

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

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

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

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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Independent Auditor's Report

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Qatar Gas Transport Company Limited (Nakilat) Q.S.C. ("the Company") and its subsidiaries (together referred to as "the Group"), which comprise the consolidated statement of financial position as at December 31, 2012, 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 management determines 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 Company'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 Company'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, 2012 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 and the physical count of the inventories was carried out in accordance with the established principles. 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 the Company's Articles of Association having occurred during the year which might have had a material adverse effect on the business of the Company or its consolidated financial position as of December 31, 2012.

March 10, 2013
Doha
State of Qatar


Gopal Balasubramanian
KPMG
Qatar Auditors' Registry Number 251

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)
DOHA – QATAR
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2012
(Amount Expressed in Thousands of Qatari Riyals)

	<u>Note</u>	<u>December 31,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
<u>ASSETS</u>			
Non-Current Assets:			
Property and equipment	4	25,192,056	25,751,167
Investment in joint venture companies	5	2,018,819	1,809,991
Loans to joint venture companies	6	1,084,733	1,118,524
Available-for-sale-investments	7	145,036	126,675
Total Non-Current Assets		<u>28,440,644</u>	<u>28,806,357</u>
Current Assets:			
Inventories		25,052	1,079
Trade and other receivables	8	321,716	342,025
Due from joint venture companies	17(b)	9,506	21,889
Cash and bank balances	9	2,095,928	2,236,538
Total Current Assets		<u>2,452,202</u>	<u>2,601,531</u>
Total Assets		<u>30,892,846</u>	<u>31,407,888</u>

The accompanying notes 1-24 form an integral part of these consolidated financial statements.

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)
DOHA – QATAR
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS OF DECEMBER 31, 2012
(Amount Expressed in Thousands of Qatari Riyals)

	<u>Note</u>	<u>December 31, 2012</u>	<u>December 31, 2011</u>
<u>EQUITY AND LIABILITIES</u>			
EQUITY:			
Share capital	10	5,538,456	5,538,449
Legal reserve	11	331,554	255,004
Fair value reserve		98,568	80,207
Translation reserve		28,626	28,626
Proposed cash dividend	10.1	554,026	470,922
Retained earnings		1,044,219	928,433
Equity before hedging reserve and non-controlling interests		7,595,449	7,301,641
Hedging reserve	12	(5,836,454)	(5,843,176)
Equity after hedging reserve and before non-controlling interests		1,758,995	1,458,465
Non-Controlling Interests		5,836	5,303
Non-Current Liabilities:			
Borrowings	13	23,117,905	23,803,146
Fair value of interest rate swaps	14	4,814,759	4,830,831
Provision for employees' end of service benefits		14,665	11,702
Total Non-Current Liabilities		27,947,329	28,645,679
Current Liabilities:			
Borrowings	13	822,213	977,546
Accounts payable and accruals	15	356,783	320,895
Due to joint venture companies	17(b)	1,690	-
Total Current Liabilities		1,180,686	1,298,441
Total Equity and Liabilities		30,892,846	31,407,888

These consolidated financial statements were approved by the Board of Directors and were signed on its behalf by the following on **March 10, 2013**.



Hamad Rashid Al Mohannadi
Chairman



Khaled Bin Khalifa Al Thani
Vice Chairman



Muhammad Ghannam
Managing Director

The accompanying notes 1-24 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, 2012
(Amount Expressed in Thousands of Qatari Riyals)

	<u>Note</u>	<u>For the Year Ended December 31, 2012</u>	<u>For the Year Ended December 31, 2011</u>
Income:			
Revenue from wholly owned vessels		3,005,870	3,005,095
Share of profits from joint ventures	5	253,654	271,930
Income from marine and agency services		39,440	38,813
Interest income on loans to joint ventures	17	24,344	20,148
Interest, dividend and profit from Islamic banks		24,016	23,660
Vessels sub-chartering and other income		72,931	60,112
Total Income		<u>3,420,255</u>	<u>3,419,758</u>
Expenses:			
Operating costs		(621,657)	(571,855)
General and administrative		(71,230)	(49,690)
Depreciation of property and equipment	4	(593,861)	(591,600)
Finance charges		(1,386,977)	(1,396,194)
Total Expenses		<u>(2,673,725)</u>	<u>(2,609,339)</u>
Profit from operations		746,530	810,419
Gain on derivative instruments from a joint venture	5	19,502	22,687
Profit for the year		<u>766,032</u>	<u>833,106</u>
Attributable to:			
Owners of the Company		765,499	832,566
Non-controlling interests		533	540
Total		<u>766,032</u>	<u>833,106</u>
 Basic and diluted earnings per share (expressed in QR per share)	 19	 <u>1.38</u>	 <u>1.50</u>

The accompanying notes 1-24 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, 2012
(Amount Expressed in Thousands of Qatari Riyals)

	<u>Note</u>	<u>For the Year Ended December 31, 2012</u>	<u>For the Year Ended December 31, 2011</u>
Profit for the year		766,032	833,106
Other comprehensive income			
Changes in fair value of available-for-sale investments	7	18,361	(3,298)
Changes in fair value of cash flow hedging derivatives		55,005	(2,002,861)
Group's share of joint ventures' changes in fair value of cash flow hedging derivatives		(48,283)	(355,407)
Total comprehensive income for the year		<u>791,115</u>	<u>(1,528,460)</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		790,582	(1,529,000)
Non-controlling interests		533	540
Total		<u>791,115</u>	<u>(1,528,460)</u>

The accompanying notes 1-24 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, 2012
(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, 2011	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 (note 16)	-	-	-	-	-	(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
Profit for the year 2012	-	-	-	-	-	765,499	765,499	-	533
Other comprehensive income for the year 2012	-	-	-	-	-	-	-	-	-
-Changes in fair value of available- for- sale investments	-	-	18,361	-	-	-	18,361	-	-
-Changes in fair value of cash flow hedging derivatives	-	-	-	-	-	-	-	55,005	-
-Group's share of joint ventures' changes in fair value of cash flow hedging derivatives	-	-	-	-	-	-	-	(48,283)	-
Total comprehensive income for the year 2012	-	-	18,361	-	-	765,499	783,860	6,722	533
Transfer to legal reserve	-	76,550	-	-	-	(76,550)	-	-	-
Social and sports fund contribution 2012 (note 16)	-	-	-	-	-	(19,137)	(19,137)	-	-
Dividend paid for 2011	-	-	-	-	(470,922)	-	(470,922)	-	-
Proposed cash dividend for 2012	-	-	-	-	554,026	(554,026)	-	-	-
Capital contribution	7	-	-	-	-	-	7	-	-
Balance as of December 31, 2012	5,538,456	331,554	98,568	28,626	554,026	1,044,219	7,595,449	(5,836,454)	5,836

The accompanying notes 1-24 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, 2012
(Amount Expressed in Thousands of Qatari Riyals)

	Note	For the year ended December 31, 2012	For the year ended December 31, 2011
Cash Flows from Operating Activities:			
Profit for the year		766,032	833,106
Adjustments for:			
Depreciation of property and equipment	4	593,861	591,600
Finance charges		1,386,977	1,396,194
Loss on disposal of property and equipment		-	1,082
Share of profits from joint ventures	5	(253,654)	(271,930)
Gain on derivative instruments from a joint venture	5	(19,502)	(22,687)
Interest income on loans to joint ventures	17	(24,344)	(20,148)
Interest, dividend and profit from Islamic banks		(24,016)	(23,660)
Vessels sub-chartering and other income		(72,931)	(60,112)
Provision for doubtful receivables		-	787
Provision for employees' end of service benefits		4,150	3,619
		<u>2,356,573</u>	<u>2,427,851</u>
Working Capital Changes:			
Inventories		(23,973)	(1,079)
Trade and other receivables		18,901	(96,824)
Accounts payable and accruals		(12,617)	86,484
Due from joint venture companies		9,119	7,204
Due to joint venture companies		1,690	-
Cash generated from operations		<u>2,349,693</u>	<u>2,423,636</u>
Finance charges paid		(1,386,757)	(1,392,264)
Employees' end of service benefits paid		(1,187)	(656)
Net Cash From Operating Activities		<u>961,749</u>	<u>1,030,716</u>
Cash Flows from Investing Activities:			
Loans to joint venture companies-net		(37,661)	(9,077)
Refund of investment in a joint venture company		15,964	-
Dividend income received from joint ventures	5	110,467	174,612
Acquisition of property and equipments	4	(34,750)	(5,798)
Sale proceeds from disposal of property and equipment		-	25
Investment income received		125,963	104,923
Net Cash From Investing Activities		<u>179,983</u>	<u>264,685</u>
Cash Flows from Financing Activities:			
Proceeds from issue of share capital	7		446
Dividend paid to shareholders		(433,397)	(399,943)
Unpaid dividend transferred to separate bank account		(43,474)	(26,499)
Additional payment for social & sports fund contribution 2010		-	(379)
Proceeds from borrowings		1,383,781	112,887
Repayments of borrowings		(2,215,666)	(885,540)
Costs incurred for Islamic financing		(10,619)	-
Net Cash Used in Financing Activities		<u>(1,319,368)</u>	<u>(1,199,028)</u>
Net (Decrease) / Increase in Cash and Cash Equivalents		<u>(177,636)</u>	<u>96,373</u>
Cash and Cash Equivalents at Beginning of the Year		<u>2,186,672</u>	<u>2,090,299</u>
Cash and Cash Equivalents at End of the Year	9.1	<u>2,009,036</u>	<u>2,186,672</u>

The accompanying notes 1-24 form an integral part of these consolidated financial statements.

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)
DOHA – QATAR
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Amount 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.

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 2012

The following standards, amendments and interpretations, which became effective as of 1 January 2012, are relevant to the Group:

a) IFRS 7 (amendment) – Disclosures: Transfer of financial assets

The amendments to IFRS 7 introduce new disclosure requirements about transfers of financial assets including disclosures for financial assets that are not derecognised in their entirety; and financial assets that are derecognised in their entirety but for which the entity retains continuing involvement.

The adoption of this amendment had no significant impact on the consolidated financial statements.

b) Improvements to IFRSs (2011)

Improvements to IFRS issued in 2011 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 issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these consolidated financial statements. Those which are relevant to the Group are set out below.

a) 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 after 1 July 2012 with an option of early application.

The Group is not expecting a significant impact from the adoption of this amendment.

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Amount Expressed in Thousands of Qatari Riyals)

2. Adoption of New and Revised Standards (continued)

2.2 New standards, amendments and interpretations issued but not yet effective

b) IAS 19 – Employee benefits (2011)

IAS 19 (2011) changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. For defined benefit plans, removal of the accounting policy choice for recognition of actuarial gains and losses is not expected to have any impact on the Group. IAS 19 (2011) is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

The Group is not expecting a significant impact from the adoption of this amendment.

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

IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the following amendments;

- *Associates held for sale:* IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* 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. For any retained portion of the investment that has not been classified as held for sale, the entity applies the equity method until disposal of the portion held for sale. After disposal, any retained interest is accounted for using the equity method if the retained interest continues to be an associate or a joint venture, 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 re-measure the retained interest.

The standard is effective for annual periods beginning on or after 1 January 2013 and is applied retrospectively.

The Group is not expecting a significant impact from the adoption of this amendment.

d) IFRS 9 - Financial Instruments

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduces additions to the standard relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

The IFRS 9 (2009) requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivables.

For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognised in other comprehensive income would ever be reclassified to profit or loss at a later date. However, dividends on such investments are recognised in profit or loss, rather than other comprehensive income unless they clearly represent a partial recovery of the cost of the investment. Investments in equity instruments in respect of which an entity does not elect to present fair value changes in other comprehensive income would be measured at fair value with changes in fair value recognised in profit or loss.

The standard requires that derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not separated; instead the hybrid financial instrument is assessed in its entirety as to whether it should be measured at amortised cost or fair value.

2. Adoption of New and Revised Standards (continued)

2.2 New standards, amendments and interpretations issued but not yet effective

IFRS 9 (2010) introduces a new requirement in respect of financial liabilities designated under the fair value option to generally present fair value changes that are attributable to the liability's credit risk in other comprehensive income rather than in profit or loss. Apart from this change, IFRS 9 (2010) largely carries forward without substantive amendment the guidance on classification and measurement of financial liabilities from IAS 39.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The IASB decided to consider making limited amendments to IFRS 9 to address practice and other issues. The Group has commenced the process of evaluating the potential effect of this standard but is awaiting finalisation of the limited amendments before the evaluation can be completed.

Given the nature of the Group's operations, this standard is not expected to have a significant impact on the Group's financial statements.

e) Amendments to IFRS 7 and IAS 32 on offsetting financial assets and financial liabilities (2011)

Disclosures – Offsetting Financial Assets and Financial Liabilities (amendments to IFRS 7) introduces disclosures about the impact of netting arrangements on an entity's financial position. The amendments are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. Based on the new disclosure requirements the Group will have to provide information about what amounts have been offset in the statement of financial position and the nature and extent of rights of set off under master netting arrangements or similar arrangements.

Offsetting Financial Assets and Financial Liabilities (amendments to IAS 32) clarify the offsetting criteria IAS 32 by explaining when an entity currently has a legally enforceable right to set off and when gross settlement is equivalent to net settlement. The amendments are effective for annual periods beginning on or after 1 January 2014 and interim periods within those annual periods. Earlier application is permitted.

The Group is not expecting a significant impact from the adoption of these amendments.

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

IFRS 10 introduces a single control model to determine whether an investee should be consolidated. As a result, the Group may need to change its consolidation conclusion in respect of its investees, which may lead to changes in the current accounting for these investees. The standard is effective for annual periods beginning on or after 1 January 2013.

The IASB published Investment Entities (Amendments to IFRS 10 and IFRS 12), which grants certain relief from consolidation to investment entities. It requires qualifying investment entities to account for investment in controlled investees on a fair value basis. The effective date is annual periods beginning on or after 1 January 2014, but early adoption is permitted to enable alignment with the adoption of IFRS 10.

g) IFRS 11 – Joint Arrangements

Under IFRS 11, the structure of the joint arrangement, although still an important consideration, is no longer the main factor in determining the type of joint arrangement and therefore the subsequent accounting. The standard is effective for annual periods beginning on or after 1 January 2013.

The Group is not expecting a significant impact from the adoption of this standard as Investment in joint ventures is already accounted as per equity accounting.

h) IFRS 12 - Disclosures of interests in other entities

IFRS 12 brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. It requires the disclosure of information about the nature, risks and financial effects of these interests.

The standard is effective for annual periods beginning on or after 1 January 2013. The Group is currently assessing the disclosure requirements for interests in subsidiaries and joint ventures in comparison with existing disclosures.

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)
DOHA – QATAR
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Amount Expressed in Thousands of Qatari Riyals)

2. Adoption of New and Revised Standards (continued)

2.2 New standards, amendments and interpretations issued but not yet effective

i) IFRS 13 - Fair value measurement

IFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout IFRS. Subject to limited exceptions, IFRS 13 is applied when fair value measurements or disclosures are required or permitted by other IFRSs. Although many of the IFRS 13 disclosure requirements regarding financial assets and financial liabilities are already required, the adoption of IFRS 13 will require the Group to provide additional disclosures. These include fair value hierarchy disclosures for non-financial assets/liabilities and disclosures on fair value measurements that are categorised in Level 3.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013.

2.3 Early Adoption of Standards

The Group did not early adopt new or amended standards/interpretations in 2012.

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.

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.

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3 Basis of Preparation and Significant Accounting Policies (continued)

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.

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.

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3 Basis of Preparation and Significant Accounting Policies (continued)

3.2 Significant Accounting Policies (continued)

b) Property and Equipment (continued)

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

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

c) Borrowing costs

Borrowing costs are finance and other costs that the Group incurs in connection with the borrowing of funds. Borrowing costs directly attributable to the acquisition and construction of qualifying assets, which are assets that take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. Interest income earned on the temporary investment of the borrowings pending their expenditure on the qualifying assets is deducted from the borrowing costs eligible for capitalization. All the other borrowing costs are charged to profit or loss.

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 equity securities and are initially recognised at cost, being the fair value of the consideration given plus any directly attributable transaction costs. After initial recognition, they are remeasured at fair value. Unrealised gains and losses are recognized in other comprehensive income and presented as a separate component of equity until the investment is disposed of or the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the consolidated profit or loss for the year.

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

ii) Trade and Other Receivables

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

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

3.2 Significant Accounting Policies (continued)

d) Financial Instruments (continued)

iii) Cash and Cash Equivalents

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

iv) Accounts Payable and Accruals

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

v) Interest bearing Loans and Borrowings

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

De-recognition of financial assets

A financial asset is de-recognized where:

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

De-recognition of financial liabilities

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

e) Inventories

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

f) Provisions

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

g) Employees' End of Service Benefits and Pension Contributions

Employees' end of service benefits represent terminal gratuity and are provided for services rendered based on entitlements stipulated in the employees' contracts of employment and their length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. The Group has no expectation of settling its end of service benefits obligations in near term and hence classified this as a non-current liability.

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

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

3.2 Significant Accounting Policies (continued)

h) Revenue and other income

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

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

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

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

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

i) Impairment

Impairment of Financial Assets

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

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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.

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.

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4. Property and Equipment:

	<u>Vessels</u>	<u>Dry Docking Costs</u>	<u>SAP</u>	<u>Building</u>	<u>Equipments</u>	<u>Furniture and Fixtures</u>	<u>Others</u>	<u>Total</u>
Cost:								
At January 1, 2011	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 /Transfer 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
Additions during the year 2012	-	26,225	-	-	537	-	7,988	34,750
At December 31, 2012	26,898,132	26,225	44,010	-	6,195	983	286,757	27,262,302
Accumulated Depreciation:								
At January 1, 2011	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
Charge for the year 2012	575,077	1,348	8,802	-	595	142	7,897	593,861
At December 31, 2012	1,994,032	1,348	33,553	-	4,833	583	35,897	2,070,246
Net Carrying Amount:								
At December 31, 2012	24,904,100	24,877	10,457	-	1,362	400	250,860	25,192,056
At December 31, 2011	25,479,177	-	19,259	-	1,420	542	250,769	25,751,167

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5. Investment in Joint Ventures Companies:

	QR
Balance – January 01, 2011	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 ventures	(2,405)
Share of hedging reserve for the year *	(345,596)
Dividend received	(174,612)
Balance – December 31, 2011	<u>1,809,991</u>
Refund of investment in a joint venture company	(15,964)
Share of profit for the year	253,654
Gain on derivative instruments from a joint venture	19,502
Loss adjusted against loan to joint ventures	70,906
Share of hedging reserve for the year *	(8,803)
Dividend received	(110,467)
Balance – December 31, 2012	<u>2,018,819</u>

* This excludes the share of losses on the hedging reserve from joint ventures amounting to a total of **QR 0.5 million** (2011: QR 9.8 million loss) adjusted against the loan to the respective joint venture and **QR 38.9 million** (2011: QR Nil) adjusted against the fair value of interest rate swaps.

Details of the Group's joint venture companies at **December 31, 2012** are as follows:

<u>Name of Joint Ventures</u>	<u>Place of Incorporation</u>	<u>Proportion of Ownership Interest</u>	<u>Principal Activity</u>
Maran Nakilat Company Ltd.	Cayman Islands	30%	Chartering of vessels
J5 Nakilat No. 1 Ltd.	Marshall Islands	40%	Chartering of vessels
J5 Nakilat No. 2 Ltd.	Marshall Islands	40%	Chartering of vessels
J5 Nakilat No. 3 Ltd.	Marshall Islands	40%	Chartering of vessels
J5 Nakilat No. 4 Ltd.	Marshall Islands	40%	Chartering of vessels
J5 Nakilat No. 5 Ltd.	Marshall Islands	40%	Chartering of vessels
J5 Nakilat No. 6 Ltd.	Marshall Islands	40%	Chartering of vessels
J5 Nakilat No. 7 Ltd.	Marshall Islands	40%	Chartering of vessels
J5 Nakilat No. 8 Ltd.	Marshall Islands	40%	Chartering of vessels
Peninsula LNG Transport No. 4 Ltd.	Marshall Islands	30%	Chartering of vessels
Teekay Nakilat Corporation	Marshall Islands	30%	Chartering of vessels
Pronav:			
- Neptana Schiffsbetriebsgesellschaft mbH & Co. TS "Alexandra" KG	Germany	45%	Chartering of vessels
- Nausola Schiffsbetriebsgesellschaft mbH & Co. TS "Britta" KG	Netherlands	45%	Chartering of vessels
-Nauranto Schiffsbetriebsgesellschaft mbH & Co. TS "Gabriela" KG	Marshall Islands	45%	Chartering of vessels
-Neptora Schiffsbetriebsgesellschaft mbH & Co. TS "Julia" KG	Liberia	45%	Chartering of vessels

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

<i>Name of Joint Ventures</i>	<i>Place of Incorporation</i>	<i>Proportion of Ownership Interest</i>	<i>Principal Activity</i>
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 Svitzerwijismuller 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, 2012	December 31, 2011
Total assets	28,374,491	28,691,796
Total liabilities	(23,719,047)	(24,568,556)
Net assets	4,655,444	4,123,240
Group's share of joint venture's net assets	2,018,819	1,809,991
	For the Year Ended December 31, 2012	For the Year Ended December 31, 2011
Revenue	3,261,460	2,980,250
Profit for the year	702,524	707,936
Group's share of joint venture result for the year*	273,156	294,617

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

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6. Loans to Joint Venture Companies:

	December 31, 2012	December 31, 2011
India LNG Transport Company No. 3 Limited (1)	30,842	33,350
Teekay Nakilat Corporation (1)	48,367	48,367
Nakilat Svitzerwijismuller WLL (1)	69,721	77,450
Gulf LPG Transport Company WLL (1)	486,442	522,857
Nakilat-Keppel Offshore & Marine Limited (1, 2 & 3)	356,588	391,527
Nakilat Damen Shipyards Qatar Limited (1)	92,773	44,973
Total	1,084,733	1,118,524

- (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, 2012 is 2.03% (2011: 1.62%).
- (2) Includes a preplacement of funds of QR Nil (2011: QR 30 million) for the Company's share of the joint venture capital expenditure requirements.
- (3) The joint venture has obtained loans from the JV partners up till 31 December 2012 to complete the infrastructure for its state of art ship yard in the region, which is a part of the vision of State of Qatar. The joint venture is still in the initial stage of establishing itself and there is no risk of impairment or indication of impairment on this loan.

7. Available-for-Sale Investments:

	December 31, 2012	December 31, 2011
Balance at January 1	126,675	129,973
Changes in fair value	18,361	(3,298)
Balance at December 31	145,036	126,675

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

8. Trade and Other Receivables:

	December 31, 2012	December 31, 2011
Trade receivables	22,574	104,276
Less: Provision for doubtful receivables	(1,345)	(1,816)
	21,229	102,460
Accrued income	2,697	4,675
Other receivables*	297,790	234,890
Total	321,716	342,025

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

The average credit period is approximately 60 days.

* Other receivables include an amount of QR 11.5 million relating to the excess of dry-dock costs over the originally estimated budgeted costs for dry-docking. The Group is currently negotiating with the Charterer to recover this amount and believed of receiving it from the Charterer.

As at December 31, 2012 the ageing of trade receivables and movement in the provision for doubtful receivables are as follows:

	December 31, 2012	December 31, 2011
(i) Ageing of neither past due nor impaired		
Less than 60 days	18,132	100,257

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8. <u>Trade and Other Receivables (continued):</u>	December 31, 2012	December 31, 2011
(ii) <i>Ageing of past due but not impaired</i>		
61-90 days	567	143
91-120 days	53	404
Over 120 days	2,477	1,656
Total	3,097	2,203
(iii) <i>Ageing of impaired trade receivables</i>		
Over 120 days	1,345	1,816
(iv) <i>Movement in the provision for doubtful receivables:</i>		
Balance at the beginning of the year	1,816	1,029
Additional provision during the year	-	787
Recovery of doubtful receivables during the year	(471)	-
 <i>Balance at end of the year</i>	 1,345	 1,816

9. <u>Cash and Bank Balances:</u>	December 31, 2012	December 31, 2011
Cash on hand	250	247
Cash at bank-Call and current accounts	1,447,787	1,197,193
Cash at bank-Time deposits (c)	560,999	989,232
Other bank balances (a)	22,866	23,367
Other bank balances (b)	64,026	26,499
Total	2,095,928	2,236,538

The effective interest and profit rates on the time deposits varies between 0.17% to 2.2%(2011: 0.5% to 3%).

Cash and bank balances does not include preplacement of funds with a joint venture of QR Nil (2011: QR 30 million) as mentioned in note no. 6(2).

9.1 <u>Cash and Cash Equivalents:</u>	December 31, 2012	December 31, 2011
Cash and bank balances	2,095,928	2,236,538
Less:		
Other bank balances (a)	(22,866)	(23,367)
Other bank balances (b)	(64,026)	(26,499)
	2,009,036	2,186,672

(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.

(c) All time deposits have a maturity of equal to or less than 90 days.

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10. Share Capital:

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
	<u>Number of Shares</u>	<u>Number of Shares</u>
Authorized share capital	<u>560,000,000</u>	<u>560,000,000</u>
Issued share capital	<u>554,026,360</u>	<u>554,026,360</u>
	<u>Amount</u>	<u>Amount</u>
Issued and Paid up share capital with a par value of QR 10 each	<u>5,538,456</u>	<u>5,538,449</u>

At December 31, 2012, a total of 361,566 issued shares are 50% paid (2011: 362,951 issued shares were 50% paid).

10.1 Proposed Cash Dividend:

The Board of Directors has proposed a cash dividend of **QR 554 million** for the current year (2011: QR 471 million) which is subject to the approval of shareholders in the Annual General Meeting. The cash dividend for 2011 was approved by the shareholders at the Annual General Meeting held on April 18, 2012.

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:

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Loan - note (a)	1,383,781	1,529,442
Senior bank facilities - note (b)	13,784,580	14,047,076
Subordinated bank facilities - note (c)	1,560,398	1,588,646
Senior bonds – Series “A” - note (d)	3,095,299	3,095,299
Subordinated bonds Series “A” - note (e)	1,036,525	1,059,936
KEXIM Facility - note (f)	1,266,619	1,424,946
KSURE Covered Facility - note (g)	1,852,430	2,066,171
Less: Issuance costs of bonds	(29,423)	(30,824)
Less: Costs incurred for Islamic financing	(10,091)	-
Total	<u>23,940,118</u>	<u>24,780,692</u>

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13. Borrowings (Continued):

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Classified as:		
Payable within one year	<u>822,213</u>	<u>977,546</u>
Payable after one year	<u>23,117,905</u>	<u>23,803,146</u>

Note (a):

Represents USD 380 million new Islamic finance facilities obtained during the year. The repayment will begin from March 2013 and will end in September 2018. Outstanding loan facility at prior year end amounting to USD 420 million was settled during the year.

Note (b) :

Represents USD 2,115.2 million against the senior bank facility Tranche I, USD 893.6 million against the senior bank facility Tranche II and USD 776.7 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 166.1 million against the subordinated bank facility Tranche I, USD 120.6 million against the subordinated bank facility Tranche II and USD 141.9 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 will end in December 2033.

Note (e) :

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

Note (f) :

Represents KEXIM facility Tranche I. The repayment began from December 2009 and will end in December 2020.

Note (g) :

Represents USD 156.5 million against the KSURE facility Tranche I and USD 352.2 million against the KSURE facility Tranche II. The repayment of Tranche I began from December 2009 and will end in December 2020. The repayment of Tranche II began from December 2010 and will end in December 2021.

The weighted average interest rate on short/long term facilities (excluding hedge), loans and bonds as above at **December 31, 2012** is **2.6499%** (2011: 2.2960%).

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 .

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13. Borrowings (continued):

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

14. Fair Value of Interest Rate Swaps:

The Group has entered into interest rate swap agreements with several financial institutions. As at **December 31, 2012** the outstanding notional amount of swap agreements is **QR 14,240 million** (2011: QR 14,813 million) and net fair value is negative **QR 4,815 million** (2011: negative QR 4,831 million).

15. Accounts Payable and Accruals:

	December 31, 2012	December 31, 2011
Accounts payable	97,333	89,101
Advances from customers	82,709	110,080
Payable to shareholders (1)	22,866	23,367
Other accruals	59,605	51,034
Deferred income (2)	11,107	-
Social and sports fund contribution (note 16)	19,137	20,814
Dividend payable	64,026	26,499
Total	356,783	320,895

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

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

16. Social and Sports Fund Contribution:

Qatar Law no. 13 of 2008 requires Qatari listed shareholding companies with IPO to pay 2.5% of net profit to a social and sports fund. In pursuant to this Law and further clarifications for the Law issued in 2010, the Group has made an appropriation of **QR 19,137** thousands representing 2.5% of the net consolidated profit of the Group for the year ended **December 31, 2012** (December 31, 2011: QR 20,814 thousand). This appropriation has been presented in the statement of changes in equity.

17. Related Party Transactions:

	For the year ended December 31, 2012	For the year ended December 31, 2011
(a) Transactions with related parties during the year are as follows:		
Loans to joint ventures (net)	37,661	9,077
Interest income on loans to joint ventures	24,344	20,148
(b) Balances with related parties are as follows:		
Due from joint venture companies	9,506	21,889
Due to joint venture companies	1,690	-
(c) Key management compensation:		
Compensation of key management personnel	2,711	2,447
Board of Directors' remuneration accrued	1,550	1,550

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18. Subsidiaries:

Details of the Company's subsidiaries at December 31, 2012 are as follows:

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

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

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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, 2012	For the year ended December 31, 2011
Profit for the year attributable to the owners of the Company	<u>765,499</u>	<u>832,566</u>
Weighted average number of shares outstanding during the year	<u>553,845,577</u>	<u>553,844,885</u>
<i>Basic and diluted earnings per share (expressed in QR per share)</i>	1.38	1.50

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, 2012**.

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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 14,240 million (2011 : QR 14,813 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, 2012 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, 2012			December 31, 2011		
	<i>Fixed interest rate</i>	<i>Floating interest rate</i>	<i>Non-interest bearing</i>	<i>Fixed interest rate</i>	<i>Floating interest rate</i>	<i>Non-interest bearing</i>
Financial assets						
Bank balances and cash	-	793,785	1,302,143	-	1,236,383	1,000,155
Loans to joint ventures	-	1,084,733	-	-	1,118,524	-
	-	<u>1,878,518</u>	<u>1,302,143</u>	-	<u>2,354,907</u>	<u>1,000,155</u>
						<u>3,355,062</u>
Financial liabilities						
Interest bearing loans and borrowings	4,092,310	5,607,504	-	4,124,411	5,843,365	-
Interest rate swap	14,240,304	-	-	14,812,916	-	-
	<u>18,332,614</u>	<u>5,607,504</u>	<u>-</u>	<u>18,937,327</u>	<u>5,843,365</u>	<u>-</u>
						<u>14,812,916</u>
						<u>24,780,692</u>
Net financial assets/ (liabilities)	<u>(18,332,614)</u>	<u>(3,728,986)</u>	<u>1,302,143</u>	<u>(18,937,327)</u>	<u>(3,488,458)</u>	<u>1,000,155</u>
						<u>(21,425,630)</u>

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, 2012 would be an increase / decrease by QR 18.6 million (December 31, 2011: QR 17.4 million).

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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

	<i>Average contracted fixed interest rate</i>		<i>Notional principal amount outstanding</i>		<i>Fair value</i>	
	2012	2011	2012	2011	2012	2011
<i>Outstanding receive floating</i>						
<i>Pay fixed contracts</i>						
	%	%	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	14,240	14,813	(4,815)	(4,831)

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 1,061 million** as of **December 31, 2012** (2011: negative fair value of QR 1,012 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 14.5 million** (2011 : QR 12.67 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.

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20. Financial Risk Management (continued):

II Liquidity Risk

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

The ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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

Non-Derivative Financial Liabilities

31 December 2012

	Carrying Amounts	Less than 1 year	1-5 years	Over 5 Years
Borrowings	23,940,118	822,213	3,522,149	19,595,756
Accounts payable and accruals	356,783	356,783	-	-
	24,296,901	1,178,996	3,522,149	19,595,756

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

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.

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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.

	<u>Note</u>	<u>Carrying amount</u>	
		<u>December 31, 2012</u>	<u>December 31, 2011</u>
Loans to joint venture companies	6	1,084,733	1,118,524
Due from joint venture companies		9,506	21,889
Trade and other receivables	8	321,716	342,025
Bank balances	9	2,095,678	2,236,291
Total		3,511,633	3,718,729

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 2012	Level 1	Level 2	Level 3	Total
Available-for-sale investments	145,036	-	-	145,036
Interest rate swaps used for hedging	-	4,814,759	-	4,814,759
31 December 2011				
Available-for-sale investments	126,675	-	-	126,675
Interest rate swaps used for hedging	-	4,830,831	-	4,830,831

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:

	<u>Note</u>	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Total debt (Borrowings)	13	23,940,118	24,780,692
Cash and cash equivalents	9.1	(2,009,036)	(2,186,672)
Net debt		21,931,082	22,594,020

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21. Capital Management (continued):

	December 31, 2012	December 31, 2011
Equity before hedging reserve and non-controlling interests	7,595,449	7,301,641
Add: Non-controlling interests	5,836	5,303
Adjusted Equity (i)	7,601,285	7,306,944
Net debt to adjusted equity ratio	288%	309%

(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, 2012** amounted to **QR 0.7 million** (2011: QR 0.6 million).

(iii) Letter of Credit at **December 31, 2012** amounted to **QR Nil** (2011: QR 401 million).

(iv) Letter of Guarantee at **December 31, 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.

(D) Tax Contingency:

One of the joint ventures of the Company is the lessee under finance lease arrangements for its LNG carriers. The lessor to these lease arrangements has requested the joint venture to enter into negotiations for a mutually agreed upon termination of these leases as the UK 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 45.3 million.

(E) Other Contingencies:

(i) One of the joint ventures of the Company has received notification from the lessor relating to the credit rating downgrade of a bank that was providing the letter of credit to the joint venture's leases. As a result, the lessor has claimed an increase to the lease rentals over the remaining term of the Leases. The joint venture is at initial stage of challenging the claim. The joint venture is also considering other options to reduce the effect of the credit rating downgrade. The Company estimates its share of the potential exposure of these additional costs to be QR 17.4 million.

(ii) The Company head chartered a LNG Vessel from Head Owners for chartering business on back to back terms with Sub Charterer who entered into a further sub charter agreement on back to back terms with Sub-Sub Charterer. During the year the Vessel was rejected by Load Port authority and the Vessel was later withdrawn by Head Owners leading to disputes under the charters. Sub-Sub charterers are claiming approximately US\$17.5 million. In turn the Sub-charter is claiming this plus loss of profit from the Company and the Company is claiming this plus their own loss of profit against Head Owner. No defence has been served yet by Head Owner. At this early stage it is too early to fully assess the position but on the present information the Company considers that the claims and potential counterclaims they may face will probably not require an outflow of resources. Although the Company recognizes that back to back contracts are not a guarantee that a party in the middle of such a chain of contracts is immune it is more likely that either the Head Owner at the top of the chain or the Sub-sub charterer at the bottom will bear the liabilities.

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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.

(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 4,815 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. 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.