

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

FINANCIAL STATEMENTS
FOR THE PERIOD FROM
JUNE 9, 2004 (INCEPTION DATE) TO
DECEMBER 31, 2005
TOGETHER WITH AUDITORS' REPORT

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

FINANCIAL STATEMENTS
FOR THE PERIOD FROM JUNE 9, 2004 (INCEPTION DATE)
TO DECEMBER 31, 2005

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AUDITORS' REPORT

The Shareholders
Qatar Gas Transport Company Limited (Nakilat) (QSC)
Doha - Qatar

We have audited the accompanying balance sheet of **Qatar Gas Transport Company Limited, (Nakilat) (QSC)**, Doha - Qatar, as of December 31, 2005 and the related statements of income, changes in shareholders' equity and cash flows for the period from June 9, 2004 (Inception Date) to December 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with **International Standards on Auditing**. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying financial statements represent the accounts of **Qatar Gas Transport Company Limited, (Nakilat) (QSC)** on a stand alone basis.

In our opinion, the financial statements referred to above present fairly, in all materials respects, the financial position of **Qatar Gas Transport Company Limited (Nakilat) (QSC)**, as of December 31, 2005 and the results of its operations, changes in its shareholders' equity and its cash flows for the period from June 9, 2004 (Inception Date) to December 31, 2005, in accordance with **International Financial Reporting Standards**.

Furthermore, in our opinion, the 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 accounting records were maintained by the Company. We have obtained all the information and explanation which we considered necessary for the purpose of our audit. 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**

Doha - Qatar
April .., 2006

Muhammad Bahemia
License No. 103

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)
DOHA – QATAR
BALANCE SHEET
AS OF DECEMBER 31, 2005

<u>ASSETS</u>	<u>Note</u>	<u>2005</u> <u>QR.</u>
Current Assets:		
Bank balances	4	931,105,765
Accounts receivable and other debit balances	5	14,008,534
Due from subsidiary and joint venture companies	6 (a)	121,023

Total Current Assets		945,235,322

Non-Current Assets:		
Investment in Subsidiary Companies	7	29,800,000
Investment in Joint Venture Companies	8	1,814,180,821
Available-for-Sale-Investments	9	124,774,164
Property and equipment	10	498,198

Total Non-Current Assets		1,969,253,183

Total Assets		2,914,488,505
		=====
<u>LIABILITES AND SHAREHOLDERS' EQUITY</u>		
Current Liabilities:		
Accounts payable and accruals	11	7,127,761
Due to subsidiary company	6(b)	235,442

Total Current Liabilities		7,363,203

Non-Current Liabilities :		
Provision for end of service benefits and pension fund		79,820

Total Non-Current Liabilities		79,820

Shareholders' Equity:		
Share capital	12	2,770,130,700
Fair value reserve		77,930,447
Legal reserve	13	18,085,263
Retained earnings		40,899,072

Total Shareholders' Equity		2,907,045,482

Total Liabilities and Shareholders' Equity		2,914,488,505
		=====

These financial statements were approved by the Board on April ..., 2006.

Abdullah Bin Hamad Al-Attayah
Chairman

Faisal Mohammed Al-Suwaidi
Vice Chairman and Managing Director

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

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

STATEMENT OF INCOME
FOR THE PERIOD FROM JUNE 9, 2004 (INCEPTION DATE) TO DECEMBER 31, 2005

	<u>Note</u>	<u>2005</u> <u>QR.</u>
Income:		
Interest income		61,374,510
Investment income		12,301,735
Other income		176,490

Total Income		73,852,735

Expenses:		
Depreciation of property and equipment		(58,862)
General and administrative expenses	14	(22,574,882)
Finance costs		(5,775,578)

Total Expenses		(28,409,322)

Net Profit for the Period		45,443,413
		=====
Basic Earnings Per Share		QR 0.08
		=====
Number of Shares		554,026,140
		=====

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

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD FROM JUNE 9, 2004 (INCEPTION DATE) TO DECEMBER 31, 2005

	<u>Share Capital</u> <u>QR.</u>	<u>Fair value Reserve</u> <u>QR.</u>	<u>Legal Reserve</u> <u>QR.</u>	<u>Retained Earnings</u> <u>QR.</u>	<u>Total</u> <u>QR.</u>
Capital contribution	2,770,130,700	--	--	--	2,770,130,700
Changes in fair value of investments	--	77,930,447	--	--	77,930,447
Net Profit for the period	--	--	--	45,443,413	45,443,413
Transfer to legal reserve	--	--	4,544,341	(4,544,341)	--
Excess of issuance fees (Note 11)	--	--	13,540,922	--	13,540,922
	-----	-----	-----	-----	-----
	2,770,130,700	77,930,447	18,085,263	40,899,072	2,907,045,482
	=====	=====	=====	=====	=====

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

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

STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM JUNE 9, 2004 (INCEPTION DATE) TO DECEMBER 31, 2005

	<u>Note</u>	<u>For the period from June 9, 2004 (Inception Date) to December 31, 2005</u>
Cash Flows from Operating Activities:		
Net profit for the period		45,443,413
Adjustments for:		
Depreciation of property and equipment		58,862
Interest income		(61,374,510)
Income from investments		(12,301,735)
End of service benefits and pension fund		79,820

Accounts receivable and other debit balances		(28,094,150)
Due from subsidiary and joint venture companies		(14,008,534)
Due to subsidiary company		(121,023)
Accounts payables and accruals		235,442
		7,127,761

Net Cash Used in Operations		(34,860,504)

Cash Flows from Investing Activities:		
Interest income received		61,374,510
Investment income received		12,301,735
Investment in Subsidiary Companies		(29,800,000)
Investment in Joint Venture Companies		(1,814,180,821)
Purchase Available-for-Sale-Investments		(46,843,717)
Purchase of property and equipment		(557,060)

Net Cash Used in Investing Activities		(1,817,705,353)

Cash Flows from Financing Activities:		
Proceeds from share capital		2,770,130,700
Proceeds of issuance fees – net		13,540,922

Net Cash from Financing Activities		2,783,671,622

Net Increase in Cash and Cash Equivalents		931,105,765
Cash and Cash Equivalents at Beginning of Period		--

Cash and Cash Equivalents at End of the Period	4	931,105,765
		=====

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM JUNE 9, 2004 (INCEPTION DATE) TO DECEMBER 31, 2005

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 purpose of the Company is to work in the industry of transport of gas and its various derivatives, dry docking, and other related activities.

The Company operates either directly or through its subsidiaries and joint venture companies in the State of Qatar and abroad.

2. Subsidiaries and Joint Venture Companies

The following are the details of the subsidiaries 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 Fuji LLC, (“Nakilat Fuji”)** is a Joint Stock Qatari Company incorporated in the State of Qatar on June 28, 2005 under Commercial Registration Number 30968. QGTC owns 65% of Nakilat Fuji. The Company operates in the marine services industry and other related services in the State of Qatar. The Company started its operations from July 2005.
- **Nakilat Marine Services Ltd, (“Nakilat Marine”)** is a Company incorporated and existing 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 known as 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.

- **Nakilat Shipping Ltd, (“Nakilat Shipping”)** is a Company incorporated and existing under the laws of Marshall Islands under registration number 12463. Nakilat Shipping is a wholly owned subsidiary of QGTC. The Company participates up to 45% in partnerships organised with Neptana, Rana, (General partners) and Pronav (Limited partner) for vessels companies Alexandra, Britta, Gabriela and Julia formed under German Companies Law. Nakilat Shipping has a limited liability status in the partnership.

- **QGTC Nakilat (1643-6) Holding Corporation** is a Company incorporated and existing under the laws of Marshall Islands under registration number 16634. QGTC Nakilat (1643-6) Holding Corporation is a wholly owned subsidiary of QGTC. QGTC Nakilat (1643-6) Holding Corporation entered in to a joint venture with Teekay Nakilat (III) Holding Corporation to create an entity known as Teekay Nakilat (III) Corporation which is incorporated under the laws of Marshall Island. QGTC Nakilat (1643-6) Holding Corporation owns 60% of the joint venture entity.

- **Maran Nakilat Company Limited**

Qatar Gas Transport Company (QGTC) entered into a joint venture agreement with Maran Ventures Inc on July 29, 2005 to form Maran Nakilat Company Limited. The joint venture was incorporated under the laws of the Cayman Islands with registration number HL 140425. QGTC owns a 30% of the joint venture entity.

- **Teekay II Nakilat Corporation**

Qatar Gas Transport Company (QGTC) entered into a joint venture agreement with Teekay Nakilat Holding Corporation to form Teekay II Nakilat Corporation. The joint venture was incorporated on June 1, 2004 under the laws of Marshall Island. QGTC holds a 30% stake in the Teekay II Nakilat Corporation.

- **J5 Nakilat No.1 to No.8 Limited Companies** (“the Joint Venture Companies”) are incorporated under the laws of the Marshall Islands with registration numbers 15150-15157 respectively. The Joint Venture Companies were formed following the Shareholders’ agreement between Japanese shareholders Mitsui O.S.K Lines Ltd., Nippon Yusen Kabushiki Kaisha, Kawasaki Kisen Kisha Ltd., Mitsui & Company Ltd., IINO Kaiun Kaisha, Ltd. and QGTC dated July 31, 2005. QGTC owns 40% in each of the J5 companies.

- **Peninsula LNG Transport No.4 Ltd.-J4** (“the Joint Venture Company”) is a company incorporated under the laws of the Marshall Islands with registration number HK 0712-980. The Joint Venture Company was formed following the Shareholders’ agreement between Mitsui O.S.K Lines Ltd., Nippon Yusen Kabushiki Kaisha, Kawasaki Kisen Kisha Ltd., Mitsui & Company Ltd. and QGTC dated August 03, 2005. QGTC owns 30% interest in the company.

3. **Summary of Significant Accounting Policies**

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

a) **Accounting Convention**

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

b) **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:

Computer equipment	33.33 %
Office equipment	15 %
Furniture and fixture	15 %
Telecom equipment	20 %

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

c) **Investments**

(i) 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 cannot be reliably measured are carried at cost less any impairment in value.

(ii) Investments in subsidiary and joint venture companies

Investment in Subsidiary Company

A subsidiary is an entity where another entity (known as 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.

Investment in Joint Venture Company

A joint venture is a contractual arrangement whereby an entity 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 venture has an interest are referred to as joint controlled entities.

Investments in the subsidiary and joint venture companies are stated at cost in these financial statements.

d) **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.

e) **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.

f) **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.

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

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

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.

h) **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.

i) **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.

j) **Impairment**

The carrying amounts of the Company'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.

k) **Foreign Currencies**

Transactions in foreign currencies are translated into Qatari Riyals at the 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 the exchange rates in effect at that date. Resultant exchange gains and losses are reflected in the statement of income.

4. **Bank Balances:**

	<u>2005</u> <u>QR.</u>
Call accounts	34,174,894
Term deposits	896,930,871

Total	931,105,765
	=====

The effective interest rate on the term deposits varies between 4.25% to 4.95%

5. **Accounts Receivable and Other Debit Balances:**

	<u>2005</u> <u>QR.</u>
Accounts receivables	13,915,820
Other debit balances	92,714
Total	14,008,534

6.(a) Due from Subsidiary and Joint Venture companies:

	<u>2005</u> <u>QR.</u>
Nakilat Fuji LLC	79,810
Nakilat Shipping Limited	39,574
Nakilat Marine Services Limited	1,639
Total	121,023

6.(b) Due to Subsidiary company:

	<u>2005</u> <u>QR.</u>
Nakilat Agency Company Ltd	235,442
Total	235,442

	<u>Percentage</u> <u>Holdings</u>	<u>2005</u> <u>QR.</u>
7. <u>Investment in Subsidiary Companies</u>		
Nakilat Agency Company Ltd.	95.0%	28,500,000
Nakilat Fuji LLC	65.0%	1,300,000
Total		29,800,000

	<u>Percentage</u> <u>Holdings</u>	<u>2005</u> <u>QR.</u>
8. <u>Investment in Joint Venture Companies</u>		
i) Nakilat Marine Services Limited	50.1%	331,369,377
ii) Nakilat Shipping Limited	45.0%	146,811,844
iii) Maran Nakilat Co. Limited	30.0%	178,584,190
iv) J5 Nakilat No. 1 to No. 8 Limited Companies	40.0%	555,561,999
v) Teekay II Nakilat Corporation	30.0%	121,991,188
vi) Teekay QGTC Joint Venture III	60.0%	438,087,455
vii) Peninsula LHG Transport No. 4 Limited	30.0%	41,774,768
Total		1,814,180,821

	<u>QR.</u>	<u>Market Value</u> <u>QR.</u>
9. Available-for-Sale-Investments		
i) Industries Qatar QSC	40,988,212	116,621,640
ii) Qatar Electricity & Water QSC	4,784,009	6,925,802
iii) Qatar Shipping QSC	1,071,496	1,226,722
Fair value adjustment	77,930,447	
	-----	-----
Total	124,774,164	124,774,164
	=====	=====

10. Property and Equipment:

	<u>Computer</u> <u>Equipment</u> <u>QR.</u>	<u>Office</u> <u>Equipment</u> <u>QR.</u>	<u>Telecom</u> <u>Equipment</u> <u>QR.</u>	<u>Furniture &</u> <u>Fixtures</u> <u>QR.</u>	<u>Total</u> <u>QR.</u>
Cost:					
Additions during the period	326,780	74,180	68,283	87,817	557,060
	-----	-----	-----	-----	-----
At December 31, 2005	326,780	74,180	68,283	87,817	557,060
	-----	-----	-----	-----	-----
Depreciation					
Charge for the period	35,581	7,225	11,381	4,675	58,862
	-----	-----	-----	-----	-----
At December 31, 2005	35,581	7,225	11,381	4,675	58,862
	-----	-----	-----	-----	-----
Net Carrying Amount	291,199	66,955	56,902	83,142	498,198
	=====	=====	=====	=====	=====

11. Accounts Payables and Accruals:

	<u>2005</u> <u>QR.</u>
Accounts payable	1,965,213
Other accruals	5,162,548

Total	7,127,761
	=====

12. Share Capital:

	<u>2005</u> <u>Number of Shares</u>
Authorised share capital	560,000,000
	=====
Issued share capital	554,026,140
	=====
	<u>QR.</u>
Paid up capital 50% of issued capital of QR 5 each	2,770,130,700
	=====

The difference between the issued share capital and the authorised share capital relates to unissued shares. No decision has yet been taken regarding their allotment.

13. Legal Reserve:

The Articles of Association of the Company provides for legal reserve to the extent of 10% of net profit annually 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.

During the period an amount of QR 14.1 million relating to the IPO's costs has been offset against the proceeds of issuance fees. The excess of the issuance fees collected has been taken to legal reserve as per the Qatar Commercial Companies Law. The issuance fees has been allocated as follows:

	<u>QR.</u>
Issuance fees	27,701,307
Cost of initial public offering	(14,160,385)

Transferred to legal reserve	13,540,922
	=====

14. General and administrative expenses:

	<u>For the period</u> <u>from June 9, 2004</u> <u>(Inception Date)</u> <u>to December 31,</u> <u>2005</u> <u>QR.</u>
Staff costs	6,429,527
Business travel	1,683,793
Professional fees **	12,998,655
Telephone and electricity	97,004
Rental cost	280,161
Motor vehicle running expense	107,149
Property and equipment – written off	299,324
Printing and stationery	50,979
Other expenses	628,290

Total	22,574,882
	=====

**Professional fees represent fees paid for legal and financial advisory services in regard to different joint venture companies.

15. Related Party Transactions:

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

	<u>For the period</u> <u>from June 9, 2004</u> <u>(Inception Date) to</u> <u>December 31,</u> <u>2005</u> <u>QR.</u>
Compensation of key management personnel	2,178,527
	=====

16. 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 certain investments, the carrying value of the Company's financial instruments except for the available-for-sale investments as recorded could therefore be different from the fair value. However, in management's opinion, the fair values of the Company's financial assets and liabilities are not considered significantly different from their book value.

Interest rate risk

The Company is exposed to interest rate and maturities of time deposit at banks. The remaining financial assets and liabilities are non-interest rate sensitive.

Currency risk

Substantially, all of the Company'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 Company to be significant.

Credit risk

Financial assets, which potentially subject the Company to credit risk, consist principally of cash at banks and accounts receivable. The Company's cash is placed with high credit rating financial institutions and receivables are presented net of allowance for doubtful debts. Credit risk with respect to receivables is limited due to the large number of customers and their dispersion across different industries.

Liquidity risks

Liquidity risks are mainly represented in liquidity position of the Company. The Company periodically assesses the financial viability and assesses no liquidity risk at present.

Cash flow risk

This risk is subject to circumstances, where a profitable company lacks of cash for running of business. The Company periodically assesses the financial viability of customers and invests in bank deposits or other investments that are readily realisable. At present, the Company has no significant exposure to cash flow risk

17. Subsidiary and Joint Venture Companies:

The following are excerpts of the balance sheet and income statement of some of the significant operating subsidiary and joint venture companies:

	<u>Nakilat Agency Company Ltd.</u> <u>QR.</u>	<u>Maran Nakilat Company Ltd.</u> <u>QR.</u>
Total assets	43,722,859 =====	1,622,326,215 =====
Total liabilities	9,283,228 =====	1,044,750,742 =====
Net profit for the period	4,439,631 =====	18,655,548 =====

18. Post Balance Sheet Event:

Subsequent to the year end, the company entered into a loan agreement of US\$ 500 million with a foreign bank.

