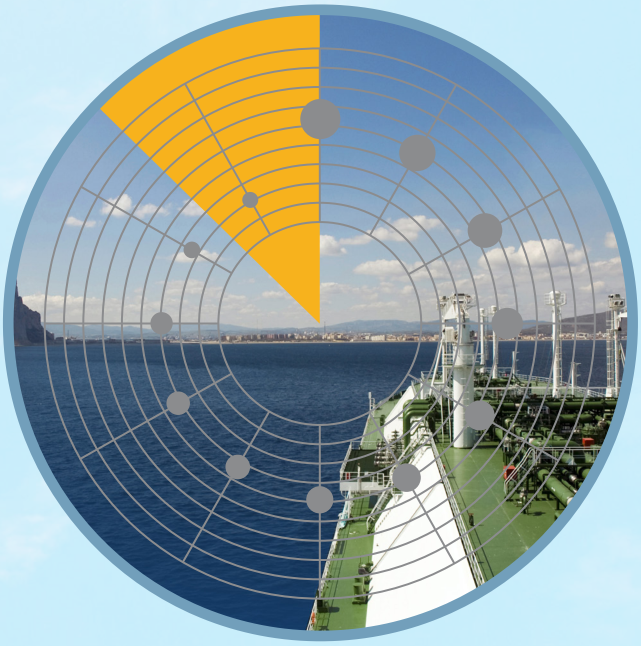
Annual Report

218

QATAR GAS TRANSPORT COMPANY LTD. "NAKILAT" (QPSC)

QATAR GAS TRANSPORT COMPANY LTD.
"NAKILAT" (QPSC)

Capital of the Company
The issued and paid up capital of the Company amounts to 5,540,263,600 (five billion, five hundred and forty million, two hundred and sixty three thousand and six hundred Qatari Riyals) divided into 554,026,360 (five hundred and fifty four million, twenty six thousand, three hundred and sixty) shares.

Nominal Value of the Stock
QR 10 (Ten Qatari Riyals)

Term of the Company
The fixed term of the Company is 50 Gregorian years, commencing from July 18, 2004, the date of issuance of the decision of the Minister of Business and Trade of Qatar authorizing its establishment.

The term may be extended by a decision of a Company's extraordinary general assembly.

Financial Year of the Company
The Financial Year of the Company commences on January 1 and ends on December 31.

Listing of the Company's Stocks on Qatar Exchange
The Company's shares are listed on the Qatar Exchange, and the dealing of such shares is in accordance with the regulations of the Qatar Exchange and Qatar Financial Markets Authority.

Headquarters of the Company
The headquarters and registered office of the Company are in the city of Doha, State of Qatar.

Tel: + 974 4496 8811
P. O. Box: 22271
Doha, State of Qatar
www.nakilat.com

IN THE NAME OF ALLAH
THE MERCIFUL AND THE GRACIOUS

His Highness

SHEIKH TAMIM BIN HAMAD AL-THANI
The Emir of the State of Qatar

His Highness

SHEIKH HAMAD BIN KHALIFA AL-THANI
The Father Emir of the State of Qatar

Contents

Vision:

"To be a global leader and provider of choice for energy transportation and maritime services."

Mission:

- Safely, reliably and efficiently provide shipping and maritime services
- Protect the environment wherever we work
- Maximize shareholder return through optimized investment opportunities
- Contribute to and support the Qatar National Vision 2030
- Exceed customer expectations through strong partnerships
- Foster passionate collaboration and capture synergies amongst the Nakilat family
- Invest in human capital; attracting, retaining and developing our workforce with an emphasis on National Development

Values:

Safety: Incident and Injury free

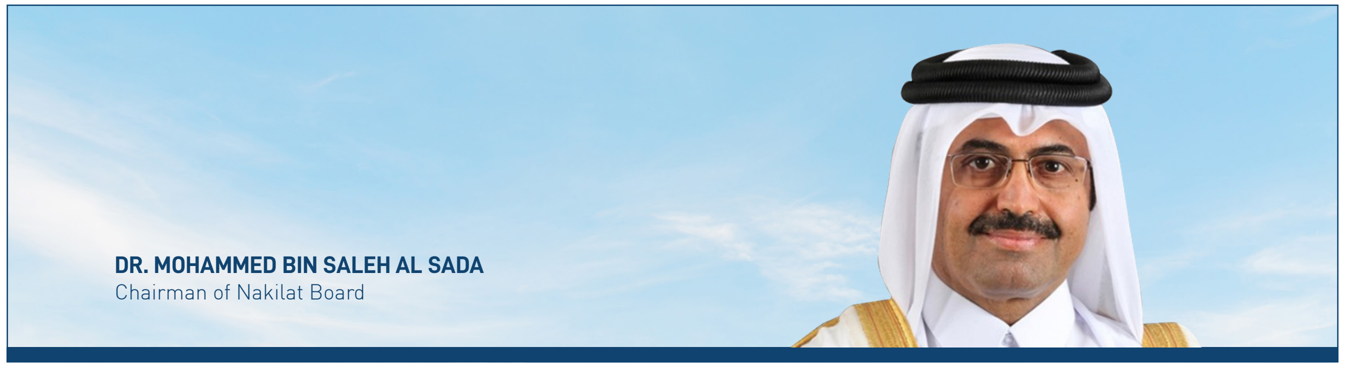
Passion: Strong commitment towards continuous improvement around you

Integrity: Honesty with sound moral principles

Respect: Value others' diversity and perspective

Encouragement: Be motivated and motivate people around you

Board of Directors



DR. MOHAMMED BIN SALEH AL SADA
Chairman of Nakilat Board

Dear Shareholders,

On behalf of Nakilat's Board of Directors, it is my pleasure to present to you the 2018 Nakilat Annual Report.

The Board is extremely pleased to acknowledge that Nakilat has been pushing the boundaries, implementing its numerous strategic long-term growth strategies by strengthening international presence, expanding its horizon through diversification strategies and pursuing operational excellence across the organization, in a bid to develop the State of Qatar as a strategic shipping and maritime hub.

Navigating through the unique challenges brought about by the ongoing blockade of Qatar, as well as the dynamic global energy and maritime market environment, Nakilat continues to deliver all its cargos without any interruptions or impact. Nakilat's solid foundation and consistent operational efficiency has allowed us to remain steadfast and resilient, steering forward its vision to be the global leader in LNG transportation whilst contributing towards the development of Qatar's shipping and maritime industry.

Over the last few years, Nakilat has taken on more ship management responsibilities and expanded its fleet, steadily growing from merely being a ship owner. The inclusion of two additional LNG vessels and a targeted acquisition of a Floating Storage and Regasification Unit (FSRU) into its fleet this year, was driven by a clear strategy that is focused on diversification and growth to deliver stronger financial performance. These acquisitions will ensure that Nakilat sustains its strong financial performance and continues to play an integral role in the country's industry-leading status as the world's largest exporter of clean energy.

With a fleet strength of 70 vessels, Nakilat now stands proud with one of the world's largest LNG fleet comprising of 65 LNG carriers, as well as four large LPG carriers and one Floating Storage Regasification Unit (FSRU). Through its in-house ship management, Nakilat oversees the operations of 18 vessels, comprising 14 LNG and 4 LPG carriers. The majority of Nakilat's vessels are fixed with long term charters to quality counterparties, hence securing steady and healthy cash flow for the company.

Leveraging on internal synergies of its local joint ventures housed at the world-class Erhama Bin Jaber Al Jalahma Shipyard in Ras Laffan gives Nakilat an added strategic advantage. The integrated services of ship repair, offshore construction, ship building, as well as comprehensive maritime services and 24-hour vessel support to various types of ships in local waters further adds value to its business and contributes towards elevating the country's maritime industry to greater heights, in alignment with Qatar National Vision 2030.

The Board is pleased to highlight accomplishments of our joint ventures since operations began:

- N-KOM completed over 880 marine and offshore projects
- NDSQ successfully delivered its first two newbuilds of fast luxury superyachts constructed at Erhama bin Jaber Al Jalahma Shipyard, completing a total of 66 newbuild and refit projects
- NSW has undertaken an average of approximately 13,000 tug jobs per annum
- NAC has attended to 4,000 vessel calls in 2018

The year 2018 has seen Nakilat placing greater emphasis and focus on building on a strong safety and corporate wellness culture, streamlining processes and operations towards cost efficiency, inspiring sustainability development among the community, and improving its approach in environmental stewardship. As such, the Board takes this opportunity to congratulate all employees at Nakilat for their dedication and efforts, which has enabled the company to achieve prestigious recognitions and accolades for demonstrating excellence in the areas of safety, health, environment, sustainability development, human capital and innovations at local and international levels.

Nakilat's Board of Directors shall continue to demonstrate unwavering commitment towards upholding and implementing the highest standards of corporate governance as well as robust risk management, business continuity preparedness, and various internal measures throughout the organization. These integral components further support the company's sustainable business growth, safeguard our employees' wellbeing and reputation, and reinforce investors' confidence in the company.

With significant accomplishments attained this past year, I am pleased to announce that we have achieved a net profit of QR 892 million for 2018, a 5.3% increase as compared to QR 847 million for 2017. As such, Nakilat's Board of Directors is pleased to recommend the General Assembly to distribute cash dividends equivalent to 'One Qatari Riyal' per share for the year 2018. Nakilat's Board of Directors would like to express its gratitude to HH Sheikh Tamim Bin Hamad Al Thani, the Emir of the State of Qatar, and to HH Sheikh Hamad Bin Khalifa Al Thani, the Father Emir of the State of Qatar, for their wise leadership and vision that has enabled Nakilat's growth into a diversified shipping and maritime company that significantly contributes towards the development of Qatar's maritime as well as oil and gas sector.

The Board of Directors also offers its appreciation to Qatar Petroleum (QP) for its ongoing support of Nakilat's activities, and to QP Industrial Cities for its co-operation with the Erhama Bin Jaber Al Jalahma Shipyard. We also extend appreciation to our long-term charterer Qatargas for their continued support towards Nakilat's operations. Finally, we would also like to thank Nakilat's partners, shareholders, management, employees, Qatar Exchange and Qatar Financial Markets Authority (QFMA) for their continued dedication and support.

Board Members

Mr. Ahmad Saif Al-Sulaiti
• Vice Chairman

Sheikh. Faisal Bin Thani Al-Thani
• Board Member

HE Mr. Ali Ahmed Al-Kuwari
• Board Member

Mr. Abdulrahman Essa Al-Mannai
• Board Member

Mr. Mubarak Hamdan Al-Arabeed
• Board Member

Dr. Faisal Al Hamadi
• Board Member

CEO Message

ENG. ABDULLAH AL SULAITI
Chief Executive Officer

For this year in review, Nakilat has made great strides forward amidst the challenging market conditions and dynamic operating environment. Our journey of resilience, fortified by strategic approach, focused implementation and clarity of direction, ensure a shared understanding that brought all of us closer towards our vision to be a global leader and provider of choice for energy transportation and maritime services.

As a result of the successful implementation of our long-term growth strategies and various effective initiatives undertaken to drive robust operational performance, I am pleased that Nakilat has demonstrated steadfast financial performance for the year 2018 by achieving a net profit of QR 892 million, a 5.3% increase against the previous year at QR 847 million.

The year saw us further refining our business focus and laying down solid transformation foundations to leverage on a host of growth opportunities. The expansion of Nakilat's fleet to include two additional LNG vessels this year in joint venture partnership with Greek shipping company Maran Ventures Inc., has allowed us to strengthen our international portfolio. Strategic alliance with renowned partners has been fundamental to our success, and we are always looking for opportunities to grow our international presence and maximize returns for our shareholders.

In another historical milestone, Nakilat acquired a 55% interest in a floating storage regasification unit (FSRU), the first such unit to join our fleet. This acquisition is pivotal to the State of Qatar, as this is the first FSRU co-owned by a Qatari company, which paves the way for Qatari liquefied natural gas (LNG) to expand its outreach to developing and emerging markets. Venturing into the new horizon, Nakilat is continuously developing in-house capabilities to establish and develop know-how in the management of FSRUs.

I am pleased to report that Nakilat's joint venture companies have also performed well, supported by the encouraging demand for ship repair, retrofits and offshore fabrication at the world-class Erhama bin Jaber Al Jalahma shipyard. Nakilat-Keppel Offshore & Marine (N-KOM) has seen a steady growth in demand for tanker repairs and offshore fabrication at the facility, with it bagging a key contract to fabricate a brand-new offshore living quarter for an offshore complex, the first ever offshore living quarters ever to be fabricated in Qatar. Nakilat Damen Shipyard Qatar (NDSQ) also successfully delivered its first two luxury superyacht newbuilds, fully constructed in Qatar.

At the crux of Nakilat's efforts is the concentrated energy towards achieving excellence in safety, health, and environment management, as we strive to provide shipping and maritime services in a safe, reliable and efficient manner.

We effectively affirmed our commitment towards compliance to the highest standards by becoming the first company in Qatar certified for the new ISO 45001:2018 Occupational Health and Safety Management System (OH&S) standard, issued by Lloyd's Register Quality Assurance.

In our first attempt at the Five Star Occupational Health and Safety Audit conducted by British Safety Council, Nakilat achieved the maximum 'Five Star' rating which allowed us to contend for and ultimately win the prestigious 'Sword of Honour' Award in 2018. This international recognition is awarded to companies that have reached the pinnacle of excellence in managing the company's health, safety and environmental risks.

My heartfelt appreciation to the team for their passionate dedication to safeguard the lives of everyone at our workplace, and the integrity of all our assets and facilities.

Nakilat remains committed to creating intangible value for our shareholders and the community, bagging numerous awards and accolades for excellence in various business areas. We received the "Innovative Player of the Year" Award by The Oil & Gas Year (TO&GY), in recognition of the company's innovative pursuits towards sustainable growth and won our third consecutive CIO Award during the Global CIO Awards 2018 held in Doha, setting a benchmark in bringing new technologies onboard to remain competitive.

As a company, we continued to blaze new trails in sustainability development through several impactful corporate social responsibility (CSR) initiatives, which paved the way for our first 'Green Corporate' award at the Qatar Sustainability Awards 2018, in recognition of our efforts to inspire sustainability practices among our employees and the community.

At the heart of our operations is our highly capable workforce, driven by our shared values of safety, passion, integrity, respect and encouragement. The company's resilience is founded on the strong culture of continuous improvement and innovation across the organization. Together, we harness the unified strength within the Nakilat family through comprehensive learning and development designed to nurture future leaders. Our holistic approach in ensuring sustainable talent pipeline amongst our National employees was recognized, with Nakilat winning the Qatarization Award for 'Supporting Training & Development' at the Energy and Industry Sector's Annual Qatarization Review Meeting 2018.

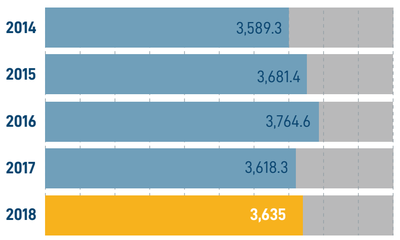
Nakilat remains optimistic that with these solid foundations proven by great accomplishments, the company has gained the growth momentum to propel us forward from good to great in the upcoming years. The future holds much promise for Nakilat and we look forward to an exciting journey ahead, crossing the oceans to deliver clean energy across the world.

2018 Financial Performance

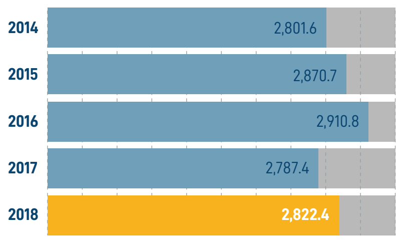
FINANCIAL RESULTS HIGHLIGHTS FOR THE YEAR ENDED 31st DECEMBER 2018

- The company recorded an underlying net profit of QR **892.2** million.
- **Total assets of Nakilat:**
  - Total assets of Nakilat were QR **29.6** billion compared to QR **29.9** billion as of December 31, 2017
  - Current assets, including cash and bank balances stood at QR **2.9** billion as of December 31, 2018
  - Non-current assets, consisting mainly of investments in LNG carriers, property and equipment and other assets were QR **26.7** billion as of December 31, 2018
  - Total assets of Nakilat, including Nakilat's share of its joint ventures assets was more than QR **44** billion
- In addition, Nakilat also has an economic interest, full operational and management responsibilities in the QR **10.6** billion Erhama Bin Jaber Al Jalahma Shipyard, with funding by Qatar Petroleum in the Port of Ras Laffan.
- Total assets value of QR **54.6** billion managed by Nakilat.
- Total borrowing as of December 31, 2018 was QR **19.8** billion compared to QR **20.6** billion as of December 31, 2017. This reflects repayments of the borrowings.
- Total equity before hedging reserve and non-controlling interests as of December 31, 2018 was QR **9** billion compared to QR **8.7** billion as of 31st December 2017. Negative hedging reserve as of December 31, 2018 decreased at QR **2.1** billion compared to QR **2.8** billion as of December 31, 2017 due to a decrease in the year end mark to market value resulting in a decrease in the liability that reflects increased swap rates.

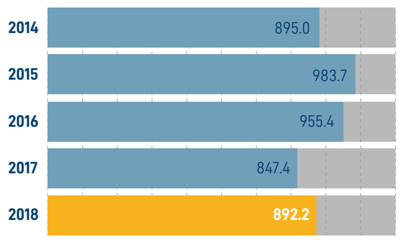
Revenue (Million QR)



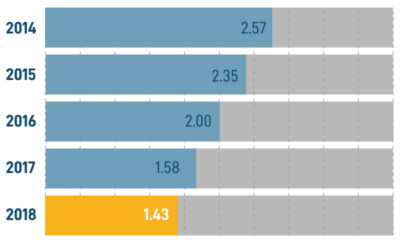
EBITDA (Million QR)



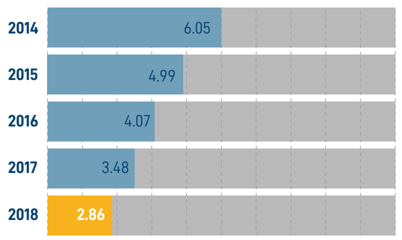
Profit (Million QR)



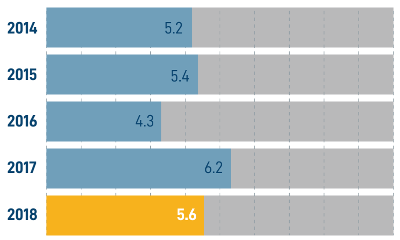
Current Ratio



Debt to Equity



Dividend Yield (%)



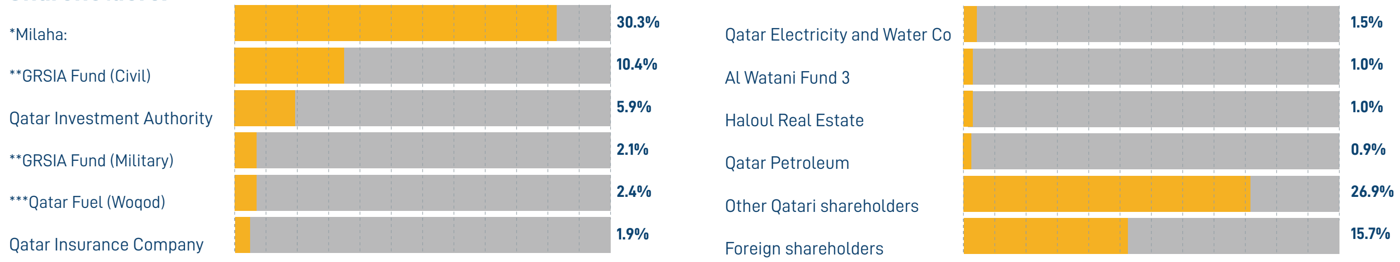
Revenue: 3,635 million (QAR)

Profit: 892.2 million (QAR)

Total Assets: 29.6 billion (QAR)

Earnings Per Share: 1.61 (QAR)

Shareholders:



* Milaha: Qatar Navigation and Qatar Shipping
** GRSIA Fund (Civil & Military): General Retirement & Social Insurance Authority Fund
*** Qatar Fuel Company (Woqod Group): Qatar Fuel Company(Woqod), Woqod International, Woqod vehicle inspection (Fahes), Woqod Marine Services ,Qatar Jet Fuel Company and Ard AlKhaleej Real Estate

Credit Rating:

CATEGORY	STANDARD & POOR'S	MOODY'S	FITCH
Nakilat Inc. Senior Debt	A+	A1	A
Nakilat Inc. Subordinate Debt	A	A2	A-

The three major credit rating agencies, Standard & Poor's,Moody's, and Fitch rate the Nakilat Inc. senior debt and Nakilat Inc. subordinate debt as strong investment grade debt. Standard & Poor's rates Nakilat Inc. senior debt as A+ which is one notch below State of Qatar. Moody's also rates Nakilat Inc. senior debt one notch below State of Qatar at A1.

Various reports published by the said Rating Agencies highlight Nakilat's key strengths as being vitally important to Qatar's LNG strategy given Nakilat's ownership of the world's largest LNG fleet.

Nakilat's consistent profitability linked to the long term highly favorable contract structure with Qatar's largest LNG producers and its reliable operating track record are significant elements among a variety of other factors that strengthen Nakilat's robust business profile.

Corporate Profile

Established in 2004, Nakilat is a shipping and maritime company based in the State of Qatar. With the world's largest Liquefied Natural Gas (LNG) shipping fleet comprising of 65 LNG carriers, the company provides the essential transportation link in Qatar's LNG supply chain. The company also jointly owns one floating storage regasification unit (FSRU). Through its wholly-owned subsidiary Nakilat Shipping Qatar Limited (NSQL), the company manages and operates four very large LPG carriers (VLGCs) and 14 LNG carriers.

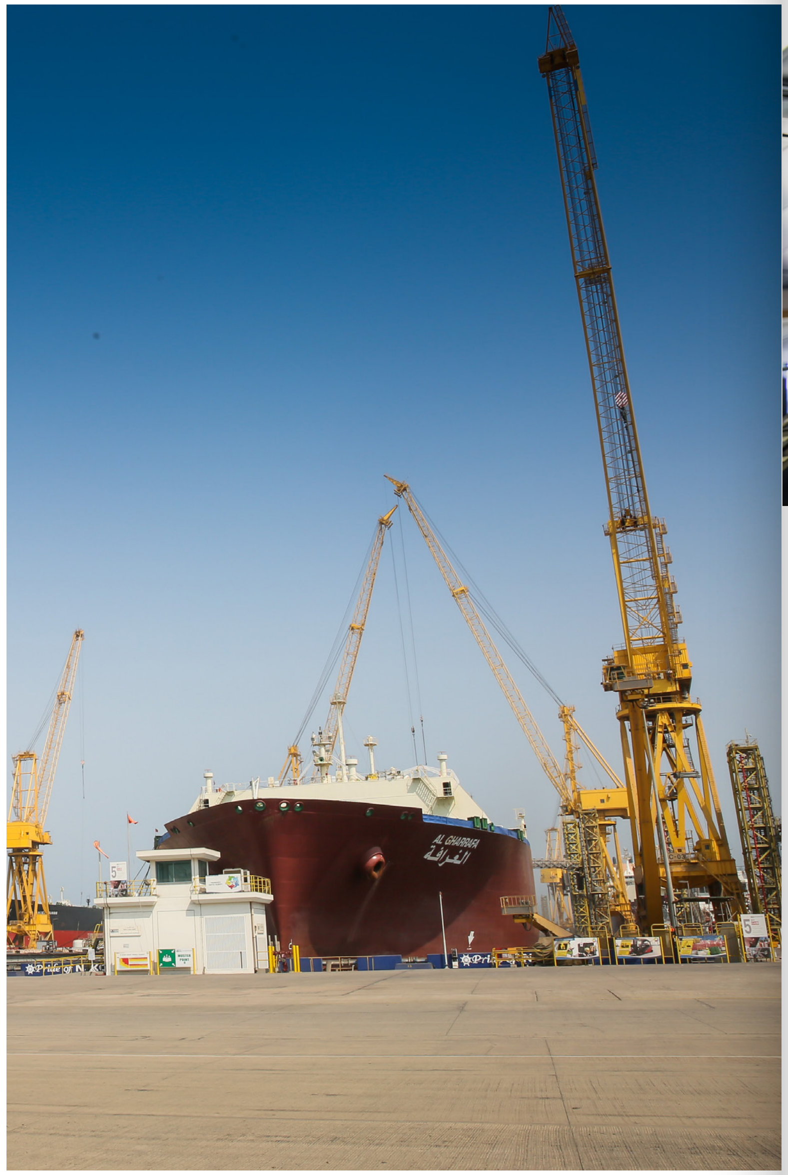
In addition to its core shipping activities, Nakilat operates the ship repair and construction facilities at Erhama Bin Jaber Al Jalahma Shipyard in Ras Laffan Industrial City via two strategic joint ventures: Nakilat-Keppel Offshore & Marine (N-KOM) and Nakilat Damen Shipyards Qatar (NDSQ). It also provides shipping agency services through Nakilat Agency Company (NAC) at all Qatari Ports and terminals, as well as towage and other marine support services through its joint venture Nakilat SvitzerWijsmuller (NSW). The company's Vessel Support Unit (VSU) offers chandlery, storage, logistics services for vessels operating in Qatari waters.

70 vessels
Fleet size

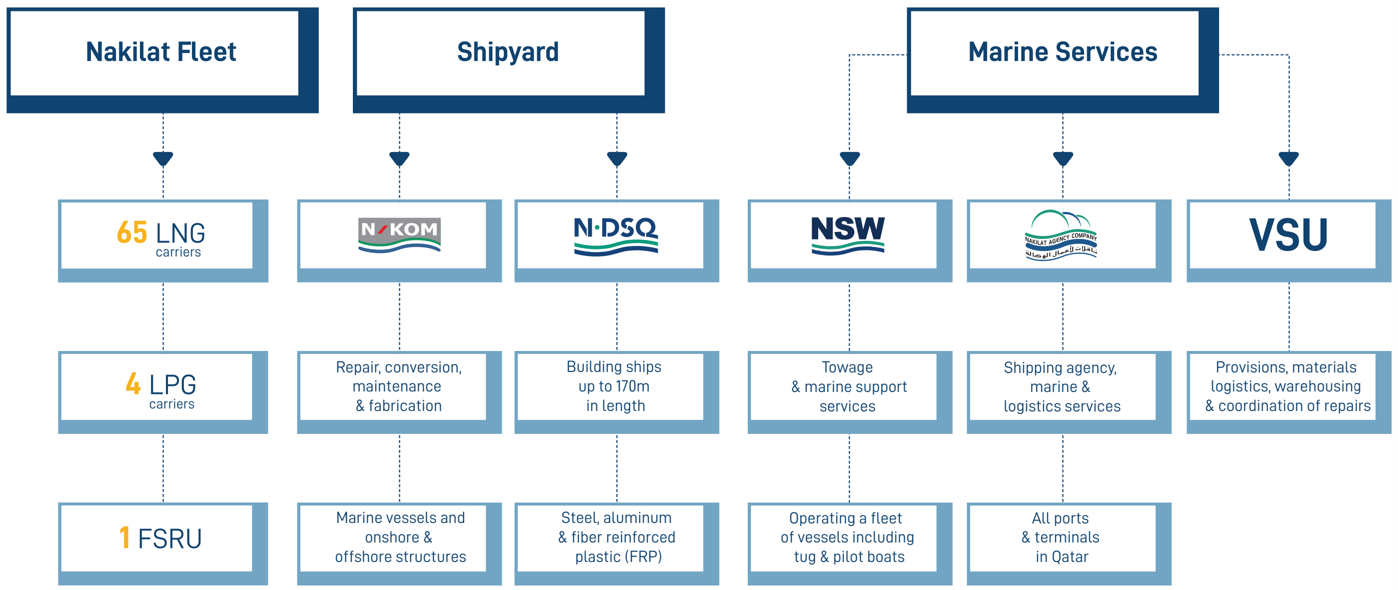
41%
Qatarization rate
(Nakilat headquarters)

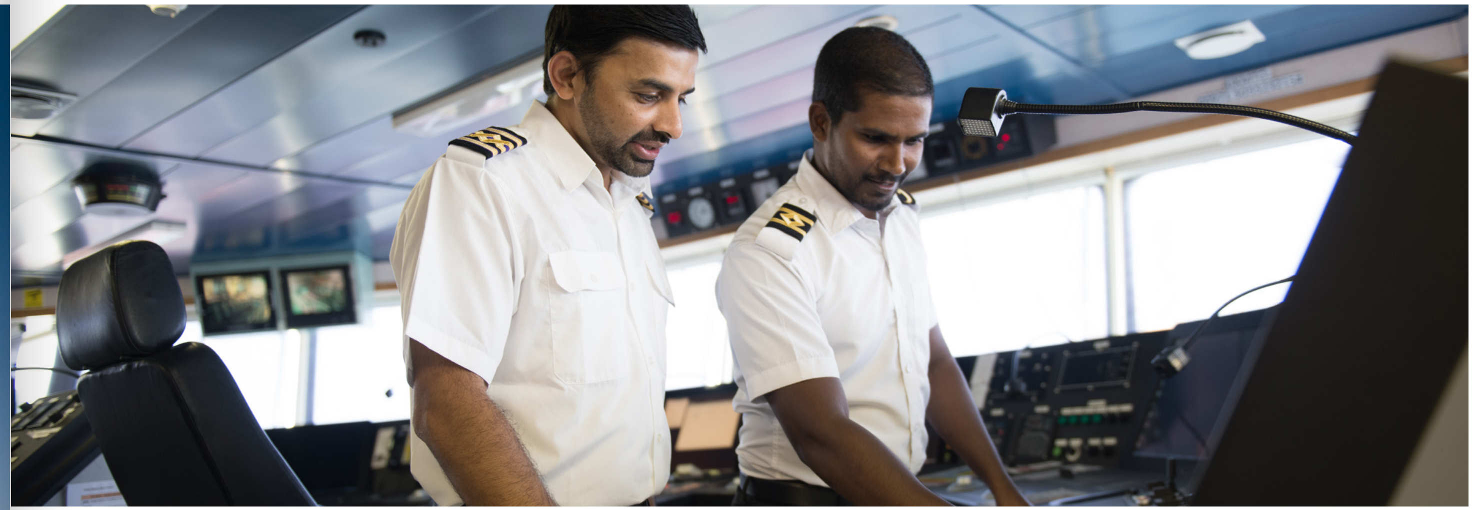
6
Awards in 2018

3
Vessels acquired in 2018



Business Overview:





Key Strengths:

Leading transporter of LNG

Qatar is the world's largest exporter of LNG, producing 77 million tonnes of LNG annually from the North Field gas reserve. This figure is set to increase to increase to 110 million tonnes per annum in the coming years. Nakilat plays a key role within this LNG value chain by transporting more than 60% of natural gas produced by Qatar to countries worldwide. The company is actively diversifying its fleet and developing its shipping capability to support new LNG markets as part of its strategic role in the world's largest LNG supply chain. We extend our sincere gratitude to Qatargas, our major charterer, as well as all our global charterers and partners for their continued support and trust in Nakilat.

International outreach

Nakilat's business expands beyond shipping Qatar's clean energy to international markets. Through our joint venture shipping companies and jointly-owned FSRU and LPG vessels, we expand our international reach and also deliver cargoes unrelated to the State of Qatar. The company aims to further expand its global outreach in the coming years as part of its business diversification strategy to retain its leading position in the LNG shipping market.

Long-term stability

Qatar's long-term LNG sales contracts and ownership interests in regasification terminals around the world enables Nakilat to continue providing strong results to its shareholders despite volatile market conditions. In addition to long-term charter agreements with first-class charterers and strategic joint ventures with well-known shipping companies, Nakilat is able to successfully maintain a steady cash flow with strong liquidity. Nakilat is also the highest credit-rated shipping company worldwide, holding an "A" credit that gives us an additional competitive edge.

Sustainable workforce

Nakilat is committed to the development of its human capital to ensure the creation of a sustainable workforce, in line with Qatar's National Vision 2030. The company offers a unique Marine Cadet Program that sponsors talented Nationals to pursue an international maritime degree and eventually embark on a rewarding career onboard its fleet of vessels. Additionally, Nakilat offers tailored development programs for Nationals, to prepare them for senior roles within the company. The company has been extremely successful thus far, having achieved a Qatarization rate of 41% as of end 2018.

Charterers:

قطرغاز
QATARGAS

PETRONET LNG LIMITED

TRAFIGURA

CHENIERE

woodside

excelerate energy

Oriental Energy
Together We Reach The Goal

Corporate Strategy

Nakilat strives towards pursuing superior performance and demonstrating excellence across its operations, in order to achieve its vision to be a global leader and provider of choice for energy transportation and maritime services. Moving forward into 2019 and beyond, Nakilat's strategy is centered on becoming a global shipping and maritime company, one that delivers energy in a safer and more efficient manner, focused on diversification and growth to deliver stronger financial performance.

This will ensure that the company remains resilient and competitive amidst dynamic market conditions. As such, four key strategic themes were identified as the foundational pillars guiding Nakilat's corporate strategy, as outlined below:

Sustainable Growth

While we have achieved the largest global LNG shipping market share, we aspire to continue our profitable dominance in the industry landscape. We will achieve our growth targets through delivering integrated services that cover the maritime value chain.

Our delivery model shall be reinforced by high-end market intelligence capabilities that will grant us competitive advantage in targeting our customers and fulfilling their needs.

Operational Excellence

We operate in a dynamic industry with fierce competition and high price elasticity where only top performers endure in the long-run. Our field of play mandates the highest levels of operational and cost efficiency with no compromise on our standards of safety, reliability and quality.

We aim to achieve excellence on the operational level through bespoke operational monitoring and evaluation while streamlining our core processes to deliver on our promise.

Customer Engagement

We believe that our brand is our identity and we understand that maintaining market dominance is a function of customer centricity.

Our strategic focus revolves around instilling a culture of value creation for our customers, thereby reflecting that merit in our corporate image as a company that enriches customer experience and adds value in every aspect of the maritime services field.

Our strategic formula relies on valuable customer engagement to elevate our brand value.

Organizational Performance Enablement

At Nakilat, we believe that our success has been, and shall continue to be, internally generated through a high-caliber workforce that constitutes our most valuable asset. Our corporate support functions will continue to be instrumental in delivering their services and provisions to support our core operations in the most efficient of manners.

Whilst the entire organization shall be operating in harmony and alignment, our strategy will be our focus and our enabling compass that drives efficiency and effectiveness.

	Sustainable Growth	Operational Excellence	Customer Engagement
OUTCOME	■ Boost profit ■ Increase market share	■ Nakilat to be one of the top performers	■ Improve brand value
CUSTOMER	**"Deliver complete/integrated energy transportation & maritime solutions"**	**"Provide a safe, reliable and cost-effective service"**	**"Add value to enrich customer experience"**
INTERNAL	■ Materialize profitable business opportunities ■ Build market intelligence capabilities to develop a growth strategy	■ Improve cost efficiency ■ Streamline core operational processes ■ Enhance performance through effective monitoring & evaluation	■ Promote corporate image ■ Establish a customer value-creation culture
	Organizational Performance Enablement		
ENABLERS	■ Attract, retain & develop high quality employees	■ Ensure lean, cost-efficient, and customer-oriented support functions	■ Build a maritime strategy-focused organization

History

2004 • 2007

- Nakilat established as the shipping arm of Qatar's LNG sector in 2004
- Nakilat's shares are listed on the Qatar Stock Exchange in 2005
- Nakilat takes delivery of its first LNG carrier in 2005
- NAC is established in 2005
- NSW is established in 2006, and awarded a 22 year service contract by Qatar Petroleum for services within the Ras Laffan Port
- Nakilat formed strategic alliance with STASCO in 2006 for management of its 25 wholly-owned LNG carriers
- Nakilat awarded a 25-year time charter contract by Qatargas for 24 LNG carriers

2008 • 2011

- 42 LNG carriers and 4 LPG carriers are delivered to Nakilat
- Nakilat takes delivery of first Q-Max LNG carrier, Mozah
- N-KOM is established in 2008
- NDSQ is established in 2010
- Erhama Bin Jaber Al Jalahma Shipyard inaugurated in 2010
- N-KOM completes first LNG dry-docking project in 2011

2012 • 2014

- NSQL formed in 2012 and assumes management for four LPG carriers
- First Qatari marine cadets signed on with Nakilat
- N-KOM wins two regional awards for 'Shipyard of the Year' in 2012 and one in 2013
- N-KOM wins Safety & Security regional award in 2014
- NDSQ delivers first three vessels constructed at the facility in 2012

2015 & beyond

- Nakilat expands joint venture with Maran Ventures Inc. with two new LNG carries in 2015
- N-KOM completes construction of first liftboat in Qatar in 2016
- NDSQ delivers 8 vessels for Hamad Port in 2016
- NAC extends services to vessels calling at Doha and Hamad Port in 2016
- Nakilat won 6 awards in 2017 for excellence in safety, business operations, IT, supply chain management and Qatarization
- Nakilat completes first phase of its fleet management transition with Shell in 2017, with 10 LNG carriers transitioned to NSQL management
- Nakilat signs MOU with Hoegh LNG to explore collaboration opportunities for FSRU projects
- NDSQ delivers two luxury superyacht newbuilds

2018 Achievements

1

Nakilat expanded joint venture partnership with **Maran Ventures Inc.** to include two additional LNG carriers

2

Nakilat signed an **agreement with Excelerate Energy USA** to acquire a 55% stake in its first floating, storage, regasification unit (FSRU)

3

Nakilat won the prestigious British Safety Council '**Sword of Honour Award**' for demonstrating excellence in health and safety management

4

Nakilat achieved the maximum '**Five Star**' rating on its first attempt at the **Five Star Occupational Health and Safety** Audit conducted by British Safety Council

5

Nakilat was the first Qatari company to be certified for **ISO 45001:2018 Occupational Health and Safety Management System** standard issued by Lloyd's Register Quality Assurance

6

Nakilat won the '**Green Corporate Award**' at the Qatar Sustainability Awards 2018 in recognition of its success at incorporating sustainable practices across its operations and activities

7

Nakilat won the **Annual Qatarization Award for 'Supporting Training & Development'** at the Energy and Industry Sector's 2018 Annual Qatarization Review Meeting

8

Nakilat won the **Microsoft Qatar Digital Transformation Award 2018** for its outstanding efforts at integrating the latest digital systems and technology across its operations

9

Nakilat won its third consecutive **CIO Award** during the Global CIO Awards 2018

10

Nakilat received the **"Innovative Player of the Year" Award by The Oil & Gas Year (TO&GY),** in recognition of the company's innovative pursuits towards sustainable growth.

Safety, Health, Environment & Quality (SHEQ)

Nakilat places Safety, Health, Environment and Quality (SHEQ) at the top of our agenda to ensure that we operate in a safe, reliable and efficient manner within our society and natural environment. The fundamentals of how we deliver safe and reliable operations remain our number one priority. We believe that all incidents and injuries are preventable, hence we strive to create an Incident & Injury Free (IIF) environment at both the workplace and home. Through significant investments in our people, processes, and equipment, Nakilat's safety performance continues to improve and has led to the achievement of better results in comparison to the benchmarked average of our peer group.

Extensive IIF program

- Nakilat continued its Incident and Injury Free (IIF) campaign, a safety leadership program aimed to empower employees to foster a safer working environment throughout the organization and its joint-venture companies:
  - Introduction of effective intervention skills to enable people to challenge the status quo towards achieving safe, incident and injury free operations.
  - Initiated mandatory SHEQ training courses for all employees, in which the first out of 8 series of mandatory courses have been disseminated.

Quality (Integrated Management System)

- Nakilat successfully conducted transition audits to be certified for the new 2015 IMS/ISO standards. The Integrated Management System (IMS) was reviewed and revised to meet the requirements of the revised standards (ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018).
- Nakilat became the first company in Qatar to obtain the ISO 45001:2018 certificate for its Occupational Health and Safety management system.

0.08 (LTIF)

0.72 (TRCF)

2018 has been another year in which Nakilat's safety performance has been amongst the best within our industry sectors. We achieved an overall:

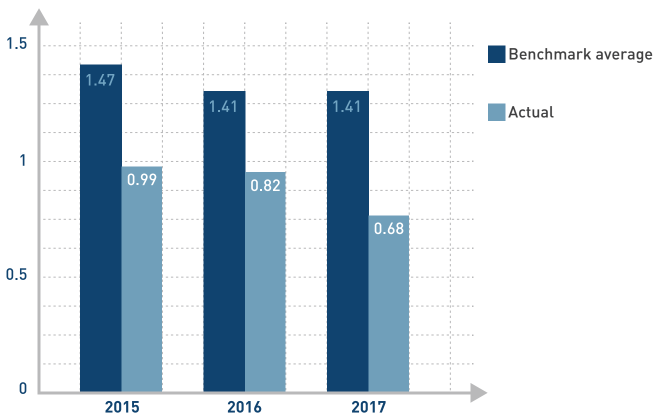
- Lost Time Injury Frequency (LTIF) of 0.08
- Total Recordable Case Frequency (TRCF) of 0.72, both significantly below the benchmark averages of those metrics.

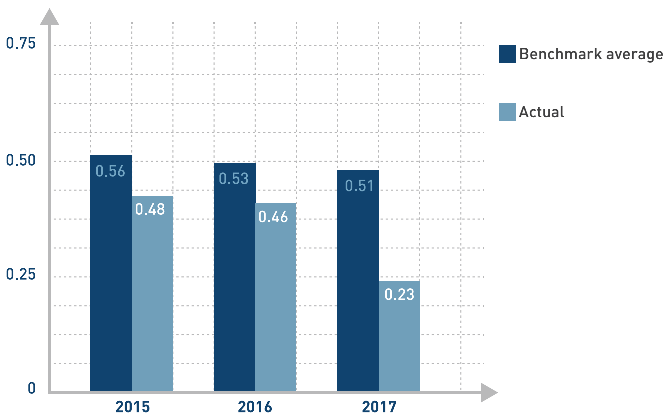
13 years NAC is LTI free

Nakilat Agency Company (NAC) continued its track record and remained LTI free for 13 years since its inception.

7 million Safe Exposure Hours

Nakilat SvitzerWijsmuller (NSW) accumulated more than 7 million exposure hours with zero LTI and operated through 2018 with zero TRCs.





Nakilat's wholly-owned, joint-venture and in-house operated vessels have demonstrated first-class operational and safety performance despite the demanding operations worldwide. Key highlights of our industry-leading vessel safety performance are as follows:

Wholly-owned vessels achieved a Lost Time Injury Frequency (LTIF) of 0.00 year-to-date and Total Recordable Case Frequency (TRCF) of 0.79 year-to-date, both within the industry leading category

Joint-venture LNG vessels have achieved a Lost Time Injury Frequency (LTIF) of 0.00 year-to-date and Total Recordable Case Frequency (TRCF) of 0.00 year-to-date, both in the industry leading category

Nakilat-managed LNG and LPG fleet achieved a Lost Time Injury Frequency (LTIF) of 0.45 year-to-date and Total Recordable Case Frequency (TRCF) of 0.49 year-to-date, both within the industry leading category

Wholly-owned vessels		Joint-venture LNG vessel		NSQL-managed vessels	
15 vessels		36 vessels		18 vessels (14 LNG, 4 LPG)	
(LTIF)	(TCRF)	(LTIF)	(TCRF)	(LTIF)	(TCRF)
0.00	0.79	0.00	0.00	0.45	0.49

Sustainability

Nakilat and its joint ventures (JVs) are committed to Qatar National Vision 2030, which outlines the development of a sustainable future for the State of Qatar. As an organization, we conduct various safety and internal development programs to ensure the creation of a safe and reliable workforce, while our robust corporate social responsibility (CSR) framework aims to enrich the lives of local communities and preserve our natural environment. Our sustainability commitment comprises several key elements, and among our highlights this year include:

Safety, Health, Environment:

Safety Initiatives

- Distribution of updated 'SHEQ Essentials Handbook' to all Nakilat employees, containing essential basic information regarding safety at workplace, health advisory, environmental management and more.
- A Safety Climate Survey was conducted to assess the company's safety culture by gauging employees' authentic responses. The survey obtained from both onshore and marine (seafarers) employees demonstrated encouraging improvement in all 8 factors measured, in comparison to the previous survey.
- Successfully implemented SAP-EHS Module for all employees, leveraging on technological advancement to enhance SHEQ reporting systems. The new Incident Reporting Module provides a better interface for reporting incidents, near misses and observations (i.e. unsafe acts or unsafe conditions).
- Management of Change (MOC) process has been fully automated and implemented by incorporating the SAP EHSM MOC Module, resulting in a fully integrated, more efficient, and most importantly user-friendly approach to manage changes in the company's processes and procedures.

Health Initiatives

- Conducted a mental health awareness session focused on managing work-related stress, in collaboration with Qatar's Mental Health Friends Association.
- Organized a seasonal Flu Vaccination Drive for employees and their family members to counter influenza virus at Nakilat headquarters and the Shipyard, in coordination with the Ministry of Public Health (MoPH).
- Conducted 'Ergonomic Awareness' workshops to raise awareness about issues related to work station ergonomic arrangements, demonstration of correct alignment, and tips to prevent any occupational health incidents.
- Promotion of leading an active and healthy lifestyle via numerous fun activities such as Ramadan Football Tournament, Foosball and Table Tennis Competition, Mini Marathon, and more.

Environmental Initiatives

- Nakilat and its joint ventures N-KOM & NDSQ participated in the annual 'Turtle Beach Clean-up' activity co-organized by Qatar Petroleum's Industrial Cities Directorate in Ras Laffan Industrial City (RLIC) to ensure a safe environment ahead of the turtle nesting season.
- Organized a 'Marine Conservation Awareness' session for employees in co-ordination with Qatar's Ministry of Municipality and Environment. An Environmental Expert from the Ministry briefed employees about the importance of preservation of marine ecosystem and shared numerous marine conservation efforts ongoing in Qatar.
- 'Reduce Plastics' awareness session presented to the seafarers during Fleet Officers Meeting (FOM), aimed to deter single-use plastics and advocate environmental-friendly habits to help protect the environment.

Human Capital & Capability development:

Nakilat continuously focuses on the personal and professional development of its employees in order to effectively contribute to the achievement of its operational and strategic goals. This focus is maintained through wide-ranging, innovative and blended learning and development activities offered to employees on the job, in classrooms and/or online. We prioritize critical business-related development needs in relation to technical skills, interpersonal skills and management & leadership capability. Where appropriate, internal subject matter expert knowledge is utilized in the form of peer-to-peer learning and knowledge sharing. Our continued efforts at promoting a learning culture to attract and retain our highly-skilled workforce and nurture our emerging talent is evidenced by our achievements in 2018.

In efforts to enhance workforce skill and competency, training courses were provided on computer basics and Internet security for employees in Ras Laffan Industrial City.

2018 Training Highlights

- **41%** Qatarization rate achieved
- **100** business-related courses launched through the new e-learning platform
- **12** Qatari cadets graduated from our Marine Cadet Programme into full-fledged seafarers serving onboard our vessels
- **158** formal training interventions delivered to 99% of employees
- **15** new multi-disciplinary knowledge sharing sessions delivered to staff
- **Leadership** capability assessments were conducted for all Nationals employees and High Potential Expatriates (HIPO's) evaluating the leadership capability in the organization

Community Outreach & Societal Development:

Nakilat's all-encompassing Corporate Social Responsibility framework comprise of key pillars such community, health, education, environment. This year, we focused our efforts toward empowering communities, enhancing societal wellbeing, enriching learning experience amongst youths, as well as advocating environmental protection through hands-on and interactive educational activities.

- Contributed IT equipment to Qatar Red Crescent Society, in support of their various humanitarian initiatives
- Presented employees donation to Qatar Charity for Kerala Flood Relief Donation Campaign to aid affected victims
- Organized blood donation drives to help save lives in collaboration with Hamad Medical Corporation (HMC)
- Raised awareness about Qatar Charity's online donation program for humanitarian causes
- Addressed Qatar Development Bank (QDB) employees during an inspirational talk to enhance communications and personal development
- Successfully concluded the 'Green Corporate Campaign' with Qatar University's students, raising awareness on the importance of sustainability practices.
- Engaged youths from local school and universities through various Student Outreach Programs, providing valuable career insights and tips
- Shared professional experiences during Qatar University's Business & Networking Event
- Tree planting initiative with local school students in collaboration with Ministry of Municipality & Environment and the Ministry of Education & Higher Education, to educate them about the importance of environmental protection and preservation

Risk Management

- Nakilat is internationally recognized by Lloyd's Register Quality Assurance through several certifications including **ISO 27001** Information Security Management Systems (ISMS)
- **Compliance with QFMA Governance Code**

Nakilat's Risk Governance approach is continuously enhanced through the adoption of leading practices related to Enterprise Risk Management, Information Security Management, and Business Continuity Management. Having a robust governance enables Nakilat to deal with various risks across the organization, which in turn fosters confidence amongst our stakeholders in the company's integrated operations.

Enterprise Risk Management (ERM):

Enterprise Risk Management (ERM) at Nakilat is strategically focused and designed to contribute to the achievement of our business objectives. While the company's strategy drives its value creation, it also entails risk-taking; which may involve the introduction of new risks for any new strategy or initiative. As part of our continuous improvement towards enhancing the maturity level of our ERM program, an integrated link has been established between strategic planning and ERM processes to ensure that strategic initiatives are connected to appropriate risk mitigation strategies.

The established process is supported by a defined ERM framework, which ensures that it is performed consistently and captures the full array of risks across the company, including identification of emerging risks and potential opportunities. It also ensures that risks across multiple categories are regularly considered and reported to the management for better risk visibility and decision making.

Business Continuity Management (BCM):

Nakilat's Business Continuity Management (BCM) is geared at managing incidents, crises, disasters, and to ensure the continuity of the business and operations with minimal disruption. Having an in-depth understanding of the energy, shipping and maritime industry and the operational risks involved, further enhances the company's BCM program and reinforces our preparedness.

This approach takes us beyond the traditional view of BCM as a function of information technology (IT) or fleet operations, but instead aligns BCM with the company's business strategies. Among others, this involves:

- Evolving our approach so that BCM is more closely tied to our business processes and integrated with the Enterprise Risk Management (ERM) process
- Taking a more holistic perspective of our enterprise BCM, which cuts across corporate business unit's support processes and fleet operations
- Identifying interdependencies among departmental boundaries, including people, process, information and technology
- Prioritizing our focus to help integrate response plans and create end-to-end business continuity plans (BCPs)
- Establishing a consistent company-wide approach and common language across the enterprise for BCP

Information Security Certification:

CERTIFIED
ISO 9001 • ISO 14001
ISO 45001 • ISO/IEC 27001

The ISO 27001 is one of the most widely recognized and internationally accepted information security standards. Nakilat maintained the ISO 27001:2013 certification from Lloyd's Register Quality Assurance (LRQA), which affirms our continuous efforts at managing information security risks and implementation of appropriate controls.

Corporate Governance:

Nakilat believes that core values or a business philosophy cannot be mandated; but through well-defined and practiced policies and procedures, we can embrace the desired values and principles. The company's values define the way Nakilat guides individual and organizational behavior to optimize performance and stewardship in our daily operations. Our Board of Directors is committed to the company's long term sustainable value creation based on strong principles of governance, so that the company can continue to deliver constant value over time.

The economic value generated through a well-managed and governed enterprise not only benefits shareholders but also local communities through job creation and societal development by means of corporate social responsibility activities. Recognizing the relationship between good governance and sound financial performance, Nakilat strives to adhere to leading governance practices and complies to Qatar Financial Markets Authority (QFMA) governance guidelines.

Nakilat's Board of Directors exercises their business judgment on matters critical to the company's long-term well-being and best interest. Our corporate governance is designed to protect stakeholders' rights and boost confidence in our governance approach. In addition, Nakilat believes that corporate governance is a fundamental component of a strong strategic management and therefore aims to undertake every necessary effort to raise awareness about the governance within the company.

We recognize that a company needs to have a transparent corporate governance with high levels of ethics, credibility, morals and integrity in order to avoid any misconduct that may harm its shareholders. For this reason, Nakilat advocates transparency, integrity and respect by making good governance part of our daily activities.

Nakilat's Governance Report has been prepared in compliance with QFMA governance code and shared with all concerned stakeholders and the public on Nakilat's website **www.nakilat.com.**

Shipping & Fleet

LNG Market Overview:

The LNG shipping industry is witnessing a significant increase in shipping demand, which had a positive effect on charter rates for shipowners, with spot rates increasing by more than 100% compared to 2017, while 1-year time charter rates increased by 70%. The market is witnessing a change in the duration of time chartering as well, with some recent fixtures being for an average of period of seven years.

The tight LNG shipping market condition will keep the momentum for short and medium-term charter rates, however with additional delivery of newbuild vessels, the rates should balance out slightly, while there is still an expectation of a tight market until end of 2020. 2018 witnessed a sharp increase in the number of vessel deliveries; more than 50 compared to 30 deliveries in 2017, and an additional 100 vessels are expected to be added by 2020.

We have seen a shift in terms of vessels technology in the past few years.

Based on existing and orderbook vessels, by 2021, 46% of vessels will be equipped with Steam Turbine engines (currently operational is at 53%), followed by Dual Fuel Diesel Electric engines at 30% of fleet, then Slow Speed Gas Injection engines at 16% (currently operational is at 7%). The interest in moving to a newer, more efficient technology poses benefits for both owners and charterers due to the fuel efficiency it brings which consequently improves unit freight cost.

LNG FLEET:

20 Conventional:
(capacity: 145,000m³ – 170,000m³)

31 Q-Flex:
(capacity: 210,000m³ – 217,000m³)

14 Q-Max:
(capacity: 263,000m³ – 266,000m³)

LPG FLEET:

4 (VLGC)
Very large gas carriers

FSRU:

1 (FSRU)
Floating storage regasification unit

Fleet Profile:

Nakilat's fleet of 65 LNG, 4 large LPG carriers and one FSRU is one of the world's youngest and largest gas fleets, with all vessels incorporating modern technology to ensure the safe, environmentally sound and cost-effective transportation of gas. Our LNG carriers represent a total investment of approximately US $11 billion and have a combined carrying capacity of over 9 million cubic meters or 12% of the world capacity. The vast majority of these LNG carriers are dedicated to meeting the transportation requirements of Qatar's massive LNG industry, providing the country and the world with a strategically important 'floating pipeline' of clean energy.

Most of our vessels are employed through long-term time charter agreements with local gas producer Qatargas, while the remainder of the fleet is utilized in international shipping markets. Our jointly-owned LNG carriers are operated by the vessel's co-owners, which include many of the world's leading ship owning and operating companies.

Expanding our Portfolio:

Early in 2018, Nakilat expanded its joint venture partnership with Maran Ventures Inc., to include two additional LNG vessels. This new agreement increased the number of LNG vessels in Nakilat's fleet to 65 vessels. We also signed a landmark agreement with Excelerate Energy-USA, to establish a joint-venture company and acquire a 55% interest in a floating storage regasification unit (FSRU) Exquisite, the first such vessel to join the Nakilat fleet. This acquisition is pivotal to the State of Qatar, paving way for further outreach to emerging markets ahead of the country's plan to increase LNG production to 110mtpa in the coming years. In addition, it marked the beginning of Nakilat's penetration into the FSRU market, in alignment with our long-term growth and development strategies, thus further strengthening our international portfolio.

Operational Preparedness:

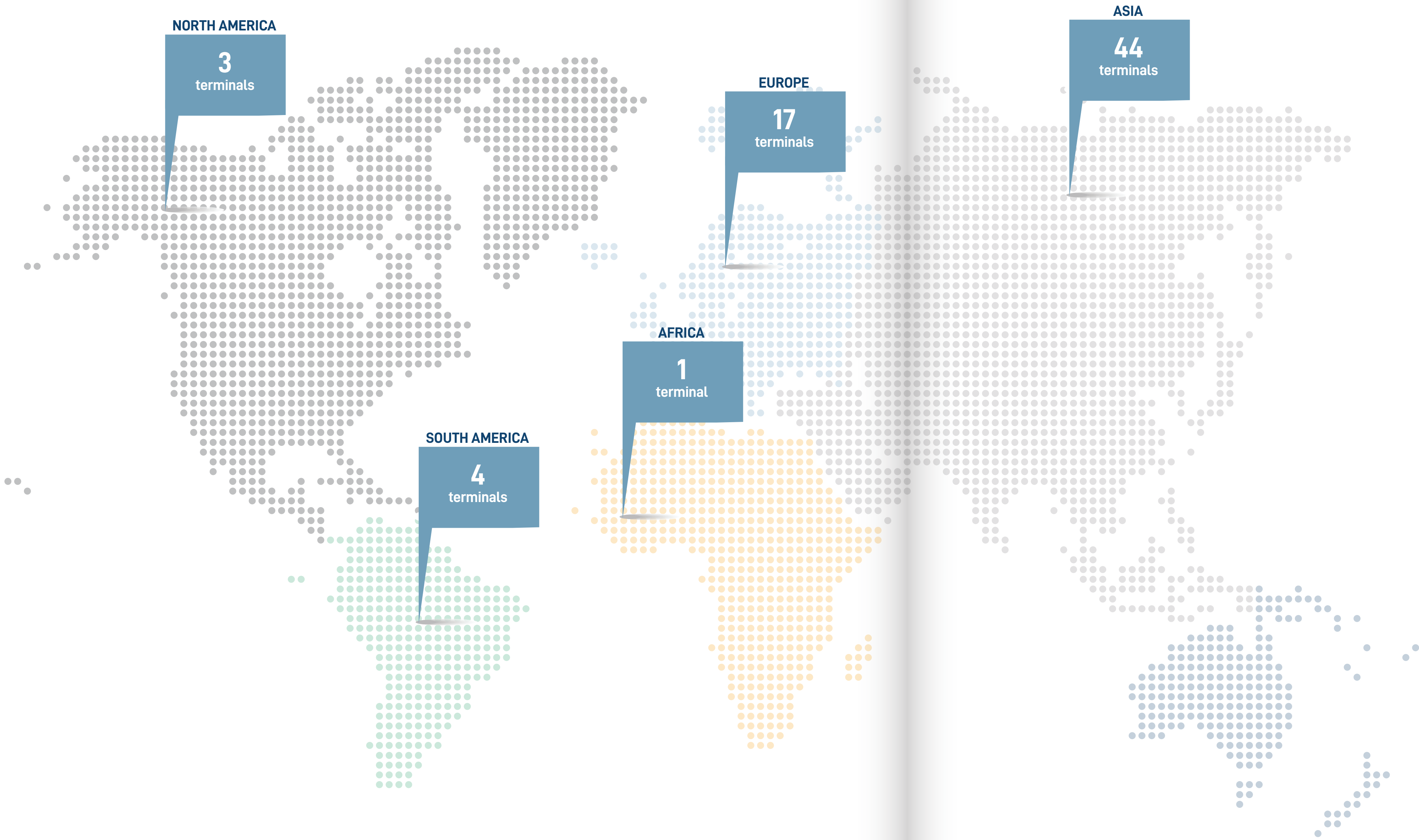
Safety enhancement, vessel reliability and cost optimization continued to be the main drivers in 2018. Nakilat capitalized on leading safety initiatives, operational opportunities and implemented efficiency measures to reduce costs while maintaining a high level of safety during this challenging period facing the entire shipping industry.

Nakilat's main operational focus between late-2017 up to 2019 is to safely and successfully complete all our vessels' second special survey dry dockings, which is a requirement when vessels approach 10 years of age. For this reason, we have not taken more vessels under our management until this cycle is completed. The next round of vessels transition is scheduled to commence in the second quarter of 2020, with several wholly owned LNG vessels to be transitioned from Shell International Trading and Shipping Company Ltd. (STASCO), to Nakilat Shipping Qatar Limited (NSQL).

During this period between 2017 and 2020, we are consolidating our capabilities by means of modernizing our systems and enhancing human capital capacity and competency. We are also working on bringing in-house crew administration in 2019, reaching approximately 1000 crew members, in preparation for the next phase of our LNG ship management expansion.

Following our FSRU acquisition in 2018, we intend to take full ship management responsibility of the vessel from the current operator in second quarter of 2020. This will require NSQL to complement its skill base with additional knowledge and competencies to strengthen the company's positioning in this fast-developing, niche segment of the LNG industry.

Extensive Shipping Network



LNG Discharge Terminals:

ASIA

BANGLADESH
Bangladesh LNG
CHINA
Caofeidian
Dalian
Dapeng
Diefu
Fujian
Gaolan
Ningbo
Rudong
Shanghai
Tianjin
Yuedong
INDIA
Dabhol
Dahej

JAPAN
Chita
Futtsu
Hig. Ohgishima
Himeji
Joetsu Chubu
Kawagoe
Negishi
Nihonku
Ohgishima
Sakai
Shin-Sendai
Sodegaura
Sodeshi
JORDAN
Aqaba
KUWAIT
MAAGP

PAKISTAN
GasPort LNG
Karachi
SINGAPORE
SLNG
SOUTH KOREA
Gwangyang
Incheon
Pyeong Taek
Tongyeong
TAIWAN
Taichung
Yung An
THAILAND
Rayong MTP
TURKEY
Aliaga
Dortyol FSRU
Etki
Hazira
UNITED ARAB EMIRATES
Jebel Ali

EUROPE

BELGIUM
Zeebrugge
FRANCE
Dunkerque
Fos Cavaou
Montoir
ITALY
Rovigo
Toscana
MALTA
Delimara
POLAND
Swinoujscie

PORTUGAL
Sines
SPAIN
Barcelona
Bilbao
Huelva
Mugardos
THE NETHERLANDS
Gate
UNITED KINGDOM
Dragon
Grain
South Hook

AFRICA

EGYPT
Ain Sokhna FSRU 2

SOUTH AMERICA

ARGENTINA
Bahia Blanca
Escobar
CHILE
Quintero
COLOMBIA
Cartagena (COL)

NORTH AMERICA

MEXICO
Altamira
Manzanillo
UNITED STATES
Elba Island

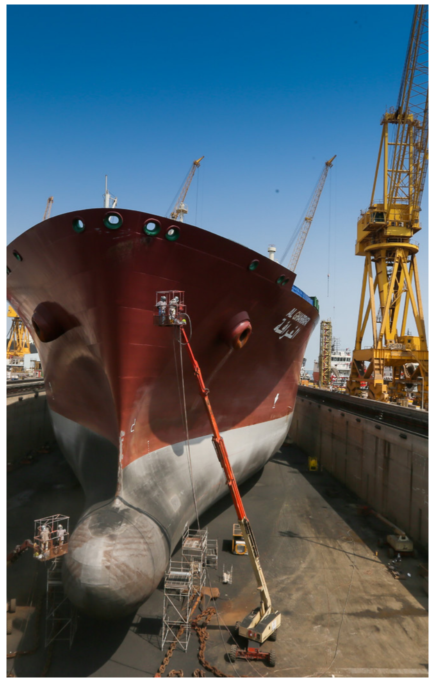
2018 LNG Fleet Highlights:

No. of LNG Cargos	Volume of LNG Shipped	Distance Travelled by LNG Carriers
685	128,319,780 m^3	3,162,632 Nm

Overall Fleet Size	NSQL Operated Vessels	
70 vessels	14 LNG	4 LPG

Shipyard

Strategically situated in the Port of Ras Laffan, Nakilat's Erhama Bin Jaber Al Jalahma Shipyard provides a comprehensive range of ship building, ship repair and offshore fabrication services for marine vessels and offshore structures.



Nakilat-Keppel Offshore & Marine

Established in 2008, N-KOM is owned 79% by Nakilat, 20% by KS Investments Ltd (a wholly-owned subsidiary of Keppel Offshore & Marine) and 1% by Qatar Petroleum. The extensive facility spans 50.8 hectares, offering the repair, conversion and maintenance of marine and offshore vessels. This includes fabrication of offshore and onshore structures such as jack up drilling rigs, lift-boats, land rigs and related components. N-KOM is accredited by the American Petroleum Institute (API) for Spec Q1 and for ISO 9001:2015 Certification of Quality Management System, by Lloyd's Register for ISO 14001:2015 and ISO 45001:2018 and holds the American Society of Mechanical Engineers (ASME) Certification Audit for Pressure Vessels Certification; ASME Stamps U, U2, S and PP; National Board R Stamp.

Facilities:
- Two graving docks (360m x 66m and 400m x 80m)
- One floating dock (405m x 66m)
- Piers and quays totaling 3,150m in length, equipped with 15 jib cranes of varying capacities (30, 50 and 100 tonnes)
- Complete range of support facilities, such as steel shop, machine shop, pipe shop, mechanical and electrical shops, cryogenic cleanrooms and large stores
- The facility for small vessel repairs has four tower cranes of 25-tonne lifting capacity each, two mobile boat hoists (300-tonne and 1,100-tonne), a floating quay of 200m, dry berth area as well as a production support facility

Nakilat Damen Shipyards Qatar

Established in 2010, NDSQ is owned 70% by Nakilat and 30% by Damen Shipyards Group of the Netherlands. Spanning 18 hectares, the shipbuilding facility is well equipped for the construction of steel, aluminum and fiber reinforced plastic (FRP) boats of up to 170m in length. Its production capability includes a wide range of commercial vessels (such as tugs, offshore supply boats and cargo vessels), naval vessels and superyachts. NDSQ can also undertake the refit of superyachts and naval vessels. The facility is accredited by Lloyd's Register for ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018.

Facilities:
- Construction Hall of 270m in length by 65m wide, Assembly Hall consisting of four bays
- Finishing and refit hall for high-value vessels, 180m long x 70m wide x 50m high
- Two separate bays that are independently climate controlled
- Outfitting pier of 400m in length equipped with a 30-tonne crane
- Load-Out and Recovery (LOR) Barge with 10,500 tonnes lifting capacity
- Workshops, stores and other support facilities

2018 highlights

- Maintained Zero LTI track record
- Completed 126 Marine repairs, including first in the region and one of the first worldwide to retrofit a tanker with a Scrubber system
- Completed 28 Offshore repair, fabrication and industrial engineering projects

126 Marine vessel repairs

28 Offshore fabrication projects

2018 highlights

- Delivered 2 superyachts (Fast Diving Support Vessels)
- Completed 2 yacht refits and 1 refit in-progress
- Executed modifications and repairs to 8 vessels

40 Newbuilds delivered

26 Yacht refits completed

Marine Services

Nakilat offers extensive marine and support services to all types of vessels operating in Qatari waters, including at ports and terminals in Qatar. These services were established to provide an integrated solution for ships requiring supplies and amenities off the Qatari coast.

NSW

Nakilat Svitzerwijsmuller

NSW is a joint venture company established in 2006, owned 70% by Nakilat and 30% by Svitzer Middle East Ltd., part of international towage operator Svitzer which is wholly owned by Danish shipping group A. P. Moller (Maersk).

NSW operates a fleet of 26 vessels, which includes 25 NSW owned vessels. The fleet comprises of tug boats, pilot boats, line boats, crew boats and other harbor craft, based in the Port of Ras Laffan as well as operating in the offshore fields off Halul Island. NSW offers a range of services including towing, escorting, berthing, pilot support, line handling services afloat and ashore, emergency response, and marine maintenance support.

2018 highlights

- All time activity record, performing 13,349 tug jobs for the Ras Laffan Port, an increase of 5.3% YoY 2017
- Incident and Injury free year, incurring zero LTI and zero TRC, accumulating 7.3 million exposure hours without incurring LTI
- Successfully supported Qatar Gas in the 'shut-down and refit program' on both SPM-CALM buoys off Ras Laffan

VSU

Vessel Support Services

Nakilat's Vessel Support Unit (VSU) offers a complete range of chandlery services, storage facilities, logistics and related service support to all vessels operating in Qatari waters, 24 hours a day, seven days a week. With a team of experienced staff and a global network of suppliers, the VSU is able to provide a broad array of material and consumables' supplies and liaison support for repair and maintenance services at Ras Laffan.

The VSU has its own secure warehousing facility with capacity for short and long-term storage of ship spares, including dehumidified, climate-controlled storage with options such as refrigeration and freezing, inventory management services. The VSU handles all import and export processes interfacing with the Qatar Customs Authorities and other Qatari government entities through its unique "Ship Spares in Transit" process to ease material movement wherever possible.

The VSU also controls the Pool Sharing Agreement (PSA) where all pool participants as Nakilat and its partners are able to avail immediate utilization of stocked capital spares to ensure uninterrupted Fleet Operations.

2018 highlights

- Volume of services provided has increased by over 50% in 2018 compared to 2017
- Over 200 different types of vessels through approximately 800 calls have utilized VSU services at Ras Laffan, including Nakilat-owned, Joint Venture and third party vessels

NAKILAT AGENCY COMPANY
ناقلات لأعمال الوكالة

Nakilat Agency Company (Nac)

Nakilat Agency Company Ltd. (NAC) is a leading shipping agent in Qatar, providing agency, marine and logistics services in all ports and terminals across Qatar. The company is owned 5 per cent by Qatar Petroleum and 95 per cent by Nakilat. With more than a decade of experience, the agency provides professional services such as handling all port and regulatory matters to ensure the most effective and timely turnaround of vessels loading, offloading and attending the shipyard at the Port of Ras Laffan and Mesaieed Industrial City.

NAC has excellent local knowledge and rapport with local authorities and handles around 4,000 vessels annually from its strategic operating bases in the Ports of Ras Laffan and Mesaieed.

Since its establishment in 2005, the company has provided a full range of agency services for all types of vessels, rigs and offshore support units, as well as drydocking support, husbandry, logistics services both onshore and offshore as well as other marine services as requested by clients.

2018 highlights

- Successfully attended to more than 3,650 vessels at ports and terminals across Qatar
- Achieved zero lost time incidents since inception in 2005
- Maintained a major market share for vessel attendance in Ras Laffan and Mesaieed Ports

Financial Results

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

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

CONTENTS

INDEPENDENT AUDITOR'S REPORT

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QPSC)

To the Shareholders of Qatar Gas Transport Company Limited (QPSC) ("Nakilat")

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Qatar Gas Transport Company Limited (QPSC) ("Nakilat") and its subsidiaries (together the 'Group'), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the Group's consolidated financial statements in the State of Qatar, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QPSC)

Report on the Audit of the Consolidated Financial Statements (Continued)

Key Audit Matters (Continued)

Description of key audit matters	How the matter was addressed in our audit
Fair valuation and hedge effectiveness of cash flow hedges – refer to note 12 and note 14 to the consolidated financial statements We focused on this area because: • The Group entered into a number of interest rate swaps agreements to hedge its exposure to interest rate risk. These hedge transactions gave rise to derivative financial liabilities of QR 1,943,170 thousands (2017: QR 2,478,222 thousands). This represent 8.6% of the Group's total liabilities, hence a material portion of the consolidated financial position. • The hedging instruments are required to be fair valued at each reporting date. The valuation of the hedging instruments and forming a conclusion that hedge continues to be effective involve a significant degree of complexity and judgement, hence, we considered this to be a key audit matter.	Our audit procedures in this area included, among others: ▪ Assessing whether the hedge instruments are correctly classified as cash flow hedges by reference to the requirements of the relevant accounting standards. ▪ Involving our own valuation specialists to support us in challenging the valuations produced by the Group and assessing the appropriateness of the hedge effectiveness methodology. ▪ Re-confirming the counter parties' valuation from an independent source on a sample basis; and ▪ Evaluating the adequacy of the disclosures in the consolidated financial statements including disclosures of key assumptions, judgments and sensitivities.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QPSC)

Report on the Audit of the Consolidated Financial Statements (Continued)

Key Audit Matters (Continued)

Description of key audit matters	How the matter was addressed in our audit
Carrying value of property and equipment - refer to note 4 in the consolidated financial statements We focused on this area because: • The carrying value of the Group's property and equipment as at 31 December 2018 was QR 21,840,006 thousands (2017: QR 22,392,337 thousands) and the related depreciation charge for the year was QR 757,653 thousands (2017: QR 707,933 thousands) respectively. This represent 73.8% and 84.9% of the Group's total assets and the net profit respectively, hence a material portion of the consolidated financial position and consolidated income. • The life of the vessels including estimation of residual values for the purpose of depreciation charge are reviewed annually by the management with reference to the available facts and circumstances. This involves a significant degree of management judgement and estimates, hence, we considered this to be a key audit matter.	Our audit procedures in this area included among others: • Testing the design and implementation of key controls around the processes of estimating useful lives and residual values; • Assessing the reasonableness of Group management's assertions and estimates regarding estimated useful lives and residual values based on our knowledge and experience of the industry; and • Challenging the Group's assessment of possible internal and external indicators of impairment in relation to the vessels, such as obsolescence, decline in market value, operating losses etc., based on our knowledge and experience of the industry and understanding of the charter hire agreements.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QPSC)

Report on the Audit of the Consolidated Financial Statements (Continued)

Key Audit Matters (Continued)

Description of key audit matters	How the matter was addressed in our audit
Investments in joint ventures - refer to note 5 to the consolidated financial statements We focused on this area because: • The Company has investments in joint ventures whose operations are spread across Qatar and outside Qatar. • The carrying value of investments in joint ventures and the Company's share of results in the joint ventures represent 15.6% and 44.4% of the Group's total assets and the net profit respectively, hence a material portion of the consolidated financial position and consolidated income.	Our audit procedures in this area included among others: • Assessing the audited financial information submitted by the joint ventures for consistency with the accounting policies of the Group; • Obtaining the Group's joint venture accounting schedule to confirm whether the Group's interests in the profits, other comprehensive income and net assets were accounted in accordance with the Group's participatory interests in the joint ventures; and • Assessing the adequacy of the Group's disclosures in relation to the investments in joint ventures by reference to the requirements of the relevant accounting standards.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Company's 2018 Annual Report (the 'Annual Report') but does not include the consolidated financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein we are required to communicate the matter with the Board of Directors.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QPSC)

Report on the Audit of the Consolidated Financial Statements (Continued)

Responsibilities of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QPSC)

Report on the Audit of the Consolidated Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QPSC)

Report on Other Legal and Regulatory Requirements

We have obtained all the information and explanations we considered necessary for the purposes of our audit. The Company has maintained proper accounting records and its consolidated financial statements are in agreement therewith. Furthermore, the physical count of the Company's inventories was carried out in accordance with established principles. We have not been provided with the report of the Board of Directors to determine whether there is any financial information contained therein is in agreement with the books and records of the Company. We are not aware of any violations of the provisions of the Qatar Commercial Companies Law No.11 of 2015 or the terms of the Company's Articles of Association and any amendments thereto having occurred during the year which might have had a material adverse effect on the Company's consolidated financial position or performance as at and for the year ended 31 December 2018.

17 February 2019
Doha
State of Qatar

KPMG
P.O.Box :4473
Doha - Qatar

Gopal Balasubramaniam
Qatar Auditors' Registry No. 251
KPMG
Licensed by QFMA: External Auditor's License No. 120153

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QPSC)

DOHA - QATAR
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018
(Amount Expressed in Thousands of Qatari Riyals)

	Note	December 31, 2018	December 31, 2017
ASSETS			
Non-Current Assets:			
Property and equipment	4	21,840,006	22,392,337
Investment in joint venture companies	5	4,613,158	4,143,938
Loans to joint venture companies	6	105,242	98,774
Equity investments	7	144,462	109,230
Total Non-Current Assets		26,702,868	26,744,279
Current Assets:			
Inventories		24,374	23,805
Trade and other receivables	8	278,301	340,311
Due from joint venture companies	17(b)	95,532	35,665
Cash and bank balances	9	2,463,028	2,775,377
Total Current Assets		2,861,235	3,175,158
Total Assets		29,564,103	29,919,437

The accompanying notes 1-28 form an integral part of these consolidated financial statements.

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QPSC)
DOHA - QATAR
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS OF DECEMBER 31, 2018
(Amount Expressed in Thousands of Qatari Riyals)

	Note	December 31, 2018	December 31, 2017
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	10	5,538,717	5,538,717
Legal reserve	11	861,196	772,082
Fair value reserve		33,049	(2,183)
Proposed cash dividend	10.1	554,026	554,026
Retained earnings		2,033,638	1,823,992
Equity before hedging reserve and non-controlling interests		9,020,626	8,686,634
Hedging reserve	12	(2,087,704)	(2,765,048)
Equity after hedging reserve and before non-controlling interests		6,932,922	5,921,586
Non-Controlling Interests		5,205	4,216
Non-Current Liabilities:			
Borrowings	13	18,866,982	19,789,344
Fair value of interest rate swaps	14	1,642,951	2,044,062
Provision for employees' end of service benefits		27,514	28,743
Other liabilities	15.1	88,249	119,287
Total Non-Current Liabilities		20,625,696	21,981,436
Current Liabilities:			
Borrowings	13	927,575	832,243
Fair value of interest rate swaps	14	300,219	434,160
Accounts payable and accruals	15	763,503	699,078
Due to joint venture companies	17(b)	9,043	46,718
Total Current Liabilities		2,000,340	2,012,199
Total Equity and Liabilities		29,564,163	29,919,437

These consolidated financial statements were approved by the Board of Directors and were signed on its behalf by the following on February 17, 2019.

Dr. Mohammed Bin Saleh Al Sada	Ahmad Saif Al-Sulaiti	Abdullah Fadhalah Al-Sulaiti
Chairman	Vice Chairman	Chief Executive Officer

The accompanying notes 1-28 form an integral part of these consolidated financial statements.

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QPSC)
DOHA - QATAR
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amount Expressed in Thousands of Qatari Riyals)

	Note	For the Year Ended December 31, 2018	For the Year Ended December 31, 2017
Income:			
Revenue from wholly owned vessels		3,063,097	3,057,073
Share of results from joint ventures	5	396,442	339,006
Income from marine and agency services		53,949	55,257
Interest income on loans to joint ventures	17(a)	11,345	9,826
Interest, dividend and profit from Islamic banks		75,876	54,157
Other income		34,363	102,995
Total Income		3,635,072	3,618,314
Expenses:			
Operating costs	25	(678,612)	(697,499)
General and administrative	26	(134,059)	(133,459)
Depreciation of property and equipment	4	(757,653)	(767,933)
Finance charges		(1,172,559)	(1,172,041)
Total Expenses		(2,742,883)	(2,770,932)
Profit for the year		892,189	847,382
Attributable to:			
Owners of the Company		891,143	846,187
Non-controlling interests		1,046	1,195
Total		892,189	847,382
Basic and diluted earnings per share (expressed in QR per share)	19	1.61	1.53

The accompanying notes 1-28 form an integral part of these consolidated financial statements.

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QPSC)

DOHA - QATAR
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amount Expressed in Thousands of Qatari Riyals)

	Note	For the Year Ended December 31, 2018	For the Year Ended December 31, 2017
Profit for the year		892,189	847,382
Other comprehensive income / (loss)			
Items that will not be reclassified to statement of income:			
Changes in fair value of equity investments-at FVOCI	7	35,232	-
Items that are or may be reclassified subsequently to statement of income			
Changes in fair value of equity investments-AFS		-	(24,366)
Realized gain on equity investments-AFS		-	(64,945)
Changes in fair value of cash flow hedging derivatives		535,053	340,943
Group's share of joint ventures' changes in fair value of cash flow hedging derivatives		142,291	139,287
Total comprehensive income for the year		1,604,765	1,238,301
Total comprehensive income for the year attributable to:			
Owners of the Company		1,603,719	1,237,106
Non-controlling interests		1,046	1,195
Total		1,604,765	1,238,301

The accompanying notes 1-28 form an integral part of these consolidated financial statements.

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QPSC)

DOHA - QATAR
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amount Expressed in Thousands of Qatari Riyals)

	Share Capital	Legal Reserve	Fair Value Reserve	Proposed Cash Dividend	Retained Earnings	Equity Before Hedging Reserve and Non-Controlling Interests	Hedging Reserve	Non-Controlling Interests
Balance as of January 01, 2017	5,538,717	687,463	87,128	554,026	1,637,605	8,504,939	(3,245,278)	4,146
Profit for the year 2017	-	-	-	-	846,187	846,187	-	1,195
Other comprehensive income for the year 2017								
-Changes in fair value of equity investments-AFS	-	-	(24,366)	-	-	(24,366)	-	-
-Realized gain on equity investments-AFS	-	-	(64,945)	-	-	(64,945)	-	-
-Changes in fair value of cash flow hedging derivatives	-	-	-	-	-	-	340,943	-
-Group's share of joint ventures' changes in fair value of cash flow hedging derivatives	-	-	-	-	-	-	139,287	-
Total comprehensive income for the year 2017	-	-	(89,311)	-	846,187	756,876	480,230	1,195
Transfer to legal reserve	-	84,619	-	-	(84,619)	-	-	-
Social and sports fund contribution 2017 (note 16)	-	-	-	-	(21,155)	(21,155)	-	-
Dividend declared for 2016	-	-	-	(554,026)	-	(554,026)	-	(1,125)
Proposed cash dividend for 2017 (note 10.1)	-	-	-	554,026	(554,026)	-	-	-
Balance as of December 31, 2017	5,538,717	772,082	(2,183)	554,026	1,823,992	8,686,634	(2,765,048)	4,216
Adjustment on initial application of IFRS 9	-	-	-	-	(16,078)	(16,078)	-	(57)
Adjusted Balance as of December 31, 2017	5,538,717	772,082	(2,183)	554,026	1,807,914	8,670,556	(2,765,048)	4,159
Profit for the year 2018	-	-	-	-	891,143	891,143	-	1,046
Other comprehensive income for the year 2018								
-Changes in fair value of equity investments -at FVOCI	-	-	35,232	-	-	35,232	-	-
-Changes in fair value of cash flow hedging derivatives	-	-	-	-	-	-	535,053	-
-Group's share of joint ventures' changes in fair value of cash flow hedging derivatives	-	-	-	-	-	-	142,291	-
Total comprehensive income for the year 2018	-	-	35,232	-	891,143	926,375	677,344	1,046
Transfer to legal reserve	-	89,114	-	-	(89,114)	-	-	-
Social and sports fund contribution 2018 (note 16)	-	-	-	-	(22,279)	(22,279)	-	-
Dividend declared for 2017 (note 10.1)	-	-	-	(554,026)	-	(554,026)	-	-
Proposed cash dividend for 2018 (note 10.1)	-	-	-	554,026	(554,026)	-	-	-
Balance as of December 31, 2018	5,538,717	861,196	33,049	554,026	2,033,638	9,020,626	(2,087,704)	5,205

The accompanying notes 1-28 form an integral part of these consolidated financial statements.

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QPSC)
DOHA - QATAR
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amount Expressed in Thousands of Qatari Riyals)

	Note	For the year ended December 31, 2018	For the year ended December 31, 2017
Cash Flows from Operating Activities:			
Profit for the year		892,189	847,382
Adjustments for:			
Depreciation of property and equipment	4	757,853	767,933
Finance charges		1,172,559	1,172,041
Share of results from joint ventures	5	(396,442)	(339,006)
Interest income on loans to joint ventures	17(a)	(11,345)	(9,826)
Interest, dividend and profit from Islamic banks		(75,876)	(54,157)
Other income		(34,363)	(102,995)
Provision for employees' end of service benefits		6,881	8,963
		2,311,236	2,290,335
Working Capital Changes:			
Inventories		(569)	(1,063)
Trade and other receivables		62,919	(10,858)
Accounts payable and accruals		51,211	(20,397)
Other liabilities		(31,018)	(45,929)
Due from joint venture companies		(59,198)	(5,846)
Due to joint venture companies		(37,675)	45,421
Cash generated from operations		2,296,906	2,251,663
Finance charges paid		(1,171,664)	(1,162,302)
Employees' end of service benefits paid		(8,090)	(3,284)
Net Cash From Operating Activities		1,117,152	1,086,077
Cash Flows from Investing Activities:			
Loans to joint venture companies-net		(922)	30,092
(Investment in) /return of investment from a joint venture	5	(87,397)	220,240
Dividend income received from joint ventures	5	109,930	225,131
(Acquisition of) / adjustment in property and equipment	4	(205,322)	1,206
Costs incurred on equity investments-AFS		-	(726)
Investment income received		118,871	100,701
Time deposits maturing after 90 days		(166,151)	(356,870)
Net Cash (Used in) /From Investing Activities		(210,991)	219,774
Cash Flows from Financing Activities:			
Dividend paid to shareholders		(541,472)	(555,799)
Unpaid dividend transferred to separate bank account		(23,444)	(17,292)
Dividend paid against non-controlling interests		-	(1,125)
Repayments of borrowings		(832,243)	(803,631)
Net Cash Used in Financing Activities		(1,397,159)	(1,377,847)
Net Decrease in Cash and Cash Equivalents		(490,998)	(71,996)
Cash and Cash Equivalents at Beginning of the Year		1,542,211	1,614,207
Cash and Cash Equivalents at End of the Year	9.1	1,051,213	1,542,211

The accompanying notes 1-28 form an integral part of these consolidated financial statements.

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QPSC)
DOHA - QATAR
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amount Expressed in Thousands of Qatari Riyals)

1. ***Reporting Entity:***

Qatar Gas Transport Company Limited (Nakilat) (QPSC) ("QGTC" or "the Company") is a Public Shareholding Company, incorporated in the State of Qatar on June 9, 2004, under Commercial Registration Number 28566 issued by the Ministry of Economy and Commerce. 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 most of 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. ***Application of new and revised International Financial Reporting Standards (IFRSs):***

2.1 **Newly effective amendments and improvements to standards**

The Group has initially applied IFRS 15 and IFRS 9 from 1 January 2018. A number of other new standards are also effective from 1 January 2018 but they do not have a material effect on the Group's financial statements.

A. IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 "Revenue" and related interpretations. The Group is predominantly generating revenue from leasing vessels, hence, is not materially affected by the adoption of IFRS 15.

B. IFRS 9 "Financial Instruments"

IFRS 9 sets out requirements for recognising and measuring financial assets and financial liabilities. This standard replaces IAS 39 "Financial Instruments: Recognition and Measurement".

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied using cumulative effect method. The Group has taken an exemption not to restate comparative information of prior periods. Differences in the carrying amounts of the financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.

Net impact from the adoption of IFRS 9 as at 1 January 2018 was a decrease in retained earnings of QR 16,135 thousand.

(i) Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities.

2. *Application of new and revised International Financial Reporting Standards (IFRSs) (Continued):*

2.1 Newly effective amendments and improvements to standards (continued)

(i) Classification and measurement of financial assets and financial liabilities (continued)

For an explanation of how the Group classifies and measures financial instruments under IFRS 9, refer to significant accounting policies.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 January 2018.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements.

in QR (000)	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial assets					
Equity securities	(a)	Available-for-sale	Equity instrument - FVOCI	109,230	109,230
Trade and other receivables	(b)	Loans and receivables	Amortised cost	340,311	339,176
Cash and cash equivalents	(b)	Loans and receivables	Amortised cost	1,542,211	1,542,211
Loans to joint venture companies	(b)	Loans and receivables	Amortised cost	98,774	98,774
Due from joint venture companies	(b)	Loans and receivables	Amortised cost	35,665	35,665
Total financial assets				2,126,191	2,125,056

(a) These equity securities represent investments that the Group intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVOCI. Unlike IAS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.

(b) Trade and other receivables, and cash and cash equivalents that were previously classified as loans and receivables under IAS 39 are now classified at amortised cost as per IFRS 9.

(ii) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

Impact of the new impairment model

For financial assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of IFRS 9's impairment requirements at 1 January 2018 results in an additional impairment allowance of QR 16,135 thousand. The following table summarises the impact of transition to IFRS 9 on the opening balance of retained earnings.

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QPSC)
DOHA - QATAR
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amount Expressed in Thousands of Qatari Riyals)

2. *Application of new and revised International Financial Reporting Standards (IFRSs) (Continued):*

2.1 Newly effective amendments and improvements to standards (continued)

Impact of the new impairment model (continued)

Line item impacted in the consolidated financial statements	As reported at 31 December 2017	Estimated adjustments due to adoption of IFRS 9	Estimated adjusted opening balances as at 1 January 2018
	QR	QR	QR
Provision for impairment of trade receivables (Note 8)	1,484	1,135	2,619
Accounts payable and accruals (note 15)	699,078	15,000	714,078
Retained earnings	1,823,992	(16,078)	1,807,914
Non-controlling interests	4,216	(57)	4,159

Information about how the Group measures the allowance for impairment is described in significant accounting policies.

2.2 New and amended standard not yet effective, but available for early adoption

A number of new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

Of those standards that are not yet effective, IFRS 16 is expected to have an impact on the Group's financial statements in the period of initial application.

IFRS 16 "Leases"

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17- Leases, IFRIC 4 – Determining whether an Arrangement contains a Lease, SIC - 15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

Leases in which the Group is a lessee
The Group will recognise new assets and liabilities for its operating lease for office building. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

Based on the information currently available, the Group estimates that it will recognise right-of-use assets and lease liabilities of approximately QR 143 million as at 1 January 2019 in relation to the operating lease commitments.

Leases in which the Group is a lessor
The Group will reassess the classification, components and lease term of leases in which the Group is a lessor. Based on the information currently available, the Group estimates that the application of new lease standard might result in a deferment in revenue from these leases on a yearly basis, the management is in the process of quantifying the impact.

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QPSC)
DOHA - QATAR
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amount Expressed in Thousands of Qatari Riyals)

2. *Application of new and revised International Financial Reporting Standards (IFRSs) (Continued):*

2.2 New and amended standard not yet effective, but available for early adoption (continued)

Transition

The Group plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

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 the International Accounting Standard Board (IASB) and in compliance with Qatar Commercial Law No. 11 of 2015, as applicable.

b) *Basis of measurement*

These consolidated financial statements have been prepared under the historical cost basis, except for equity investments and cash flow hedging derivatives which are carried at fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

c) *Functional and presentation currency*

The consolidated financial statements are presented in Qatari Riyals, which is also the Company's functional currency. All financial information presented in Qatari Riyals has been rounded to the nearest thousands, except when otherwise indicated.

d) *Use of estimates and judgments*

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 23 to these consolidated financial statements.

3.2 *Significant Accounting Policies*

The following significant accounting policies have been applied in the preparation of these consolidated financial statements.

a) *Basis of Consolidation*

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) and its share of movements in equity of joint venture entities collectively referred to as the "Group". Refer to notes no. 5 and 13 for details.

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

3.2 *Significant Accounting Policies (continued)*

a) *Basis of Consolidation (continued)*

i) *Investment in Subsidiary Companies*

Subsidiaries are entities controlled by the Company. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights to variable returns from its involvement with the investee; and
- has the ability to use its power to effect its returns.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interest even if this results in the non-controlling interests having a deficit balance.

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 assets, liabilities, equity, income, expenses and cash flows relating to transactions between entities in the Group are eliminated in full on consolidation.

ii) *Investment in Joint Ventures*

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36, Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount.

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 capitalised 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 statement of income 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 statement of income 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.

Dry-docking costs incurred on the vessels are capitalized and amortised over a period of five years.
Residual value of vessels is calculated based on the tonnage value of vessels.

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%
Computer equipment	33.33%
Plant equipment	20%
Office equipment	15%
Telecom equipment	20%
Furniture and fixtures	15%
Vehicles	20%
Other assets	Up to 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 consolidated statement of income.

d) *Financial Instruments*

Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. A trade receivable without a significant financing component is initially measured at the transaction price.

Non-derivative financial assets and liabilities

Non-derivative financial assets include equity investments, loans to joint ventures, trade and other receivables, due from joint venture companies and cash and bank balances. Non-derivative financial liabilities comprise accounts payable and accruals, borrowings, due to related parties and other liabilities.

Classification and subsequent measurement

Financial assets – policy applicable from 1 January 2018

On initial recognition, a financial asset is classified at:

- ***amortised cost*** – if it meets both of the following conditions and is not designated as at FVTPL:
  - it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
  - its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.
- ***Fair Value Through Other Comprehensive Income (FVOCI)*** – if it meets both of the following conditions and is not designated as at FVTPL:
  - it is held within a business model whose objective achieved by both collecting contractual cash flows and selling financial assets; and

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

3.2 *Significant Accounting Policies (continued)*

d) *Financial Instruments (continued)*

  - its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

- ***Fair Value Through Profit or Loss (FVTPL)*** – All financial assets not classified as measured at amortised cost or FVOCI as described above.

On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Company has classified on initial recognition its trade and other receivables and its cash at bank at amortised cost. The Group does not hold any other financial assets.

Financial assets – Business model assessment: Policy applicable from 1 January 2018

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

– the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual cash flows or realising cash flows through the sale of the assets;

– how the performance of the portfolio is evaluated and reported to the Group's management;

– the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

– the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

– contingent events that would change the amount or timing of cash flows;
– terms that may adjust the contractual coupon rate, including variable-rate features;
– prepayment and extension features; and
– terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

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

3.2 *Significant Accounting Policies (continued)*

d) *Financial Instruments (continued)*

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses: Policy applicable from 1 January 2018

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Financial assets at Fair Value Through Profit or Loss (FVTPL)	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. The Company does not hold such assets.
Debt instruments at Fair Value Through Other Comprehensive Income (FVOCI)	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. The Company does not hold such assets.
Equity investments at Fair Value Through Other Comprehensive Income (FVOCI)	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never derecognised to profit or loss.

Financial assets – policy applicable before 1 January 2018
The Group classified its financial assets into loans and receivables category (equity investments, loans to joint ventures, trade and other receivables, due from joint venture companies and cash and bank balances)

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities are measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

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

3.2 *Significant Accounting Policies (continued)*

d) *Financial Instruments (continued)*

i) *Equity Investments*

Equity investments are non-derivative financial assets that are designated as an investment at fair value through other comprehensive income and are not classified as an investment at fair value through profit or loss. Equity investments are equity securities and are initially recognized 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. Unrealized gains and losses are recognized in other comprehensive income and presented as a separate component of equity.

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 is initially recognised at the transaction price i.e. original invoice amount which is subsequently reduced by impairment losses. The Group recognises loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortised cost. Loss allowances are always measured at an amount equal to lifetime ECLs. Bad debts are written off as incurred.

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 recognized 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.
- the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

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3. *Basis of Preparation and Significant Accounting Policies (continued)*
3.2 *Significant Accounting Policies (continued)*
d) *Financial Instruments (continued)*

De-recognition of financial liabilities
A financial liability is de-recognized when the obligation under the liability is discharged or cancelled or expires. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is the consolidated statement of income.

Offsetting
Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has an enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

e) *Inventories*
Inventories include spares and consumables and are stated at the lower of cost and net realisable value. The cost of inventories is based on the weighted average method. 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 represents terminal gratuity and are provided for services rendered based on entitlements stipulated in the employees' contracts of employment and their length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. The Group has no expectation of settling its end of service benefits obligations in near term and hence classified this as a non-current liability.

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

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

Revenue from marine and agency services is 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.

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

i) *Impairment*
Impairment of Financial Assets

Non-derivative financial assets – policy applicable from 1 January 2018
The Group recognises loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortised cost. Loss allowances for trade and other receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit risk assessment and including forward-looking information.

The Group considers a financial asset to be in default when:
- customer is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 360 days past due.

The Group considers bank balances to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group considers this to be Baa3 or higher per Moody's Rating Agency.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets
At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.
Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the customer or issuer;
- a breach of contract such as a default or being more than 360 days past due; or
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the customer will enter bankruptcy or other financial reorganization.
- the disappearance of an active market for a security because of financial difficulties.

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

3.2 ***Significant Accounting Policies (continued)***

i) ***Impairment (continued)***

Presentation of allowance for ECL in the statement of financial position
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off
The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Non-derivative financial assets – policy applicable before 1 January 2018
Financial assets classified as loans and receivables were assessed at each reporting date to determine whether there was objective evidence of impairment.

Objective evidence that financial assets were impaired included:
- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- Indications that a debtor would enter bankruptcy;
- adverse changes in the payment status of customers;
- observable data indicating that there was a measurable decrease in the expected cash flows from a group of financial assets.

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 statement of income, 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 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 presentation currency of the parent company.

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

3.2 ***Significant Accounting Policies (continued)***

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 statement of income.

l) ***Capital work in progress***

Capital work in progress includes direct cost incurred in building assets, interest capitalized and other costs necessary to bring the assets in the location and condition to be capable of operating in the manner intended by the management. The cost is transferred to property and equipment when the assets are ready for their intended use.

m) ***Deferred income***

Amounts received to compensate the Group for the cost of dry docking and construction of an item of property and equipment is presented as "Other liabilities" in the consolidated statement of financial position.

The Group follows an income approach which requires the amounts to be recognized in the consolidated statement of income on a systematic basis over the periods in which the related cost is depreciated over its estimated useful life.

n) ***Leases***

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
c) there is a change in the determination of whether fulfilment is dependent on a specified asset; or
d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting commences or ceases from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

The Group as lessor
Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

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

3.2 *Significant Accounting Policies (continued)*

n) *Leases (continued)*

The Group as lessor
Leases where the Company as a lessee does not obtain substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of income on a straight-line basis over the lease term.

o) *Operating Segments*

Wholly owned gas transportation vessels is the group's primary operating segment based on the nature of the services provided. Other segments including agency and marine services are immaterial and not reportable. These financial statements are therefore prepared on a single reportable segment basis.

4. *Property and Equipment:*

	Vessels	*Equipment*	*Furniture and Fixtures*	*Others **	*Total*
Cost:					
At January 1, 2017	27,527,588	13,788	40,930	371,009	27,953,315
Additions/(Adjustments) during the year 2017	(5,608)	–	–	4,402	(1,206)
Disposals during the year 2017	-	(486)	-	-	(486)
At December 31, 2017	27,521,980	13,302	40,930	375,411	27,951,623
Additions during the year 2018	104,671	40	–	100,611	205,322
Transfer from capital work in progress	83,435	2,092	333	(85,860)	–
Disposals /adjustments during the year 2018	(95,699)	(1,106)	–	–	(96,805)
At December 31, 2018	27,614,387	14,328	41,263	390,162	28,060,140
Accumulated Depreciation:					
At January 1, 2017	4,663,392	8,880	5,505	114,062	4,791,839
Charge for the year 2017	749,851	2,246	6,114	9,722	767,933
Disposals during the year 2017	–	(486)	–	-	(486)
At December 31, 2017	5,413,243	10,640	11,619	123,784	5,559,286
Charge for the year 2018	739,066	2,087	6,150	10,350	757,653
Disposals /adjustments during the year 2018	(95,699)	(1,106)	–	–	(96,805)
At December 31, 2018	6,056,610	11,621	17,769	134,134	6,220,134
Net Carrying amount:					
At December 31, 2018	21,557,777	2,707	23,494	256,028	21,840,006
At December 31, 2017	22,108,737	2,662	29,311	251,627	22,392,337

*This includes capital work in progress amounting to QR 2.6 million (2017: QR 4.5 million).

5. *Investment in Joint Venture Companies:*

	QR
Balance – January 1, 2017	4,017,934
Return of investment from a joint venture	(220,240)
Share of results for the year	339,006
Loss adjusted against loan to joint ventures	11,631
Additional liability for losses from a joint venture	86,491
Share of hedging reserve for the year *	134,247
Dividend received	(225,131)
Balance – December 31, 2017	4,143,938
Investment in a joint venture	67,397
Share of results for the year	396,442
Gain adjusted against loan to joint ventures	(1,125)
Adjustment against additional liability for losses from a joint venture	(21,435)
Share of hedging reserve for the year *	137,871
Dividend received	(109,930)
Balance – December 31, 2018	4,613,158

During the year, one of the joint ventures, Maran Nakilat Company Ltd. acquired full share capital of two LNG vessel owning companies. Moreover, one of the subsidiaries of Nakilat entered into a JV agreement with Excelerate Energy-USA and established a joint-venture company which acquired an asset called floating storage regasification unit (FSRU) Exquisite.

* This excludes the share of gain on the hedging reserve from joint ventures amounting to a total of QR 4.4 million (2017: QR 5 million gain) adjusted against the loan to the respective joint venture.

Details of the Group's joint venture companies at December 31, 2018 are as follows:

Name of Joint Ventures	*Place of Incorporation*	*Proportion of Ownership Interest*	*Principal Activity*
Maran Nakilat Company Ltd.	Cayman Islands	40%	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	Germany	45%	Chartering of vessels
-Nausonto Schiffsbetriebsgesellschaft mbH & Co. TS "Gabriela" KG	Germany	45%	Chartering of vessels
-Neptana Schiffsbetriebsgesellschaft mbH & Co. TS "Julia" KG	Germany	45%	Chartering of vessels
Teekay Nakilat (III) Corporation **	Marshall Islands	60%	Chartering of vessels
OSG Nakilat Corporation **	Marshall Islands	50.1%	Chartering of vessels
Nakilat Excelerate LLC **	Marshall Islands	55%	Chartering of vessels
India LNG Transport Company No.3 Limited	Malta	20%	Chartering of vessels

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

Name of Joint Ventures	*Place of Incorporation*	*Proportion of Ownership Interest*	*Principal Activity*
Nakilat Svitzerwijsmuller WLL **	Qatar	70%	Chartering of vessels
Gulf LPG Transport Company WLL	Qatar	50%	Chartering of vessels
Nakilat-Keppel Offshore & Marine Limited (QPJSC)**	Qatar	80%	Operate and maintain the Ship Repair Yard.
Nakilat Damen Shipyards Qatar Limited (QPJSC) **	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. The Group does not have any contractual rights to the assets and obligations for the liabilities relating to these joint ventures. Consequently, the above joint ventures are accounted for using equity method in these consolidated financial statements.

5.1 Summarized financial information in respect of the Group's joint venture companies represents amounts shown in the financial statements of respective joint ventures prepared in accordance with IFRS (adjusted by the Group for equity accounting purposes wherever the financial reporting framework is not IFRS).

As of December 31, 2018:	J5 Joint Ventures	Maran Nakilat Company	Teekay Joint Ventures	OSG Nakilat	Gulf LPG	Pronav & Other Joint Ventures	Total
Current assets	514,205	272,485	377,976	129,413	80,863	800,315	2,175,257
Non-current assets	5,897,701	10,207,573	4,625,610	2,798,616	981,134	4,975,748	29,486,382
Current liabilities	(372,822)	(771,021)	(232,355)	(255,760)	(40,808)	(1,349,150)	(3,021,922)
Non-current liabilities	(3,461,980)	(6,827,694)	(3,609,069)	(1,925,045)	(473,655)	(3,006,862)	(19,304,305)
Net assets	2,577,104	2,881,343	1,162,162	747,224	547,534	1,420,045	9,335,412
Group's share of net assets	1,030,842	1,233,582	687,948	374,359	281,794	1,004,633	4,613,158
Revenues	568,185	1,332,684	609,828	404,639	77,149	1,218,879	4,211,164
Interest & other Income	349	5,076	1,934	4,286	1,146	19,723	32,514
Depreciation & Amortization	(34,350)	(287,852)	(76,439)	(112,155)	(49,278)	(179,040)	(739,114)
Finance Costs	(212,982)	(318,259)	(183,137)	(120,492)	(21,916)	(237,694)	(1,094,480)
Other expenses	(187,914)	(281,563)	(321,729)	(101,394)	(62,694)	(607,764)	(1,563,058)
Net profit	133,288	450,086	30,257	74,884	(55,583)	214,104	847,026
Other Comprehensive Income	142,196	19,817	29,064	74,981	-	59,171	325,229
Total Comprehensive Income	275,484	469,903	59,321	149,865	(55,583)	273,275	1,172,255
Group's share of net profit / (loss)	53,315	180,034	47,834	37,517	(27,797)	105,539	396,442
Group's share of other comprehensive income / (loss)	56,878	7,927	14,837	37,565	-	25,884	142,291
Other disclosures:							
Cash and cash equivalents	106,528	156,535	290,616	63,289	74,997	435,001	1,126,966
Interest bearing loans and borrowings	3,632,468	7,248,393	3,818,792	1,998,887	511,004	3,903,251	21,112,795
Group's share of dividend received	-	-	32,337	37,674	-	39,919	109,930

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

As of December 31, 2017:	J5 Joint Ventures	Maran Nakilat Company	Teekay Joint Ventures	OSG Nakilat	Gulf LPG	Pronav & Other Joint Ventures	Total
Current assets	535,751	515,648	429,726	198,072	157,373	801,139	2,637,709
Non-current assets	6,031,164	8,793,920	4,745,490	2,899,436	996,339	4,337,044	27,803,393
Current liabilities	(353,015)	(465,256)	(188,185)	(279,765)	(40,219)	(1,146,902)	(2,473,342)
Non-current liabilities	(3,912,280)	(6,432,873)	(3,830,300)	(2,145,186)	(510,365)	(2,872,911)	(19,703,915)
Net assets	2,301,620	2,411,439	1,156,731	672,557	603,128	1,118,370	8,263,845
Group's share of net assets	920,648	1,045,622	658,410	336,951	309,592	872,715	4,143,938
Revenues	580,080	1,097,608	611,264	420,310	149,199	1,064,236	3,922,697
Interest & other income	495	3,154	3,973	11,350	-	41,371	60,343
Depreciation & Amortization	(28,745)	(255,435)	(77,750)	(109,609)	(48,360)	(195,575)	(715,480)
Finance Costs	(231,463)	(230,272)	(147,733)	(128,933)	(17,628)	(200,247)	(956,276)
Other expenses	(184,245)	(242,184)	(140,753)	(85,117)	(59,360)	(669,679)	(1,381,344)
Net profit	136,122	372,871	249,001	108,001	23,839	40,106	929,940
Other Comprehensive Income	136,440	870	(11,273)	81,024	-	101,653	308,714
Total Comprehensive Income	272,562	373,741	237,728	189,025	23,839	141,759	1,238,654
Group's share of net profit / (loss)	54,449	149,148	120,823	54,108	11,919	(51,441)	339,006
Group's share of other comprehensive income / (loss)	54,576	348	(4,389)	40,503	-	48,159	139,287
Other disclosures:							
Cash and cash equivalents	54,948	443,356	340,148	95,235	143,773	369,488	1,446,948
Interest bearing loans and borrowings	3,899,249	6,767,179	3,934,717	2,155,829	547,714	3,432,487	20,737,175
Group's share of dividend received	37,144	-	151,852	-	-	36,135	225,131

6. ***Loans to Joint Venture Companies:***

	December 31, 2018	December 31, 2017
India LNG Transport Company No. 3 Limited	52,452	46,722
Nakilat Svitzerwijsmuller WLL	14,629	29,923
Nakilat Damen Shipyards Qatar Limited	26,144	22,129
Teekay Nakilat Corporation	12,017	-
Total	105,242	98,774

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, 2018 is 3.83% (2017: 3.14%).

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7. *Equity Investments:*

	December 31, 2018	December 31, 2017
Equity investments -available-for-sale	-	133,596
Equity investments -at FVOCI	109,230	-
Changes in fair value	35,232	(24,366)
Balance at December 31	144,462	109,230

Equity investments represent investment in listed securities in the Qatar Exchange.

8. *Trade and Other Receivables:*

	December 31, 2018	December 31, 2017
Trade receivables	22,201	30,572
Less: Provision for doubtful receivables	(1,484)	(1,484)
	20,717	29,088
Less: Expected credit loss	(1,135)	-
Accrued income	9,844	7,880
Other receivables	249,875	303,343
Total	279,301	340,311

The Group has provided fully for all receivables where collection of the amount is no longer probable.
The average credit period is approximately 60 days.

As at December 31, 2018 the ageing of trade receivables and movement in the provision for doubtful receivables are as follows:

	December 31, 2018	December 31, 2017
(i) Ageing of neither past due nor impaired		
Less than 60 days	7,307	9,955
(ii) Ageing of past due but not impaired		
61-90 days	2,832	4,545
91-120 days	3,831	3,337
Over 120 days	6,747	11,251
Total	13,410	19,133
(iii) Ageing of impaired trade receivables		
Over 120 days	1,484	1,484
(iv) Movement in the provision for doubtful receivables:		
Balance at the beginning of the year	1,484	2,410
Recovered during the year	-	(926)
Balance at end of the year	1,484	1,484

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9. *Cash and Bank Balances:*

	December 31, 2018	December 31, 2017
Cash on hand	321	322
Cash at bank-Call and current accounts	327,479	661,856
Cash at bank-Time deposits*	2,004,965	1,995,434
Other bank balances (a)	20,441	20,497
Other bank balances (b)	109,822	97,268
Total	2,463,028	2,775,377

* The effective interest and profit rates on the time deposits varies between 2.6% to 3.9% (2017: 1.21% to 3.25%).

9.1 *Cash and Cash Equivalents:*

	December 31, 2018	December 31, 2017
Cash and bank balances	2,463,028	2,775,377
Less:		
Other bank balances (a)	(20,441)	(20,497)
Other bank balances (b)	(109,822)	(97,268)
Time deposits maturing after 90 days	(1,281,552)	(1,115,401)
	1,051,213	1,542,211

(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.

10. *Share Capital:*

	December 31, 2018	December 31, 2017
	Number of Shares	Number of Shares
Issued and subscribed share capital	554,026,360	554,026,360
	Amount	Amount
Issued, subscribed and Paid up share capital with a par value of QR 10 each	5,538,717	5,538,717

At December 31, 2018, a total of 309,224 issued shares are 50% paid (2017: 309,224 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 (2017: QR 554 million) which is subject to the approval of shareholders in the Annual General Meeting. The cash dividend for 2017 was approved by the shareholders at the Annual General Meeting held on March 20, 2018.

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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 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.

13. *Borrowings:*

These consist of the following:

	December 31, 2018	December 31, 2017
Loan - note (a)	1,820,765	1,820,765
Senior bank facilities - note (b)	11,826,065	12,210,374
Subordinated bank facilities – note (c)	1,349,188	1,391,164
Senior bonds – Series "A" - note (d)	3,095,299	3,095,299
Subordinated bonds Series "A" – note (e)	861,262	895,150
KEXIM Facility - note (f)	316,655	474,982
KSURE Covered Facility – note (g)	569,979	783,721
Less: Issuance costs of bonds	(21,016)	(22,417)
Less: Costs incurred for financing	(7,383)	(8,780)
Less: Transaction costs of refinancing	(16,337)	(18,671)
Total	19,794,477	20,621,587
Classified as:		
Payable within one year	927,575	832,243
Payable after one year	18,866,902	19,789,344

Note (a):
Represents USD 500 million drawdown against the financing facility. The repayment will begin from June 2019 and will end in June 2024.

Note (b):
Represents USD 1,799.6 million against the senior bank facility Tranche I, USD 770.3 million against the senior bank facility Tranche II and USD 677.6 million against senior bank facility Tranche IV. 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 IV began from December 2013 and will end in December 2025.

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13. *Borrowings (continued):*

Note (c):
Represents USD 141.3 million against the subordinated bank facility Tranche I, USD 103.4 million against the subordinated bank facility Tranche II and USD 125.8 million against subordinated bank facility Tranche IV. 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 IV began from December 2013 and will end in December 2025.

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 USD 86.9 million against the KEXIM facility Tranche I. The repayment began from December 2009 and will end in December 2020.

Note (g):
Represents USD 39.1 million against the KSURE facility Tranche I and USD 117.4 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.

Note (h):
The table below shows the changes in liability arising from financing activities

Particulars	*As at 01 January 2018*	*Cash flow changes*	*Non-cash changes – Transaction cost*	*As at 31 December 2018*
Borrowings	*20,621,587*	*(832,243)*	*5,133*	*19,794,477*

The weighted average interest rate on short / long term facilities (excluding hedge), loans and bonds as above at December 31, 2018 is 3.78179% (2017: 3.10214%).

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 Group's subsidiaries 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.

All these securities are subject to first priority to senior debts and bonds and 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, 2018 the outstanding notional amount of swap agreements is QR 10,480 million (2017: QR 11,136 million) and net fair value is negative QR 1,043 million (2017: negative QR 2,478 million).

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15. *Accounts Payable and Accruals:*

	December 31, 2018	December 31, 2017
Accounts payable	189,850	126,119
Advances from customers	73,159	114,565
Payable to shareholders (1)	20,441	20,497
Other accruals	167,887	114,151
Other liabilities-current portion (note 15.1)	31,818	48,241
Social and sports fund contribution (note 16)	22,279	21,155
Dividend payable	109,822	97,268
Deferred liabilities (2)	150,647	157,082
Total	763,508	699,078

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

(2) This represents excess losses from a joint venture and will be adjusted with the future profits of the same joint venture.

15.1 *Other Liabilities:*

This includes deferred income relating to excess dry docking costs and proceeds from MEGI project. The excess dry dock costs will be amortized over the life of the dry docking costs. The proceeds from MEGI project will be amortized over the useful life of related assets. The balance of non-current portion is QR 88,269 thousands (2017: QR 119,287 thousands).

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 22,279 thousands representing 2.5% of the net consolidated profit of the Group for the year ended December 31, 2018 (December 31, 2017: QR 21,155 thousand). This appropriation has been presented in the consolidated statement of changes in equity.

17. *Related Party Transactions:*

		For the year ended December 31, 2018	For the year ended December 31, 2017
(a)	Transactions with related parties during the year are as follows:		
	(Additional loans) /repayment of joint ventures' loans-net	(922)	30,092
	Interest income on loans to joint ventures	11,345	9,826
(b)	Balances with related parties are as follows:		
	Due from joint venture companies	95,532	35,665
	Due to joint venture companies	9,843	46,718
(c)	Key management compensation:		
	Compensation of key management personnel	9,630	9,242
	Board of Directors' remuneration accrued	5,900	5,900

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18. *Subsidiaries:*

Details of the Company's subsidiaries at December 31, 2018 are as follows:

Name of Subsidiaries	*Place of Incorporation (or registration)*	*Proportion of Ownership & Voting Interest*	*Principal Activity*
Nakilat Agency Company Navigation Limited (Q.P.J.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
-QGTC Cyprus Limited	Cyprus	100%	Shipping Company

* Share 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, 2018	For the year ended December 31, 2017
Profit for the year attributable to the owners of the Company	891,143	846,187
Weighted average number of shares outstanding during the year	553,871,748	553,871,748
Basic and diluted earnings per share (expressed in QR per share)	1.61	1.53

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. A risk management committee have been established which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the CEO and the Board of Directors on its 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, 2018.

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20. *Financial Risk Management (continued):*
I *Market Risk (continued)*
(a) *Interest Rate Risk (continued)*
(i) *Interest Rate Sensitivity Analysis (continued)*

The Group's sensitivity analysis has been determined based on exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For floating liabilities, the amount of the liability outstanding at the end of the reporting period was assumed outstanding for the whole year. All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from variable interest on borrowings.
The Group's exposure to interest rate risk and the effective interest rates on its financial assets and liabilities are summarized below:

	December 31, 2018				December 31, 2017			
	Fixed interest rate	*Floating interest rate*	*Non-interest bearing*	*Total*	*Fixed interest rate*	*Floating interest rate*	*Non-interest bearing*	*Total*
Financial assets								
Bank balances and cash	-	2,316,141	146,887	2,463,028	-	2,448,877	326,500	2,775,377
Loans to joint ventures	-	105,242	-	105,242	-	98,774	-	98,774
	-	2,421,383	146,887	2,568,270	-	2,547,651	326,500	2,874,151
Financial liabilities								
Interest bearing loans and borrowings	(3,935,545)	(5,398,666)	-	(9,334,211)	(3,968,032)	(5,517,061)	-	(9,485,093)
Interest rate swap	(10,460,266)	-	-	(10,460,266)	(11,136,494)	-	-	(11,136,494)
	(14,395,811)	(5,398,666)	-	(19,794,477)	(15,104,526)	(5,517,061)	-	(20,621,587)
Net financial assets/ (liabilities)	(14,395,811)	(2,977,283)	146,887	(17,226,207)	(15,104,526)	(2,969,410)	326,500	(17,747,436)

If interest rates had been 50 basis points lower / higher and all other variables were held constant, the net effect on the profit for the year ended December 31, 2018 would be an increase / decrease by QR 14.9 million (December 31, 2017: QR 14.8 million).

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20. ***Financial Risk Management (continued):***
I ***Market Risk (continued)***
(a) ***Interest Rate Risk (continued)***

(a) Interest rate swap contracts

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

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

Cash flow hedges

Outstanding receive floating Pay fixed contracts	*Average contracted fixed interest rate*		*Notional principal amount outstanding*		*Fair value*	
	2018	2017	2018	2017	2018	2017
	%	%	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	10,460	11,136	(1,943)	(2,478)

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 145 million as of December 31, 2018 (2017: negative fair value of QR 287 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 equity 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 equity investments at the reporting date is expected to result in an increase or decrease of QR 14.4 million (2017: QR 10.9 million) in the assets and equity of the Group.

(c) ***Currency risk***

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The significant foreign currency transactions are denominated in United States Dollar ("USD") which is pegged with the functional currency of the Company. Therefore, the Management is of the opinion that the Group's exposure to currency risk is minimal.

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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 2018	Carrying Amounts	Less than 1 year	1-5 years	Over 5 Years
Borrowings	19,794,477	927,575	3,728,187	15,146,715
Accounts payable	596,416	596,416	-	-
	20,390,893	1,523,991	3,728,187	15,146,715

31 December 2017	Carrying Amounts	Less than 1 year	1-5 years	Over 5 Years
Borrowings	20,621,587	832,243	3,733,435	16,055,909
Accounts payable	584,927	584,927	-	-
	21,206,514	1,417,170	3,733,435	16,055,909

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.

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20. ***Financial Risk Management (continued):***

Exposure to credit risk

The Group's maximum exposure to credit risk for the components of the consolidated statement of financial position as at December 31, 2018 and 2017 is the carrying amounts as illustrated below.

	Note	Carrying amount	
		December 31, 2018	December 31, 2017
Loans to joint venture companies	6	105,242	98,774
Equity investments	7	144,462	109,230
Due from joint venture companies	17(b)	95,532	35,665
Trade and other receivables	8	278,301	340,311
Bank balances	9	2,462,707	2,775,055
Total		3,086,244	3,359,035

Bank balances

The bank balances are held with banks, which have good accredited credit ratings (not below BBB) from independent international rating agencies.

Impairment on cash and bank balances has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its bank balances have low credit risk based on the external credit ratings of the counterparties.

On initial application of IFRS 9, there was no material impact of impairment allowances at 1 January 2018. Therefore, the Group's cash at bank are held with credit worthy and reputable banks with high credit ratings. As a result, management believes that credit risk in respect of these balances is not material.

Loans and due from joint venture companies

The maximum exposure to credit risk for loans and due from related parties at the reporting date was equal to the amount disclosed in the consolidated statement of financial position. Management believes that there is limited credit risk from the receivable from related parties, because these counterparties are under the control of the ultimate parent company, who is financially healthy.

Trade receivables

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 Group uses an allowance matrix to measure the ECLs of trade receivables from customers.

Loss rates are calculated using a simplified approach method defined under IFRS 9, which is based on the probability of a receivable progressing through successive stages of delinquency to write-off.

Net impact of using the ECL model for bank balances and trade receivables resulted in a decrease in retained earnings of QR 16,135 thousand as at 1 January 2018. The model did not require recognition of additional credit losses during the period.

Fair Value of Financial Instruments

The fair value of equity investments are derived from quoted market prices in an active market. 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.

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20. ***Financial Risk Management (continued):***

Fair Value Hierarchy

As at December 31, the Group held the following financial instruments measured at fair value.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that is not based on observable market data.

31 December 2018	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:				
Equity investments	144,462	-	-	144,462
Financial liabilities measured at fair value:				
Interest rate swaps used for hedging	-	1,943,170	-	1,943,170
31 December 2017				
Financial assets measured at fair value:				
Equity investments	109,230	-	-	109,230
Financial liabilities measured at fair value:				
Interest rate swaps used for hedging	-	2,478,222	-	2,478,222

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 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, 2018	December 31, 2017
Total debt (Borrowings)	13	19,794,477	20,621,587
Cash and cash equivalents	9.1	(1,051,213)	(1,542,211)
Net debt		18,743,264	19,079,376
Equity before hedging reserve and non-controlling interests		9,020,626	8,686,634
Add: Non-controlling interests		5,205	4,216
Adjusted Equity (i)		9,025,831	8,690,850
Net debt to adjusted equity ratio		208%	219%

(i) Adjusted equity includes all equity except negative cash flow hedge reserve of the Group.

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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, Letter of Credit and Commitments:

(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, 2018 amounted to QR 3.9 million (2017: QR 1.51 million).

(iii) Letters of Credits and Guarantees including the share from joint ventures at December 31, 2018 amounted to QR 108.7 million (2017: QR 55.8 million).

(iv) Capital commitments including the share from joint ventures at December 31, 2018 amounted to QR 9.2 million (2017: QR 39.9 million).

(v) Contingent claims including the share from joint ventures at December 31, 2018 amounted to QR 2.4 million (2017: QR 2.4 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:

As at 31 December 2017, there was a tax contingency related to one of the joint ventures of the Company arising from finance lease arrangements for its LNG carriers. During the current year, the management and tax authorities agreed for the settlement of the case and the final tax demand was disbursed accordingly.

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, residual value and impairment of property and equipment:

As described in note 3.2(b), the Group's management reviews the estimated useful life and residual value of the property and equipment at the end of each annual reporting period. Management also performs impairment test for property and equipment when there is an indicator for impairment.

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

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

(ii) Impairment of receivables:

The new impairment model of IFRS 9 requires forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Accordingly, management has assigned probability of default to various categories of receivables. Probability of default constitutes a key input in measuring an ECL and entails considerable judgment; it is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

In the previous year, the impairment review on trade receivables was performed only for receivables for which management had an indication for impairment that also entailed significant judgment. It was determined with reference to past default experience of a counterparty and an analysis of the counterparty's financial situation.

(iii) *Fair value and hedge effectiveness of cash flow hedges:*

Fair value of hedges is derived based on confirmation from banks. Management performs an independent check to assess the accuracy of the fair values. Management also reviews its hedging relationship between the interest rate swaps and the underlying loans on a regular basis. The hedge was found to be highly effective. As a result, the fair value of the derivative (negative QR 1,843 million) is recorded in equity under hedging reserve.

(iv) Classification of lease:

Lease classification is determined by Management at the inception of the lease. Changes to the particulars of a lease after inception, other than by renewing the lease, which would have resulted in a different classification of the lease had the revised terms been in effect at the inception of the lease, should be considered at the inception of a revised agreement over the remaining term.

Management has applied judgments for the classification of its lease arrangements based on the following primary indicators;

- transfer of ownership of the asset at the end of the lease term;
- option to purchase the leased asset at a price that is sufficiently lower than the fair value at the date of the purchase;
- term of the lease is for the major part of the economic life of the asset;
- present value of the minimum lease payments which is calculated based on rate of return implicit in the lease and fair value of the leased asset;
- nature of the asset including its specialization, purpose of creation for the lease and requirements for major modification to be used by other lessee;

Key estimates used by Management include calculation of IRR, useful life and salvage value.

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24. *Operating Lease Revenue:*

The Group has various lease agreements for wholly owned LNG vessels. The charter revenue of these vessels are accounted for as operating leases. The future minimum rentals receivables under non-cancellable operating leases are as follows:

	December 31, 2018	December 31, 2017
Not later than 1 year	3,071,106	3,062,849
Later than 1 year but not later than 5 years	12,292,837	12,259,888
Later than 5 years	32,402,705	35,381,108
Total	47,766,648	50,703,845

25. *Operating Costs:*

Operating cost mainly includes running and maintenance costs for vessels.

26. *General and administrative expenses:*

	For the Year Ended December 31, 2018	For the Year Ended December 31, 2017
Employees Costs	82,105	79,296
Office rent and utilities	25,607	25,901
Professional fee-audit, legal & others	9,157	8,802
Directors' fee / AGM expenses	7,148	7,371
Others	10,042	12,089
Total	134,059	133,459

27. *Events after the reporting date:*

There are no material events subsequent to the reporting date, which have a bearing on the understanding of these consolidated financial statements.

28. *Comparative amounts:*

The comparative figures for the previous period have been reclassified where necessary, in order to conform to the current year's presentation. Such reclassification do not affect the previously reported net profits or net assets.