# Annual Report 2007

QATAR GAS TRANSPORT COMPANY LTD. (Nakilat)

# Qatar Gas Transport Company Ltd. (Nakilat) Q.S.C.

## A Joint-Stock Company

### Name of the Company

Qatar Gas Transport Company Ltd. (NAKILAT), a joint-stock Company.

### Capital of the Company

The authorized capital of the Company amounts to QR 5,600,000,000 (five billion and six hundred million Qatari Riyals) divided into 560,000,000 (five hundred and sixty million) shares.

### The Nominal Value of the Stock

QR 10 (ten Qatari Riyals)

### Headquarters of the Company

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

### The Term of the Company

The fixed term of the Company is fifty Gregorian years, commencing from the date of issue of the decision of the Minister of Economy and Commerce authorizing its establishment. The term may be extended by a decision of the extraordinary general assembly.

### The Financial Year of the Company

The financial year of the Company commences on 01 January and ends on 31 December of each year.

### Registration of Company's Stocks for Circulation

The Company's shares are registered on the Doha Securities Market, and the dealing of such shares is in accordance with the regulations of the market.
A maximum of 25% of the total shares of the Company may be owned by non-Qatari citizens, in accordance with Government legislation.

## Company Vision and Mission Statement

### Vision Statement

Nakilat Vision is "To be the world's leading owner and operator of LNG vessels and associated products carrier as measured by customer satisfaction; financial profitability and growth; operational efficiency; high standards of safety, health and environment."

### Mission Statement

To optimize shareholder value by:

- Optimising investment in our core businesses of transporting LNG and associated products through stringent cost control, effective risk management, and innovative financing
- Establishing a world class Ship Repair Yard which will be a "centre of excellence" for the repair and maintenance of very large LNG carriers and other large vessels, and a national asset for the State of Qatar
- Providing a fully integrated logistics service to vessels
- Identifying and capturing synergies
- Recruiting, developing and retaining the highest quality personnel in the industry

In The Name Of Allah, The Most Merciful, The Most Compassionate

**H.H. Sheikh Hamad Bin Khalifa Al-Thani**
**The Emir of the State of Qatar**

**H.H. Sheikh Tamim Bin Hamad Al-Thani**
**The Heir Apparent**


# Contents



*Photo credits: Qatargas, Teekay & Samsung Heavy Industries*

# Board of Directors

H.E. Abdullah Bin Hamad Al-Attiyah
Deputy Premier
Minister of Energy and Industry
Chairman, Nakilat

Mr. Faisal Mohammed Al-Suwaidi
Vice-Chairman, Nakilat
Vice Chairman & CEO of Qatargas

Mr. Salem Batti Al Naimi
Member

Mr. Khalifa Saqr Al Hitmi
Member

Mr. Ali Mohammad Al Hammadi
Member

Mr. Nasser Mohammad Al Naimi
Member

Mr. Yaseen Ali Ahmed Al Binali
Member

# Chairman's Message

**As salamo alaikum,**

On behalf of the Board of Directors of Qatar Gas Transport Company Ltd. (Nakilat), I have the pleasure to welcome you to our Annual General Meeting and present the Company's Third Annual Report, and significant achievements for the year ended 31st December 2007.

Throughout 2007, Nakilat continued the development and building of our important partnerships with our key joint venture companies which together will own and operate 29 liquefied natural gas (LNG) carriers, ranging in capacity from 145,000m$^3$ to 216,000m$^3$. Nakilat's ownership percentage of these partnership vessels range from 20% to 60% and average 43% interest. As of the end of December 2007, 12 of these vessels had been delivered; a further 16 will be delivered in 2008 and one in 2009.

In addition to the 29 jointly owned vessels Nakilat has 25 wholly-owned LNG carriers. All of these ships, ordered from Korean shipyards, incorporate the latest technology for safe, reliable and cost-effective transportation of LNG over many years, and are the result of several years of engineering design work and testing. They are scheduled for delivery between 2008 and 2010, and represent a total investment by Nakilat of approximately US $7.5 billion.

In total, the Nakilat fleet will include 54 LNG carriers comprised of 9 Conventional vessels (145m$^3$), 31 Q-Flex vessels (210-216m$^3$) and 14 Q-Max vessels (263-266m$^3$). The Q-Flex has approximately 50% more capacity than conventional LNG carriers and the larger Q-Max will have over 80% more capacity. They are the world's largest LNG vessels built to date.

Together, Nakilat's jointly and wholly-owned fleet of 54 vessels represent approximately $11 billion.

### The following are some of the notable achievements realized by Nakilat in 2007.

**February 2007:** Nakilat was awarded eight 25-year time charters by Qatargas and signed contracts with Daewoo Shipbuilding and Marine Engineering and Samsung Heavy Industries for the construction of 4 Q-Max and 4 Q-Flex LNG carriers. These vessels, once delivered from the shipyards in 2009–2010, will be dedicated to the carriage of LNG for the Qatargas 4 project.

**March 2007:** Nakilat signed an agreement with KS Investments Ltd., a wholly-owned subsidiary of Keppel Offshore & Marine to jointly develop a world-class ship repair facility in the Port of Ras Laffan, Qatar. The new shipyard will become a centre of excellence for the repair and

maintenance of LNG carriers, thereby securing a strategically important link in Qatar's supply chain of natural gas from wellhead to consumer.
**April 2007:** The Steel Cutting Ceremony was held for the first Q-Max vessel being built at Samsung Heavy Industries in Korea. This vessel is the first 100% wholly-owned carrier for Nakilat and marked the start of the construction of what will be the largest LNG carriers ever built.
**July 2007:** Nakilat and Shell International Trading and Shipping Company Limited (STASCO) formalized the November 2006 execution of the Master Services Agreement, in which Shell was appointed as the shipping and maritime services provider for Nakilat's LNG fleet. Under the terms of the agreement Shell will provide a full range of shipping services for Nakilat including sea staff recruitment, training and operational management of the wholly-owned vessels. A key element of the agreement is the commitment to develop Nakilat's shipping expertise; the intention is for operational management of the ships to be transferred to Nakilat within 8-12 years.
**September 2007:** Nakilat celebrates the naming of 4 Q-Flex ships at the Korean shipyards. Al Ruwais and Al Safliya at Daewoo Shipbuilding and Marine Engineering Ltd., Al Gattara at Hyundai Heavy Industries Co. and the Tembek at Samsung Heavy Industries Co. Ltd.
**November 2007:** Nakilat launches the first of its 14 Q-Max vessels being built in Korea. The vessel was safely floated out of the dry-dock to continue further outfitting work at the Samsung Heavy Industries yard. The vessel will be the largest LNG carrier in the world when completed, with a cargo capacity of up to 266,000$m^3$.
Nakilat names 4 additional Q-Flex ships. Al Hamla at Samsung Heavy Industries, Al Gharrafa at Hyundai Heavy Industries and the Duhail and Al Ghariya at Daewoo Shipbuilding and Marine Engineering Ltd.
**December 2007:** Nakilat celebrates the arrival and loading of the first Q-Flex vessel – Al Gattara – to the Port of Ras Laffan. Once loaded, the vessel set sail immediately for Japan to deliver the first Q-Flex cargo to Tohoku Electric Power Company's Higashi Niigata terminal in northern Japan. The vessel completed her maiden cargo voyage without incident and arrived on time.
**December 2007:** The main contractor was appointed for construction of the dry docks, piers, and other major structures for the Nakilat ship repair yard at Ras Laffan.

Nakilat and Qatar Shipping Company (QShip) are finalizing a Joint Venture Agreement to establish a special purpose company, which will be responsible for the construction, ownership and operation of four very large Liquid Petroleum Gas (LPG) Carriers. Nakilat and QShip each have 50% share in the four ships currently being built in Hyundai Heavy Industries, Korea. The vessels will be delivered between April 2008 and March 2009.

The Nakilat Ship Repair Yard Project is progressing well and on schedule. In 2007, Nakilat and Qatar Petroleum finalized the definition of the five-phase strategy to develop facilities for the construction and maintenance of a wide range of marine and offshore structures. The ship repair yard is "purpose built" for the repair and maintenance of very large LNG carriers and a wide range of other vessels, as well as the conversion of tankers to Floating Production, Storage and Offloading (FPSO) and Floating Storage and Offloading (FSO) units. The 42-hectare shipyard, built on reclaimed land, will be part of the massive expansion of the Port of Ras Laffan and is expected to begin operations in 2010.

The Nakilat Agency Company (NAC) acts as the exclusive "full port agency service" for all local and international ships calling at the Port of Ras Laffan. The agency participated with a major contractor in recently achieving the milestone of moving 2 million tons of cargo without a lost time accident.

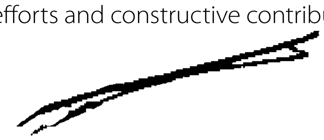
Nakilat Fuji provides the complete range of ships chandler supply and services ranging from the provision of crew's stores, food and beverages to maintenance supplies, spare parts, equipment and warehousing services.

Nakilat Svitzerwijsmuller, a joint venture between Nakilat and Svitzer Middle East, owns and operates tug boats, pilot boats and other harbor craft at the port of Ras Laffan. This equipment is deployed under a 22-year Harbour Towage and Mooring services contract which was awarded in 2006.

Nakilat's senior debt received very high investment-grade ratings from the international rating agencies: Standard & Poor reaffirmed Nakilat's strong credit rating. The 'A+' long-term senior secured debt rating on the $850 million series A bonds and the 'A' long-term subordinated secured debt rating on the $300 million second-priority series A bonds, both due in 2033, issued by Nakilat Inc., reflect a composite of credit factors. The long-term corporate credit rating on Nakilat is 'A+', with a stable outlook.

In conclusion, I believe that Nakilat is well placed financially, operationally and managerially to meet its planned strategic targets and to seize new opportunities. In a few years Qatar will produce 30% of the global LNG supply and Nakilat will deliver Qatar's energy to the world in a safe and reliable manner.

On this occasion the Board of Directors has the honour to present its thanks and gratitude to His Highness Sheikh Hamad Bin Khalifa Al Thani, the Emir of Qatar, and to His Highness Sheikh Tamim Bin Hamad Al Thani, the faithful Heir Apparent, for their continued guidance and support. Also, we would like to thank our partners, our shareholders, our management & staff for their sincere efforts and constructive contribution.



**Abdullah Bin Hamad Al-Attiyah**
Deputy Premier
Minister of Energy and Industry
Chairman of Qatar Gas Transport Company (Nakilat)

# Board of Directors Report

The Board of Directors of Qatar Gas Transport Company Ltd. (Nakilat) is pleased to present its Annual Report, which covers the year 2007. Nakilat (which means "transport" in Arabic) was established in 2004 by the State of Qatar to coordinate the overall transportation requirements for all LNG projects in the country.

The primary role of Nakilat is to own and operate a large fleet of LNG carriers, which will serve Qatar's LNG mega-projects, such as those of Qatargas and Rasgas. Qatar holds the third-highest reserves of natural gas in the world which has already attracted massive investment. It is estimated that by the year 2011, Qatar will export 77 million tons of LNG annually to global markets, making Qatar the world's largest exporter of LNG.

Nakilat Inc. was established to provide wholly-owned Qatari midstream shipping capacity for the transport of Qatari LNG, thus linking the upstream and downstream components of the value chain. Nakilat will provide the vital link that connects the significant upstream investment described above with gas markets and customers around the world. This is consistent with the operating philosophy of full-chain integration where Qatar Petroleum and its upstream partners seek to achieve significant involvement in all segments of the LNG value chain.

As part of the progression to integration of the full LNG supply chain in Qatar and in order to create a vehicle for private investment in the LNG industry to Qatari citizens, Nakilat's activities are currently focused on the transportation of LNG to global markets. In addition, Nakilat also plans to operate in other sectors of the Qatari marine services market including ownership and operations of a Ship Repair Yard, Liquid Petroleum Gas (LPG) carriers and sulphur vessels.

With its range of gas-based export projects and an expanding portfolio of gas expansion schemes, Qatar has proved as one of the most adaptable Gulf States in opening its doors to foreign direct investment. Nakilat is an example of this investment opportunity. Such foresight from the Emir, H.H. Sheikh Hamad Bin Khalifa Al-Thani, has laid the foundation for the country's impressive economic progress.

# About Nakilat

Nakilat is a newly formed shipping companythat is an integral part of the LNG supply chain for the State of Qatar. It was established in 2004 and is a joint stock company owned 50% by its founding shareholders and 50% by the public as a result of an IPO in 2005.

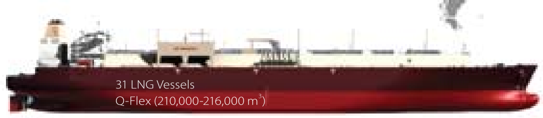
It is building a large fleet of vessels to transport LNG produced from Qatar's North Field, the world's largest non-associated gas field with approximately 15% of the world's total proven reserves, to global markets. By 2010, Nakilat expects to own up to 54 LNG vessels, making it one of the largest LNG ship owners in the world.

# Our Fleet

Since inception, Nakilat has formed a number of joint ventures with international shipping companies, with non-operating equity interests, ranging from 20-60%, in 29 LNG vessels. These international shipping companies include: Maran Gas, Teekay, OSG, Pronav, MOL, Mitsui & Co., NYK, K-Line and Iino Lines. In addition, Nakilat has contracted to build 25 wholly owned LNG vessels that will be operational in 2008–2010.

# Our LNG Shipping Routes

*By 2010, Qatar is expected to supply natural gas to most major natural gas consuming markets which includes United States, Mexico, United Kingdon, Belgium, France, Spain, Italy, India, South Korea, Japan and Taiwan. Nakilat will provide the vital link that connects the significant upstream investment in the North Field to these markets.*


# Our Strength

### Integration into the Qatari LNG Chain:

Nakilat will be an integral component of the supply chain of some of the largest, most advanced energy projects in the world undertaken by Qatar Petroleum, Qatargas, RasGas and their joint venture partners.

### Nakilat is a Highly Rated World-Class Carrier:

The senior bonds issued by Nakilat received very high investment-grade ratings from the international rating agencies: Aa2 from Moody's, A+ from S&P and A+ from Fitch, recognizing the very strong credit underlying the financing.

### Stable Cash Flows via 25 Year Time Charters:

Nakilat's revenues will be stable because we have long- term and fixed-rate Time Charters.
Low Risk Development Strategy:
Nakilat has shipbuilding contracts with Hyundai, Samsung and Daewoo, all of which are highly experienced Korean shipbuilders with established track records.

### Sound Operating and Management Program:

Nakilat has entered into a strategic alliance with STASCO (Shell), a leading international vessel operator with extensive experience in operating LNG vessels.

# Nakilat Other Marine Related Ventures

Nakilat is developing a world-class Ship Repair Yard in the port of Ras Laffan, which will become a "center of excellence" for repair and maintenance of LNG carriers and other large vessels. The yard will also be used for fabrication of structures for the offshore oil and gas industry; fabrication of components for land based petrochemical and industrial plant; and construction of high value-added small ships such as luxury yachts, commercial and coastal defense vessels. In addition to above, Nakilat's activities also cover the transportation of associated products (LPG, Condensate and Sulphur), shipping agency, marine supply (i.e. food, provisions and stores for vessels) and towage operations in the Port of Ras Laffan.

## Strong Sponsorship of the entire chain from the state of Qatar

### Upstream

Qatari upstream ventures produce gas from the North Field through long -term concessions and collectively will liquify over 77 MTA of LNG through onshore facilities they construct and own.

### Midstream /Shipping

Qatari upstrem venture Ship LNG in the state of the art vessels, which are charterd through long-term time charters with reputable ship owners and operators including Nakilat

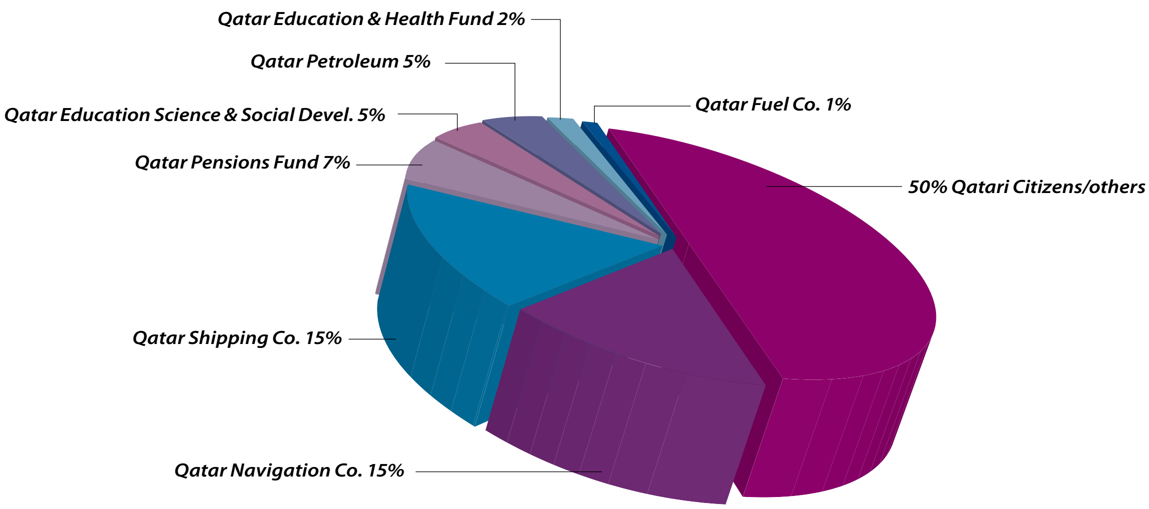
### Downstream /Regasification

Qatari upstrem venture have ownership interest or long term contracted capacity in regasification terminals in selected markets around the world.

### Marketing

Qatari upstrem ventures have long term LNG sales contract with range of credit worthy off takesrs in multiple markets in the United States, Asia & Europe

# Our Shareholders




## Qatar Petroleum (QP)

QP manages Qatar's interests in substantially all oil, gas, petrochemical and refining enterprises in Qatar and abroad. QP, previously known as Qatar General Petroleum Corporation, was created in 1974 by Emiri Decree and is wholly-owned by the State of Qatar. QP is engaged in all phases of the hydrocarbon business, including exploration and drilling, production, refining, transportation, storage, regional sales and exports. Since 1988, the State of Qatar has entrusted QP with the responsibility of supervising hydrocarbon exploration and production activities conducted in Qatar in conjunction with foreign companies. QP owns a majority interest in companies engaged in LNG, steel and fertilizer production and most of the companies engaged in petrochemical production in Qatar. Additionally, QP is involved, either through joint ventures or as the agent of the State of Qatar, in all the GTL and pipeline gas supply projects in Qatar. Further information about QP can be found at www.qp.com.qa

## Qatar Shipping Company

Q-Ship is a diversified Qatar-based shipping company offering comprehensive services to meet specific needs in the shipment of LPG, LNG, crude and clean oil. Further information about Q-Ship can be found at: www.qship.com.

## Qatar National Navigation & Transport Company (QNNTC)

QNNTC is also a diversified Qatar-based shipping company offering, among other things, marine transport, freight, trading, vessel repair and fabrication, shipping agency and cargo handling services. QNNTC also provides offshore service vessels. QNNTC owns a large fleet of container vessels, general cargo vessels, barges and tugs.
Further information about QNNTC can be found at: www.qatarnav.com.

# Our Ventures

Nakilat's vision and mission statement is being realized through wholly-owned subsidiaries and joint ventures.

**Nakilat Inc**
The company was founded in April 2006 and is a wholly owned subsidiary of Nakilat. It was set up for the sole purpose of obtaining financing for acquiring wholly owned LNG vessels.

**Nakilat Shipping (Qatar) Limited**
The company was founded in March 2007 and is a wholly owned subsidiary of Nakilat. It will manage the operation of LNG and other required vessels for transporting such products as LPG, Sulfur and other products.

**Nakilat-Keppel Offshore & Marine**
In March 2007, Nakilat signed an agreement with KS Investments Ltd., a wholly-owned subsidiary of Keppel Offshore & Marine Limited to jointly develop and manage a world-class shipyard facility in the Port of Ras Laffan.

**Nakilat Agency Company Limited**
The company was founded in May 2005 and is owned 95% by Nakilat and 5% by Qatar Petroleum. It acts as the exclusive agent for all ships calling at the port of Ras Laffan.

**Nakilat Fuji LLC**
The company was founded in July 2005 and is owned 60% by Nakilat , 35% by Middle East Fuji LLC., and 5% by Al Khor & Dakira Q. S. C.
It is a chandlery business providing food, provisions and stores to vessels calling at Qatari ports, as well as offering warehousing services.

**Nakilat Svitzerwijsmuller WLL**
The company was founded in September 2006 and is owned 70% by Nakilat and 30% by Svitzer Middle East Limited. The company owns and operates tug boats, pilot boats and other harbor craft at Ras Laffan port. The joint venture agreement between Nakilat and Svitzer was signed following the award for 22-year service contract for Harbour Towage and Mooring Services by QP.

**Maran Nakilat Company Limted**
The company was founded in July 2004 and is owned 30% by Nakilat and 70% by Maran Ventures Inc. It owns 4 LNG vessels that have been chartered to RasGas.

**Peninsula LNG Transport No.4 Ltd.**
The company was founded in August 2004 and owned 30% by Nakilat and 70% by J4 Consortium (MOL, NYK, Mitsui and K-Line). It jointly owns 1 LNG vessel chartered to RasGas.

## Teekay Nakilat Corporation

The company was formed in September 2004 and owned 30% by Nakilat and 70% by Teekay. It jointly owns 3 LNG vessels chartered to RasGas.

## OSG Nakilat Corporation

The company was founded in November 2004 and owned 50.1% by Nakilat and 49.9 by OSG International Inc. It jointly owns 4 LNG vessels chartered to Qatargas.

## QGTC Nakilat (2245-8) Investment Ltd

The company was formed in November 2004 and owns 45% interests in 4 LNG vessels chartered to Qatargas. The remaining 54% and 1% interest in each of these LNG vessels is owned by German commercial partners and Pronav respectively.

## J5 Nakilat No.1 to No 8 Ltd Companies

The company was formed in July 2005 and owned 40% by Nakilat and 60% by J5 Consortium (MOL, NYK, Mitsui, Iino Lines and K-Line). It jointly owns 8 LNG vessels chartered to RasGas.

## Teekay Nakilat (III) Corporation

The company was formed in August 2005 and owned 60% by Nakilat and 40% by Teekay. It jointly owns 4 LNG vessels chartered to RasGas.

## India LNG Transport Company (N0. 3) Limited

The company was formed in March 2006 and owned by Nakilat 20%, MOL 26%, SCI 26%, NYK 16.67%, K-Line 8.33% and Petronet 3%. They jointly own 1 LNG vessel chartered to RasGas.

# Our Charterers

## Our financial strength derives from the quality and financial strength of the Charterers. These Charterers represent two of the world's largest LNG developments, with a planned aggregate LNG production capacity expected to be approximately 77 mta.

*These Qatari LNG projects are critical drivers of the production growth, reserves replacement and cashflow generation for some of the world's largest publicly listed oil companies including ExxonMobil, ConocoPhillips and Shell.*

*Each Charterer is a material financial entity in its own right. Charterers include :*

### RasGas Company Limited (RasGas)

RasGas Company Limited (RasGas) is one of the premier integrated liquefied natural gas (LNG) enterprises in the world. Since its creation in 1993, RasGas has developed world-class facilities for the extraction, storage, processing and export of LNG, and has entered into long-term agreements to supply LNG to customers in Korea, India, Italy, Spain, Belgium, Taiwan, and the United States of America.

RasGas has emerged as a leading player in the global natural gas industry, supplying LNG to international customers, operating its own fleet of LNG tankers and initiating technology-led projects such as the production and sale of helium.

RasGas currently produces over 20 million metric tonnes of LNG per year (Mta) with five trains in operation. It is expected that this production will be approximately 37 Mta by the end of the decade with the completion of seven operational trains.

### Qatargas Operating Company Limited (Qatargas)

Qatargas pioneered the liquefied natural gas industry in Qatar. Today, the company is realizing its vision to deliver LNG to customers around the globe from our world-class facilities in Qatar.

Qatargas was established in 1984 and since that time the Company has progressively established itself as a leading player in the LNG industry.

The company was originally formed to operate three LNG trains with a design capacity of two million tonnes per annum (mtpa) each. The shareholders in this venture are Qatar Petroleum, ExxonMobil, Total, Mitsui and Marubeni.

Today Qatargas is exporting 10 million tonnes per annum of Liquefied Natural Gas (LNG) from the existing three LNG trains to customers in Japan and Spain.


Currently the Company is undergoing a period of rapid expansion, which when completed in 2010 will see Qatargas exporting 42 million tonnes to markets in Europe, Asia and North America. Shareholders in the expansion include QP, ExxonMobil, Total, ConocoPhillips and Shell.

# Our Achievements

## In 2007, we made excellent progress. Following are some of the notable achievements realized by Nakilat in 2007:

- Shipping Operations, Safety-Health-Environment-Quality (SHEQ) and Technical departments progressively being established to administer and oversee the shipping activities from Doha.

- Received global recognition as 2006 "Best Deal" for the $4.3 billion financing from Euromoney and Marine Money International.

- Successfully implemented the cash call for balance of share capital following through on the IPO.

- Received very high investment-grade ratings from the international rating agency: Standard & Poor, reaffirming Nakilat's strong credit rating. The long-term corporate credit rating on Nakilat is 'A+', with a stable outlook.

- Signed contracts for delivery of 8 vessels for Qatargas 4, completing the contracts for the LNG fleet of 31 Q-Flex, 14 Q-Max and 9 Conventional vessels.

- Launched the first of 14 Q-Max vessels being built in Korea.

- Construction of Nakilat's wholly owned LNG vessels continues on schedule.

- At year-end 2007, 12 joint venture (JV) LNG vessels were in operation.

- Celebrated the arrival and loading of the first Q-Flex vessel – Al Gattara – to the Port of Ras Laffan.

- Nakilat and Q-Ship have reached an agreement for Nakilat to operate four LPG vessels which are jointly owned by the two companies. The joint venture agreement between the two companies will be finalized in early 2008.

- Construction of the 4 jointly owned LPG vessels with Qatar Shipping is on schedule. It has been agreed that Nakilat will operate these vessels and the contractual terms of the joint venture arrangements are being finalized.

- Nakilat and QP finalized a five-phase strategy to develop facilities for the construction and repair of a wide range of marine and offshore structures. All five phases have made excellent progress.

- Recruitment and training of seafarers required for Nakilat 100% owned fleet is progressing in accordance with the implementation plan.

# Financial Review

## The financial results for the year ended 31 December 2007 include the following highlights:

- Total Assets of Nakilat as of 31 December 2007 was QR16.1 billion increased by QR5.3 billion from 2006. Non-current assets, consisting mainly of investments in LNG carriers, plant & equipment and other assets totaling QR13.5 billion increased by QR7.1 billion from 2006, while current assets, including cash at bank stood at QR2.6 billion as of 31 December 2007.

- Total borrowing as of 31 December 2007 was QR10.1 billion reflecting loan incurred to finance the construction of LNG vessels.

- Shareholders' Equity amounted to QR4.8 billion, consisting mainly of the equity contribution from the shareholders of QR 5.5 billion offset by hedging reserve of QR1.1 billion.

- Total net profit for 2007 was QR129.7 million compared with QR45.3 million for 2006. The net profit was contributed mainly by investment income and dividend from Nakilat's investment in Islamic banks, commercial banks, corporate shares, share of profit from joint ventures, income from agency services. Nakilat will be fully operational by the end of 2010. Income is expected to increase progressively upon delivery of the vessels in the next few years.

# Nakilat Fleet & Operations

## The Nakilat Fleet
Wholly Owned LNG Vessels


Hull No.1675 (To be Named:Haloul)
floated at the SHI Shipyard

Hull No.2255 (To be Named:Al Ghuwairiya)
preparing to be launched


### Construction

In 2007, business activities gained pace as Nakilat reinforced its commitment to own and operate the world's largest LNG vessels. Of the twenty five (25) wholly owned Q-Flex and Q-Max LNG vessels, steel was cut for sixteen (16) vessels and constructions are progressing on schedule. Hull No.1675, the first Q-Max vessel to be delivered was safely floated out of the dry -dock and launched at the Samsung Heavy Industries (SHI) shipyard in Korea on 13 November 2007. This Q-Max vessel which has a cargo capacity of 266,000 m3 will be delivered at the SHI shipyard in 2008. Up to the end of 2007 the SHI shipyard has an excellent safety record approaching almost 5 million man hours without a Lost Time Incident during the construction of Nakilat vessels. Work on the remaining nine (9) wholly owned vessels will begin in 2008 as projected.

The three (3) shipyards in Korea, namely Hyundai Heavy Industries (HHI), Daewoo Shipbuilding & Marine Engineering Company Ltd. (DSME) and Samsung Heavy Industries (SHI), which are contracted to build all of Nakilat's vessels, are impressively maintaining the construction timetable. Nakilat is progressively strengthening its own monitoring of all aspects of the construction in the ship-yards with the Qatargas Operating Company (QGOPCO) on-site team and Nakilat Shipping team constantly ensuring that safety and quality control is maintained throughout the building process.

## Jointly Owned LNG Vessels

Nakilat have partial ownership of a further (29) LNG vessels. Nakilat's equity on these vessels ranges from 20% to 60% or an average of 43%. Nine (9) are Conventional sized with cargo capacity of 145,000 m3 and the rest are Q-Flexes with cargo capacity of 210,000 m3 – 216,000 m3.

Naming Ceremony for the first two of the Q-Flex LNG Vessels

## Delivered Vessels

Table I is a list of vessels delivered up to January 2008. These vessels are currently trading in various ports in Asia, Europe and the Americas. **Table1**

| | Vessel's Name | Size | Nakilat's Equity | Operator |
|---|---|---|---|---|
| 1) | Maran Gas Asclepius | Conventional | 30% | Maran Gas Maritime |
| 2) | Umm Bab | Conventional | 30% | Maran Gas Maritime |
| 3) | Simaisma | Conventional | 30% | Maran Gas Maritime |
| 4) | Al Marrouna | Conventional | 30% | TEEKAY Shipping |
| 5) | Al Areesh | Conventional | 30% | TEEKAY Shipping |
| 6) | Ejnan | Conventional | 30% | NYK LNG Ship Management |
| 7) | Al Daayen | Conventional | 30% | TEEKAY Shipping |
| 8) | Al Jassasiya | Conventional | 30% | Maran Gas Maritime |
| 9) | Al Gattara | Q-Flex | 50.1% | OSG |
| 10) | Tembek | Q-Flex | 50.1% | OSG |
| 11) | Al Ruwais | Q-Flex | 45% | PRONAV |
| 12) | Al Safliya | Q-Flex | 45% | PRONAV |
| 13) | Al Gharrafa | Q-Flex | 50.1% | OSG |

The Al Gattara calling Nigatta, Japan on 26 December 2007

Table II lists "Jointly Owned" vessels that are projected to be delivered in 2008 and 2009. **Table2**

| | Hull Number (To be Named) | Size | Nakilat's Equity | Operator |
|---|---|---|---|---|
| 1) | Al Hamla | Q-Flex | 50.1% | OSG |
| 2) | Duhail | Q-Flex | 45% | PRONAV |
| 3) | Al Ghariya | Q-Flex | 45% | PRONAV |
| 4) | 2249 (Al Aamriya) | Q-Flex | 40% | MOL |
| 5) | 1862 (Al Thumama) | Q-Flex | 40% | NYK Line |
| 6) | 2250 (Al Oraiq) | Q-Flex | 40% | K-Line |
| 7) | 1643 (Al Huwaila) | Q-Flex | 60% | TEEKAY |
| 8) | 1644 (Al Kharsaa) | Q-Flex | 60% | TEEKAY |
| 9) | 2251 (Murwab) | Q-Flex | 40% | MOL |
| 10) | 1645 (Al Kheesa) | Q-Flex | 60% | TEEKAY |
| 11) | 1863 (Al Sahla) | Q-Flex | 40% | NYK Line |
| 12) | 1646 (Al Khuwair) | Q-Flex | 60% | TEEKAY |
| 13) | 2252 (Fraiha) | Q-Flex | 40% | MOL |
| 14) | 2253 (Umm Al Amad) | Q-Flex | 40% | K-Line |
| 15) | 1875 (Al Utouriya) | Q-Flex | 40% | NYK Line |
| 16) | 1686 | Conventional | 20% | Petronet/MOL/SCI/NYK/K-Line |

Table III is a list of "100% Nakilat Owned" vessels to be operated by Nakilat/Stasco and delivered between 2008 and 2010. **Table3**

| | Hull Number (To be Named) | Size |
|---|---|---|
| 1) | 1675 (Haloul) | Q-Max |
| 2) | 2255 (Al Ghuwairiya) | Q-Max |
| 3) | 1676 (Umm Slal) | Q-Max |
| 4) | 2256 (Lijmiliya) | Q-Max |
| 5) | 1677 (Bu Samra) | Q-Max |
| 6) | 2257 (Al Samriya) | Q-Max |
| 7) | 1694 (Al Mayeda) | Q-Max |
| 8) | 1908 (Mesaimeer) | Q-Flex |
| 9) | 1695 (Mekaines) | Q-Max |
| 10) | 2264 (Al Sheehaniya) | Q-Flex |
| 11) | 1696 (Al Ghashamiya) | Q-Flex |
| 12) | 2265 (Al Sadd) | Q-Flex |
| 13) | 1697 (Al Mafyar) | Q-Max |
| 14) | 2266 (Onaiza) | Q-Flex |
| 15) | 1909 (Al Kharaitiyat) | Q-Flex |
| 16) | 1910 (Al Rekayyat) | Q-Flex |
| 17) | 2283 (Al Khattiya) | Q-Flex |
| 18) | 2284 (Al Kharaana) | Q-Flex |
| 19) | 1726 (Al Dafna) | Q-Max |
| 20) | 2285 (Al Nuaman) | Q-Flex |
| 21) | 1751 (Shagra) | Q-Max |
| 22) | 1752 (Zarga) | Q-Max |
| 23) | 2286 (Al Bahiya) | Q-Flex |
| 24) | 1753 (Aamira) | Q-Max |
| 25) | 1754 (Rasheeda) | Q-Max |

## Ship Management

Management of the fleet is handled by Nakilat Shipping through a Master Services Agreement (MSA) signed with Shell International Trading and Shipping Company (STASCO) in 2006. The agreement will assist Nakilat to establish a fleet management structure to eventually operate the 25 wholly owned LNG vessels. A strong partnership has developed since the establishment of the agreement between Nakilat Shipping and STASCO. Synergies exchanged have proven to be invaluable and productive, paving the way to achieve the intended objective for Nakilat to assume full responsibility and take over the management of the fleet in 8-12 years following delivery of the last Q-Max vessel.

One of the most critical aspects in the operational process is the successful employment of competent seafarers. This process is currently on-track with the long-term recruitment strategy. 1,425 Officers, cadets and ratings with LNG vessel operations experience will be employed on the Nakilat fleet. Many such officers have started familiarization training and induction programmes to competently man the unique Q-Flex and Q-Max vessels.

## LPG (Liquefied Petroleum Gas) Vessels

Additionally, Nakilat have fifty percent (50%) ownership of four (4) Very Large Gas Carriers (VLGC), the first of which is scheduled to be delivered in April 2008. Management of these VLGCs will be handled by Nakilat Shipping Qatar Limited that has an interest to provide management and technical support through STASCO under a separate MSA.

## Nakilat Shipping Operations

Nakilat Shipping is gradually setting up its own Shipping Operations, Safety, Health, Environment & Quality (SHEQ) and Technical sections to administer and oversee the activities of shipbuilding and management to ensure that standards exceed international industry requirements, that costs are controlled and that Joint Venture owners operate the jointly owned LNG vessels competently, upholding the reputation of Nakilat. Delivery of 25 LNG and 4 LPG vessels is a colossal task that requires absolute support and commitment of Nakilat personnel. The Company's personnel recruitment program ensures employment of proficient, diligent and dedicated staff that will provide the spine of a successful organization, forming the platform to achieve Nakilat's and its shareholders vision.

LNG Vessels on sea trials

## Comparison of Conventional LNG Vessels with Q-Flex/Q-Max LNG Vessels

### Conventional LNG Benchmark (145,000m$^3$)

- Smaller capacity limits economies of scale Capital cost, operating efficiency, yard space
- Boil-Off-Gas (BOG) used for steam propulsion Larger cargo loss; amplified on longer trips

### Q-Flex Vessels (216,000m$^3$) / Q-Max Vessels (266,000m$^3$)

- Reliquefaction system separates the propulsion system from BOG handling, maximizing delivered volumes
- Twin engine/twin screw, enhanced propulsion Superior fuel efficiency, reliability and maneuverability
- Hull size scale up – beam and length similar to VLCC Tankers and a draft similar to conventional LNG vessels

## Key Technologies on the Nakilat Fleet of Q-Flex and Q-Max Ships

### "Gaz Transport" Membrane

- Increased shipyard capacity
- Reduced Suez Canal fees/costs
- Flat deck reduces wind resistance

### Enhanced Reliquefaction System

- Separates propulsion from BOG
- Simple two cycle reliquefaction converts BOG to liquid
- Maximizes LNG delivered
- Backup by gas combustion unit

### Advanced PropulsionTechnology

- Diesel engines
- Thermal efficiency
- Proven reliability
- Twin propellers and rudders
- Hydrodynamic efficiency, redundancy, maintainability
- Latest hull antifouling protection, improved fire-protection system

## Superior Ship Technology Coupled with Proven Design Principles

# Ship Repair Yard and Related Ventures

At the present time, the State of Qatar has minimal capacity for the repair and conversion of large ships; the fabrication of offshore structures; or the construction of high value small ships.  Almost all of Qatar's needs in these sectors are catered for by foreign companies.  The loss of business to Qatari industry is significant, and major opportunities to develop the country's industrial base are not being exploited.

Accordingly, in 2007, Nakilat and Qatar Petroleum finalized the definition of a five-phase strategy to develop facilities for the construction and maintenance of a wide range of marine and offshore structures:

All of the above facilities are to be located in the expanded Port of Ras Laffan.

| Phase | Facilities / Activities |
|---|---|
| Phase 1 | Repair and conversion of very large ships (e.g. LNGCs, VLCCs) |
| Phase 2 | Repair of medium-sized ships (e.g. 20,000 dwt to 80,000 dwt) |
| Phase 3 | Fabrication and maintenance of offshore structures (and components for land-based petrochemical plant) |
| Phase 4 | Construction of high value small ships (< 120m length) |
| Phase 5 | Repair of small ships (< 20,000 dwt) |

In February 2007, QP appointed Nakilat to manage the design and construction of Phases 1 and 2 - the major Ship Repair Yard - and undertake various studies relating to the remaining phases.

In March 2007, Nakilat formed a Joint Venture ("JV") with KS Investments Ltd., a wholly-owned subsidiary of Keppel Offshore & Marine - a global leader ship conversion and repair, as well as a specialized shipbuilder - to manage the operations of  the new yard.  The JV will provide all mobile equipment (including the floating dock), and the funds necessary to operate the yard.  The JV partners will share the risks and rewards of operating the yard.

The new facility is being designed in accordance with best international practice.  It will serve the Nakilat fleet and undertake work for other ship-owners on a commercial basis.  Key features of the Yard are:

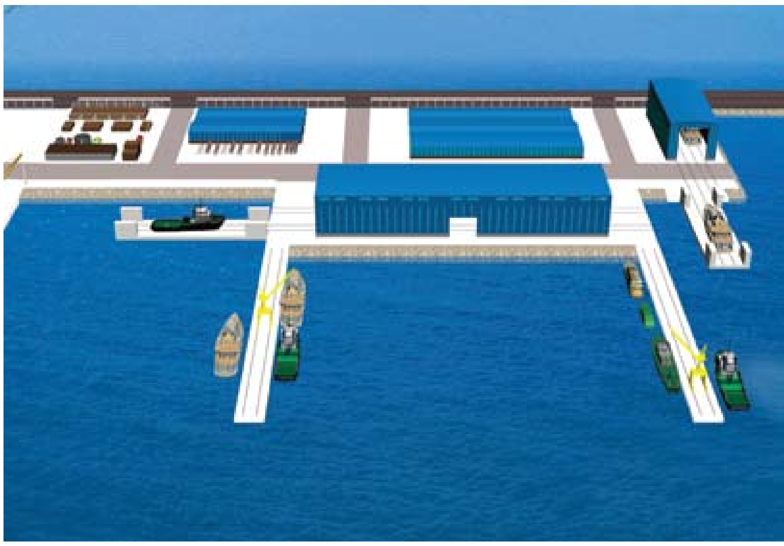
**Site area:** 42 hectares.
**Dry docks:** One dock 400m long x 80m wide; one dock 360m long x 66m wide; both with 12m of water over the sill.
**Floating dock**: One floating dock 230m long x 38 m wide, 20,000t lift capacity.
**Quays:** Six full length wet berths, totalling 2.4 km long.
**Workshops:** Full range of support facilities, such as machine shop, pipe shop, steel shop, stores.
**Other:** Offices, amenities, medical centre, fire station, facilities for ships' crew, etc. Nakilat created a Project Task Force (PTF) to manage the project, with team members from Nakilat, Keppel and QP.

Also in 2007, the PTF commenced Market Studies and Feasibility Studies for the remaining three phases, in association with leading international consultants in the respective fields.

By the end of 2007, the PTF comprised some 25 persons, and much had been achieved:

**PHASES: 1& 2** Major Ship Repair Yard
■ Environmental Impact Assessment completed, and Permit to Construct obtained from the Supreme Counsel for the Environment and Natural Reserves (SCENR).
■ All basic design and engineering work complete.
■ Site reclamation (some 43 hectares) almost complete.
■ Detailed design well advanced.
■ Contractor appointed for construction of "marine works" (dry docks, quays, floating dock moorings, etc.).
■ Procurement of major items of equipment commenced.
■ Tenders invited for construction of "onshore works" (workshops, offices, stores, roads and other infrastructure).
*The target date for completion of Phases 1 and 2 is 31 December 2009.*
*The status of reclamation as of December 2007, is as shown below.*

Ship sizes:
■ 120m overall length.
■ 5,000t displacement.
■ 10,000t dwt.
Activities:
■ New construction(primary activity).
■ Major refit.
*As of end-December 2007, the status of Phase 4 was:*
■ Ground investigation complete (no serious issues).
■ Reclamation of site underway (to be complete by 15 August 2008).
■ Engineering progressing well.
■ Tenders for major buildings invited (to be received mid-March 2008).
■ Environmental Impact Assessment underway.
■ Construction scheduled to start early September 2008.
*Below is a 3-D view of the Ship Construction Facility when completed. The target completion date for Phase 4 is end-December 2009.*



**PHASE 3:** Yard for Fabrication and Maintenance of Offshore Structures By the end of December 2007, the following had been achieved:
■ Feasibility Study commenced.
■ Typical structures required for Arabian Gulf identified.
■ Outline specification of product mix completed.
■ Key characteristics of site determined.
■ Overall facility layout completed.
■ Site reclamation started.
*The target date for completion of Phase 3 will be determined during 2008.*

**PHASE 4:** Ship Construction Facility (Vessels < 120m length)
The range of activities to be undertaken in the new Ship Construction Facility was agreed with QP to be as follows:
Ship types:
■ Commercial vessels (e.g. supply boats, tugs, coastal tankers).
■ Coastal defence vessels.
■ Luxury yachts.

**Phase 5:** Repair of Small Ships
Phase 5 is an extension of Phases 1 and 2, optimized for repair of small ships. The addition of Phase 5 will give Nakilat the capability to cover entire ship repair / refit / conversion market from smallest to largest vessels trading into and operating within the Arabian Gulf.

By the end of 2007, the Market Study had been completed, and the bund for reclamation of the site had been commenced. It is planned to complete the reclamation using surplus material which will become available from Phases 1 & 2, when the cofferdam around the dry docks construction is removed.

The schedule for completion of Phase 5 will be determined during 2008.

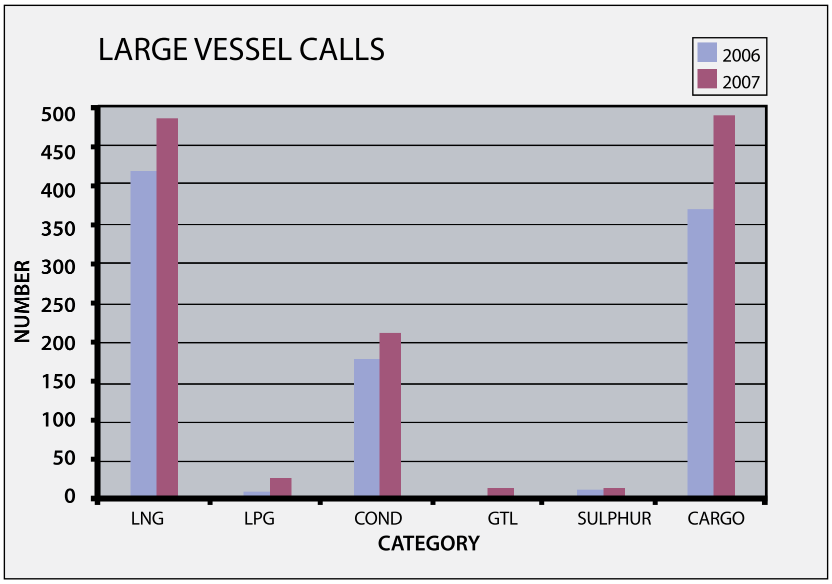
# Nakilat Agency

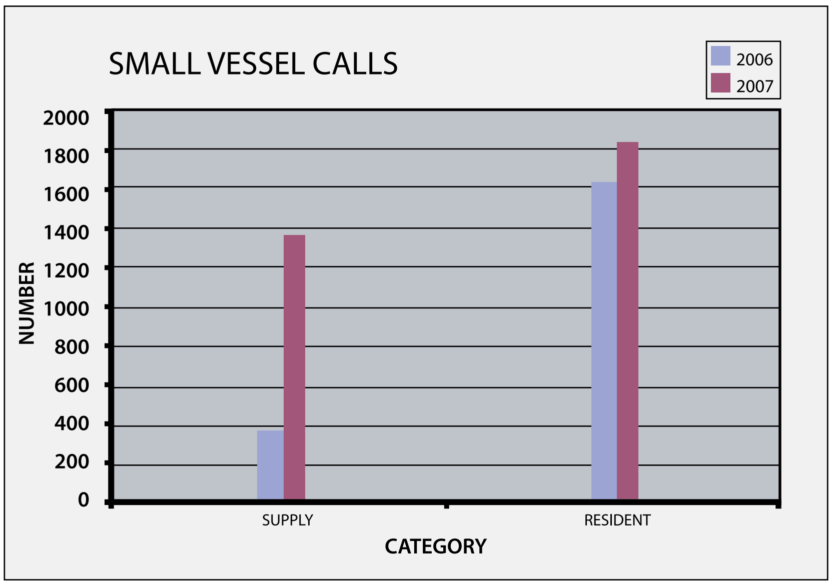
## Nakilat Agency Company Ltd. (NAC) continues to render the full Port Agency service to all local as well as all international ships calling at Ras Laffan.

**The categories of ships and vessels attended to are as follows:**

- Gas Tankers loading Liquid NaturalGas for export
- Products and Oil Tankers loading Condensates and GTL Diesel for export.
- Dry bulk Cargo ships loading Sulphur for export
- Liquid Petroleum Gas Tankers loading gas for export
- General Cargo ships discharging imported construction material and equipment
- Supply and service vessels supporting the offshore installations and operations
- Dredgers, tugs and barges supporting project work in and around Ras Laffan port.
- Rigs, tugs and equipment supporting drilling operations.

Traffic to and from Ras Laffan port and the number of vessel calls attended to by NAC are shown in the graphs below. The total calls increased from in 2984 in 2006 to 4431 in 2007, a 48% increase.






Growth in products exported is due to the expansion of current exporters Qatargas and RasGas as well as new ventures Oryx GTL and Dolphin Energy. Mega-project construction demands large imports and cargo movement is high. Supply and Services to the offshore installations, drilling programs and dredging operations excelled to high numbers as shown above.

Exports and activities to other countries grew and Nakilat ships LNG to customers in Japan, Korea, India, Singapore, Middle East, Egypt and Spain through the world recognized S5 Agency Group. The mechanisms for agency representation in the United Kingdom are now in place and the exercise for the United States and Mexico has kicked off. The S5 "Agency Now System" is installed and operational.

An improved crew logistics service is established in Ras Laffan. NAC registered with Government Immigration to obtain visas and the "government equipped" Ras Laffan office can now issue entry and exit visas, for crew, at the Port. NAC has taken over total logistics for the crew function and ended an era of outsourcing.

NAC staff are highly skilled and trained and have been sourced from both local and international agencies.

# Nakilat Fuji

Nakilat Fuji is a joint venture between Nakilat, Middle East Fuji and Al Khor & Dakira Schemes & Services Company. Its organizational structure is aligned to support the activities of a ship chandler. Typically this will entail providing marine vessels calling at Port of Ras Laffan with the following supplies:

- Crew's food & beverages
- Ships maintenance supplies i.e. lubricants, spare parts, tools and equipment
- Cleaning compounds
- Paints and varnishes etc.

# Nakilat Svitzerwijsmuller

Nakilat SvitzerWijsmuller is a joint venture between Svitzer Middle East Ltd and Nakilat. The joint venture owns and operate tug boats, pilot boats and other harbour crafts in Ras Laffan for a contracted period of 22 years. A joint venture Towage Manager will oversee the implementation of the contract and report directly to the Operations Director. The Towage Manager will coordinate activities of the joint venture with the partner and RLC.

NAKILAT ناقلات

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

# Consolidated Financial Statements
## For The Year Ended December 31, 2007
## Together With Independent Auditor's Report

## Contents

# Independent Auditor's Report

## To The Shareholders

Qatar Gas Transport Company Limited (Nakilat) Q.S.C. Doha – Qatar

### Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Qatar Gas Transport Company Limited (Nakilat) Q.S.C. (the "Company), which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Management's responsibility for the consolidated financial statements

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

### Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. The consolidated financial statements include the Group's share of net assets of its joint ventures amounting to QR. 2,164.1 million (2006: QR. 2,159.5 million) as of December 31, 2007 which have been audited by other auditors who have provided us with their clearance report. Our opinion in so far as it relates to the amounts included for the joint venture companies, is based on the clearance report of the other auditors.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### Opinion

In our opinion and based on the clearance report of the other auditors, the accompanying consolidated financial statements present fairly, in all material respect the financial position of Qatar Gas Transport Company Limited (Nakilat) Q.S.C. as of 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### Other Legal and Regulatory Requirements

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

For Deloitte & Touche

Samer Hussein Jaghoub
License No. 88

**Doha – Qatar**
**March 16, 2008**

# Consolidated Balance Sheet

**As Of December 31, 2007**

**(Amount Expressed in Thousands of Qatari Riyals)**

| | Note | 2007 | 2006 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets:** | | | |
| Cash and bank balances | 4 | 2,474,944 | 4,299,011 |
| Trade and other receivables | 5 | 96,091 | 57,654 |
| Due from joint venture companies | | 53 | 18,996 |
| Inventory | | 10 | 12 |
| **Total Current Assets** | | **2,571,098** | **4,375,673** |
| **Non-Current Assets:** | | | |
| Loans to joint venture companies | 6 | 1,547,241 | 496,712 |
| Investment in joint venture companies | 7 | 2,457,184 | 2,193,066 |
| Available-for-sale-investments | 8 | 130,045 | 72,668 |
| Construction in progress | 9 | 9,381,699 | 3,634,742 |
| Property and equipment | 10 | 1,336 | 410 |
| **Total Non-Current Assets** | | **13,517,505** | **6,397,598** |
| **Total Assets** | | **16,088,603** | **10,773,271** |
| **LIABILITES AND EQUITY** | | | |
| **Current Liabilities:** | | | |
| Borrowings | 11 | -- | 1,820,764 |
| Accounts payable and accruals | 12 | 191,133 | 101,099 |
| Due to related party | | 32 | -- |
| **Total Current Liabilities** | | **191,165** | **1,921,863** |
| **Non-Current Liabilities:** | | | |
| Borrowings | 11 | 10,077,421 | 5,925,229 |
| Fair value of interest rate swaps | 13 | 1,021,993 | 477,889 |
| Provision for end of service benefits | | 1,642 | 667 |
| **Total Non-Current Liabilities** | | **11,101,056** | **6,403,785** |
| **Capital and Reserves:** | | | |
| Share capital | 14 | 5,536,666 | 2,770,131 |
| Legal reserve | 15 | 33,554 | 23,012 |
| Fair value reserve | | 83,577 | 26,200 |
| Hedging reserve | 16 | (1,082,411) | (476,973) |
| Translation reserve | | 20,173 | 17,283 |
| Retained earnings | | 201,167 | 85,237 |
| **Equity Attributable to Equity Holders of the Parent** | | **4,792,726** | **2,444,890** |
| Minority Interest | | 3,656 | 2,733 |
| **Total Equity** | | **4,796,382** | **2,447,623** |
| **Total Liabilities and Equity** | | **16,088,603** | **10,773,271** |

*These consolidated financial statements were approved on March 16, 2008.*

**Abdullah Bin Hamad Al Attiyah**
Chairman

**Muhammad Ghannam**
Managing Director

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

# Consolidated Statement Of Income

**For The Year Ended December 31, 2007**
**(Amount Expressed in Thousands of Qatari Riyals)**

| | Note | For the Year Ended December 31, 2007 | For the Year Ended December 31, 2006 |
|---|---|---|---|
| **Income:** | | | |
| Income from marine and agency services | | 26,941 | 14,332 |
| Dividend income | | 3,482 | 4,269 |
| Profit from Islamic banks | | 96,350 | 14,604 |
| Interest income | | 15,593 | 16,857 |
| Share of profits from joint ventures | 7 | 14,732 | 14,444 |
| Other income | | 8,127 | 3,065 |
| **Total Income** | | **165,225** | **67,571** |
| **Expenses:** | | | |
| General and administrative expenses | | (35,250) | (21,745) |
| Depreciation | 10 | (241) | (159) |
| Impairment on available for sale investments | | -- | (376) |
| **Total Expenses** | | **(35,491)** | **(22,280)** |
| **Net Profit for the Year** | | **129,734** | **45,291** |
| Attributable to: | | | |
| Equity holders of the parent | | 128,811 | 44,933 |
| Minority interest | | 923 | 358 |
| **Total** | | **129,734** | **45,291** |
| **Basic and diluted earnings per share (expressed in QR. per share)** | **20** | **0.23** | **0.16** |

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

# Consolidated Statement Of Changes In Equity

## For The Year Ended December 31, 2007

## (Amount Expressed In Thousands Of Qatari Riyals)

| | Share Capital | Legal Reserve | Fair Value Reserve | Hedging Reserve | Translation Reserve | Retained Earnings | Attributable to equity holders –of the parent | Minority Interest | Total |
|---|---|---|---|---|---|---|---|---|---|
| Balance as of January 1, 2006 | 2,770,131 | 18,519 | 77,930 | (45,177) | - | 44,797 | 2,866,200 | 2,295 | 2,868,495 |
| Increase in minority stake | - | - | - | - | - | - | - | 80 | 80 |
| Changes in fair value of investments | - | - | (52,106) | - | - | - | (52,106) | - | (52,106) |
| Impairment recognized directly in the statement of income | - | - | 376 | - | - | - | 376 | - | 376 |
| Decrease in fair value of cash flow hedging derivatives | - | - | - | (477,889) | - | - | (477,889) | - | (477,889) |
| Group share of joint ventures' changes in fair value of cash flow hedging derivatives | - | - | - | 46,093 | - | - | 46,093 | - | 46,093 |
| Net profit for the year | - | - | - | - | - | 44,933 | 44,933 | 358 | 45,291 |
| Transfer to legal reserve | - | 4,493 | - | - | - | (4,493) | - | - | - |
| Exchange difference arising on translating foreign operations | - | - | - | - | 17,283 | - | 17,283 | - | 17,283 |
| **Balance as of December 31, 2006** | **2,770,131** | **23,012** | **26,200** | **(476,973)** | **17,283** | **85,237** | **2,444,890** | **2,733** | **2,447,623** |
| Capital contribution | 2,766,535 | - | - | - | - | - | 2,766,535 | - | 2,766,535 |
| Expenses incurred on second cash call against capital | - | (2,339) | - | - | - | - | (2,339) | - | (2,339) |
| Changes in fair value of investments | - | - | 57,377 | - | - | - | 57,377 | - | 57,377 |
| Decrease in fair value of cash flow hedging derivatives | - | - | - | (544,103) | - | - | (544,103) | - | (544,103) |
| Group share of joint ventures' changes in fair value of cash flow hedging derivatives | - | - | - | (61,335) | - | - | (61,335) | - | (61,335) |
| Exchange difference arising on translating foreign operations | - | - | - | - | 2,890 | - | 2,890 | - | 2,890 |
| Net profit for the year | - | - | - | - | - | 128,811 | 128,811 | 923 | 129,734 |
| Transfer to legal reserve | - | 12,881 | - | - | - | (12,881) | - | - | - |
| **Balance as of December 31, 2007** | **5,536,666** | **33,554** | **83,577** | **(1,082,411)** | **20,173** | **201,167** | **4,792,726** | **3,656** | **4,796,382** |

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

# Consolidated Statement Of Cash Flows

## For The Year Ended December 31, 2007
## (Amount Expressed in Thousands of Qatari Riyals)

| | Note | For the year ended December 31, 2007 | For the year ended December 31, 2006 |
|---|---|---|---|
| **Cash Flows from Operating Activities:** | | | |
| Net profit for the year | | 129,734 | 45,291 |
| Adjustments for: | | | |
| Depreciation | | 241 | 159 |
| Dividend income | | (3,482) | (4,269) |
| Profit from Islamic banks | | (96,350) | (14,604) |
| Share of profits from joint ventures | | (14,732) | (14,444) |
| Interest and other income | | (23,720) | (19,922) |
| Gain on disposal of shares to minority | | - | (20) |
| Provision for doubtful debts | | 3,599 | - |
| Property and equipment -written off | | - | 72 |
| Impairment on available for sale investments | | - | 376 |
| | | **(4,710)** | **(7,361)** |
| Working Capital Changes: | | | |
| Trade and other receivables | | (27,727) | (34,568) |
| Accounts payable and accruals | | 97,072 | 56,513 |
| Due from joint venture companies | | 18,943 | (18,996) |
| Due to related party | | 32 | - |
| Inventory | | 2 | (12) |
| Cash used in operations | | 83,612 | (4,424) |
| Interest paid | | (451,072) | (131,664) |
| **Net Cash Used in Operating Activities** | | **(367,460)** | **(136,088)** |
| **Cash Flows from Investing Activities:** | | | |
| Acquisition of investments in joint venture companies | | (341,980) | (445,701) |
| Acquisition of property and equipments | | (1,167) | (22) |
| Increase in refundable second IPO call | | (36,246) | - |
| Dividend income received from joint ventures | | 19,734 | - |
| Investment income received | | 173,144 | 32,643 |
| Time deposits maturing after ninety days | | 432,548 | (1,009,630) |
| Construction in progress | | (5,402,357) | (3,462,556) |
| **Net Cash Used in Investing Activities** | | **(5,156,324)** | **(4,885,266)** |
| **Cash Flows from Financing Activities:** | | | |
| Proceeds on second cash call | | 2,766,535 | - |
| Payment for bonds issue costs | | (9,686) | (25,341) |
| Proceeds from borrowings | | 4,161,878 | 7,771,334 |
| Repayment of borrowings | | (1,820,764) | - |
| Proceeds from disposals of shares to minority | | - | 100 |
| Loans to joint venture companies | | (999,605) | (402,249) |
| Expenses incurred on second cash call against capital | | (2,339) | - |
| **Net Cash from Financing Activities** | | **4,096,019** | **7,343,844** |
| **Net (Decrease) / Increase in Cash and Cash Equivalents** | | **(1,427,765)** | **2,322,490** |
| **Cash and Cash Equivalents at Beginning of the Year** | | **3,187,151** | **864,661** |
| **Cash and Cash Equivalents at the End of the Year** | **17** | **1,759,386** | **3,187,151** |

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

# Notes To The Consolidated Financial Statements

**For The Year Ended December 31, 2007**
**(Amount Expressed In Thousands Of Qatari Riyals)**

## 1) Legal Status and Activities:

Qatar Gas Transport Company Limited (Nakilat) (QSC) ("QGTC" or " the Company") is a Public Shareholding Company, incorporated in the State of Qatar on June 9, 2004, under Commercial Registration Number 28566 in accordance with Article No. 68 of the Qatar Commercial Companies Law No. 5 of year 2002. The approval for the formation of the Company was made under decision No. 70 of the Minister of Economy and Commerce. The Company is governed by its Memorandum and Articles of Association and Law No. 5 of 2002 concerning commercial companies. The shares of the Company started trading on the Doha Securities Market on April 7, 2005.

The main purpose of the Company is to work in the industry of gas transport either through direct acquisition of ocean going vessels or by investing in joint ventures with other parties.

The Company operates either directly or through its subsidiaries and joint venture companies (collectively referred to as the "Group"). The operations of the Group are conducted within the economic environment in the State of Qatar.

## 2) Adoption of New and Revised International Financial Reporting Standards:

In the current year, the Group has adopted IFRS 7 Financial Instruments: Disclosures which are effective for annual reporting periods beginning on or after January 1, 2007, and the consequential amendments to IAS 1 Presentation of Financial Statements.

The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these consolidated financial statements regarding the Group's financial instruments and management of capital.

Four Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current year. These are: IFRIC 7 Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies; IFRIC 8 Scope of IFRS 2; IFRIC 9 Reassessment of Embedded Derivatives; and IFRIC 10 Interim Financial Reporting and Impairment. The adoption of these Interpretations has not led to changes in the Group's accounting policies.

### Standards and Interpretations in Issue Not Yet Adopted:

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

**Amendments to standards**
IAS 23 (Revised) Borrowing Costs (effective on or after January 1, 2009);
IAS 1 Presentation of Financial Statements – Comprehensive revision including requiring a statement of comprehensive income (effective for accounting periods beginning on or after 1 January 2009);

**New standard**
IFRS 8 Operating Segments (effective for accounting periods beginning on or after January 1, 2009);

**New interpretations**
IFRIC 11 IFRS 2: Group and Treasury Share Transactions (effective March 1, 2007);
IFRIC 12 Service Concession Arrangements (effective January 1, 2008);
IFRIC 13 Customer Loyalty Programmes (effective for accounting periods beginning on or after 1July 2008)
IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective January 1, 2008).

Management anticipates that all of the above standards and interpretation as applicable will be adopted in the Group's financial statements in future period and that the adoption of those Interpretations and Standards will result in some cases of amendments and additional disclosures in these consolidated financial statements of the Group in the period of initial application.

Although mostly the joint venture entities are located abroad, their trading activities 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.

## 3) Basis of Preparation and Significant Accounting Policies

### a) Basis of Preparation

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

### b) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) and its joint venture entities collectively referred to as the "Group". Refer to notes no. 7 and 19 for details.

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

### c) Investment in Subsidiary Company

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

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

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

### d) Investment in Joint Venture Company

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

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

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

### e) Property and Equipment

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

| | |
|---|---|
| Building | 20% |
| Computer equipment | 33.33 % |
| Office equipment | 15 % |
| Furniture and fixture | 15 % |
| Telecom equipment | 20 % |
| Vehicles | 20% |

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

### f) Borrowing costs

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

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

**g) Investments Available –for- Sale**

Investments are initially recognised at cost, being the fair value of the consideration given. After initial recognition, investments classified as "available-for-sale", are remeasured at fair value. Unrealised gains and losses are reported as a separate component of equity until the investment is disposed of or the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the statement of income for the year.

For investments traded in organized markets, fair value is determined by reference to quoted market bid prices at the close of business on the balance sheet date.

**h) Trade and Other Receivables**

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

**i) Accounts Payable and Accruals**

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

**j) Provisions**

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

**k) Employees' End of Service Benefits and Pension Contributions**

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

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

**l) Revenue**

Revenue is recognised as and when the service is rendered.

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

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

**m) Cash and Cash Equivalents**

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

**n) Impairment**

**Impairment of Financial Assets**

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

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

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

**Impairment of Non Financial Assets**

The carrying amounts of the Group's assets other than inventories are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognized in the consolidated income statement, whenever the carrying amount of an asset exceeds its recoverable amount.

The impairment losses recognized in prior periods are assessed at each reporting 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.

**o) Foreign Currencies**

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

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

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

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

**p) Derivative Financial Instruments and Hedging Activities**

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

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

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

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

**q) Interest bearing Loans and Borrowings**

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

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

### r) Deferred Finance Charges

Finance charges incurred in the arrangement of debts are deferred and will be amortised to interest expenses over the term of the debts.

### s) Vessels Under Construction

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

## 4. Cash and Bank Balances:

| | 2007 | 2006 |
|---|---|---|
| Cash on hand | 233 | 149 |
| Current account | 714,310 | 45,378 |
| Time deposits | 1,724,155 | 4,253,484 |
| Other bank balances* | 36,246 | - |
| **Total** | **2,474,944** | **4,299,011** |

The effective interest and profit rates on the time deposits varies between 4.25% to 6.15% (2006: 4.4% to 6%).
* Cash payable to shareholders for unclaimed proceeds of their shares auctioned related to the second IPO call.

## 5. Trade and Other Receivables:

| | 2007 | 2006 |
|---|---|---|
| Trade receivable | 17,240 | 18,305 |
| Less: Provision for doubtful debts | (3,599) | - |
| | 13,641 | 18,305 |
| Accrued income | 31,551 | 17,243 |
| Other receivables | 50,899 | 22,106 |
| **Total** | **96,091** | **57,654** |

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

Included in the Group's trade receivable balance are receivables with a carrying amount of QR.4 million (2006: QR.9 million) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

As at December 31, 2007 the ageing of trade receivables and movement in the provision for doubtful debts are as follows:

| | 2007 | 2006 |
|---|---|---|
| **(i) Ageing of neither past due nor impaired** | | |
| **Less than 60 days** | **9,641** | **9,225** |
| **(ii) Ageing of past due but not impaired** | | |
| 61-90 days | 1,821 | 385 |
| 91-120 days | 196 | 535 |
| Over 120 days | 1,983 | 8,160 |
| **Total** | **4,000** | **9,080** |

## 5. Trade and Other Receivables(continued) :

| (iii) Ageing of impaired trade receivables | 2007 | 2006 |
|---|---|---|
| Less than 60 days | 10 | - |
| Over 120 days | 3,589 | - |
| | ------------ | ----------- |
| **Total** | **3,599** | - |
| | ======= | ====== |
| **(iv) Movement in the provision of doubtful debts:** | | |
| Balance at the beginning of the year | - | - |
| Additional provision during the year | 3,599 | - |
| | ------------ | ----------- |
| **Balance at end of the year** | **3,599** | - |
| | ======= | ====== |

## 6. Loans to Joint Venture Companies:

| | 2007 | 2006 |
|---|---|---|
| India LNG Transport Company No. 3 Limited (1) | 45,187 | 64,948 |
| Teekay Nakilat Corporation (2) | 16,236 | 93,226 |
| Teekay Nakilat (III)Corporation (3) | 1,380,234 | 335,017 |
| Teekay Nakilat (III)Corporation (4) | 10,127 | 3,521 |
| Nakilat Svitzerwijsmuller WLL (5) | 95,457 | - |
| | ------------ | ----------- |
| **Total** | **1,547,241** | **496,712** |
| | ======= | ====== |

(1): This loan bears interest at the rate of LIBOR + 1% or India Inter bank rate + 1% whichever is higher. The loan will be repaid once the vessels become operational and subject to liquidity of the joint venture company.

(2): This loan bears interest at the rate of LIBOR + 1% and repayment has started since the related vessels are operational. The repayment is subject to liquidity of the joint venture company.

(3): This loan bears interest at the rate of LIBOR + 0.9% before delivery of vessels and fixed rate of 5.36% after delivery of vessels.

(4): This loan is interest free.

(5): This loan bears interest at the rate of LIBOR +1% and repayment will be started from January 2009 subject to liquidity of the joint venture company.

## 7. Investment in Joint Ventures Companies:

| | |
|---|---|
| Balance – January 1, 2006 | 1,667,168 |
| Investment in joint venture entities during the year | 445,701 |
| Share of profit for the year | 14,444 |
| Amount written off against loan | 6,328 |
| Share of hedging reserve for the year * | 48,785 |
| Share of Exchange difference arising on translating foreign operations | 17,283 |
| Dividend received | (6,436) |
| Capitalized interest transferred to construction in progress | (207) |
| | ---------------- |
| **Balance – December 31, 2006** | **2,193,066** |
| Investment in joint venture entities during the year | 341,980 |
| Share of profit for the year | 14,732 |
| Amount written off against loan | 5,602 |
| Transfer to loan to joint venture | (25,289) |
| Share of hedging reserve for the year * | (56,063) |
| Share of Exchange difference arising on translating foreign operations | 2,890 |
| Dividend received | (19,734) |
| | ---------------- |
| **Balance – December 31, 2007** | **2,457,184** |
| | ========= |

* This excludes the share of losses on the hedging reserve from the joint ventures amounting to a total of QR 5.3 million (2006: QR 2.7 million) which has been adjusted against the loan to the respective joint venture.

## 7. Investment in Joint Ventures Companies: (continued) :

Details of the Group's joint venture companies at December 31, 2007 are as follows:

| Name of Joint Venture | Place of Incorporation and Operation | Proportion of Ownership Interest | Principal Activity |
|---|---|---|---|
| Maran Nakilat Company Ltd. | Cayman Islands | 30% | Chartering of vessels |
| J5 Nakilat No. 1 to 8 Ltd. | Japan | 40% | Chartering of vessels |
| Peninsula LNG Transport No. 4 Ltd. | Marshall Islands | 30% | Chartering of vessels |
| Teekay Nakilat Corporation | Marshall Islands | 30% | Chartering of vessels |
| Pronav: | | | |
| Neptana Schiffsbetriebsgesellschaft mbH & Co. TS "Alexandra" KG | Germany | 45% | Chartering of vessels |
| Nausola Schiffsbetriebsgesellschaft mbH & Co. TS "Britta" KG | Netherlands | 45% | Chartering of vessels |
| Nauranto Schiffsbetriebsgesellschaft mbH & Co. TS "Gabriela" KG | Marshall Island | 45% | Chartering of vessels |
| Neptora Schiffsbetriebsgesellschaft mbH & Co. TS "Julia" KG | Liberia | 45% | Chartering of vessels |
| Teekay Nakilat (III) Corporation | Marshall Island | 60% | Chartering of vessels |
| OSG Nakilat Corporation | Marshall Island | 50.1% | Chartering of vessels |
| Nakilat Svitzerwijsmuller WLL * | Qatar | 70% | Chartering of vessels |
| India LNG Transport Company No. 3 Ltd. | Malta | 20% | Chartering of vessels |

* Although the Group holds more than half of the equity shares in this entity, it does not control more than half of the voting power of those shares neither does it exercise significant influence on the entity. Decisions need unanimous consent of both parties. Consequently, the Group accounts for this investment as a joint venture.
In addition to the above, the Group has entered into negotiations with Qatar Shipping to form a new joint venture to own vessels for chartering. The amount paid to the joint venture partner for a 50% interest is included in Investment in Joint Venture.

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

| | 2007 | 2006 |
|---|---|---|
| Total assets | 23,610,086 | 14,614,887 |
| Total liabilities | (19,511,234) | (9,820,881) |
| Net Assets | 4,098,852 | 4,794,006 |
| Group's share of joint venture's net assets | 2,457,184 | 2,193,066 |

| | For the Year Ended December 31, 2007 | For the Year Ended December 31, 2006 |
|---|---|---|
| Income | 638,188 | 208,569 |
| Profit for the year | 62,080 | 46,918 |
| Group's share of joint venture result for the year* | 14,732 | 14,444 |

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

## 8. Available for Sale Investments:

| | 2007 | 2006 |
|---|---|---|
| Balance at January 1 | 72,668 | 124,774 |
| Changes in fair value | 57,377 | (52,106) |
| **Balance at December 31** | **130,045** | **72,668** |

Available for sale investments represent investment in listed securities in Doha Securities Market.

## 9. Constructions in Progress:

| | 2007 | 2006 |
|---|---|---|
| Vessels Under Construction: | | |
| Shipbuilding costs - note (a) | 8,607,378 | 3,302,636 |
| Other program costs - note (b) | 745,647 | 324,914 |
| | 9,353,025 | 3,627,550 |
| Dry docking facility under construction | 17,670 | 7,192 |
| Software system implementation costs | 11,004 | - |
| **Total** | **9,381,699** | **3,634,742** |

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

Note (b): Included in other program costs is QR. 484 million (2006: QR. 159 million) being interest expense capitalized net of interest income.

## 10. Property and Equipment:

| | Building | Computer Equipment | Office Equipment | Telecom Equipment | Furniture andFixture | Vehicles | Total |
|---|---|---|---|---|---|---|---|
| **Cost:** | | | | | | | |
| At 1 January 2006 | - | 327 | 198 | 68 | 101 | - | 694 |
| Acquisitions during the year | - | 11 | - | - | 11 | - | 22 |
| Written off | - | (22) | - | - | (50) | | (72) |
| At 31 December 2006 | - | 316 | 198 | 68 | 62 | - | 644 |
| Acquisitions during the year | 216 | 196 | 208 | - | 495 | 52 | 1,167 |
| **At 31 December 2007** | **216** | **512** | **406** | **68** | **557** | **52** | **1,811** |
| **Accumulated Depreciation:** | | | | | | | |
| At 1 January 2006 | - | 36 | 21 | 11 | 7 | - | 75 |
| Charge for the year | - | 106 | 33 | 14 | 6 | - | 159 |
| At 31 December 2006 | - | 142 | 54 | 25 | 13 | - | 234 |
| Charge for the year | 43 | 123 | 38 | 14 | 18 | 5 | 241 |
| **At 31 December 2007** | **43** | **265** | **92** | **39** | **31** | **5** | **475** |
| **Net Carrying Amount:** | | | | | | | |
| At 31 December 2007 | **173** | **247** | **314** | **29** | **526** | **47** | **1,336** |
| At 31 December 2006 | **-** | **174** | **144** | **43** | **49** | **-** | **410** |

## 11. Borrowings:

These consist of the following:

| | 2007 | 2006 |
|---|---|---|
| Loan - **note (a)** | - | 1,820,764 |
| Loan - **note (b)** | 1,820,764 | 1,396,158 |
| Senior bank facilities - **note (c)** | 1,638,687 | 18,208 |
| Subordinated bank facilities - **note (d)** | 18,208 | 18,208 |
| Loan - **note (e)** | 1,313,115 | 330,239 |
| Senior bonds – Series "A" - **note (f)** | 3,095,299 | 3,095,299 |
| Subordinated bonds Series "A" - **note (g)** | 1,092,458 | 1,092,458 |
| KEXIM Facility - **note (h)** | 314,573 | - |
| KEIC Covered Facility - **note (i)** | 819,344 | - |
| Less issuance costs of bonds | (35,027) | (25,341) |
| **Total** | **10,077,421** | **7,745,993** |
| Classified as: | | |
| Payable within one year | - | 1,820,764 |
| Payable after one year | 10,077,421 | 5,925,229 |

**Note (a) :**
This loan was repaid fully in March 2007.

**Note (b):**
This represents an unsecured facility of USD 500 million comprising of a revolving loan up to December 31, 2009 and eventually to be converted to a term loan. The amount drawn down bears interest at LIBOR + 1.15%.

**Note (c) :**
Represents the draw down against the senior bank facility amounting to a total of USD 2,216 million and carries interest at the rate of LIBOR + 0.45%. The senior debt will mature by 2025.

**Note (d) :**
Represents the initial draw down against the subordinated bank facility amounting to USD 174 million and carries interest at the rate of LIBOR + 0.95%. The subordinated debt will mature by 2025.

**Note (e) :**
This loan was taken by one of the joint venture of the Group and carries interest at the rate of LIBOR + 0.9% per annum. This loan will only be repayable once the vessels belonging to the joint venture become operative.

**Note (f) :**
The principal will be payable in semi-annual installments on June 30 and December 31 of each year, beginning on June 30, 2021. These bonds bear interest at the rate of 6.067% per annum and are payable semi-annually in arrears on June 30 and December 31 of each year beginning June 30, 2007. The bond will mature on December 31, 2033.

**Note (g) :**
The principal will be payable in semi-annual installments on June 30 and December 31 of each year, beginning on December 31, 2010. These bonds bear interest at the rate of 6.267% per annum and are payable semi-annually in arrears on June 30 and December 31 of each year beginning June 30, 2007. The bond will mature on December 31, 2033.

**Note (h) :**
Represents the draw downs against the KEXIM Facility amounting to a total of USD 500 million and carries interest at the rate ranging from 4.9413% to 5.3390%. The KEXIM Facility will mature on December 31, 2021.

**Note (i) :**
Represents the drawdown against the KEIC Covered Facility amounting to a total of USD 225 million and carries interest at the rate ranging from 5.1521% to 5.4781%. The KEIC Facility will mature on December 31, 2021. This Loan has been fully drawn.

## 11. Borrowings (Continued):

The bank facilities and bonds will be used to finance the acquisition of the vessels currently under construction.

The Group's obligation under the facilities is secured by a charge over the vessels and guarantees issued by each of the company's subsidiary who have irrevocably and unconditionally guaranteed the punctual payments of the debts.

The bank facilities and bonds are further secured against accounts and all permitted investments made from the funds received against the initial draw down, shares in each of the subsidiary, all the insurance policies entered by the Company or any of the subsidiary and insurance proceeds. These are also secured by Company's right, title and interest in any contract, inter-company loans and floating charges over the company's other assets and any other contract in which each of the guarantor is a party.

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

## 12. Accounts Payable and Accruals:

| | 2007 | 2006 |
|---|---|---|
| Accounts payable | 38,002 | 8,404 |
| Advances from customers | 56,580 | 20,345 |
| Payable to shareholders * | 36,246 | - |
| Other accruals | 60,305 | 72,350 |
| **Total** | **191,133** | **101,099** |

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

## 13. Fair Value of Interest Rate Swaps:

The Group has entered into interest rate swap agreements with several financial institutions. As at December 31, 2007 the total notional amount of swap agreements is QR. 15,928 million (2006: QR.11,016 million) and net fair value is negative QR. 1,022 million (2006: QR. 478 million).

## 14. Share Capital:

| | 2007 Number of Shares | 2006 Number of Shares |
|---|---|---|
| Authorized share capital | 560,000,000 | 560,000,000 |
| Issued share capital | 554,026,360 | 554,026,140 |
| | **Amount** | **Amount** |
| **Issued and Paid up capital with a par value of QR. 10 each** | **5,536,666** | **2,770,131** |

At December 31, 2007, **719,495** issued shares are 50% paid (2006: All issued shares were 50% paid).

## 15. Legal Reserve:

The Articles of Association of the Company provides for legal reserve to the extent of 10% of net profit for the year until it reaches 50% of paid up share capital. This reserve is not available for distribution except for circumstances specified in the Articles of Association and the Commercial Companies Law.

## 16. Hedging Reserve:

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

## 17. Cash and Cash Equivalents:

| | 2007 | 2006 |
|---|---|---|
| Cash and bank balances | 2,474,944 | 4,299,011 |
| Less: | | |
| Time deposits maturing after 90 days | (679,312) | (1,111,860) |
| Other bank balances | (36,246) | - |
| | **1,759,386** | **3,187,151** |

## 18. Related Party Transactions:

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

| | For the Year Ended December 31,2007 | For the YearEnded December 31,2006 |
|---|---|---|
| Compensation of key management personnel | 1,741 | 1,874 |
| | ========== | ======= |
| Board of Directors Remuneration | 700 | 700 |
| | ========== | ======= |

## 19. Subsidiaries:

Details of the Company's subsidiaries at December 31, 2007 are as follows:

| Name of Subsidiaries | Place of incorporation (or registration) and operation | Proportion of ownership & Voting interest | Principal activity |
|---|---|---|---|
| Nakilat Agency Company Limited (Q.S.C) | Qatar | 95% | Agency services |
| Nakilat Fuji WLL | Qatar | 60% | Marine services |
| Nakilat Inc. | Marshall Islands | 100% | HoldingCompany |
| Nakilat Haloul Inc. (formerly known as S.H.I. Hull No. 1675 Inc.) | Marshall Islands | 100% | Chartering of vessels |
| Nakilat Umm Slal Inc. (formerly known as S.H.I. Hull No. 1676 Inc.) | Marshall Islands | 100% | Chartering of vessels |
| Nakilat Bu Samra Inc. (formerly known as S.H.I. Hull No. 1677 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. (formerly known as DSME Hull No. 2255 Inc.) | Marshall Islands | 100% | Chartering of vessels |
| Nakilat Lijmiliya Inc. (formerly known as (DSME Hull No. 2256 Inc.) | Marshall Islands | 100% | Chartering of vessels |
| Nakilat Al Samriya Inc. (formerly known as DSME Hull No. 2257 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 Incorporation | Marshall Islands | 100% | Chartering of vessels |
| Nakilat S.H.I. 1751 Inc. **(note 1)** | Marshall Islands | 100% | Chartering of vessels |
| Nakilat S.H.I. 1752 Inc. **(note 1)** | Marshall Islands | 100% | Chartering of vessels |
| Nakilat S.H.I. 1753 Inc. **(note 1)** | Marshall Islands | 100% | Chartering of vessels |
| Nakilat S.H.I. 1754 Inc. **(note 1)** | Marshall Islands | 100% | Chartering of vessels |
| Nakilat DSME 2283 Inc. **(note 1)** | Marshall Islands | 100% | Chartering of vessels |
| Nakilat DSME 2284 Inc. **(note 1)** | Marshall Islands | 100% | Chartering of vessels |
| Nakilat DSME 2285 Inc. **(note 1)** | Marshall Islands | 100% | Chartering of vessels |
| Nakilat DSME 2286 Inc. **(note 1)** | Marshall Islands | 100% | Chartering of vessels |
| QGTC Nakilat (1643-6) Holding Corporation **(note 2)** | Marshall Islands | 100% | Holding Company |

## 19. Subsidiaries(continued):

| | | | |
|---|---|---|---|
| QGTC Nakilat (2245-8) Investment Limited (formerly known as Nakilat Shipping Ltd.") | Marshall Islands | 100% | Holding Company |
| Nakilat Marine Services Limited **(note 2)** | Marshall Islands | 100% | Holding Company |
| Nakilat Shipping (Qatar) Limited **(note 1)** | Qatar | 100% | Shipping Management Company |

**Note 1** These are the new subsidiaries established by the Group during the year.
**Note 2** Shares capital in these subsidiaries was issued at no par value.

## 20. Earnings Per Share:

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

| | 2007 | 2006 |
|---|---|---|
| Profit for the year | **128,811** | **44,933** |
| | ========== | ========== |
| Weighted average number of shares outstanding during the year | **553,666,613** | **277,013,070** |
| | ========== | ========== |
| Basic and diluted earnings per share (expressed in QR. per share) | **0.23** | **0.16** |

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

## 21. Financial Risk Management:

### Financial Risk Factors

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

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

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

### (a) Interest Rate Risk

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

### (i) Interest Rate Sensitivity Analysis

The Group is exposed to interest rate risk on its bank balances, loans to joint ventures and borrowings. The table below demonstrates the sensitivity of the Group's profit to reasonably possible changes on the Group's profit for one year, based on the floating interest rate of financial assets and liabilities held at December 31, 2007.

## 21. Financial Risk Management (continued):

### Interest rate risk exposures

With the exception of certain term loans amounting to QR 2,791 million (2006 : QR 36 million), which are covered by interest rate swap contracts (Note 13), a portion of the Group's financial assets and liabilities as of 31 December 2007 are exposed to interest rate fluctuations. The Group's exposure to interest rate risk and the effective interest rates on its financial assets and liabilities are summarized below:

| | 31-Dec-07 | | | | 31-Dec-06 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Fixed interest rate** | **Floating interest rate** | **Non-interest bearing** | **Total** | **Fixed interest rate** | **Floating interest rate** | **Non-interest bearing** | **Total** |
| | **QR'000** | **QR'000** | **QR'000** | **QR'000** | **QR'000** | **QR'000** | **QR'000** | **QR'000** |
| **Financial assets** | | | | | | | | |
| Bank balances and cash | - | 2,438,465 | 36,479 | 2,474,944 | - | 4,298,862 | 149 | 4,299,011 |
| Loans to joint ventures | - | 1,537,114 | 10,127 | 1,547,241 | - | 493,191 | 3,521 | 496,712 |
| | - | 3,975,579 | 46,606 | 4,022,185 | - | 4,792,053 | 3,670 | 4,795,723 |
| **Financial liabilities** | | | | | | | | |
| Interest bearing loans and borrowings | 4,152,730 | 3,133,879 | - | 7,286,609 | 4,162,416 | 3,547,161 | - | 7,709,577 |
| Interest rate swap | 2,790,812 | - | - | 2,790,812 | 36,416 | - | - | 36,416 |
| | 6,943,542 | 3,133,879 | -- | 10,077,421 | 4,198,832 | 3,547,161 | - | 7,745,993 |
| Net financial asset/ (liabilities) | **(6,943,542)** | **841,700** | **46,606** | **(6,055,236)** | **(4,198,832)** | **1,244,892** | **3,670** | **(2,950,270)** |

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the net effect on the profit for the year ended December 31, 2007 would be an increase / decrease by QR.4.2 million.

## 21. Financial Risk Management (continued):

### (ii) Interest rate swap contracts

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

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

**Cash flow hedges**

| | Average contracted fixed interest rate | | Notional principal amount | | Fair value | |
|---|---|---|---|---|---|---|
| Outstanding receive floating Pay fixed contracts | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| | % | % | QR (million) | QR (million) | QR (million) | QR (million) |
| Less than 1 year | -- | -- | -- | -- | -- | -- |
| 1 to 2 years | -- | -- | -- | -- | -- | -- |
| 2 to 5 years | -- | -- | -- | -- | -- | -- |
| 5 years and above | 5.58 | 5.58 | 15,928 | 11,016 | (1,022) | (478) |

In addition to the above the Group has also accounted for its share of negative fair value of interest rate swaps relating to Joint Ventures amounting to QR. 61 million as of December 31, 2007 (2006: positive fair value of QR.46 million).

The interest rate swap settles on a quarterly basis up to June 30, 2009 and thereafter semi annually. The floating rate on interest rate swaps is LIBOR. The Group will settle the difference between the fixed and floating rate on net basis.

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

### (b) Liquidity Risk

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

### (c) Credit risk

The Group has no significant concentration of credit risk.

### (d) Market risk

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

A 10% increase or decrease in market value of the Group's portfolio of available-for-sale investments is expected to result in an increase or decrease of QR. 13 million in the assets and equity of the Group.

### Fair Value of Financial Instruments

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

## 22. Capital Management:

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

**Gearing ratio**

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

The gearing ratio at the year end as follows:

| | Note | 2007 | 2006 |
|---|---|---|---|
| Total debt (Borrowings) | 11 | 10,077,421 | 7,745,993 |
| Cash and cash equivalents | 17 | (1,759,386) | (3,187,151) |
| **Net debt** | | **8,318,035** | **4,558,842** |
| Total Equity | | 4,796,382 | 2,447,623 |
| Add: Hedging reserves deficit | 16 | 1,082,411 | 476,973 |
| **Adjusted Equity (i)** | | **5,878,793** | **2,924,596** |
| Net debt to adjusted equity ratio | | 141% | 156% |

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

## 23. Commitments and Contingencies:

### A) Capital Commitments:

**(i)** One of the subsidiaries of Qatar Gas Transport Company Limited (Nakilat) (QSC) had at December 31, 2007 outstanding commitments for the construction of its vessels.

Details of the commitments are as follows:

| | USD '000' | QR. '000' |
|---|---|---|
| Commitments to shipbuilders | **4,284,482** | **15,602,061** |

**(ii)** The Group's outstanding capital commitment in respect of investments in joint ventures as of December 31, 2007 is NIL (2006: USD 93 million).

**(iii)** The Group's share of capital commitments (shipbuilding cost) with regard to joint ventures amounted to approximately USD 406 million (2006: USD 1 billion).

In addition to the above, the Group has committed itself to fund 60% of 20% of the cost of the vessels of one of its joint venture entity's, 60% of cost overruns, 60% of dry docking costs when the vessel owning companies have insufficient funds and to fund up to 60% of US $ 60 million of other cash deficiencies in certain circumstances.

### B) Swap Commitments:

**(i)** Qatar Gas Transport Company Limited (Nakilat) (QSC) and one of its joint venture partners are contractually liable to Interest Rate Swap obligations contracted by certain joint venture entities in case the joint venture entities default on their obligations. The share of QGTC in the aggregate principle amount of the swap is USD 627 million.

**(ii)** Qatar Gas Transport Company Limited (Nakilat) (QSC) is committed to honor any swap indebtedness arising upon any termination or unwinding of any Swap Agreement contracted by one of its joint venture. The liability is limited to the amount, by which the total swap under the applicable swap agreement exceeds 20% of the notional principal amount by reference to which payment under the swap agreement would, had that swap agreement and / or any interest exchange arrangements there under not been terminated.

## 23. Commitments and Contingencies (Continued):

**C) Guarantees:**

**(i)** Cross Guarantees

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

**(ii)** Bank Guarantees amounting to QR. 0.391 million (2006: QR. 0.391 million).

**D) Time Charter:**

The Group entered into various time charter agreements with two time charterer parties for the time charter of its vessels for an initial term of approximately 25 years from delivery date of each vessel with an option to renew.

**E) Undrawn Facilities:**

As at December 31, 2007, the Group had the following undrawn facilities:

| | USD | QR. |
|---|---|---|
| Senior bank facilities | 1,766 million | 6,431 million |
| Kexim facility | 414 million | 1,506 million |
| Subordinated bank facilities | 169 million | 615 million |

Commitment fees relating to these undrawn facilities have been paid up to December 31, 2007.

## 24. Critical Accounting Judgments:

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

**Critical judgment in applying accounting policies:**

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

**Hedge effectiveness:**

Management reviews its hedging relationship between the interest rate swaps and the underlying loans on a regular basis. The hedge was found to be highly effective. As result, the fair value of the derivative (a total deficit of QR. 1,022 million) is recorded in equity under hedging reserve.

**Impairment of available – for – sale equity investments:**

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

## 25. Profit for the year:

Profit for the year is arrived at after charging staff cost amounting to QR 20.8 million (2006: QR 12.3 million).

## 26. Comparative Figures:

Certain prior year's figures have been reclassified, where necessary, to conform to current year's presentation.