

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

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD FROM
JUNE 09, 2004 (INCEPTION DATE) TO
JUNE 30, 2005
TOGETHER WITH ACCOUNTANT'S REVIEW REPORT

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

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD FROM JUNE 09, 2004 (INCEPTION DATE)
TO JUNE 30, 2005

Contents	Page
Accountant's Review Report	--
Interim Consolidated Balance Sheet	1
Interim Consolidated Statement of Income	2
Interim Consolidated Statement of Changes in Shareholders' Equity	3
Interim Consolidated Statement of Cash Flows	4
Notes to the Interim Consolidated Financial Statements	5 – 13

ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying interim consolidated balance sheet of **Qatar Gas Transport Company Limited (Nakilat) Q.S.C.** as of June 30, 2005 and the related interim consolidated statements of income, changes in shareholders' equity and cash flows for the period from June 09, 2004 to June 30, 2005. These interim consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with **International Standard on Auditing** applicable to review engagements. This standard requires that we plan and perform the review to obtain moderate assurance as to whether these financial statements are free of material misstatement. A review is limited primarily to inquiries of the Company's personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Investment in the subsidiary company, Nakilat Agency Company Ltd, is shown at cost and has not been consolidated in the accompanying financial statements due to the fact that the subsidiary company started its operations on May 01, 2005.

Based on our review, except for the above, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements are not presented fairly, in all material respects, in accordance with **International Accounting Standard 34**.

For **Deloitte & Touche**

**Doha - Qatar
August 14, 2005**

**Samer H. Jaghoub – CPA
License No. 88**

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

DOHA – QATAR

INTERIM CONSOLIDATED BALANCE SHEET

AS OF JUNE 30, 2005

(Amounts expressed in thousands of Qatari Riyals)

	Note	<u>2005</u>
<u>ASSETS</u>		
Current Assets:		
Bank balances	3	2,235,044
Accounts receivable and other debit balances	4	15,163
Due from unconsolidated subsidiary	5	4,835
Total Current Assets		<u>2,255,042</u>
Non-Current Assets:		
Investment in unconsolidated subsidiary	6	28,500
Available-for-sale investments	7	154,196
Other assets	8	148,108
Plant and equipment	9	335,984
Total Non-Current Assets		<u>666,788</u>
Total Assets		<u>2,921,830</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current Liabilities:		
Accounts payable and accruals	10	<u>1,947</u>
Shareholders' Equity:		
Share capital	11	2,770,098
Fair value reserve		107,353
General reserve	12	13,581
Retained earnings		<u>28,851</u>
Total Shareholders' Equity		<u>2,919,883</u>
Total Liabilities and Shareholders' Equity		<u>2,921,830</u>

H.E. ABDULLAH BIN HAMAD AL-ATTIYAH
Second Deputy Prime Minister
and Minister of Energy & Industry
Chairman

Mr. FAISAL M. AL-SUWAIDI
Vice Chairman

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

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

INTERIM CONSOLIDATED STATEMENT OF INCOME
FOR THE PERIOD FROM JUNE 09, 2004 (INCEPTION DATE) TO JUNE 30, 2005
(Amounts expressed in thousands of Qatari Riyals)

	<u>Note</u>	<u>2005</u>
Interest income		33,477
Income from investments		2,732
General and administrative expenses	14	(7,358)
Net Profit for the Period		<u>28,851</u>
Earnings per share (Basic & Diluted)		<u>QR 0.052</u>
Number of shares		<u>554,020</u>

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

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD FROM JUNE 09, 2004 (INCEPTION DATE) TO JUNE 30, 2005
(Amounts expressed in thousands of Qatari Riyals)

	<u>Share Capital</u>	<u>Fair value Reserve</u>	<u>General Reserve</u>	<u>Retained Earnings</u>	Total
Capital contribution	2,770,098	-	-	-	2,770,098
Increase in fair value of available-for-sale investments	-	107,353	-	-	107,353
Excess of establishment and issuance fees over costs	-	-	13,581	-	13,581
Net Profit for the period	-	-	-	28,851	28,851
	2,770,098	107,353	13,581	28,851	2,919,883

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

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM JUNE 09, 2004 (INCEPTION DATE) TO JUNE 30, 2005
(Amounts expressed in thousands of Qatari Riyals)

	<u>Note</u>	<u>2005</u>
Cash Flows from Operating Activities:		
Net profit for the period		28,851
Adjustments for:		
Interest Income		(33,477)
Income from investments		<u>(2,732)</u>
		(7,358)
Accounts receivable, other debit balances, and due from unconsolidated subsidiary		(19,998)
Accounts payables and accruals		<u>1,947</u>
Net cash used in operating activities		<u>(25,409)</u>
Cash Flows from Investing Activities:		
Interest Income		33,477
Income from investments		2,732
Purchase of available-for-sale investments		(46,843)
Investment in unconsolidated subsidiary		(28,500)
Purchase of plant and equipment		(335,984)
Other assets		<u>(148,108)</u>
Net cash used in investing activities		<u>(523,226)</u>
Cash Flows from Financing Activities:		
Proceeds from share capital		2,770,098
Net proceeds from establishment and issuance fees		<u>13,581</u>
Net cash from financing activities		<u>2,783,679</u>
Net Increase in Cash and Cash Equivalents		2,235,044
Cash and Cash Equivalents at Beginning of Period		<u>--</u>
Cash and Cash Equivalents at End of the Period	3	<u>2,235,044</u>

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

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD FROM JUNE 9, 2004 (INCEPTION DATE) TO JUNE 30, 2005
(Amounts in table expressed in thousands of Qatari Riyals)

1. **Legal Status and Activities**

Qatar Gas Transport Company Limited Q.S.C. (“QGTC” or “the Company”) is a Public Shareholding Company, incorporated in the State of Qatar on June 09, 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 Stock Exchange on April 07, 2005.

The Company including its subsidiary and Joint Venture companies employed 12 employees as of June 30, 2005. The primary objective of the Company is the transportation of gas and its various derivatives in Qatar and abroad.

The Company operates in the State of Qatar.

The following are the details of the subsidiary and joint venture companies of QGTC:

- **Nakilat Agency Company Ltd., (“Nakilat Agency”)** is a Qatari Shareholding Company incorporated in the State of Qatar on May 15, 2005 under Commercial Registration Number 30587. QGTC owns 95% of Nakilat Agency. The Company is engaged in the provision of agency services for ships berthing at the Ras Laffan Industrial City. The Company started its operations during May 2005.

- **Nakilat Marine Services Ltd, (“Nakilat Marine”)** is a Company incorporated under the laws of the Marshall Islands under Registration Number 12559. Nakilat Marine is a wholly owned subsidiary of QGTC. Nakilat Marine entered into a Joint Venture agreement to create an entity, OSG Nakilat Shipping Corporation (OSG Nakilat) which is incorporated under the laws of the Marshall Islands. Nakilat Marine owns 50.1% of OSG Nakilat.

The purpose of OSG Nakilat is to participate in the acquisition of four vessels through special purpose vehicles known as vessel owning companies.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD FROM JUNE 09, 2004 (INCEPTION DATE) TO JUNE 30, 2005
(Amounts in table expressed in thousands of Qatari Riyals)

2. **Summary of Significant Accounting Policies**

These interim consolidated financial statements of the Company have been prepared in accordance with **International Financial Reporting Standards (IFRS)**. The significant accounting policies adopted are as set out below:

a) **Accounting Convention**

These interim consolidated financial statements have been prepared under the historical cost convention except for investments which are stated at fair value.

b) **Principles of Consolidation**

These interim consolidated financial statements include the financial statements of the Company, its subsidiary and joint venture companies (referred to as the "Group"), with the exception of Nakilat Agency which has not been consolidated due to the fact that the financial statements of the subsidiary company were not available.

Subsidiary

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

Where necessary, adjustments are made to the financial statements of the subsidiary company to bring its accounting policies used in line with those used by the Group. All intercompany transactions and balances between the subsidiary and Group companies are eliminated.

Joint Venture Companies

A joint venture is a contractual arrangement whereby the Group and the other parties undertake an economic activity that is subject to joint control. Joint Venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using proportionate consolidation whereby the Group's share of the assets, liabilities, income and expenses of the jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

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

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD FROM JUNE 09, 2004 (INCEPTION DATE) TO JUNE 30, 2005
(Amounts in table expressed in thousands of Qatari Riyals)

c) **Plant and Equipment**

Plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is charged to write off the cost of these assets other than capital work in progress over their estimated useful lives, using the straight line method as follows:

Computer equipment	3 years
Office equipment	5 years
Furniture, fixture and fittings	5 years

Capital Work-in-Progress

d)

All expenditures and costs incurred on Capital Assets are capitalised and are initially recorded as Capital Work-in-Progress. Capital work-in-progress is transferred to plant and equipment when the assets are ready for their intended use.

e) **Available-for-Sale Investments**

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 period.

For investments traded in organised markets, fair value is determined by reference to quoted market bid prices. Where the investments are not traded in an active market, traded in small volumes or where there is no quoted market price, a reasonable estimate of fair value is determined by reference to the market value of a similar investment or is based on the expected discounted cash flows. Investments whose fair value can not be reliably measured are carried at cost less any impairment in value.

f) **Related Parties**

A related party is one in which the Group has in common partners or management but is neither an associate nor subsidiary. Transactions with related parties are performed at arms length.

g) **Accounts Receivable and Other Debit Balances**

Accounts receivable and other debit balances are stated net of provision for amounts estimated to be doubtful of recovery. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD FROM JUNE 09, 2004 (INCEPTION DATE) TO JUNE 30, 2005
(Amounts in table expressed in thousands of Qatari Riyals)

h) **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.

i) **Provisions**

Provisions are recognised when the Company 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.

j) **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 and in accordance with the provisions of the Qatar Labour Law.

k) **Revenue**

Interest income is recognised as it accrues taking into account the interest rate applicable and principal outstanding.

Dividend income is recognised when the right to receive the dividend is established.

l) **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.

m) **Impairment**

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

n) **Foreign Currencies**

Transactions in foreign currencies are translated into Qatari Riyals at exchange rates in effect at the respective transaction dates. Monetary assets and liabilities denominated in foreign currencies at the end of the period are translated at exchange rates in effect at that date. Resultant exchange gains and losses are reflected in the statement of income.

One of the joint venture accounting records are maintained in US Dollars being the reporting currency. Since the US Dollars and Qatari Riyals are pegged, the assets, liabilities and results of operations have been converted at a fixed rate of QR. 3.64.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD FROM JUNE 09, 2004 (INCEPTION DATE) TO JUNE 30, 2005
(Amounts in table expressed in thousands of Qatari Riyals)

3. **Bank Balances:**

	<u>2005</u>
Current account	97,721
Time deposits	2,137,323
Total	<u>2,235,044</u>

The effective interest rate on time deposits varies between 3.25% to 3.82%.

4. **Accounts Receivable and Other Debit Balances**

	<u>2005</u>
Interest accrued on time deposit	15,093
Other debit balances	70
Total	<u>15,163</u>

5. **Due from Unconsolidated Subsidiary**

	<u>2005</u>
Nakilat Agency Company Ltd	<u>4,835</u>

6. **Investment in Unconsolidated Subsidiary:**

	<u>Ownership</u>	<u>Country of</u>	<u>2005</u>
	<u>interest</u>	<u>Incorporation</u>	
Nakilat Agency Company Ltd	95%	Qatar	<u>28,500</u>
			<u>2005</u>

7. **Available-for-Sale Investments:**

Cost	46,843
Increase in fair value	107,353
Total – Fair Value	<u>154,196</u>

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD FROM JUNE 09, 2004 (INCEPTION DATE) TO JUNE 30, 2005
(Amounts in table expressed in thousands of Qatari Riyals)

8. **Other Assets**

	<u>2005</u>
Project under development	1,300
Payments on account	146,808
	<u>148,108</u>

Payments on account represents advances made to ship builders on four vessels.

9. **Plant and Equipment:**

	<u>Office & Computer Equipment</u>	<u>Capital Work-in- Progress</u>	<u>Total</u>
Cost			
Additions	511	335,473	335,984
At June 30, 2005	<u>511</u>	<u>335,473</u>	<u>335,984</u>
Net carrying amount			
At June 30, 2005	<u>511</u>	<u>335,473</u>	<u>335,984</u>

Notes :

- i) Since the assets of the company were acquired towards the end of the period, no depreciation has been provided.
- ii) Included in capital work-in-progress are costs amounting to QR. 4.1 million relating to financial and legal fees incurred while evaluating and negotiating for participation in vessel owning companies.

10. **Accounts Payable and Accruals**

	<u>2005</u>
Other creditors and accruals	1,947

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD FROM JUNE 09, 2004 (INCEPTION DATE) TO JUNE 30, 2005
(Amounts in table expressed in thousands of Qatari Riyals)

11. **Share Capital:**

	<u>Number of Shares</u>
Authorised share capital	<u>560,000,000</u>
Issued share capital	<u>554,019,628</u>
	<u>Amount</u>
	<u>2005</u>
Paid up capital 50% of issued capital of QR 10 each	<u><u>2,770,098</u></u>

i) The difference between the issued share capital and the authorised share capital relates to unallocated shares, refunded back during the initial public offering. No decision has yet been taken regarding their allotment.

ii) The second call for the issued share capital is scheduled for 2007.

12. **General Reserve:**

During the year, an amount of QR 14.1 million (Establishment and Issuance costs) has been offset against establishment and issuance fees as shown below. The excess of the fees collected has been taken to general reserve to be used against future IPO costs (remaining 50% of the capital).

	<u>2005</u>
Establishment and Issuance fees	27,700
Establishment and Issuance costs for 50% paid up capital	(14,119)
Transferred to general reserve	<u><u>13,581</u></u>

13. **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 in circumstances specified in the articles. No legal reserve has been computed for the purpose of these interim financial statements.

14. **General and Administrative Expenses:**

	<u>For the period</u>
	<u>from June 09,</u>
	<u>2004</u>
	<u>(Inception</u>
	<u>Date) to June</u>
	<u>30, 2005</u>
Staff costs	1,797
Business travel	972
Printing and stationery	129
Professional fees	3,998
Other expenses	462
Total	<u><u>7,358</u></u>

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD FROM JUNE 09, 2004 (INCEPTION DATE) TO JUNE 30, 2005
(Amounts in table expressed in thousands of Qatari Riyals)

15. **Interest in Joint Venture Companies:**

The Group has the following significant interests in joint ventures:

<u>Joint Venture Companies</u>	<u>Country of Incorporation</u>	<u>Ownership interest</u>
OSG Nakilat Corporation	Mashall Islands	50.1%

The following amounts reflect, on a combined basis, the Group's proportionate share of the assets, liabilities, revenues and expenses of joint venture companies included in these interim consolidated financial statements.

Assets

Plant and equipment	<u>331,369</u>
---------------------	----------------

Liabilities

Current liabilities	<u>928</u>
---------------------	------------

Expenses

	<u>2005</u>
General and administrative expenses	<u>928</u>

Contingent Liabilities

Nakilat Marine which is a subsidiary of the company has guaranteed severally but not jointly, the liability of its joint venture together with the joint venture partner. The share guaranteed by Nakilat Marine amounts to QR 29.2 million as of June 30, 2005.

16. **Commitments:**

The Group's approved project capital expenditures and other commitments are as follows:

Capital expenditure commitments:	
Property, plant and equipment	<u>440,253</u>

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD FROM JUNE 09, 2004 (INCEPTION DATE) TO JUNE 30, 2005
(Amounts in table expressed in thousands of Qatari Riyals)

17. **Financial Instruments:**

Fair value of financial instruments

Fair value is the amount for which an asset can be exchanged or a liability settled, between knowledgeable and willing parties at arms length. Since the accompanying financial statements have been prepared under the historical cost convention, except for investments, the carrying value of the Group's financial instruments, except for those investments as recorded, could therefore be different from the fair value. However, in management's opinion, the fair values of the Group's financial assets and liabilities are not considered significantly different from their book value.

Interest rate risk

With the exception of time deposits, the Group is not significantly exposed to interest rate risks. Effective interest rates and maturities of time deposits are as disclosed in Note 3.

Currency risk

Substantially, all of the Group's transactions are conducted in either Qatari Riyals or United States Dollars to which the Qatari Riyal is pegged. Accordingly, management does not consider currency risk for the Group to be significant.

18. **Approval of Interim Consolidated Financial Statements:**

These interim consolidated financial statements were approved on August 14, 2005.