 by:



Khaled Bin Khalifa Al Thani
Vice Chairman



Muhammad Ghannam
Managing Director

The accompanying notes 1-15 form an integral part of these interim condensed consolidated financial statements.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2012
(Amounts expressed in thousands of Qatari Riyals)

	Note	Six Month Period Ended June 30, 2012 (Reviewed)	Six Month Period Ended June 30, 2011 (Reviewed)
<u>Income:</u>			
Revenue from wholly owned vessels		1,491,873	1,453,164
Share of profits from joint ventures	4	130,452	136,016
Income from marine and agency services		17,738	16,828
Interest, dividend and profit from Islamic banks		29,185	24,958
Vessels sub-chartering and other income		31,490	22,796
Total Income		1,700,738	1,653,762
<u>Expenses:</u>			
Operating costs of wholly owned vessels		(267,790)	(246,717)
General and administrative		(57,782)	(40,294)
Depreciation of property and equipment	3	(294,666)	(293,340)
Finance charges		(695,060)	(693,931)
Total Expenses		(1,315,298)	(1,274,282)
Profit for the period from operations		385,440	379,480
(Loss)/gain on derivative instruments from a joint venture	4	(4,639)	1,937
Profit for the period		380,801	381,417
<u>Profit for the period attributable to:</u>			
Owners of the Company		380,669	381,239
Non-controlling interests		132	178
Total		380,801	381,417
<u>Basic and diluted earnings per share</u>			
(expressed in QR per share)	12	0.69	0.69

The accompanying notes 1-15 form an integral part of these interim condensed consolidated financial statements.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2012
(Amounts expressed in thousands of Qatari Riyals)

	Six Month Period Ended June 30, 2012 (Reviewed)	Six Month Period Ended June 30, 2011 (Reviewed)
Profit for the period	380,801	381,417
<u>Other comprehensive income</u>		
Changes in fair value of available-for-sale investments	(7,411)	(130)
Changes in fair value of cash flow hedging derivatives	(199,297)	(161,157)
Group's share of joint ventures' changes in fair value of cash flow hedging derivatives	29,445	20,811
Total comprehensive income for the period	<u>203,538</u>	<u>240,941</u>
Total comprehensive income for the period attributable to:		
Owners of the Company	203,406	240,763
Non-controlling interests	132	178
Total	<u>203,538</u>	<u>240,941</u>

The accompanying notes 1-15 form an integral part of these interim condensed consolidated financial statements.

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2012
(Amounts 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 Interest	Hedging Reserve	Non- Controlling Interest
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
Profit for the period	-	-	-	-	-	381,239	381,239	-	178
Other comprehensive income for the period									
-Changes in fair value of available-for-sale investments	-	-	(130)	-	-	-	(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	-
Total comprehensive income for the period	-	-	(130)	-	-	381,239	381,109	(140,346)	178
Additional payment for social & sports fund contribution 2010	-	-	-	-	-	(379)	(379)	-	-
Dividend paid for 2010	437	-	-	-	(415,520)	-	(415,520)	-	-
Capital contribution							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
Balance as of January 01, 2012 (Audited)	5,538,449	255,004	80,207	28,626	470,922	928,433	7,301,641	(5,843,176)	5,303
Profit for the period	-	-	-	-	-	380,669	380,669	-	132
Other comprehensive income for the period									
-Changes in fair value of available-for-sale investments	-	-	(7,411)	-	-	-	(7,411)	-	-
-Changes in fair value of cash flow hedging derivatives	-	-	-	-	-	-	-	(199,297)	-
-Group's share of joint ventures' changes in fair value of cash flow hedging derivatives	-	-	-	-	-	-	-	29,445	-
Total comprehensive income for the period	-	-	(7,411)	-	-	380,669	373,258	(169,852)	132
Dividend paid for 2011	-	-	-	-	(470,922)	-	(470,922)	-	-
Capital contribution	7	-	-	-	-	-	7	-	-
Balance as of June 30, 2012– (Reviewed)	5,538,456	255,004	72,796	28,626	-	1,309,102	7,203,984	(6,013,028)	5,435

The accompanying notes 1-15 form an integral part of these interim condensed consolidated financial statements.

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) Q.S.C.
DOHA – QATAR
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2012
(Amounts expressed in thousands of Qatari Riyals)

	Note	Six Month Period Ended June 30, 2012 (Reviewed)	Six Month Period Ended June 30, 2011 (Reviewed)
Cash Flows from Operating Activities:			
Profit for the period		380,801	381,417
Adjustments for:			
Depreciation of property and equipments	3	294,666	293,340
Finance charges		695,060	693,931
Share of profits from joint ventures		(130,452)	(136,016)
Loss /(gain) on derivative instruments from a joint venture		4,639	(1,937)
Interest, dividend and profit from Islamic banks		(29,185)	(24,958)
Vessels sub-chartering and other income		(31,490)	(22,796)
Provision for doubtful receivables		-	450
Provision for employees' end of service benefits		2,181	1,647
Loss on disposal of property and equipments		-	7
		<u>1,186,220</u>	<u>1,185,085</u>
Working Capital Changes:			
Inventories		587	-
Trade and other receivables		(42,473)	(975)
Accounts payable and accruals		(45,316)	25,238
Due from joint venture companies		7,708	(10,734)
Due to related parties		1,843	-
Cash generated from operations		<u>1,108,569</u>	<u>1,198,614</u>
Finance charges paid		(692,140)	(691,263)
Employees' end of service benefits paid		(487)	(112)
Net Cash from Operating Activities		<u>415,942</u>	<u>507,239</u>
Cash Flows from Investing Activities:			
Loans to joint venture companies		16,749	17,737
Refund of investment in a joint venture company	4	15,964	-
Dividend income received from joint ventures	4	30,932	47,532
Acquisition of property and equipments	3	(5,234)	(5,820)
Sale proceeds from disposal of property and equipments		-	25
Investment income received		59,708	48,502
Time deposits maturing after ninety days		-	(20,033)
Net Cash from Investing Activities		<u>118,119</u>	<u>87,943</u>
Cash Flows from Financing Activities:			
Proceeds from issue of share capital		7	437
Dividend paid to shareholders		(419,082)	(385,520)
Unpaid dividend transferred to separate bank account		(56,074)	(40,922)
Additional payment for social & sports fund contribution 2010		-	(379)
Proceeds from borrowings		-	112,887
Repayment of borrowings		(486,195)	(422,023)
Net Cash used in Financing Activities		<u>(961,344)</u>	<u>(735,520)</u>
Net Decrease in Cash and Cash Equivalents		<u>(427,283)</u>	<u>(140,338)</u>
Cash and Cash Equivalents at Beginning of the Period		<u>2,186,672</u>	<u>2,090,299</u>
Cash and Cash Equivalents at End of the Period	5.1	<u>1,759,389</u>	<u>1,949,961</u>

The accompanying notes 1-15 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 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2012
(Amounts expressed in thousands of Qatari Riyals)

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.

These interim condensed consolidated financial statements incorporate the financial statements of the Company and its subsidiaries together referred to as the “Group” and the Group’s interests in jointly controlled entities.

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:

2.1 Basis of preparation:

The accompanying interim condensed consolidated financial statements are prepared in accordance with International Accounting Standard IAS 34 – “Interim Financial Reporting” under the historical cost convention except for certain financial instruments which have been stated at fair value. They do not include all of the information required for full annual financial statements, therefore should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2011. In addition, results for the six month period ended 30 June 2012 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2012.

2.2 Significant accounting policies:

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2011.

A number of new standards, amendments to standards and interpretations have been issued that are not yet effective for the period ended 30 June 2012 and have not been applied in preparing these interim condensed consolidated financial statements.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2012
(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, 2011 (Audited)	26,898,132	44,010	1,637	5,307	948	273,884	27,223,918
Additions during the year	-	-	-	581	302	4,915	5,798
Disposal of assets	-	-	(1,637)	(230)	(267)	(30)	(2,164)
At December 31, 2011 (Audited)	26,898,132	44,010	-	5,658	983	278,769	27,227,552
Additions during the period	-	-	-	359	-	4,875	5,234
At June 30, 2012 (Reviewed)	26,898,132	44,010	-	6,017	983	283,644	27,232,786
Accumulated Depreciation:							
At January 01, 2011 (Audited)	845,449	15,949	457	3,453	376	20,158	885,842
Charge for the year	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 (Audited)	1,418,955	24,751	-	4,238	441	28,000	1,476,385
Charge for the period	285,967	4,401	-	298	71	3,929	294,666
At June 30, 2012 (Reviewed)	1,704,922	29,152	-	4,536	512	31,929	1,771,051
Net Carrying Amount:							
At June 30, 2012 (Reviewed)	25,193,210	14,858	-	1,481	471	251,715	25,461,735
At December 31, 2011 (Audited)	25,479,177	19,259	-	1,420	542	250,769	25,751,167

4. Investment in Joint Venture Companies:

QR '000'

Balance – January 01, 2011 (Audited)	2,037,987
Share of profit for the year 2011	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 2011*	(345,596)
Dividend received during the year 2011	(174,612)
Balance – December 31, 2011 (Audited)	1,809,991
Return of investment in a joint venture	(15,964)
Share of profit for the six month period ended 30 June 2012	130,452
Loss on derivative instruments from a joint venture	(4,639)
Loss adjusted against loan to joint ventures	24,930
Share of hedging reserve for the six month period ended 30 June 2012*	27,930
Dividend received during the six month period ended 30 June 2012	(30,932)
Balance – June 30, 2012 (Reviewed)	1,941,768

* This excludes the share of (gains) / losses on the hedging reserve from a joint venture amounting to a total of **QR (1.5) million** (December 31, 2011: QR 9.8 million) which has been adjusted against the loan to the respective joint venture.

QATAR GAS TRANSPORT
DOHA – QATAR
NOTES TO THE INTERIM
FOR THE SIX MONTH PERIOD
(Amounts expressed in thousands of Qatari Riyals)

	(Reviewed)	(Audited)
Number of Shares	Number of Shares	
560,000,000	560,000,000	
554,026,360	554,026,360	
Amount	Amount	
5,538,456	5,538,449	

5. Cash and Bank Balances

share capital with a par value of

period ended 30 June 2012, the Company has received QR 7 thousands amount in relation to shares which were 50% paid. At June 30, 2012, a total of 560,000,000 shares are 50% paid (2011: 362,951 issued shares were 50% paid).

Cash on hand
Cash at bank – Call accounts
Cash at bank – Time deposits
Other bank balances
Other bank balances
Total

The effective interest rate on cash and bank balances during the period (2011: 0.5% to 3%).

Cash and bank balances at June 30, 2012 amount to QR 12.5 million (2011: QR 12.5 million).

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

5.1 Cash and Cash Equivalents

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
PERIOD ENDED JUNE 30, 2012
(Amounts expressed in thousands of Qatari Riyals)

	June 30, 2012 (Reviewed)	December 31, 2011 (Audited)
Cash and bank balances		
Less:		
- Time deposits	240	247
- Other bank balances	1,199,656	1,197,193
- Other bank balances and current accounts	559,493	989,232
(a) Cash payable to shareholders	23,011	23,367
(b) Cash payable to shareholders in connection with the second IPO call.	78,339	26,499
	1,860,739	2,236,538

6. Share Capital:

and profit rates on the time deposits varies between 0.3% to 2.3%

does not include preplacement of funds with a joint venture amounting to QR 30 million (2011: QR 30 million).

	Six Month Period Ended June 30, 2012 (Reviewed)	Six Month Period Ended June 30, 2011 (Reviewed)
Authorized share capital		
Issued share capital		
Issued and paid up shares at QR 10 each	1,860,739	2,035,320
During the six months ending after 90 days	-	(20,033)
as the balance 50% paid (a)	(23,011)	(24,404)
total of 361,566 issued shares (b)	(78,339)	(40,922)
	1,759,389	1,949,961

holders for unclaimed proceeds of their shares auctioned related to the

holders for unclaimed dividend.

June 30, 2012	December 31, 2011
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QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) Q.S.C.
DOHA – QATAR

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2012
(Amounts expressed in thousands of Qatari Riyals)

7. Legal Reserve:

The Articles of Association of the Company requires 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 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.

9. Borrowings:

These consist of the following:

	June 30, 2012 (Reviewed)	December 31, 2011 (Audited)
Loan	1,383,780	1,529,442
Senior bank facilities	13,917,982	14,047,076
Subordinated bank facilities	1,574,766	1,588,646
Senior bonds – Series “A”	3,095,299	3,095,299
Subordinated bonds – Series “A”	1,048,410	1,059,936
KEXIM Facility	1,345,782	1,424,946
KSURE Covered Facility	1,959,301	2,066,171
Less: Issuance cost of bonds	(30,123)	(30,824)
Total	24,295,197	24,780,692
Classified as:		
Payable within one year	987,867	977,546
Payable after one year	23,307,330	23,803,146

The weighted average interest rate on short / long term facilities, loans and bonds as above at **June 30, 2012** is **2.6621%** (December 31, 2011: 2.2960%).

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2012**
(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, 2012** the outstanding notional amount of swap agreements is **QR 14,528 million** (2011: QR 14,813 million) and net fair value is negative **QR 5,030 million** (2011: QR 4,831 million).

11. Related Party Transactions:

	Six Month Period Ended June 30, 2012 (Reviewed)	Six Month Period Ended June 30, 2011 (Reviewed)
Loans to joint ventures (net)	16,749	17,737
Interest income on loans to joint ventures	11,301	9,966
Compensation of key management personnel	1,442	1,224
Board of Directors' remuneration accrued	705	350

12. 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, 2012 (Reviewed)	Six Month Period Ended June 30, 2011 (Reviewed)
Profit for the period attributable to the owners of the Company	380,669	381,239
Weighted average number of shares outstanding during the period	553,845,577	553,843,986
Basic and diluted earnings per share (expressed in QR per share)	0.69	0.69

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.

13. 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

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

(ii) Bank Guarantee at **June 30, 2012** amounted to **QR 0.6 million** (2011: QR 0.6 million).

(iii) Letter of Credit at **June 30, 2012** amounted to **QR 401 million** (2011: QR 401 million).

(iv) Letter of Guarantee at **June 30, 2012** amounted to **QR 6.5 million** (2011: 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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FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2012
(Amounts expressed in thousands of Qatari Riyals)

13. Commitments and Contingencies (continued):

D) Tax Contingency:

One of the joint ventures of the Company is the lessee under finance lease arrangements for its LNG carriers. Recently the lessor to these lease arrangements has requested the joint venture to enter into negotiations for a mutually agreed upon termination of these leases as the UK taxing authority has been advising the lessor to terminate these finance lease arrangements. The joint venture believes that the matter is at a preliminary stage and taxing authority would not be successful in this matter. If the challenge were successful, the joint venture could be subject to additional costs. The Company estimates its share of the potential exposure of these additional costs to be QR 71 million.

14. Critical Accounting Judgments and Key Sources of Estimation Uncertainty:

14.1 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 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 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.

14.2 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, 2012** 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 **June 30, 2012** amounted to **QR 130,452 thousands** and **QR 29,445 thousands** respectively (2011: QR 136,016 thousands and QR 20,811 thousands).

15. Comparative numbers:

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