

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

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

INDEPENDENT AUDITOR'S REPORT

To The Shareholders
Qatar Gas Transport Company Limited (Nakilat) Q.S.C.
Doha – 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"), which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statements of income, consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 whether the consolidated financial statements are free from material misstatement. The consolidated financial statements include the Group's share of net assets of its joint ventures amounting to QR. 2,042 million (2008: QR. 1,464 million) as of December 31, 2009 which have been audited by other auditors who have provided us with their clearance report. Our opinion in so far as it relates to the amounts included for the joint venture companies, is based on the clearance report of the other auditors.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in 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 financial statements.

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

Opinion

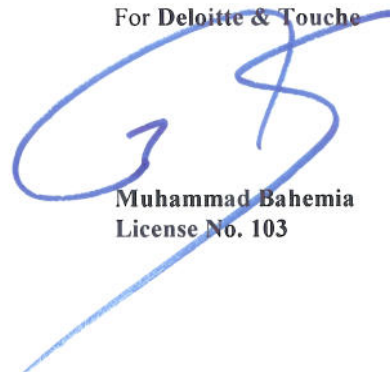
In our opinion and based on the clearance reports of the other auditors, the accompanying consolidated financial statements present fairly, in all material respects the financial position of **Qatar Gas Transport Company Limited (Nakilat) Q.S.C.** as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Legal and Regulatory Requirements

Furthermore, in our opinion the consolidated financial statements provide the information required by the Qatar Commercial Companies' Law No. 5 of 2002 and the Company's Articles of Association. We are also of the opinion that proper books of account were maintained by the Company and the contents of the directors' report are in agreement with the Company's financial statements. To the best of our knowledge and belief and according to the information given to us, no contraventions of the Law or the Company's Articles of Association were committed during the year which would materially affect the Company's activities or its financial position.

**Doha – Qatar
March 24, 2010**

For Deloitte & Touche



**Muhammad Bahemia
License No. 103**

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)
DOHA – QATAR
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2009
(Amount Expressed in Thousands of Qatari Riyals)

	<u>Note</u>	<u>December 31, 2009</u>	<u>December 31, 2008</u>
<u>ASSETS</u>			
Current Assets:			
Cash and bank balances	4	1,778,939	1,990,319
Trade and other receivables	5	101,642	133,999
Due from joint venture companies		1,704	3,155
Inventory		-	7
Total Current Assets		1,882,285	2,127,480
Non-Current Assets:			
Loans to joint venture companies	6	1,108,006	587,919
Investment in joint venture companies	7	2,076,984	1,464,444
Available-for-sale-investments	8	107,108	96,508
Construction in progress	9	3,624,184	17,663,840
Property and equipment	10	22,204,496	2,284,476
Deferred financing costs		245,531	252,911
Total Non-Current Assets		29,366,309	22,350,098
Total Assets		31,248,594	24,477,578

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

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)
DOHA – QATAR
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2009
(Amount Expressed in Thousands of Qatari Riyals)

	<u>Note</u>	<u>December 31, 2009</u>	<u>December 31, 2008</u>
<u>LIABILITIES AND EQUITY</u>			
Current Liabilities:			
Borrowings	11	458,140	114,787
Accounts payable and accruals	12	186,989	227,645
Due to related party		607	83
Total Current Liabilities		645,736	342,515
Non-Current Liabilities:			
Borrowings	11	24,556,405	19,116,727
Fair value of interest rate swaps	13	2,130,977	5,015,695
Provision for end of service benefits		6,195	3,325
Total Non-Current Liabilities		26,693,577	24,135,747
Capital and Reserves:			
Share capital	14	5,537,812	5,537,655
Legal reserve	15	105,280	46,438
Fair value reserve		60,640	50,040
Translation reserve		28,626	24,042
Proposed cash dividend	14.1	277,013	-
Retained earnings		504,796	251,930
Total equity before hedge reserve and non-controlling interests		6,514,167	5,910,105
Hedging reserve	16	(2,609,248)	(5,915,253)
Non-Controlling Interests		4,362	4,464
Total Liabilities and Equity		31,248,594	24,477,578

These consolidated financial statements were approved on March 24, 2010.

Abdullah Bin Hamad Al Attiyah
Chairman

Muhammad Ghannam
Managing Director

The accompanying notes 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, 2009
(Amount Expressed in Thousands of Qatari Riyals)

	<u>Note</u>	<u>For the Year Ended December 31, 2009</u>	<u>For the Year Ended December 31, 2008</u>
Income:			
Revenue from wholly owned vessels		1,493,650	28,873
Share of operating profits from joint ventures		281,107	118,564
Income from marine and agency services		29,311	31,195
Profit from Islamic banks		65,401	81,089
Interest and dividend income		37,206	22,804
Other income		7,785	8,845
Total Income		<u>1,914,460</u>	<u>291,370</u>
Expenses:			
Operating costs of wholly owned vessels		(205,265)	(4,220)
General and administrative		(58,888)	(45,543)
Depreciation of property and equipment	10	(307,305)	(8,273)
Amortization of deferred financing cost		(7,380)	(5,381)
Finance charges		(753,970)	(13,875)
Total Expenses		<u>(1,332,808)</u>	<u>(77,292)</u>
Profit from operations		581,652	214,078
Provision for social and sports fund contribution	19	(12,649)	-
Gain / (loss) on derivative instruments from joint ventures	7	19,939	(84,208)
Total Profit for the year		<u>588,942</u>	<u>129,870</u>
Attributable to:			
Owners of the Company		588,427	129,062
Non-controlling interests		515	808
Total		<u>588,942</u>	<u>129,870</u>
 Basic and diluted earnings per share (expressed in QR. per share)	 20	 <u>1.06</u>	 <u>0.23</u>

The accompanying notes 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, 2009
(Amount Expressed in Thousands of Qatari Riyals)

	For the Year Ended December 31, 2009	For the Year Ended December 31, 2008
Total profit for the year	588,942	129,870
Other comprehensive income/ (loss)		
Available-for-sale investments	10,600	(33,537)
Exchange difference arising on translating foreign operations	4,584	3,869
Cash flow hedging reserves	2,884,718	(3,993,702)
Group share of joint ventures' changes in fair value of cash flow hedging derivatives	421,287	(814,549)
Total comprehensive income / (loss) for the year	3,910,131	(4,708,049)
Total comprehensive income / (loss) for the year attributable to:		
Owners of the Company	3,909,616	(4,708,857)
Non-controlling interests	515	808
Total	3,910,131	(4,708,049)

The accompanying notes 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, 2009
(Amount Expressed in Thousands of Qatari Riyals)

	Share Capital	Legal Reserve	Fair Value Reserve	Translation Reserve	Proposed Cash Dividend	Retained Earnings	Non- Controlling Interests	Hedging Reserve	Non- Controlling Interests
Balance as of January 01, 2008 (Restated)	5,536,666	33,554	83,577	20,173	-	135,774	5,809,744	(1,107,002)	3,656
Capital contribution	989	-	-	-	-	-	989	-	-
Expenses incurred on second cash call against capital	-	(22)	-	-	-	-	(22)	-	-
Comprehensive income / (loss) for the year									
-Changes in fair value of investments	-	-	(33,537)	-	-	-	(33,537)	-	-
-Exchange difference arising on translating foreign operations	-	-	-	3,869	-	-	3,869	-	-
-Decrease in fair value of cash flow hedging derivatives	-	-	-	-	-	-	-	(3,993,702)	-
-Group share of joint ventures' changes in fair value of cash flow hedging derivatives	-	-	-	-	-	-	-	(814,549)	-
-Total profit for the year	-	-	-	-	-	129,062	129,062	-	808
Transfer to legal reserve	-	12,906	-	-	-	(12,906)	-	-	-
Balance as of December 31, 2008	5,537,655	46,438	50,040	24,042	-	251,930	5,910,105	(5,915,253)	4,464
Capital contribution	157	-	-	-	-	-	157	-	-
Adjustment due to liquidation of a subsidiary	-	-	-	-	-	294	294	-	(617)
Comprehensive income / (loss) for the year									
-Changes in fair value of investments	-	-	10,600	-	-	-	10,600	-	-
-Exchange difference arising on translating foreign operations	-	-	-	4,584	-	-	4,584	-	-
-Increase in fair value of cash flow hedging derivatives	-	-	-	-	-	-	-	2,884,718	-
-Group share of joint ventures' changes in fair value of cash flow hedging derivatives	-	-	-	-	-	-	-	421,287	-
-Total profit for the year	-	-	-	-	-	588,427	588,427	-	515
Transfer to legal reserve	-	58,842	-	-	-	(58,842)	-	-	-
Proposed cash dividend	-	-	-	-	277,013	(277,013)	-	-	-
Balance as of December 31, 2009	5,537,812	105,280	60,640	28,626	277,013	504,796	6,514,167	(2,609,248)	4,362

The accompanying notes 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, 2009
(Amount Expressed in Thousands of Qatari Riyals)

	<u>Note</u>	For the year ended December 31, 2009	For the year ended December 31, 2008
Cash Flows from Operating Activities:			
Total Profit for the year		588,942	129,870
Adjustments for:			
Depreciation of property and equipment		307,305	8,273
Amortization of deferred financing cost		7,380	5,381
Finance charges		753,970	13,875
Share of profits from joint ventures		(301,046)	(34,356)
Profit from Islamic banks		(65,401)	(81,089)
Interest, dividend and other income		(44,991)	(31,650)
Provision for doubtful debts		161	971
		<u>1,246,320</u>	<u>11,275</u>
Working Capital Changes:			
Trade and other receivables		17,971	(26,925)
Accounts payable and accruals		27,916	30,623
Due from joint venture companies		1,451	(1,003)
Due to related party		524	10
Inventory		7	2
		<u>1,294,189</u>	<u>13,982</u>
Cash generated from operations		1,294,189	13,982
Finance charges paid		(1,254,421)	(783,758)
Net Cash from/ (Used) in Operating Activities		<u>39,768</u>	<u>(769,776)</u>
Cash Flows from Investing Activities:			
Loans to joint venture companies		(537,382)	(383,529)
Refund of / (investment in) joint venture companies		(641)	126,956
Dividend income received from joint ventures		89,230	51,647
Acquisition of property and equipments		(1,592)	(2,712)
Investment income received		127,073	114,092
Time deposits maturing after ninety days		9,098	670,215
Construction in progress		(5,707,565)	(10,077,536)
Deferred financing costs		-	(3,703)
		<u>(6,021,779)</u>	<u>(9,504,570)</u>
Net Cash Used in Investing Activities		<u>(6,021,779)</u>	<u>(9,504,570)</u>
Cash Flows from Financing Activities:			
Proceeds on second cash call		157	989
Proceeds from borrowings		5,896,415	10,467,208
Repayments of borrowings		(114,785)	-
Expenses incurred on second cash call against capital		-	(22)
		<u>5,781,787</u>	<u>10,468,175</u>
Net Cash from Financing Activities		<u>5,781,787</u>	<u>10,468,175</u>
Net (Decrease)/ Increase in Cash and Cash Equivalents		<u>(200,224)</u>	<u>193,829</u>
Cash and Cash Equivalents at Beginning of the Year		<u>1,953,215</u>	<u>1,759,386</u>
Cash and Cash Equivalents at End of the Year	4.1	<u>1,752,991</u>	<u>1,953,215</u>

The accompanying notes 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, 2009
(Amount Expressed in Thousands of Qatari Riyals)

1. Legal Status and Activities:

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

At the date of authorization of these consolidated financial statements, the following standards and interpretations were effective:

(i) Revised standards:

- | | |
|------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> • IAS 1 (Revised) - Presentation of Financial Statements | <p>IAS 1 has introduced the following:</p> <ul style="list-style-type: none"> ➤ Terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. ➤ Comprehensive revision including requiring a statement of comprehensive income. |
| <ul style="list-style-type: none"> • IAS 23 (Revised)- Borrowing Costs | <p>The principal change to the Standard was to eliminate the option to expense all borrowing costs when incurred. This change has had no impact on these consolidated financial statements because it has always been the Group's accounting policy to capitalize borrowing costs incurred on qualifying assets.</p> |
| <ul style="list-style-type: none"> • IFRS 7 (Revised)- Financial Instruments | <p>The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk.</p> |
| <p>Various</p> | <p>In addition to the amendments described earlier in this section, various standards were also amended. The Improvements have led to changes in the detail of the Group's accounting policies – some of which are changes in terminology only, and some of which are substantive but have had no material effect on amounts reported.</p> |

(ii) New Standard:

- IFRS 8 – Operating Segments

(iii) New Interpretations:

- IFRIC 13 - Customer loyalty Programmes
- IFRIC 15 - Agreement for Construction of Real Estate
- IFRIC 16 - Hedges of Net Investment in Foreign Operations

The adoption of these standards and Interpretations had no significant effect on the financial statements of the Group for the year ended **December 31, 2009**, other than certain presentation and disclosure changes.

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Amount Expressed in Thousands of Qatari Riyals)

2. Adoption of New and Revised Standards (continued)

2.2 *Standards and Interpretations in issue not yet effective*

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

(i) Revised Standards:

Effective for annual periods beginning on or after July 1, 2009

- IAS 27 (Revised) - *Consolidated and Separate Financial Statements*
- IAS 28 (Revised) - *Investments in Associates*
- IAS 31 (Revised) - *Interest In Joint Ventures*
- IAS 38 (Revised) – *Intangible Assets*
- IAS 39 (Revised) – *Financial Instruments: Recognition & Measurement*
- IFRS 2 (Revised) - *Share-based Payments*
- IFRS 3 (Revised) - *Business Combinations*
- IFRS 5 (Revised) – *Non Current assets Held for Sale & Discontinued Operations*

Effective for annual periods beginning on or after January 1, 2010

- IAS 1- *Presentation of Financial statements*
- IAS 7 (Revised) - *Statement of Cash Flows*
- IAS 17 (Revised) - *Leases*
- IAS 36 (Revised) - *Impairment of Assets*
- IAS 39 (Revised) – *Financial Instruments: Recognition & Measurement*
- IFRS 1 (Revised) - *First time adoption*
- IFRS 2 (Revised) - *Share-based Payments*
- IFRS 5 (Revised) – *Non Current assets Held for Sale & Discontinued Operations*
- IFRS 8 (Revised) – *Operating Segments*

Effective for annual periods beginning on or after January 1, 2011

- IFRS 24 (Revised) – *Related Party Disclosures*

(ii) New Standard:

Effective for annual periods beginning on or after January 1, 2013 (Early adoption allowed)

- IFRS 9- *Financial Instruments –Classification and Measurement*

(iii) New Interpretations:

Effective for annual periods beginning on or after July 1, 2009

- IFRIC 17 - *Distributions of Non-Cash Assets to Owners*

Effective for transfers from customers received on or after July 1, 2009

- IFRIC 18 - *Transfers of Assets from Customers*

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)
DOHA – QATAR
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Amount Expressed in Thousands of Qatari Riyals)

2. Adoption of New and Revised Standards (continued)

Effective for annual periods beginning on or after July 1, 2010

- IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

Management anticipates that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the consolidated financial statements of the Group in the period of initial application, other than certain presentation and disclosure changes.

3. Basis of Preparation and Significant Accounting Policies:

a) Basis of Preparation

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

b) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) and its joint venture entities collectively referred to as the "Group". Refer to notes no. 7 and 18 for details.

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

c) Investment in Subsidiary Company

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

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

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

d) Investment in Joint Venture Company

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

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

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

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)
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FOR THE YEAR ENDED DECEMBER 31, 2009
(Amount Expressed in Thousands of Qatari Riyals)

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

e) Property and Equipment

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

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

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

f) Borrowing costs

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

g) Investments Available –for- Sale

Investments are initially recognised at cost, being the fair value of the consideration given. After initial recognition, investments classified as “available-for-sale”, are remeasured at fair value. Unrealised gains and losses are reported 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 statement of income for the year.

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

h) Trade and Other Receivables

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

i) Accounts Payable and Accruals

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

j) Provisions

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

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Amount Expressed in Thousands of Qatari Riyals)

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

k) Employees' End of Service Benefits and Pension Contributions

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

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

l) Revenue

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

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

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

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

m) Cash and Cash Equivalents

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

n) Impairment

Impairment of Financial Assets

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

Impairment of Non Financial Assets

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

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Amount Expressed in Thousands of Qatari Riyals)

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

o) Foreign Currencies

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

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

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

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

p) Derivative Financial Instruments and Hedging Activities

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

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

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

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

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

q) Interest bearing Loans and Borrowings

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

r) Deferred Financing Costs

It relates mainly to the capitalization of borrowing cost of joint ventures and subsidiaries. Finance costs incurred in the arrangement of debt are deferred and are amortized to on the straight-line basis over the life of the vessels.

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

s) Vessels Under Construction

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

4. Cash and Bank Balances:

	December 31, 2009	December 31, 2008
Cash on hand	396	347
Current account	609,949	587,509
Time deposits	1,142,078	1,374,457
Other bank balances*	26,516	28,006
Total	1,778,939	1,990,319

The effective interest and profit rates on the time deposits varies between 0.25% to 6.5% (2008: 3.375% to 6.85%).

Cash does not include preplacement of funds to a joint venture of QR 313.2 million as mentioned in note no.6 (2).

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

4.1 Cash and Cash Equivalents:

	December 31, 2009	December 31, 2008
Cash and bank balances	1,778,939	1,990,319
Less: Time deposits maturing after 90 days	-	(9,098)
Other bank balances	(25,948)	(28,006)
	1,752,991	1,953,215

5. Trade and Other Receivables:

	December 31, 2009	December 31, 2008
Trade receivable	10,920	13,140
Less: Provision for doubtful debts	(1,198)	(1,098)
	9,722	12,042
Accrued income	21,104	35,706
Other receivables	70,816	86,251
Total	101,642	133,999

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. Included in the Group's trade receivable balance are receivables with a carrying amount of **QR 2.6 million** (2008: QR 2.7 million) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

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5. Trade and Other Receivables (continued):

As at **December 31, 2009** the ageing of trade receivables and movement in the provision for doubtful debts are as follows:

	December 31, 2009	December 31, 2008
(i) Ageing of neither past due nor impaired		
Less than 60 days	<u>7,096</u>	<u>9,297</u>
(ii) Ageing of past due but not impaired		
61-90 days	663	955
91-120 days	426	2
Over 120 days	1,537	1,788
Total	<u>2,626</u>	<u>2,745</u>
(iii) Ageing of impaired trade receivables		
Over 120 days	<u>1,198</u>	<u>1,098</u>
(iv) Movement in the provision of doubtful debts:		
Balance at the beginning of the year	1,098	3,599
Additional provision during the year	161	971
Recovery of doubtful debts during the year	(8)	(1,142)
Doubtful debts written off during the year	(53)	(2,330)
Balance at end of the year	<u>1,198</u>	<u>1,098</u>

6. Loans to Joint Venture Companies:

	December 31, 2009	December 31, 2008
India LNG Transport Company No. 3 Limited (1)	35,484	23,732
Teekay Nakilat Corporation (1)	17,846	50,188
Nakilat Svitzerwijmuller WLL (1)	118,585	138,752
Gulf LPG Transport Company WLL (1)	499,836	375,247
Nakilat-Keppel Offshore & Marine Limited (1 & 2)	436,255	-
Total	<u>1,108,006</u>	<u>587,919</u>

- (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, 2009** is 2.7% (2008: 4.2%).
- (2) Includes a preplacement of funds of QR 313.2 million for the Company's share of the joint venture capital expenditures requirements.

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7. Investment in Joint Ventures Companies:

Balance – January 01, 2008 (Restated)	2,367,200
Refund of investment in joint venture entities during the year	(63,304)
Share of operating profit for the year	118,564
Loss on derivative instruments from joint ventures	(84,208)
Profit adjusted against loan to joint venture	(35,389)
Transfer to loan to joint venture	(42,165)
Share of hedging reserve for the year *	(748,476)
Share of exchange difference arising on translating foreign operations	3,869
Dividend received	(51,647)
 Balance – December 31, 2008	 1,464,444
Refund of investment in joint venture entity during the year	(641)
Share of operating profit for the year	281,107
Gain on derivative instruments from joint ventures	19,939
Loss adjusted against loan to joint venture	30,411
Share of hedging reserve for the year *	366,370
Share of exchange difference arising on translating foreign operations	4,584
Dividend received	(89,230)
 Balance – December 31, 2009	 <u>2,076,984</u>

* This excludes the share of losses on the hedging reserve from the joint ventures amounting to a total of **QR 13.1million** (2008: QR 24.2 million) which has been adjusted against the loan to the respective joint venture.

Details of the Group's joint venture companies at **December 31, 2009** are as follows:

<i>Name of Joint Ventures</i>	<i>Place of Incorporation and Operation</i>	<i>Proportion of Ownership Interest</i>	<i>Principal Activity</i>
Maran Nakilat Company Ltd.	Cayman Islands	30%	Chartering of vessels
J5 Nakilat No. 1 to 8 Ltd.	Japan	40%	Chartering of vessels
Peninsula LNG Transport No. 4 Ltd.	Marshall Islands	30%	Chartering of vessels
Teekay Nakilat Corporation	Marshall Islands	30%	Chartering of vessels
Pronav:			
- Neptana Schiffsbetriebsgesellschaft mbH & Co. TS "Alexandra" KG	Germany	45%	Chartering of vessels
-Nausola Schiffsbetriebsgesellschaft mbH & Co. TS "Britta" KG	Netherlands	45%	Chartering of vessels
-Nauranta Schiffsbetriebsgesellschaft mbH & Co. TS "Gabriela" KG	Marshall Islands	45%	Chartering of vessels
-Neptora Schiffsbetriebsgesellschaft mbH & Co. TS "Julia" KG	Liberia	45%	Chartering of vessels
Teekay Nakilat (III) Corporation **	Marshall Islands	60%	Chartering of vessels
OSG Nakilat Corporation **	Marshall Islands	50.1%	Chartering of vessels
India LNG Transport Company No. 3 Ltd.	Malta	20%	Chartering of vessels
Nakilat Svitzerwijsmuller WLL **	Qatar	70%	Chartering of vessels
Gulf LPG Transport Company WLL	Qatar	50%	Chartering of vessels
Nakilat-Keppel Offshore & Marine Ltd**	Qatar	80%	Operate and maintain the Ship Repair Yard.

** Although the Group holds more than half of the equity shares in this entity, it does not exercise significant influence on the entity. Decisions need unanimous consent of both parties. Consequently, the Group accounts for this investment as a joint venture.

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7. Investment in Joint Ventures Companies (continued):

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

	December 31, 2009	December 31, 2008
Total assets	29,016,278	28,676,262
Total liabilities	(24,312,423)	(25,336,844)
Net Assets	4,703,855	3,339,418
Group's share of joint venture's net assets	2,076,984	1,464,444
	For the Year Ended December 31, 2009	For the Year Ended December 31, 2008
Revenue	2,576,400	1,940,853
Profit for the year	602,259	209,944
Group's share of joint venture result for the year*	301,046	34,356

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

8. Available for Sale Investments:

	December 31, 2009	December 31, 2008
Balance at January 1	96,508	130,045
Changes in fair value	10,600	(33,537)
Balance at December 31	107,108	96,508

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

9. Construction in Progress:

	<u>Vessels Under Construction</u>			<u>Dry Docking Facility Under Construction</u>	<u>Software System Implementation Cost</u>	<u>Building Under Construction</u>	<u>Total</u>
	<u>Ship- Building Cost</u>	<u>Other Program Cost</u>	<u>Sub Total</u>				
At January 1, 2008	8,607,378	574,126	9,181,504	17,670	11,004	-	9,210,178
Additions during the year	9,592,495	1,082,007	10,674,502	46,948	20,912	-	10,742,362
Transfer to property and equipment	(2,083,594)	(176,435)	(2,260,029)	-	(28,671)	-	(2,288,700)
At December 31, 2008	16,116,279	1,479,698	17,595,977	64,618	3,245	-	17,663,840
Additions during the year	5,320,011	859,742	6,179,753	23,397	11,626	1,136	6,215,912
Transfer to property and equipment	(18,229,012)	(1,996,754)	(20,225,766)	-	-	-	(20,225,766)
Transfer to loan to JV	-	-	-	(29,802)	-	-	(29,802)
At December 31, 2009	3,207,278	342,686	3,549,964	58,213	14,871	1,136	3,624,184

Note

(a)

(b)

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9. Construction in Progress (continued):

Note (a): Represents payment made to shipbuilders in accordance with the terms of the shipbuilding contracts for vessel currently under construction.

Note (b): Included in other program costs is **QR 141 million** (2008: QR 873 million) being interest expense capitalized net of interest income.

10. Property and Equipment:

	<u>Vessels</u>	<u>SAP</u>	<u>Building</u>	<u>Office Equipment</u>	<u>Furniture and Fixture</u>	<u>Vehicles</u>	<u>Total</u>
Cost:							
At January 1, 2008	-	-	216	986	557	52	1,811
Acquisitions during the year	-	-	-	2,547	166	-	2,713
Transfer from Construction in progress	2,260,029	28,671	-	-	-	-	2,288,700
At December 31, 2008	2,260,029	28,671	216	3,533	723	52	2,293,224
Additions during the year	-	-	-	1,324	238	30	1,592
De-recognition of assets	-	-	-	(27)	(13)	(52)	(92)
Transfer from Construction in progress	20,225,766	-	-	-	-	-	20,225,766
At December 31, 2009	22,485,795	28,671	216	4,830	948	30	22,520,490
Accumulated Depreciation:							
At January 1, 2008	-	-	43	396	31	5	475
Charge for the year 2008	6,143	1,434	43	546	97	10	8,273
At December 31, 2008	6,143	1,434	86	942	128	15	8,748
Charge for the year 2009	300,129	5,734	43	1,269	119	11	307,305
Related to de-recognized assets	-	-	-	(27)	(13)	(19)	(59)
At December 31, 2009	306,272	7,168	129	2,184	234	7	315,994
Net Carrying Amount:							
At December 31, 2009	22,179,523	21,503	87	2,646	714	23	22,204,496
At December 31, 2008	2,253,886	27,237	130	2,591	595	37	2,284,476

11. Borrowings:

These consist of the following:

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Loan - note (a)	1,820,764	1,820,764
Senior bank facilities - note (b)	13,768,617	9,744,729
Subordinated bank facilities - note (c)	1,107,025	633,626
Senior bonds – Series “A” - note (d)	3,095,299	3,095,299
Subordinated bonds Series “A” - note (e)	1,092,458	1,092,458
KEXIM Facility - note (f)	1,741,600	1,464,890
KEIC Covered Facility - note (g)	2,422,408	1,414,775
Less: Issuance costs of bonds	(33,626)	(35,027)
Total	<u>25,014,545</u>	<u>19,231,514</u>

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11. Borrowings (continued):

Classified as:	December 31, 2009	December 31, 2008
Payable within one year	458,140	114,787
Payable after one year	24,556,405	19,116,727

Note (a):

This represents an unsecured facility of USD 500 million.

Note (b) :

Represents the draw down amounting to USD 2,216 million against the senior bank facility Tranche I, draw down amounting to USD 925 million against the senior bank facility Tranche II and draw down amounting to USD 640 million against senior bank facility Tranche III. The repayment of Tranche I will begin from December 2010 and end in December 2025. The repayment of Tranche II will begin from June 2011 and end in December 2025. The repayment of Tranche III will begin from June 2011 and end in December 2019.

Note (c) :

Represents the draw down amounting to USD 174 million against the subordinated bank facility Tranche I, draw down amounting to USD 125 million against the subordinated bank facility Tranche II and draw down amounting to USD 5 million against subordinated bank facility Tranche III. The repayment of Tranche I will begin from December 2010 and end in December 2025. The repayment of Tranche II will begin from June 2011 and end in December 2025. The repayment of Tranche III will begin from June 2011 and end in December 2019.

Note (d) :

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

Note (e) :

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

Note (f) :

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

Note (g) :

Represents the draw down amounting to USD 215 million against the KEIC facility Tranche I and draw down amounting to USD 450 million against the KEIC facility Tranche II. The repayment of Tranche I began from December 2009 and will end in December 2020. The repayment of Tranche II will begin from December 2010 and will end in December 2021.

The weighted average interest rate on borrowings at **December 31, 2009** is **2.7099%** (2008: 4.5361%).

The bank facilities and bonds are used to finance the construction 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 guarantor is a party.

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

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12. Accounts Payable and Accruals:

	December 31, 2009	December 31, 2008
Accounts payable	58,860	72,658
Advances from customers	52,332	49,133
Payable to shareholders *	25,948	27,848
Other accruals	37,200	36,187
Provision for social and sports fund contribution	12,649	-
Provision for hedge loss	-	41,819
Total	186,989	227,645

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

13. Fair Value of Interest Rate Swaps:

The Group has entered into interest rate swap agreements with several financial institutions. As at **December 31, 2009** the total notional amount of swap agreements is **QR 15,928 million** (2008: QR 15,928 million) and net fair value is negative **QR 2,131 million** (2008: negative QR 5,016 million).

14. Share Capital:

	December 31, 2009	December 31, 2008
	Number of Shares	Number of Shares
Authorized share capital	560,000,000	560,000,000
Issued share capital	554,026,360	554,026,360
	Amount	Amount
Issued and Paid up capital with a par value of QR. 10 each	5,537,812	5,537,655

At **December 31, 2009**, a total of **490,337** issued shares are 50% paid (2008: 521,736 issued shares were 50% paid).

14.1 Proposed Cash Dividend:

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

15. Legal Reserve:

The Articles of Association of the Company provides for a legal reserve at 10% of net profit for the 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 and the Commercial Companies Law.

16. Hedging Reserve:

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

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

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17. Related Party Transactions:

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

	For the year ended Dec. 31, 2009	For the year ended Dec.31, 2008
Compensation of key management personnel	<u>2,272</u>	<u>2,148</u>
Board of Directors Remuneration	<u>700</u>	<u>700</u>

18. Subsidiaries:

Details of the Company's subsidiaries at **December 31, 2009** are as follows:

<u><i>Name of Subsidiaries</i></u>	<u><i>Place of Incorporation (or registration) and Operation</i></u>	<u><i>Proportion of Ownership & Voting Interest</i></u>	<u><i>Principal Activity</i></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

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18. Subsidiaries (continued):

<u><i>Name of Subsidiaries</i></u>	<u><i>Place of Incorporation (or registration) and Operation</i></u>	<u><i>Proportion of Ownership & Voting Interest</i></u>	<u><i>Principal Activity</i></u>
Nakilat DSME 2266 Inc.	Marshall Islands	100%	Chartering of vessels
Nakilat S.H.I. 1726 Inc.	Marshall Islands	100%	Chartering of vessels
Nakilat S.H.I. 1751 Inc.	Marshall Islands	100%	Chartering of vessels
Nakilat S.H.I. 1752 Inc.	Marshall Islands	100%	Chartering of vessels
Nakilat S.H.I. 1753 Inc.	Marshall Islands	100%	Chartering of vessels
Nakilat S.H.I. 1754 Inc.	Marshall Islands	100%	Chartering of vessels
Nakilat DSME 2283 Inc.	Marshall Islands	100%	Chartering of vessels
Nakilat DSME 2284 Inc.	Marshall Islands	100%	Chartering of vessels
Nakilat DSME 2285 Inc.	Marshall Islands	100%	Chartering of vessels
Nakilat DSME 2286 Inc.	Marshall Islands	100%	Chartering of vessels
QGTC Nakilat (1643-6) Holding Corporation *	Marshall Islands	100%	Holding Company
QGTC Nakilat (2245-8) Investment Limited *	Marshall Islands	100%	Holding Company
Nakilat Marine Services Limited *	Marshall Islands	100%	Holding Company
Nakilat Shipping (Qatar) Limited	Qatar	100%	Shipping Management Company

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

19. Provision for Social and Sports Fund Contribution:

Based on a circular issued by the Ministry of Economy & Finance, the Group has deducted **QR 12.6 million** from profits, being 2.5% of the net profit of the Group from operations for the year which excludes gain from derivative instruments and adjustment of the previous year's joint ventures' profit for the contribution towards a "social and sports fund".

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20. Earnings Per Share:

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

	For the year ended December 31, 2009	For the year ended December 31, 2008
Profit for the year	<u>588,427</u>	<u>129,062</u>
Weighted average number of shares outstanding during the year	<u>553,781,192</u>	<u>553,765,492</u>
Basic and diluted earnings per share (expressed in QR. per share)	1.06	0.23

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

21. Financial Risk Management:

Financial Risk Factors

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

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

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

(a) Interest Rate Risk

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

(i) Interest Rate Sensitivity Analysis

The Group is exposed to interest rate risk on its bank balances, loans to joint ventures and borrowings. The table below demonstrates the sensitivity of the Group's profit to reasonably possible changes on the Group's profit for one year, based on the floating interest rate of financial assets and liabilities held at December 31, 2009.

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21. Financial Risk Management (continued):

Interest rate risk exposures

With the exception of certain term loans amounting to **QR 15,928 million** (2008 : QR 13,258 million), which are covered by interest rate swap contracts (Note 13), a portion of the Group's financial assets and liabilities as of 31 December 2009 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, 2009				December 31, 2008			
	<i>Fixed interest rate</i>	<i>Floating interest rate</i>	<i>Non-interest bearing</i>	<i>Total</i>	<i>Fixed interest rate</i>	<i>Floating interest rate</i>	<i>Non-interest bearing</i>	<i>Total</i>
Financial assets								
Bank balances and cash	-	1,778,543	396	1,778,939	-	1,989,972	347	1,990,319
Loans to joint ventures	-	1,108,006	-	1,108,006	-	587,919	-	587,919
	-	2,886,549	396	2,886,945	-	2,577,891	347	2,578,238
Financial liabilities								
Interest bearing loans and borrowings	4,154,131	1,820,764	-	5,974,895	4,152,730	1,820,764	-	5,973,494
Interest rate swap	15,928,250	3,111,400	-	19,039,650	13,258,020	-	-	13,258,020
	20,082,381	4,932,164	-	25,014,545	17,410,750	1,820,764	-	19,231,514
Net financial assets/ (liabilities)	(20,082,381)	(2,045,615)	396	(22,127,600)	(17,410,750)	757,127	347	(16,653,276)

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, 2009** would be an increase / decrease by **QR 10.2 million**.

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21. *Financial Risk Management (continued):*

(ii) Interest rate swap contracts

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

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

Cash flow hedges

	<i>Average contracted fixed interest rate</i>		<i>Notional principal amount</i>		<i>Fair value</i>	
	2009	2008	2009	2008	2009	2008
<i>Outstanding receive floating 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	15,928	15,928	(2,131)	(5,016)

In addition to the above the Group has also accounted for its share of fair value of interest rate swaps relating to Joint Ventures amounting to **QR 421 million** as of **December 31, 2009** (2008: negative fair value of QR 815 million).

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

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

(b) Liquidity Risk

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

(c) Credit risk

The Group has no significant concentration of credit risk.

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21. Financial Risk Management (continued):

(d) Market risk

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

A 10% increase or decrease in market value of the Group's portfolio of available-for-sale investments is expected to result in an increase or decrease of **QR 10.7 million** in the assets and equity of the Group.

Fair Value of Financial Instruments

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

22. Capital Management:

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

Gearing ratio

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

The gearing ratio at the year end was as follows:

	Note	December 31, 2009	December 31, 2008
Total debt (Borrowings)	11	25,014,545	19,231,514
Cash and cash equivalents	4.1	(1,752,991)	(1,953,215)
<i>Net debt</i>		<u>23,261,554</u>	<u>17,278,299</u>
Total equity before hedge reserve and non-controlling interest		6,514,167	5,910,105
Add: Non-controlling interests		4,362	4,464
<i>Adjusted Equity (i)</i>		<u>6,518,529</u>	<u>5,914,569</u>
<i>Net debt to adjusted equity ratio</i>		357%	292%

(i) Adjusted equity includes all capital and reserves except cash flow hedge reserve deficit of the Group.

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23. Commitments and Contingencies:

A) *Capital Commitments:*

One of the subsidiaries of Qatar Gas Transport Company Limited (Nakilat) (QSC) had at **December 31, 2009** outstanding commitments for the construction of its vessels.

Details of the commitments are as follows:

	<u>USD '000'</u>	<u>QR. '000'</u>
Commitments to shipbuilders	177,846 =====	647,631 =====

B) *Swap Commitments:*

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

C) *Guarantees:*

(i) *Cross Guarantees*

Qatar Gas Transport Company Limited QSC has issued cross guarantees to the banks and shipbuilders with regard to loans, interest rate swaps and shipbuilding contracts entered / contracted by joint venture entities.

(ii) Bank Guarantees at December 31, 2009 amounted to **QR 0.1 million** (2008: QR. 0.391 million).

D) *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.

E) *Undrawn Facilities:*

As at **December 31, 2009**, the Group had the following undrawn facilities:

	<u>USD</u>	<u>QR.</u>
Senior bank facilities	163 million	594 million
Subordinated bank facilities	141 million	513 million

Commitment fees relating to these undrawn facilities have been paid up to **December 31, 2009**.

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24. Critical Accounting Judgments:

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

Critical judgment in applying accounting policies:

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

Useful life of vessels:

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

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

Hedge effectiveness:

Management reviews its hedging relationship between the interest rate swaps and the underlying loans on a regular basis. The hedge was found to be highly effective. As result, the fair value of the derivative (a total deficit of QR 2,131 million) is recorded in equity under hedging reserve.

Impairment of available – for – sale equity investments:

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

25. Profit for the year:

Profit for the year is arrived at after charging staff cost amounting to **QR 44 million** (2008: QR 27 million).

26. Comparative numbers:

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