NAKILAT ناقلات

2017 ANNUAL REPORT

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

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

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

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

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

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

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

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

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

IN THE NAME OF ALLAH
THE MERCIFUL AND THE GRACIOUS

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

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

INTRODUCTION

INTRODUCTION

VISION

TO BE A GLOBAL LEADER AND PROVIDER OF CHOICE FOR ENERGY TRANSPORTATION AND MARITIME SERVICES.

VALUES

- **INTEGRITY:** Honesty with sound moral principles
- **RESPECT:** Value others' diversity and perspective
- **SAFETY:** Incident and Injury free
- **ENCOURAGEMENT:** Be motivated and motivate people around you
- **PASSION:** Strong commitment towards continuous improvement

MISSION

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

BOARD OF DIRECTORS REPORT

HE DR. MOHAMMED BIN SALEH AL SADA
Minister of Energy & Industry
Chairman of Nakilat

Dear Shareholders,

On behalf of Nakilat's Board of Directors, it is my pleasure to present to you the 2017 Nakilat Annual Report. During 2017, Nakilat capitalized on various growth and development opportunities across its operations, in alignment with its vision to be a global leader and provider of choice for energy transportation and maritime services. We have made great strides towards the achievement of our strategic goals, which has further reinforced Nakilat's international status as the leading transporter of clean energy, with a fleet of 63 liquefied natural gas (LNG) carriers and 4 liquefied petroleum gas (LPG) carriers.

The past year presented a unique set of challenges for the organization, given the unjust blockade imposed on Qatar by neighboring countries and the challenges of the global energy industry. Despite this, Nakilat proved its resilience and reaffirmed its commitment to business excellence with no interruptions or impact to its worldwide operations. The company prudently charted its course and pursued a long-term business consolidation and diversification strategies to maintain its global leadership in LNG transportation and contribute towards the development of Qatar's shipping and maritime industry.

Nakilat continues to maintain its high operational efficiency by seeking new investment opportunities to preserve its global leadership in LNG transport, in addition to contributing to the development of the marine industry in Qatar. Nakilat has grown from being a ship owning company to one with a diverse portfolio across various areas within the shipping and maritime sector. The company achieved a remarkable milestone with the completion of its first phase of the fleet transition programme, which saw ten of Nakilat's wholly-owned vessels being consolidated under its in-house ship management. The transition was seamlessly carried out in two stages, with four vessels transitioned in 2016 and another six vessels transitioned in 2017, bringing the fleet size managed by Nakilat Shipping Qatar Limited (NSQL) to 18 vessels, comprising 14 LNG and four LPG carriers. This expansion of our in-house managed fleet is well aligned with Nakilat's vision and long-term growth strategy, as well as that of Qatar National Vision 2030.

The consolidation of our fleet to in-house management has led to:
- increase in operational efficiency to 99.7%
- reduced operational costs by about 6%
- reinforcement of the integrity of Qatar's LNG supply chain

Our local joint ventures continue to contribute towards the establishment of an integrated maritime industry in Qatar, with the Erhama Bin Jaber Al Jalahma Shipyard servicing the demands of our fleet for routine maintenance and repairs, and producing support vessels which serve the fleet and multiple ports and terminals across Qatar. By leveraging on these internal synergies, Nakilat is able to achieve improved efficiencies and maintain high reliability across its fleet.

Achievement highlights by our joint ventures:
- N-KOM completed 748 marine and offshore projects since operations began
- NDSQ completed a total of 63 newbuild and refit projects since operations commenced
- NSW has undertaken an average of 12,500 tug jobs per annum
- NAC has attended to an average of 4,000 vessel calls annually since 2005

As the company continues to grow and excel on multiple fronts, one of the key factors that has strongly contributed to our success has been our keen attention to safety. Year after year, we progressively elevate our safety standards and culture as we strive to transport clean energy and provide maritime services in the safest, most reliable and efficient manner. In this regard, the Board highly commends all employees and stakeholders for their commitment and efforts at ensuring the creation of a safe working environment and upholding the organization's goal to be 'Incident and Injury Free'.

Having a strong safety foundation and track record has enabled Nakilat to focus its attention on exploring potential business opportunities to further expand and diversify its portfolio. In 2017, the company pursued a strategic area for growth within the LNG market by inking an agreement with one of the world's leading owner and operator of FSRUs (Floating Storage and Regasification Unit) to explore opportunities for future collaboration. This will enable Nakilat to widen its international outreach and thus, secure its industry-leading position in the dynamic and competitive LNG market.

Complemented by strategic long-term agreements with first-class charterers, Nakilat has managed to maintain strong liquidity and generate positive value for our shareholders despite the volatile market environment. I am pleased to announce that we achieved a net profit of QR 847 million for 2017 as compared to QR 955 million achieved for the year 2016. As such, Nakilat's Board of Directors is pleased to recommend the General Assembly to distribute cash dividends equivalent to 'One Qatari Riyal' per share for the year 2017.

Nakilat's Board of Directors would like to express its gratitude to HH Sheikh Tamim Bin Hamad Al Thani, the Emir of the State of Qatar, and to HH Sheikh Hamad Bin Khalifa Al Thani, the Father Emir of the State of Qatar, for their wise leadership and vision that has enabled Nakilat's growth into a diversified shipping and maritime company that significantly contributes towards the development of Qatar's maritime as well as oil and gas sector.

The Board of Directors also offers its appreciation to Qatar Petroleum (QP) for its ongoing support of Nakilat's activities, and to QP Industrial Cities for its co-operation with the Erhama Bin Jaber Al Jalahma Shipyard. We would also like to thank Nakilat's partners, shareholders, management and employees for their continued dedication and support.

BOARD MEMBERS

HE DR. MOHAMMED BIN SALEH AL SADA
Chairman of the board

Mr. Ahmad Saif Al-Sulaiti
Vice Chairman

Sheikh. Faisal Bin Thani Al-Thani
Board Member

Mr. Ali Ahmed Al-Kuwari
Board Member

Mr. Abdulrahman Essa Al-Manna
Board Member

Ms. Aysha Fahad Al-Nuaimi
Board Member

Mr. Mubarak Hamdan Al-Arabeed
Board Member

CEO MESSAGE

ENG. ABDULLAH AL SULAITI
Chief Executive Officer

2017 proved to be a year that showcased our true resilience and determination in striving for excellence. Our strategic long-term plans have been effectively actioned, enabling us to reap positive results and realize various achievements across our business functions.

We are immensely proud of Nakilat's remarkable growth, undertaking greater responsibility upon taking over the management and operations of additional ten wholly-owned LNG carriers to our in-house management this year. This rapid expansion within a year of the fleet transition agreement being signed not only reaffirms our competency, capability, and capacity, but is also a testament of Nakilat's determination to strengthen our position as one of the global leaders for energy transportation and maritime services.

Our utmost priority has always been to provide shipping and maritime services in a safe, reliable and efficient manner. In this respect, I am very pleased to observe the overwhelming initiatives and support towards the implementation of the 'Incident & Injury Free' (IIF) campaign throughout the organization. We conducted intensive IIF orientation sessions for all employees, numerous safety awareness sessions, process safety management workshops, variety of health and wellness programs and many more. I applaud the incredible energy put forward by the team in striving to further improve our performance while giving added attention to safeguard the lives of our people, safety of our workplace, and integrity of all our assets and facilities. Our efforts did not go unnoticed as Nakilat was listed as one of the winners for the British Safety Council's International Safety Award 2017.

Our strategic alliance with Höegh LNG seeks to expand our long-term business growth as part of our diversification strategy. The FSRU market is one of the fastest growing international LNG business segments in recent years, offering an abundance of opportunities to sell LNG into new markets as FSRUs are useful for developing countries seeking access to natural gas on tight budgets and timelines. Nakilat tactfully capitalized on our own expertise in LNG transportation and that of Höegh LNG to explore possible collaborations within this area, further sealing our dominance in the dynamic global LNG market

On the other hand, Nakilat continuously strives to adopt leading practices in all of its daily activities, which is in line with what we have always committed to our shareholders and all relevant stakeholders. As such, Nakilat has implemented best governance practices, which is also in compliance with the newly updated governance code published by Qatar Financial Markets Authority (QFMA) in 2017. In addition, Nakilat has secured an internationally recognized certification in relation to information security, which is the ISO 27001 from Lloyd's Register Quality Assurance (LRQA).

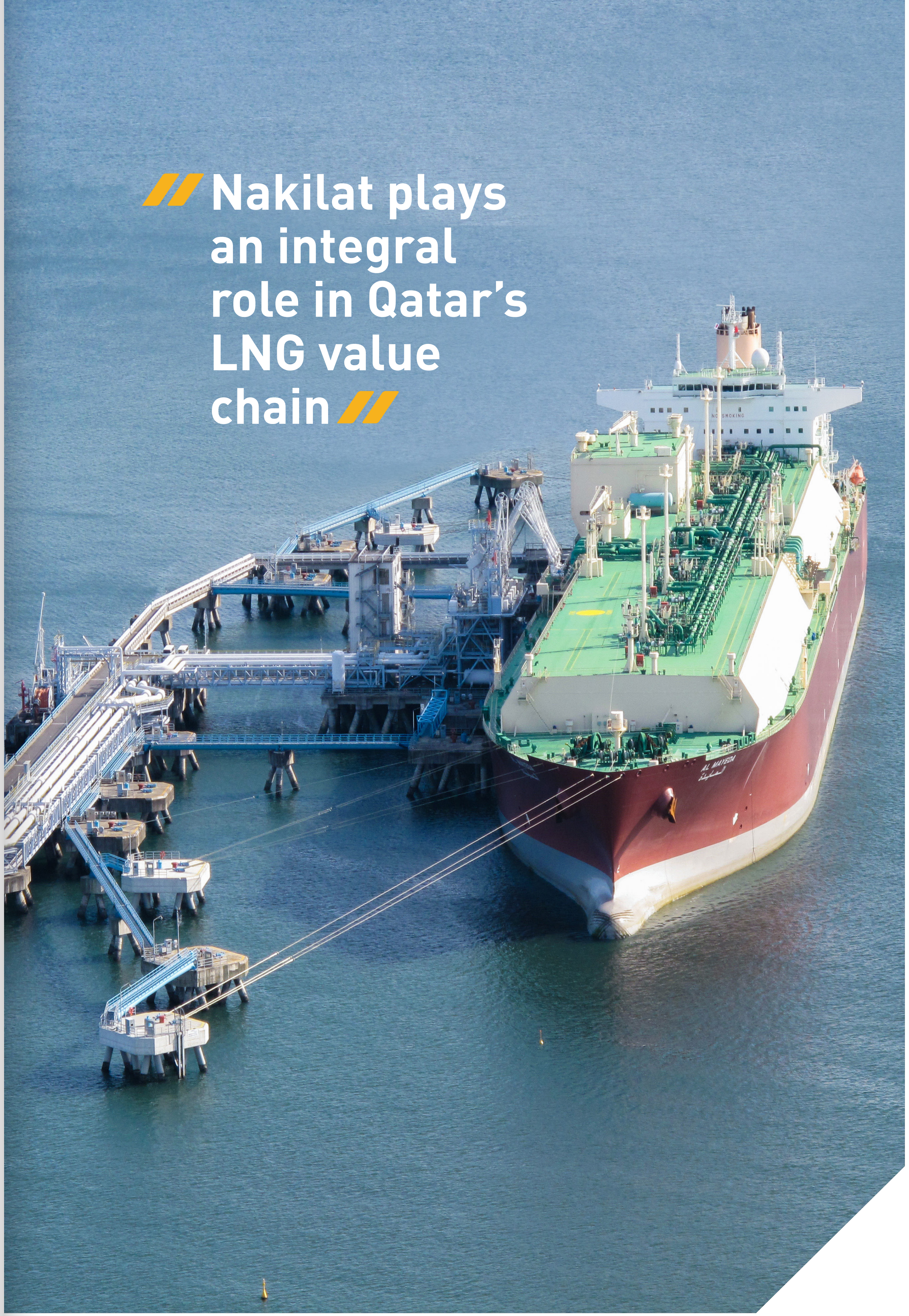
This recognition affirms Nakilat's commitment and capability to protect and safely manage its information by implementing and ensuring that appropriate controls are in place in accordance to best practices in the field of information security.

Throughout the year, Nakilat participated in key local and international events such as Gastech, Moushtarayat, and 'Made in Qatar', promoting our comprehensive range of shipping and maritime services. Joined by our local joint ventures, we also showcased opportunities for local companies and entrepreneurs to get involved in our integrated shipping and maritime operations, thereby contributing to the overall growth of the maritime industry in Qatar. As a result, Nakilat received the Moushtarayat National Award for the company's successful partnerships and contribution to local SMEs (Small Medium Enterprises).

In ensuring a sustainable talent pipeline, our National employees are harnessed and supported through various strategic development programs at Nakilat. This year, ten additional Qatari students under Nakilat's flagship Marine Cadet Program graduated from the International Maritime College of Oman (IMCO), while the company hosted several interns from local universities. Our wholesome development programs and commitment to nurture capable and dedicated leaders for the industry was recognized, with Nakilat wining the 'Qatarization Award for Supporting Qatarization' at the Energy and Industry Sector's Annual Qatarization Review Meeting 2017, and thereby contributing to the Qatar National Vision 2030.

Nakilat conducted numerous community outreach initiatives during the year, as part of our robust Corporate Social Responsibility (CSR) framework, focusing on community, health, education and environment. These were mainly geared at enriching and engaging local communities through initiatives such as blood donation drives, organizing entertainment for orphan children and the visually impaired, as well as caring for local biodiversity. As a responsible organization, we are keenly aware of the importance of giving back to society and preserving the natural environment as is captured in our mission statement.

Nakilat wrapped up the year with major accomplishments that all of us can be proud of, albeit the strong currents faced during our voyage. We steered on steadily with our sound business plans, strategic decisions and effective risk management to continue delivering growth to our shareholders' values.



2017 FINANCIAL PERFORMANCE

FINANCIAL RESULTS HIGHLIGHTS FOR THE YEAR ENDED 31ST DECEMBER 2017

- The company recorded an underlying net profit of QR 847 million.
- Total Assets of Nakilat as of December 31, 2017 were QR 29.9 billion compared to QR 30.3 billion as of December 31, 2016. Current assets, including cash and bank balances stood at QR 3.2 billion as of December 31, 2017. Non-current assets, consisting mainly of investments in LNG carriers, property and equipment and other assets were QR 26.7 billion as of December 31, 2017. Total assets of Nakilat, including Nakilat's share of its joint ventures assets was over QR 44 billion. In addition, Nakilat also has an economic interest, full operational and management responsibilities in the QR 10.6 billion Erhama Bin Jaber Al Jalahma Shipyard, with funding by Qatar Petroleum in the Port of Ras Laffan, giving a total assets value of QR 54.6 billion managed by Nakilat.
- Total borrowing as of December 31, 2017 was QR 20.6 billion compared to QR 21.4 billion as of December 31, 2016. This reflects repayments of the borrowings.
- Total equity before hedging reserve and non-controlling interests as of December 31, 2017 was QR 8.7 billion compared to QR 8.5 billion as of 31st December 2016. Negative hedging reserve as of December 31, 2017 decreased at QR 2.8 billion compared to QR 3.2 billion as of December 31, 2016 due to a decrease in the year end mark to market value resulting in a decrease in the liability that reflects increased swap rates.

PROFIT
847 QR million

REVENUES
3.6 QR billion

TOTAL ASSETS
29.9 QR billion

EARNINGS PER SHARE
1.53 QR

SHAREHOLDERS

49%	30%	10%	6%	2%	2%	1%
QATARI CITIZENS / OTHER	MILAHA*	QATAR PENSION FUND (CIVIL)	QATAR INVESTMENT AUTHORITY**	QATAR PENSION FUND (MILITARY)	QATAR FUEL (WOQOD)	QATAR PETROLEUM

* Milaha is the new identity for the two combined companies Qatar Navigation and Qatar Shipping
** The ownership and management of all assets and subsidiaries under Qatar Education and Health Fund "QEHF" and Qatar Foundation Fund "QFF" have been transferred to Qatar Investment Authority "QIA".

CREDIT RATING

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

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

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

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

// Maximizing value for our shareholders //

CORPORATE PROFILE

KEY STRENGTHS

Capitalizing on our strength in LNG shipping to create an integrated maritime industry in Qatar

Established in 2004, Nakilat is a shipping and maritime company based in the State of Qatar. With the world's largest Liquefied Natural Gas (LNG) shipping fleet comprising of 63 LNG carriers, the company provides the essential transportation link in Qatar's LNG supply chain. The company manages and operates four very large LPG carriers (VLGCs) and 14 LNG carriers through its wholly-owned subsidiary Nakilat Shipping Qatar Limited (NSQL).

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

01 LEADING TRANSPORTER OF LNG

Qatar is the world's largest exporter of LNG, producing 77 million tonnes of LNG annually from the North Field gas reserve. Nakilat plays a key role within this LNG value chain by transporting more than 60% of natural gas produced by Qatar to countries worldwide. The company is actively developing its shipping capability to support new LNG markets as part of its strategic role in the world's largest LNG supply chain.

02 INTERNATIONAL OUTREACH

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

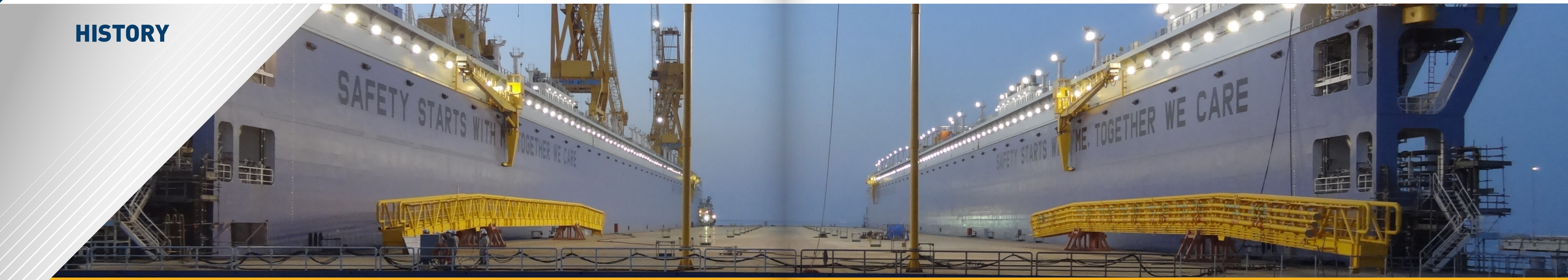
03 LONG-TERM STABILITY

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

04 SUSTAINABLE WORKFORCE

Nakilat is committed to the development of its human capital to ensure the creation of a sustainable workforce, in line with Qatar's National Vision 2030. The company offers a unique Marine Cadet Program that sponsors talented Nationals to pursue an international maritime degree and eventually embark on a rewarding career onboard its fleet of vessels. Additionally, Nakilat offers tailored development programmes for Nationals, to prepare them for senior roles within the company. The company has been exteremly successful thus far, having achieved a Qatarization rate of 41.7% as of end 2017.

HISTORY



2004 - 2007

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

2008 - 2011

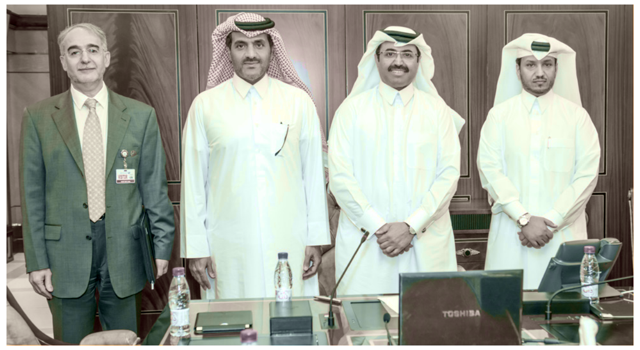
- 42 LNG carriers and 4 LPG carriers are delivered to Nakilat
- Nakilat takes delivery of first Q-Max LNG carrier, Mozah
- N-KOM is established in 2008
- NDSQ is established in 2010
- Inauguration of Erhama Bin Jaber Al Jalahma Shipyard
- N-KOM completes first LNG dry-docking project in 2011

2012 - 2014

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

2015 - 2016

- Nakilat expands joint venture with Maran Ventures Inc. with two new LNG carriers in 2015
- Nakilat completes world's first MEGI conversion for a Q-Max LNG carrier in 2015
- N-KOM undertakes BWMS installation onboard a Q-Max LNG carrier in 2015
- N-KOM completes construction of first liftboat in Qatar in 2016
- NDSQ delivers 8 vessels for Hamad Port in 2016
- NAC extends services to vessels calling at Doha and Hamad Port in 2016
- Nakilat wins 7 awards in 2016 for excellence in ship operations, Qatarization, business and IT
- Nakilat and Shell sign fleet transition agreement in 2016



GROUP OVERVIEW

794 NAKILAT EMPLOYEES

- **207** Headquarter Staff
- **587** Sea Staff

LNG & LPG VESSELS **67**

6 AWARDS IN 2017

41.7% **QATARISATION RATE

** RATE APPLIES TO NAKILAT'S HEADQUARTER STAFF ONLY

JOINT VENTURES HIGHLIGHTS

N-KOM

1366 EMPLOYEES

748 MARINE & OFFSHORE PROJECTS COMPLETED

173 GAS CARRIERS REPAIRED

63 OFFSHORE & ONSHORE PROJECTS COMPLETED

NDSQ

172 EMPLOYEES

38 VESSELS DELIVERED

2 VESSELS UNDER CONSTRUCTION

25 YACHT REFIT AND REPAIRS

NSW

237 EMPLOYEES

12,500 + TUG JOBS COMPLETED IN 2017

NAC

53 EMPLOYEES

3,900 VESSEL CALLS ATTENDED IN 2017

2017 ACHIEVEMENT HIGHLIGHTS

- Nakilat won the CIO 100 award for the second consecutive year at the CIO 100 Awards.
- Nakilat successfully completed the first phase of the fleet management transition.
- Nakilat successfully transitioned six LNG carriers (Onaiza, Al Ghashamiya, Al Sheehaniya, Al Dafna, Mesaimeer, and Al Mafyar) to in-house management.
- Nakilat signed an alliance agreement with Höegh LNG to explore collaboration opportunities for FSRU business.
- Nakilat achieved the ISO27001 certification by Lloyd's Register of Quality Assurance (LRQA) for its Information Security System.
- Nakilat Shipping Qatar Limited (NSQL) celebrated its 5th anniversary.
- Nakilat won the British Safety Council's International Safety Award.
- Nakilat was presented with the Moushtarayat National Award for the company's successful partnerships and contribution to local SMEs (Small Medium Enterprises).
- Nakilat was awarded the 'Qatarization Award for supporting Qatarization' at the Energy and Industry Sector's Annual Qatarization Review Meeting 2017.
- Nakilat chosen as the Silver Winner at the SAP MENA Quality Awards 2016 to the 2017 achievements section.
- Nakilat was awarded as one of the top performing companies in Qatar by Forbes Middle East.

SAFETY, HEALTH, ENVIRONMENT & QUALITY (SHEQ)

Creating an incident and injury free environment at our workplace to ensure everyone goes home safely

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

INTEGRATED MANAGEMENT SYSTEM

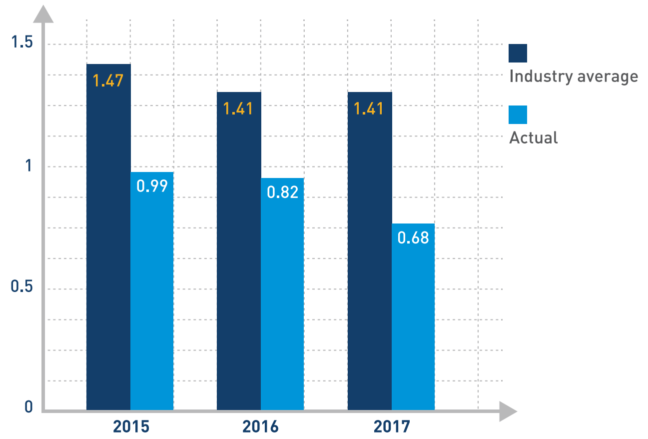
- In compliance with IMS certifications (ISO 9001, ISO 14001 and OHSAS 18001), re-certification audit was conducted by Lloyd's Register Quality Assurance (LRQA).
- SHEQ officers underwent IMS Lead Auditor training in order to commence migration of its existing ISO 9001:2008 and ISO 14001:2004 certificates to the new ISO 9001:2015 and ISO 14001:2015 standards.
- Nakilat was announced as one of the winners of the British Safety Council's International Safety Awards 2017. This annual award recognises worldwide organisations that have successfully demonstrated dedication in ensuring employees and workplaces are kept healthy and safe.

SAFETY ACHIEVEMENTS

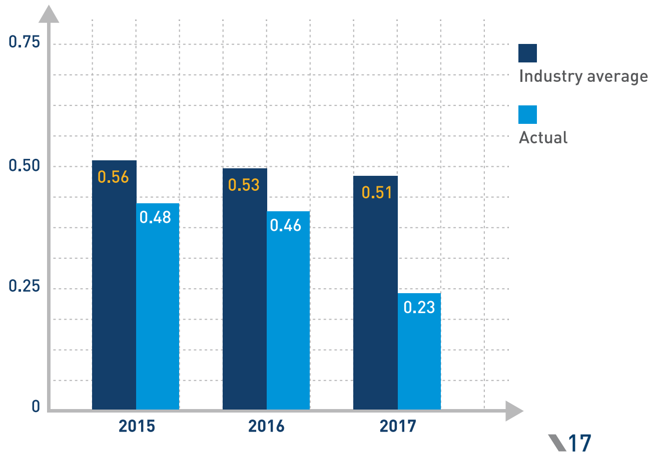
- Nakilat has embarked on a journey to create an Incident and Injury-Free (IIF) environment across the entire organisation, including the joint venture companies. IIF is a safety leadership program to empower people to foster a safer working environment, as well as an introduction to effective intervention skills towards challenging the status quo to ensure safe operations.
- A total of 2,657 employees have attended IIF Orientation sessions, representing all Nakilat and Nakilat JV employees.
- Nakilat conducted an anonymous Safety Climate Survey to assess the company's safety culture, to ensure honest and authentic responses from employees. The survey's data was benchmarked against a pool of 140 companies in various sectors, employing approximately 100,000 personnel. Nakilat scored well above the benchmark average in all eight (8) factors and was amongst the highest in two factors, demonstrating overwhelming positive results.
- For 2017, Nakilat safety performance is deemed amongst the best within our industry sectors. Nakilat achieved an overall Lost time injury rate (LTIR) of 0.23 and a Total Recordable Case Frequency (TRCF) of 0.68, both significantly below the benchmark averages of those metrics.
- Nakilat-managed LPG vessels Bu Sidra, Lubara and Umm Laqhab achieved the milestone of five year's operating over 3,000,000 man-hours without any Total Recordable Case.
- Nakilat wholly-owned vessels achieved a Lost Time Injury Frequency (LTIF) of 0.00 year-to-date and Total Recordable Case Frequency (TRCF) of 0.39 year-to-date, which are both better than industry average.
- Nakilat managed LNG and LPG fleet achieved Lost Time Injury Frequency (LTIF) of 0.46 year-to-date and Total Recordable Case Frequency (TRCF) of 0.46 year-to-date, which are both better than industry average.
- Nakilat Agency Company (NAC) continued its track record and remained LTI free for 12 years since its inception.

SAFETY TRACK RECORD

TRCF Total Recordable Case Frequency



LTIF Lost Time Injury Frequency



SUSTAINABILITY

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

SAFETY, HEALTH & ENVIRONMENT

SAFETY INITIATIVES

- Nakilat established a licensed first aid unit by the Ministry of Public Health at the Erhama Bin Jaber Al Jalahma Shipyard to provide effective health care to employees and enable emergency medical services to be provided immediately in the event of emergency.
- Interactive Basic Fire Safety awareness session arranged with the Qatar Civil Defense (QCD) to inform employees on fire safety precautions and ways to minimise fire hazards.
- Basic First Aid awareness program organized for employees in co-ordination with Qatar Red Crescent (QRC), offering basic first aid techniques when faced with minor injuries, illnesses or medical emergencies at home or in the office.
- Two Process Safety Management (PSM) workshops conducted for Nakilat Leadership Team and operations personnel, consisting of several exercises that allowed participants to gain insight on fundamentals of process safety, ways of identifying hazards, assessing risks, and highlighting the significant processes related to safety.

HEALTH INITIATIVES

- Health Awareness sessions organized with the Ministry of Public Health (MoPH) to raise awareness about healthy living, common diseases and preventive methods among employees.
- Nakilat championed various sporting activities, participating in local soccer tournaments and organizing a Ramadan Cup Tournament featuring competitive matches of foosball and table tennis.
- The first ever Wellness Week was organised to promote healthy lifestyle include activities such as basic health checkups, wellness tips and mini marathon for employees and family members.

ENVIRONMENTAL INITIATIVES

- Nakilat and its joint ventures participated in a successful beach clean-up initiative led by Qatar Petroleum's Industrial Cities Directorate in Ras Laffan Industrial City (RLIC) to make the beach a safer place for nesting turtles and their offspring.

HUMAN CAPITAL

CAPABILITY DEVELOPMENT

Nakilat encourages personal and professional development of employees through numerous learning and development (L&D) activities within the organisation, ranging from technical skills, soft skills and leadership topics through a variety of platforms. Our continued efforts at promoting a conducive learning environment to sustain our skilled workforce and nurture our talent pool has demonstrated positive results:

- 98% of employees participated in over 50 different L&D programs delivered
- 10 Qatari sponsored students from our Marine Cadet Program graduated from International Maritime College of Oman (IMCO) as full-fledged seafarers
- 11 students from various educational institutes concluded their internship with Nakilat
- Outstanding achivement of 41.7 % Qatarization rate

ENHANCED LIVING STANDARDS

Over 1,600 employees from N-KOM, NDSQ and NSW residing in Ras Laffan Industrial City were moved to a new accomadation with enhanced facilities and amenities. This effort is part of the company's diligent efforts at enhancing employees' welfare for its workforce.

SOCIAL DEVELOPMENT

- Collaborated with Hamad Medical Corporation Blood Unit to conduct blood donation drives for employees at Nakilat head office in Doha and Shipyard in Ras Laffan, to make a positive impact to society.
- Distributed personal care and hygiene packs to workers primarily at construction sites, industrial areas, main streets as well as to newspapers distributers within Doha, as part of our efforts to raise awareness and educate the the community on good hygiene care and health habits.
- Granted wishes of several children battling with life-threatening medical conditions thorough adoption of the unique "Make-A-Wish" initiative in collaboration with Hamad General Hospital.
- Organized an impactful outing with children from Dreama Orphanage that saw Nakilat volunteers indulging the children in a series of sporting activities and entertainment .
- Partnered with Qatar Social and Cultural Center for the Blind for a bowling activity with the visually impaired to promote inclusivity amongst people of all abilities.

RISK MANAGEMENT

Nakilat's Risk Governance approach is continuously enhanced by adopting leading practices related to Corporate Governance, Enterprise Risk Management, Information Security, and Business Continuity Management. Building a strong governance foundation assists Nakilat in maintaining its focus towards continuously achieving its long-term success.

CORPORATE GOVERNANCE

As a publicly listed company, Nakilat complies with leading governance practices in addition to the Qatar Financial Markets Authority (QFMA) governance guidelines. Following the issuance of QFMA's updated Governance Code in mid-2017, Nakilat has taken steps to develop and implement the required measures, at both the Board of Directors level, and corporate level, to ensure full compliance with QFMA governance code.

ENTERPRISE RISK MANAGEMENT (ERM)

Nakilat's Enterprise Risk Management (ERM) program is established to adopt and facilitate leading practices that includes identifying, evaluating, and managing existing or emerging risks. Implementation of such risk practices aims to build confidence and assurance to Nakilat's stakeholders and help Nakilat's management in making informed business decisions.

OUR RISK MANAGEMENT ACTIVITIES INCLUDE:

RISK MANAGEMENT POLICY & PROCEDURES	TOP RISKS	RISK APPETITE	RISK AWARENESS
Disclosure of risk management policies and procedures in determining, evaluating and managing risks. This includes a comparative analysis of the company's risk factors for financial affairs, investments, and other matters, in consideration of unexpected market changes, trends and expansion plans of the Company.	Identification of major risks in 2017 that will be the focus in 2018 to ensure seamless achievement of Nakilat's business objectives and prevent any negative impact in the future. These risks were approved by the Risk Management Committee, and will be continuously reviewed and monitored to ensure that controls and treatment plans are effectively developed and efficiently implemented.	Defines the company's willingness to take risks in order to meet its strategic objectives, as endorsed by the Risk Management Committee.	Continued risk management awareness programs through regular 'Risk Insights' that aims to spread the culture of risk-consciousness.

INFORMATION SECURITY CERTIFICATION

The ISO 27001 is one of the most widely recognized and internationally accepted information security standards. Nakilat achieved the ISO 27001:2013 certification in May 2017 from Lloyd's Register Quality Assurance (LRQA), which affirms our efforts at managing information security risks and implementation of appropriate controls.

BUSINESS CONTINUITY MANAGEMENT (BCM)

Nakilat's BCM is geared to manage incidents, crises, and disasters, and to ensure the continuity of the business and operations with minimum disruptions.

OUR BCM ACTIVITIES INCLUDE:

BCM Program Management

Establish business continuity capability which includes approval of scope and identification of a core team with BCM roles and responsibilities.

Business Impact Analysis

Identification of critical business functions, assessment of the impacts over time, and the prioritization of processes and activities in consideration of dependencies and supporting resources.

BCMS Framework

Structured business continuity program which outlines Nakilat's consistent approach to BCM activities based on best practices/standards.

BCM Training

Enables the core team to implement and drive the corporate level business continuity management in consideration of the continuity strategy and proper response tactics.

FLEET & SHIPPING

Safety and cost optimization were the main drivers through 2017, during which Nakilat capitalized on leading safety initiatives and opportunities, and implemented efficiency measures to reduce costs while maintaining the same or higher level of safety during challenging circumstances brought about by the geopolitical situation.

During the year, Nakilat successfully completed the first phase of its fleet management transition of ten wholly-owned LNG carriers from Shell International Trading and Shipping Company Ltd. (STASCO), to Nakilat Shipping Qatar Limited (NSQL). This entailed the transition of six LNG carriers (two Q-Max and four Q-Flex) in 2017 in addition to the four Q-Max LNG carriers already transitioned in 2016, bringing the total fleet size operated by NSQL to 18 vessels (14 LNG and 4 LPG carriers).

Since its inception, Nakilat has increased certain aspects of ship management from an over-sight and monitoring role while working on a transition plan to allow for the careful and systematic transfer of operations of our wholly-owned LNG carriers from STASCO to Nakilat. As part of this effort, additional staff having the requisite skills and experience in technical ship management, marine personnel, and procurement were gradually acquired. In tandem with the recruitment drive, we also developed our Information Technology (IT) support capabilities for all the related software required by Fleet personnel as they prepared to assume responsibility for full ship management and operations.

Nakilat's fleet of 63 LNG and 4 large LPG carriers is one of the world's youngest and largest gas fleets, with all vessels incorporating modern technology to ensure the safe, environmentally sound and cost-effective transportation of gas.

Our LNG carriers represent a total investment of approximately US $11 billion and have a combined carrying capacity of over 9 million cubic meters or 12% of the world capacity. The vast majority of these LNG carriers are dedicated to meeting the transportation requirements of Qatar's massive LNG industry, providing the country and the world with a strategically important 'floating pipeline' of clean energy.

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

Global leader in energy transportation

LNG FLEET

18 **Conventional:**
(capacity: 145,000m³ – 170,000m³)

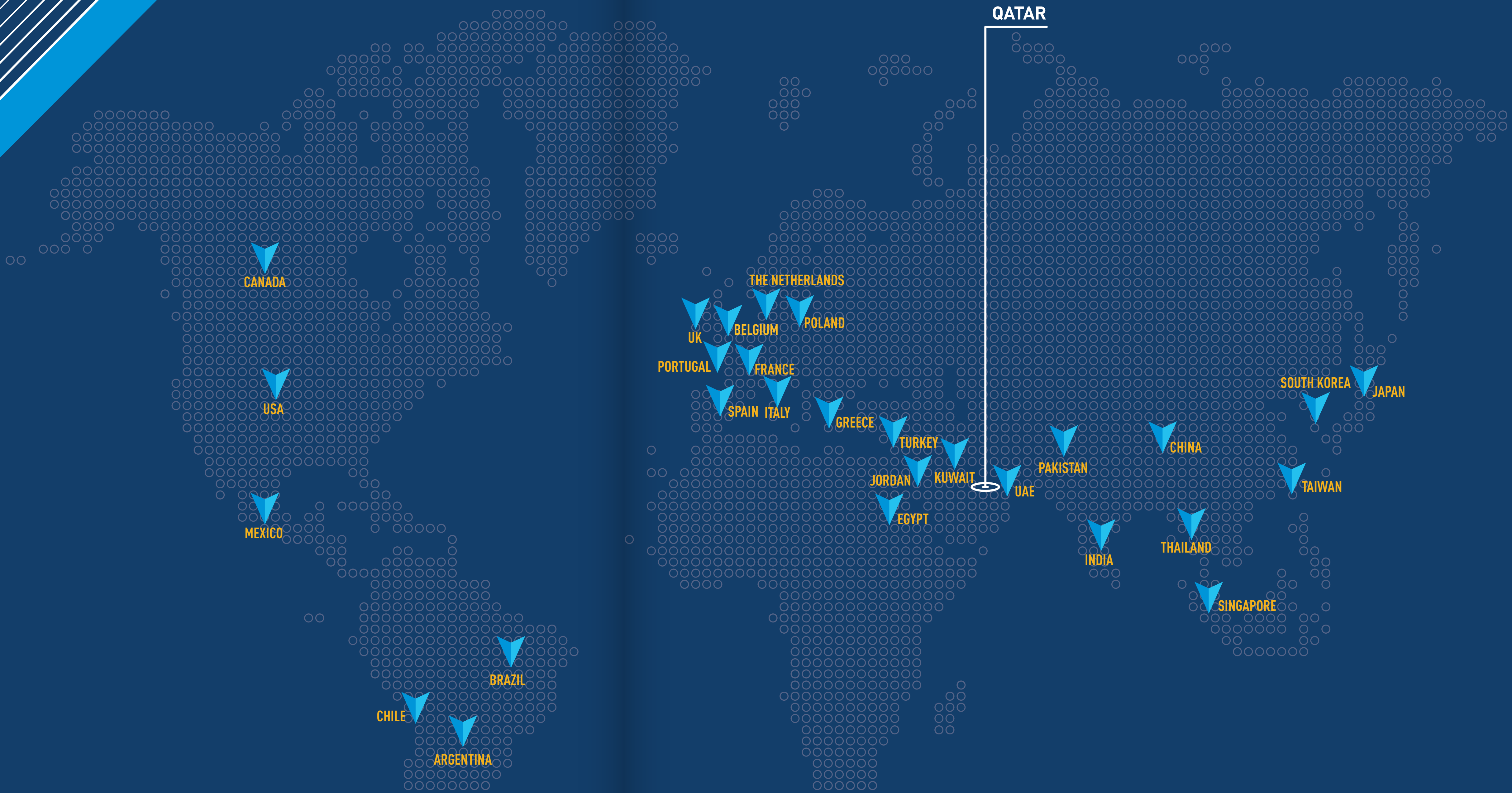
31 **Q-Flex:**
(capacity: 210,000m³ – 217,000m³)

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

LPG FLEET

4 (VLGC)
Very large gas carriers

QATAR'S FLOATING PIPELINE



67
OVERALL FLEET SIZE

18
NSQL OPERATED VESSELS
(14 LNG & 4 LPG carriers)

HIGHLIGHTS IN 2017

114,449,535 m³
VOLUME OF LNG SHIPPED

2,862,012 NM
TOTAL NAUTICAL MILES (NM)

ERHAMA BIN JABER AL JALAHMA SHIPYARD

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

(N-KOM)
NAKILAT-KEPPEL OFFSHORE & MARINE

Established in 2008, N-KOM is owned 79% by Nakilat, 20% by KS Investments Ltd (a wholly-owned subsidiary of Keppel Offshore & Marine) and 1% by Qatar Petroleum. The extensive facility spans 50.8 hectares, offering the repair, conversion and maintenance of marine and offshore vessels. This includes fabrication of offshore and onshore structures such as jack-up drilling rigs, lift-boats, land rigs and related components. N-KOM is accredited by the American Petroleum Institute (API) for ISO 9001; API OHSAS 18001; API ISO 14001; API Spec Q1 and holds the American Society of Mechanical Engineers (ASME) Certification Audit for Pressure Vessels Certification; ASME Stamps U, U2, S and PP; National Board R Stamp.

Facilities:

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

2017 highlights /

- Completed 120 marine repairs and 20 offshore and industrial engineering projects
- Fabricated and delivered a 250 tonne topside and template of a Minimum Facility Platform (MFP) for an oil and gas company in Qatar

(NDSQ)
NAKILAT DAMEN SHIPYARDS QATAR

Established in 2010, NDSQ is owned 70% by Nakilat and 30% by Damen Shipyards Group of the Netherlands. Spanning 18 hectares, the shipbuilding facility is well equipped for the construction of steel, aluminum and fiber reinforced plastic (FRP) boats of up to 170m in length. Its production capability includes a wide range of commercial vessels (such as tugs, offshore supply boats and cargo vessels), naval vessels and superyachts. NDSQ can also undertake the refit of superyachts and naval vessels. The facility is accredited by Lloyd's Register for ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007.

Facilities:

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

2017 highlights /

- Delivered the final 3 newbuild tugboats as part of an 11-vessel order for Hamad Port
- Completed 5 yacht refits and has 2 yachts (Fast Diving Support Vessels) under construction

MARINE SERVICES

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

NSW

(NSW) NAKILAT SVITZERWIJSMULLER

NSW is a joint venture company established in 2006, owned 70% by Nakilat and 30% by Svitzer Middle East Ltd., part of international towage operator Svitzer which is wholly-owned by Danish shipping group A. P. Moller (Maersk). NSW operates a fleet of 26 vessels, which includes 25 NSW-owned vessels. The fleet comprises of tug boats, pilot boats, line boats, crew boats and other harbor craft, based in the Port of Ras Laffan as well as operating in the offshore fields off Halul Island. NSW offers a range of services including towing, escorting, berthing, pilot support, line handling services afloat and ashore, emergency response, and marine maintenance support.

NSW

2017 highlights /

- Undertook more than 12,500 tug jobs for the Ras Laffan Port, an increase of 2.4% from 2016
- Recognized by Ras Laffan Port for its significant contribution to the Port's efficiency and safety record
- Successfully supported Ras Laffan Port in taking-over the marine support of the Al Rayyan field FSO condensate offloading

VSU

VESSEL SUPPORT SERVICES

Nakilat's Vessel Support Unit (VSU) offers a complete range of chandlery services, storage facilities, logistics and related service support to all vessels operating in Qatari waters, 24 hours a day, seven days a week. With a team of experienced staff and a global network of suppliers, the VSU can provide a broad array of material and consumables and support services for repair and maintenance work at Ras Laffan. The VSU has its own secure warehousing facility with capacity for short and long-term storage of ship spares, including dehumidified and climate-controlled storage with options such as refrigeration and freezing, all supported by a sophisticated inventory management service.The VSU handles all import and export processes interfacing with the Qatar Customs Authorities and other Qatari government entities through its unique 'Ship Spares in Transit' process to ease material movement wherever possible.

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

NAKILAT AGENCY COMPANY
ناقلات لأعمال الوكالة

NAC NAKILAT AGENCY COMPANY

Nakilat Agency Company Ltd. (NAC) is a leading shipping agency and logistics service provider supporting the oil and gas industry in Qatar. Since its establishment in 2005, NAC has expanded its services to provide a full range of shipping agency and related services attending to vessel agency requirements, logistics support, customs formalities, husbandry services, bunker coordination, provision of spare and supplies, crew movements, medical assistance as well as providing support to vessels at the Erhama Bin Jaber Al Jalahma Shipyard. Jointly owned by Nakilat (95%) and Qatar Petroleum (5%), the agency offers its services to all types of vessels calling at local ports and terminals, as well as offshore locations in Qatar.

NAC

2017 highlights /

- Successfully attended to 3,900 vessels at ports and terminals across Qatar

FINANCIAL RESULTS

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

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

CONTENT

INDEPENDENT AUDITOR'S REPORT

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

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of Qatar Gas Transport Company Limited (QPSC) ("Nakilat") and its subsidiaries (together the 'Group'), which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

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

Key audit matters

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Fair valuation and hedge effectiveness of cash flow hedges - refer to note 12 and note 14 to the consolidated financial statements	**How the matter was addressed in our audit**
We focused on this area because: • The Group entered into a number of interest rate swaps agreements to hedge its exposure to interest rate risk. These hedge transactions gave rise to derivative financial liabilities of QR 2,478,222 thousands (2016: QR 2,819,165 thousands). This represent 10.3% of the Group's total liabilities, hence a material portion of the consolidated financial position. • The hedging instruments are required to be fair valued at each reporting date. The valuation of the hedging instruments and testing of hedge effectiveness involve a significant degree of complexity and judgement.	Our audit procedures in this area included, among others: • evaluating the Group's controls around the hedge instruments and hedge accounting process; • assessing whether the hedge instruments are correctly classified as cash flow hedges by reference to the requirements of the relevant accounting standards. • using our own specialists to assess the appropriateness of the methodology used by the Group for hedge effectiveness testing on a sample basis; • assessing the appropriateness of hedge effectiveness documentation prepared by the Group on a sample basis; • obtaining confirmation of fair values and notional values of hedging instruments from counter parties; • re-confirming the counter parties' valuation from an independent source on a sample basis; and • assessing the adequacy of the Group's disclosures in relation to derivatives and hedge accounting by reference to the requirements of the relevant accounting standards.

Investments in joint ventures - refer to note 5 to the consolidated financial statements	**How the matter was addressed in our audit**
We focused on this area because: • The Company has investments in joint ventures whose operations are spread across Qatar and outside Qatar.	Our audit procedures in this area included among others: • assessing the financial information submitted by the joint ventures for consistency with the accounting policies of the Group;

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

- The carrying value of investments in joint ventures and the Company's share of results in the joint ventures represent 13.8% and 40% of the Group's total assets and the net profit respectively, hence a material portion of the consolidated financial position and consolidated income.

- obtaining the Group's joint venture accounting schedule to confirm whether the Group's interests in the profits, other comprehensive income and net assets were accounted in accordance with the Group's participatory interests in the joint ventures; and

- assessing the adequacy of the Group's disclosures in relation to the investments in joint ventures by reference to the requirements of the relevant accounting standards.

Carrying value of property and equipment - refer to note 4 to the consolidated financial statements	How the matter was addressed in our audit
We focused on this area because: • The carrying value of the Group's property and equipment as at 31 December 2017 was QR 22,392,337 thousands (2016: QR 23,161,476 thousands) and the related depreciation charge for the year was QR 767,933 thousands (2016: QR 767,659 thousands) respectively. This represent 74.8% and 90.6% of the Group's total assets and the net profit respectively, hence a material portion of the consolidated financial position and consolidated income. • The life of the vessels including estimation of residual values for the purpose of depreciation charge are reviewed annually by the management with reference to the regular dry-docking of the vessels, current and forecast market values and other technical factors. This involves a significant degree of management judgement and estimates.	Our audit procedures in this area included among others: • evaluating the key controls around the property and equipment processes, including controls over recording of assets in the assets register, its classification and useful life; • evaluating the recognition criteria applied to the costs incurred and capitalised during the financial year against the requirements of the relevant accounting standards; • assessing the reasonableness of Group management's assertions and estimates regarding estimated useful lives and residual values; • recalculating the depreciation charge, on a test basis, for significant asset classes and comparing it with the depreciation charge reported in the consolidated financial statements; • challenging the Group's assessment of possible internal and external indicators of impairment in relation to the vessels, such as obsolescence, decline in market value, operating losses etc., based on our knowledge and experience of the industry and understanding of the Charter Hire Agreements; and • assessing the adequacy of the Group's disclosures in relation to vessels by reference to the requirements of the relevant accounting standards.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Group's 2017 Annual Report (the 'Annual Report') but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

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

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

When we read the annual report, if we conclude that there is a material misstatement therein we are required to communicate the matter with those charged with governance.

Responsibilities of the Board of Directors for the consolidated financial statements

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Report on other legal and regulatory requirements

We have obtained all the information and explanations we considered necessary for the purposes of our audit. The Company has maintained proper accounting records and its consolidated financial statements are in agreement therewith. Furthermore, the physical count of the Company's inventories was carried out in accordance with established principles. We have read the report of the Board of Directors to be included in the Annual Report, and the financial information contained therein is in agreement with the books and records of the Company. We are not aware of any violations of the provisions of the Qatar Commercial Companies Law No.11 of 2015 or the terms of the Company's Articles of Association and any amendments thereto having occurred during the year which might have had a material adverse effect on the Company's consolidated financial position or performance as at and for the year ended 31 December 2017.

25 February 2018
Doha
State of Qatar

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

KPMG
P.O.Box :4473
Doha - Qatar

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QPSC)
DOHA - QATAR
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017
(Amount Expressed in Thousands of Qatari Riyals)

	Note	December 31, 2017	December 31, 2016
ASSETS			
Non-Current Assets:			
Property and equipment	4	22,392,337	23,161,476
Investment in joint venture companies	5	4,143,938	4,017,934
Loans to joint venture companies	6	98,774	135,458
Available-for-sale-investments	7	109,230	133,596
Total Non-Current Assets		26,744,279	27,448,464
Current Assets:			
Inventories		23,805	22,742
Trade and other receivables	8	340,311	326,677
Due from joint venture companies	17(b)	35,665	30,537
Cash and bank balances	9	2,775,377	2,492,560
Total Current Assets		3,175,158	2,872,516
Total Assets		29,919,437	30,320,980

The accompanying notes 1-27 form an integral part of these consolidated financial statements.

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QPSC)
DOHA - QATAR
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS OF DECEMBER 31, 2017
(Amount Expressed in Thousands of Qatari Riyals)

	Note	December 31, 2017	December 31, 2016
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	10	5,538,717	5,538,717
Legal reserve	11	772,082	687,463
Fair value reserve		(2,183)	87,128
Proposed cash dividend	10.1	554,026	554,026
Retained earnings		1,823,992	1,637,605
Equity before hedging reserve and non-controlling interests		8,686,634	8,504,939
Hedging reserve	12	(2,765,048)	(3,245,278)
Equity after hedging reserve and before non-controlling interests		5,921,586	5,259,661
Non-Controlling Interests		4,216	4,146
Non-Current Liabilities:			
Borrowings	13	19,789,344	20,616,455
Fair value of interest rate swaps	14	2,478,222	2,819,165
Provision for employees' end of service benefits		28,743	23,064
Other liabilities	15.1	119,287	165,216
Total Non-Current Liabilities		22,415,596	23,623,900
Current Liabilities:			
Borrowings	13	832,243	803,631
Accounts payable and accruals	15	699,078	628,345
Due to joint venture companies	17(b)	46,718	1,297
Total Current Liabilities		1,578,039	1,433,273
Total Equity and Liabilities		29,919,437	30,320,980

These consolidated financial statements were approved by the Board of Directors and were signed on its behalf by the following on **February 25, 2018**.

HE Dr. Mohammed Bin Saleh Al Sada
Chairman

Ali Ahmed Al-Kuwari
Board Member

Abdullah Fadhalah Al-Sulaiti
Chief Executive Officer

The accompanying notes 1-27 form an integral part of these consolidated financial statements.

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QPSC)
DOHA - QATAR
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017
(Amount Expressed in Thousands of Qatari Riyals)

	Note	For the Year Ended December 31, 2017	For the Year Ended December 31, 2016
Income:			
Revenue from wholly owned vessels		**3,057,073**	3,068,583
Share of results from joint ventures	5	**339,006**	553,367
Income from marine and agency services		**55,257**	55,201
Interest income on loans to joint ventures	17(a)	**9,826**	9,687
Interest, dividend and profit from Islamic banks		**54,157**	44,477
Other income		**102,995**	33,293
Total Income		**3,618,314**	3,764,608
Expenses:			
Operating costs	25	**(697,499)**	(717,948)
General and administrative	26	**(133,459)**	(135,908)
Depreciation of property and equipment	4	**(767,933)**	(767,659)
Finance charges		**(1,172,041)**	(1,187,695)
Total Expenses		**(2,770,932)**	(2,809,210)
Profit for the year		**847,382**	955,398
Attributable to:			
Owners of the Company		**846,187**	954,179
Non-controlling interests		**1,195**	1,219
Total		**847,382**	955,398
Basic and diluted earnings per share (expressed in QR per share)	19	**1.53**	1.72

The accompanying notes 1-27 form an integral part of these consolidated financial statements.

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QPSC)
DOHA - QATAR
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017
(Amount Expressed in Thousands of Qatari Riyals)

	Note	For the Year Ended December 31, 2017	For the Year Ended December 31, 2016
Profit for the year		**847,382**	955,398
Other comprehensive income			
Items that are or may be reclassified subsequently to statement of income			
Changes in fair value of available-for-sale investments	7	**(24,366)**	7,076
Realized gain on investments		**(64,945)**	-
Changes in fair value of cash flow hedging derivatives		**340,943**	543,934
Group's share of joint ventures' changes in fair value of cash flow hedging derivatives		**139,287**	27,306
Total comprehensive income for the year		**1,238,301**	1,533,714
Total comprehensive income for the year attributable to:			
Owners of the Company		**1,237,106**	1,532,495
Non-controlling interests		**1,195**	1,219
Total		**1,238,301**	1,533,714

The accompanying notes 1-27 form an integral part of these consolidated financial statements.

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QPSC)
DOHA - QATAR
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017
(Amount Expressed in Thousands of Qatari Riyals)

	Share Capital	Legal Reserve	Fair Value Reserve	Proposed Cash Dividend	Retained Earnings	Equity Before Hedging Reserve and Non-Controlling Interests	Hedging Reserve	Non-Controlling Interests
Balance as of January 01, 2016	5,538,490	592,045	80,052	692,533	1,356,725	8,259,845	(3,816,518)	4,427
Profit for the year 2016	-	-	-	-	954,179	954,179	-	1,219
Other comprehensive income for the year 2016								
-Changes in fair value of available- for- sale investments	-	-	7,076	-	-	7,076	-	-
-Changes in fair value of cash flow hedging derivatives	-	-	-	-	-	-	543,934	-
-Group's share of joint ventures' changes in fair value of cash flow hedging derivatives	-	-	-	-	-	-	27,306	-
Total comprehensive income for the year 2016	-	-	7,076	-	954,179	961,255	571,240	1,219
Transfer to legal reserve	-	95,418	-	-	(95,418)	-	-	-
Social and sports fund contribution 2016 **(note 16)**	-	-	-	-	(23,855)	(23,855)	-	-
Dividend declared for 2015	-	-	-	(692,533)	-	(692,533)	-	(1,500)
Proposed cash dividend for 2016	-	-	-	554,026	(554,026)	-	-	-
Capital contribution	227	-	-	-	-	227	-	-
Balance as of December 31, 2016	**5,538,717**	**687,463**	**87,128**	**554,026**	**1,637,605**	**8,504,939**	**(3,245,278)**	**4,146**
Profit for the year 2017	-	-	-	-	**846,187**	**846,187**	-	**1,195**
Other comprehensive income for the year 2017								
-Changes in fair value of available- for- sale investments	-	-	**(24,366)**	-	-	**(24,366)**	-	-
-Realized gain on investments	-	-	**(64,945)**	-	-	**(64,945)**	-	-
-Changes in fair value of cash flow hedging derivatives	-	-	-	-	-	-	**340,943**	-
-Group's share of joint ventures' changes in fair value of cash flow hedging derivatives	-	-	-	-	-	-	**139,287**	-
Total comprehensive income for the year 2017	-	-	**(89,311)**	-	**846,187**	**756,876**	**480,230**	**1,195**
Transfer to legal reserve	-	**84,619**	-	-	**(84,619)**	-	-	-
Social and sports fund contribution 2017 **(note 16)**	-	-	-	-	**(21,155)**	**(21,155)**	-	-
Dividend declared for 2016	-	-	-	**(554,026)**	-	**(554,026)**	-	**(1,125)**
Proposed cash dividend for 2017	-	-	-	**554,026**	**(554,026)**	-	-	-
Balance as of December 31, 2017	**5,538,717**	**772,082**	**(2,183)**	**554,026**	**1,823,992**	**8,686,634**	**(2,765,048)**	**4,216**

The accompanying notes 1-27 form an integral part of these consolidated financial statements.

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QPSC)
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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Amount Expressed in Thousands of Qatari Riyals)

	Note	For the year ended December 31, 2017	For the year ended December 31, 2016
Cash Flows from Operating Activities:			
Profit for the year		**847,382**	955,398
Adjustments for:			
Depreciation of property and equipment	4	**767,933**	767,659
Finance charges		**1,172,041**	1,187,695
Share of results from joint ventures	5	**(339,006)**	(553,367)
Interest income on loans to joint ventures	17(a)	**(9,826)**	(9,687)
Interest, dividend and profit from Islamic banks		**(54,157)**	(44,477)
Other income		**(102,995)**	(33,293)
Loss on disposal of property and equipment		**-**	149
Provision for employees' end of service benefits		**8,963**	5,992
		2,290,335	2,276,069
Working Capital Changes:			
Inventories		**(1,063)**	415
Trade and other receivables		**(10,858)**	(70,683)
Accounts payable and accruals		**(20,397)**	48,788
Other liabilities		**(45,929)**	(32,358)
Due from joint venture companies		**(5,846)**	(10,210)
Due to joint venture companies		**45,421**	(1,599)
Cash generated from operations		**2,251,663**	2,210,422
Finance charges paid		**(1,162,302)**	(1,178,569)
Employees' end of service benefits paid		**(3,284)**	(4,972)
Net Cash From Operating Activities		**1,086,077**	1,026,881
Cash Flows from Investing Activities:			
Loans to joint venture companies-net		**30,092**	63,012
Return of investment from a joint venture	5	**220,240**	-
Dividend income received from joint ventures	5	**225,131**	96,604
Adjustment in/ (acquisition of) property and equipment	4	**1,206**	(47,564)
Sale proceeds from disposal of property and equipment		**-**	535
Costs incurred on available-for-sale investments		**(726)**	-
Investment income received		**100,701**	95,117
Time deposits maturing after 90 days		**(356,870)**	378,827
Net Cash From Investing Activities		**219,774**	586,531
Cash Flows from Financing Activities:			
Proceeds from issue of share capital		**-**	227
Dividend paid to shareholders		**(555,799)**	(681,887)
Unpaid dividend transferred to separate bank account		**(17,292)**	(26,678)
Dividend paid against non-controlling interests		**(1,125)**	(1,500)
Repayments of borrowings		**(803,631)**	(778,119)
Net Cash Used in Financing Activities		**(1,377,847)**	(1,487,957)
Net (Decrease) / Increase in Cash and Cash Equivalents		**(71,996)**	125,455
Cash and Cash Equivalents at Beginning of the Year		**1,614,207**	1,488,752
Cash and Cash Equivalents at End of the Year	9.1	**1,542,211**	1,614,207

The accompanying notes 1-27 form an integral part of these consolidated financial statements.

1. ***Reporting Entity:***

Qatar Gas Transport Company Limited (Nakilat) (QPSC) ("QGTC" or "the Company'') is a Public Shareholding Company, incorporated in the State of Qatar on June 9, 2004, under Commercial Registration Number 28566 issued by the Ministry of Economy and Commerce. The Company is governed by its Articles of Association and the provisions of Qatar Commercial Companies Law. The shares of the Company started trading in the Qatar Exchange on April 7, 2005.

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

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

Although most of the joint venture entities are located abroad, their trading activities are mainly derived from contracts with local companies in Qatar. The Group can be therefore viewed to provide services within the same economic environment and subject to the same economic risk.

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

2.1 Newly effective amendments and improvements to standards

During the current year, the below amended International Financial Reporting Standards ("IFRS" or "standards") and improvements to standards became effective for the first time for financial year ended 31 December 2017:

- Amendments to IAS 7 "Disclosure Initiative"
- Amendments to IAS 12 on recognition of deferred tax assets for unrealized losses
- Annual improvements to IFRSs 2014-2016 cycle – various standards

The adoption of the above amended standards and improvements to standards had no significant impact on the Group's consolidated financial statements.

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

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

The below new and amended International Financial Reporting Standards ("IFRS" or "standards") that are available for early adoption for financial year ended 31 December 2017 are not effective until a later period, and they have not been applied in preparing these consolidated financial statements.

Adoption that are not expected to impact the Group's Consolidated financial statements

Effective for year ending 31 December 2018	*Amendments to IFRS 2 on classification and measurement of share based payment transactions*
Effective for year ending 31 December 2019	*Amendments to IFRS 4 on applying IFRS 9 with IFRS 4 Insurance contracts* *Amendments to IAS 28 long term interest in associates and joint ventures*
Effective date to be determined	*Amendments to IFRS 10 and IAS 28 on sale or contribution of assets between an investor and its associate or joint venture*

Adoption that may impact the Group's Consolidated financial statements

Effective for year ending 31 December 2018	*IFRS 9 "Financial Instruments"* *IFRS 15 "Revenue from Contracts with Customers"*
Effective for year ending 31 December 2019	*IFRS 16 "Leases"*

The Group has initiated an assessment of the potential impact of these new standards (IFRS 9,15 and 16) and any material impacts, will be addressed in the future consolidated financial statements in accordance with those new standards.

3. *Basis of Preparation and Significant Accounting Policies:*

3.1 *Basis of Preparation*

a) *Statement of compliance*

These consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and in compliance with Qatar Commercial Law No. 11 of 2015, as applicable.

b) *Basis of measurement*

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

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

c) *Functional and presentation currency*

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

d) *Use of estimates and judgments*

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

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

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

3.2 *Significant Accounting Policies*

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

a) *Basis of Consolidation*

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) and its share of movements in equity of joint venture entities collectively referred to as the "Group". Refer to **notes no. 5 and 18** for details.

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

3.2 *Significant Accounting Policies (continued)*

a) *Basis of Consolidation (continued)*

i) *Investment in Subsidiary Companies*

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

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

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

Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between entities in the Group are eliminated in full on consolidation.

ii) *Investment in Joint Ventures*

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

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

b) *Property and Equipment*

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, including the capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalized and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalized only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognized in consolidated statement of income as the expense is incurred. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in consolidated statement of income in the year the asset is derecognized. The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If any such indication exists and where the carrying value of an asset exceeds the estimated recoverable amount, the asset is written down to its recoverable amount.

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

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

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

b) ***Property and Equipment (continued)***

Depreciation is charged following the straight-line method over the estimated useful lives of the related assets as follows:

Vessels	2.5%
Computer equipment	33.33%
Plant equipment	20%
Office equipment	15%
Telecom equipment	20%
Furniture and fixtures	15%
Vehicles	20%
Other assets	Up to 20%
Dry docking costs	20%

c) ***Borrowing costs***

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

d) ***Financial Instruments***

Financial instruments represent the Group's financial assets and liabilities. Financial assets and financial liabilities are recognized on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial instruments also include commitments not recognized but adequately disclosed in the respective notes to the consolidated financial statements.

Non-derivative financial assets and liabilities

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

i) ***Available-for-Sale Investments***

Available-for-sale investments are non-derivative financial assets that are designated as available for sale and are not classified as an investment at fair value through profit or loss or held to maturity or loans or receivables. Available-for-sale investments are equity securities and are initially recognised at cost, being the fair value of the consideration given plus any directly attributable transaction costs. After initial recognition, they are remeasured at fair value. Unrealised gains and losses are recognized in other comprehensive income and presented 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 consolidated statement of income.

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

ii) ***Trade and Other Receivables***

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

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

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

d) ***Financial Instruments (continued)***

iii) ***Cash and Cash Equivalents***

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

iv) ***Accounts Payable and Accruals***

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

v) ***Interest bearing Loans and Borrowings***

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

De-recognition of financial assets

A financial asset is de-recognized where:

- the right to receive cash flows from the asset have expired or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement and
- either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.
- the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

De-recognition of financial liabilities

A financial liability is de-recognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognized in the consolidated statement of income.

Offsetting

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

e) ***Inventories***

Inventories include spares and consumables and are stated at the lower of cost and net realisable value. The cost of inventories is based on the weighted average method. Net realisable value is based on estimated replacement cost.

f) ***Provisions***

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

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

Employees' end of service benefits represents terminal gratuity and are provided for services rendered based on entitlements stipulated in the employees' contracts of employment and their length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. The Group has no expectation of settling its end of service benefits obligations in near term and hence classified this as a non-current liability.

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

3.2 Significant Accounting Policies (continued)

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

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

h) *Revenue and other income*

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

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

Revenue from vessel sub-chartering is recognized on the accrual basis.

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

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

i) *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 consolidated statement of income. Any cumulative loss in respect of available-for-sale investments recognized previously in other comprehensive income is transferred to 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. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in statement of income. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

Impairment of Non-Financial Assets

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

The impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

j) *Foreign Currencies*

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

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

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

3.2 Significant Accounting Policies (continued)

k) *Derivative Financial Instruments and Hedging Activities*

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

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

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

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

l) *Capital work in progress*

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

m) *Deferred income*

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

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

n) *Leases*

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

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

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

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

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

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

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

n) ***Leases (continued)***

The Group as lessee

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

o) ***Operating Segments***

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

4. ***Property and Equipment:***

	Vessels	*Equipment*	*Furniture and Fixtures*	*Others **	*Total*
Cost:					
At January 1, 2016	27,441,909	11,343	1,212	453,487	27,907,951
Additions/(Adjustments) during the year 2016	(6,971)	691	29	53,815	47,564
Transfer from capital work in progress during the year 2016	92,650	3,473	40,170	(136,293)	-
Disposals during the year 2016	-	(1,719)	(481)	-	(2,200)
At December 31, 2016	27,527,588	13,788	40,930	371,009	27,953,315
Additions/(Adjustments) during the year 2017	**(5,608)**	**-**	**-**	**4,402**	**(1,206)**
Disposals during the year 2017	**-**	**(486)**	**-**	**-**	**(486)**
At December 31, 2017	**27,521,980**	**13,302**	**40,930**	**375,411**	**27,951,623**
Accumulated Depreciation:					
At January 1, 2016	3,911,720	7,835	878	105,263	4,025,696
Charge for the year 2016	751,672	2,080	5,108	8,799	767,659
Disposals during the year 2016	-	(1,035)	(481)	-	(1,516)
At December 31, 2016	4,663,392	8,880	5,505	114,062	4,791,839
Charge for the year 2017	**749,851**	**2,246**	**6,114**	**9,722**	**767,933**
Disposals during the year 2017	**-**	**(486)**	**-**	**-**	**(486)**
At December 31, 2017	**5,413,243**	**10,640**	**11,619**	**123,784**	**5,559,286**
Net Carrying amount:					
At December 31, 2017	**22,108,737**	**2,662**	**29,311**	**251,627**	**22,392,337**
At December 31, 2016	22,864,196	4,908	35,425	256,947	23,161,476

*This includes capital work in progress amounting to **QR 4.5 million** (2016: QR 2.1 million).

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5. ***Investment in Joint Venture Companies:***

	QR
Balance – January 1, 2016	3,422,374
Share of results for the year**	553,367
Adjustment against additional distribution by a joint venture	(26,944)
Loss adjusted against loan to joint ventures	70,090
Additional liability for losses from a joint venture	70,591
Share of hedging reserve for the year *	25,060
Dividend received	(96,604)
Balance – December 31, 2016	4,017,934
Return of investment from a joint venture	**(220,240)**
Share of results for the year	**339,006**
Loss adjusted against loan to joint ventures	**11,631**
Additional liability for losses from a joint venture	**86,491**
Share of hedging reserve for the year *	**134,247**
Dividend received	**(225,131)**
Balance – December 31, 2017	**4,143,938**

* This excludes the share of gain on the hedging reserve from joint ventures amounting to a total of **QR 5 million** (2016: QR 2.2 million gain) adjusted against the loan to the respective joint venture.

** This includes **QR 108.9 million** realized gain for effective hedge accounting of derivative instruments of one of the joint venture matured during the prior year.

Details of the Group's joint venture companies at **December 31, 2017** are as follows:

Name of Joint Ventures	*Place of Incorporation*	*Proportion of Ownership Interest*	*Principal Activity*
Maran Nakilat Company Ltd.	Cayman Islands	40%	Chartering of vessels
J5 Nakilat No. 1 Ltd.	Marshall Islands	40%	Chartering of vessels
J5 Nakilat No. 2 Ltd.	Marshall Islands	40%	Chartering of vessels
J5 Nakilat No. 3 Ltd.	Marshall Islands	40%	Chartering of vessels
J5 Nakilat No. 4 Ltd.	Marshall Islands	40%	Chartering of vessels
J5 Nakilat No. 5 Ltd.	Marshall Islands	40%	Chartering of vessels
J5 Nakilat No. 6 Ltd.	Marshall Islands	40%	Chartering of vessels
J5 Nakilat No. 7 Ltd.	Marshall Islands	40%	Chartering of vessels
J5 Nakilat No. 8 Ltd.	Marshall Islands	40%	Chartering of vessels
Peninsula LNG Transport No. 4 Ltd.	Marshall Islands	30%	Chartering of vessels
Teekay Nakilat Corporation	Marshall Islands	30%	Chartering of vessels
Pronav:			
- Neptana Schiffsbetriebsgesellschaft mbH & Co. TS "Alexandra" KG	Germany	45%	Chartering of vessels
- Nausola Schiffsbetriebsgesellschaft mbH & Co. TS "Britta" KG	Germany	45%	Chartering of vessels
-Nauranto Schiffsbetriebsgesellschaft mbH & Co. TS "Gabriela" KG	Germany	45%	Chartering of vessels
-Neptora Schiffsbetriebsgesellschaft mbH & Co. TS "Julia" KG	Germany	45%	Chartering of vessels
Teekay Nakilat (III) Corporation **	Marshall Islands	60%	Chartering of vessels
OSG Nakilat Corporation **	Marshall Islands	50.1%	Chartering of vessels
India LNG Transport Company No.3 Limited	Malta	20%	Chartering of vessels
Nakilat Svitzerwijsmuller WLL **	Qatar	70%	Chartering of vessels
Gulf LPG Transport Company WLL	Qatar	50%	Chartering of vessels

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

Name of Joint Ventures	*Place of Incorporation*	*Proportion of Ownership Interest*	*Principal Activity*
Nakilat-Keppel Offshore & Marine Limited (QPJSC)**	Qatar	80%	Operate and maintain the Ship Repair Yard.
Nakilat Damen Shipyards Qatar Limited (QPJSC) **	Qatar	70%	Design, construct & operate the Ship Building Yard.

** Although the Group holds more than half of the equity shares in these entities, it does not exercise control over the entities. Decisions need unanimous consent of both parties. The Group does not have any contractual rights to the assets and obligations for the liabilities relating to these joint ventures. Consequently, the above joint ventures are accounted for using equity method in these consolidated financial statements.

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

As of December 31, 2017:	J5 Joint Ventures	Maran Nakilat Company	Teekay Joint Ventures	OSG Nakilat	Gulf LPG	Other Joint Ventures	Total
Current assets	535,751	515,648	429,726	198,072	157,373	801,139	**2,637,709**
Non-current assets	6,031,164	8,793,920	4,745,490	2,899,436	996,339	4,337,044	**27,803,393**
Current liabilities	(353,015)	(465,256)	(188,185)	(279,765)	(40,219)	(1,146,902)	**(2,473,342)**
Non-current liabilities	(3,912,280)	(6,432,873)	(3,830,300)	(2,145,186)	(510,365)	(2,872,911)	**(19,703,915)**
Net assets	**2,301,620**	**2,411,439**	**1,156,731**	**672,557**	**603,128**	**1,118,370**	**8,263,845**
Group's share of net assets	**920,648**	**1,045,622**	**658,410**	**336,951**	**309,592**	**872,715**	**4,143,938**
Revenues	580,080	1,097,608	611,264	420,310	149,199	1,064,236	**3,922,697**
Interest & other Income	495	3,154	3,973	11,350	-	41,371	**60,343**
Depreciation & Amortization	(28,745)	(255,435)	(77,750)	(109,609)	(48,366)	(195,575)	**(715,480)**
Finance Costs	(231,463)	(230,272)	(147,733)	(128,933)	(17,628)	(200,247)	**(956,276)**
Other expenses	(184,245)	(242,184)	(140,753)	(85,117)	(59,366)	(669,679)	**(1,381,344)**
Net profit	**136,122**	**372,871**	**249,001**	**108,001**	**23,839**	**40,106**	**929,940**
Other Comprehensive Income	**136,440**	**870**	**(11,273)**	**81,024**	**-**	**101,653**	**308,714**
Total Comprehensive Income	**272,562**	**373,741**	**237,728**	**189,025**	**23,839**	**141,759**	**1,238,654**
Group's share of net profit / (loss)	**54,449**	**149,148**	**120,823**	**54,108**	**11,919**	**(51,441)**	**339,006**
Group's share of other comprehensive income / (loss)	**54,576**	**348**	**(4,389)**	**40,593**	**-**	**48,159**	**139,287**
Other disclosures:							
Cash and cash equivalents	54,948	443,356	340,148	95,235	143,773	369,488	**1,446,948**
Interest bearing loans and borrowings	3,899,249	6,767,179	3,934,717	2,155,829	547,714	3,432,487	**20,737,175**
Group's share of dividend received	37,144	-	151,852	-	-	36,135	**225,131**

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

As of December 31, 2016:	J5 Joint Ventures	Maran Nakilat Company	Teekay Joint Ventures	OSG Nakilat	Gulf LPG	Other Joint Ventures	Total
Current assets	883,483	200,284	902,670	154,503	133,499	1,079,838	**3,354,277**
Non-current assets	5,915,743	9,047,185	4,805,771	2,948,179	1,044,705	4,421,756	**28,183,339**
Current liabilities	(348,002)	(424,293)	(195,477)	(256,170)	(51,839)	(1,319,018)	**(2,594,799)**
Non-current liabilities	(4,329,308)	(6,785,478)	(3,981,241)	(2,362,980)	(547,076)	(3,104,691)	**(21,110,774)**
Net assets	**2,121,916**	**2,037,698**	**1,531,723**	**483,532**	**579,289**	**1,077,885**	**7,832,043**
Group's share of net assets	**848,767**	**896,125**	**914,067**	**242,250**	**297,673**	**819,052**	**4,017,934**
Revenues	588,176	1,187,801	615,661	424,410	215,098	1,288,143	**4,319,289**
Interest & other income	-	1,067	4,191	2,582	-	8,276	**16,116**
Depreciation & Amortization	(23,293)	(254,823)	(67,554)	(109,496)	(48,457)	(217,424)	**(721,047)**
Finance Costs	(248,908)	(203,718)	(122,647)	(137,138)	(15,631)	(209,755)	**(937,797)**
Other expenses	(186,285)	(223,011)	(138,014)	(95,141)	(64,621)	(829,138)	**(1,536,210)**
Net profit	**129,690**	**507,316**	**291,637**	**85,217**	**86,389**	**40,102**	**1,140,351**
Other Comprehensive Income	**169,444**	**20,414**	**3,661**	**83,179**	**-**	**71,591**	**348,289**
Total Comprehensive Income	**299,134**	**527,730**	**295,298**	**168,396**	**86,389**	**111,693**	**1,488,640**
Group's share of net profit / (loss)	**51,876**	**202,918**	**250,127**	**42,694**	**43,195**	**(37,443)**	**553,367**
Group's share of other comprehensive income / (loss)	**67,777**	**8,166**	**(104,856)**	**41,673**	**-**	**14,546**	**27,306**
Other disclosures:							
Cash and cash equivalents	597,099	137,453	752,140	94,111	115,115	452,842	**2,148,760**
Interest bearing loans and borrowings	4,172,907	7,100,339	4,081,146	2,303,938	584,425	3,638,993	**21,881,748**
Group's share of dividend received	-	21,849	33,647	-	-	41,108	**96,604**

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

	December 31, 2017	December 31, 2016
India LNG Transport Company No. 3 Limited	**46,722**	41,444
Nakilat Svitzerwijsmuller WLL	**29,923**	63,061
Nakilat Damen Shipyards Qatar Limited	**22,129**	30,953
Total	**98,774**	135,458

These interest bearing loans have been given to the joint ventures and repayment is subject to liquidity of the joint venture companies. The weighted average interest rate at **December 31, 2017** is **3.14%** (2016: 2.77%).

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

	December 31, 2017	December 31, 2016
Balance at January 1	**133,596**	126,520
Changes in fair value	**(24,366)**	7,076
Balance at December 31	**109,230**	133,596

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

8. ***Trade and Other Receivables:***

	December 31, 2017	December 31, 2016
Trade receivables	**30,572**	18,484
Less: Provision for doubtful receivables	**(1,484)**	(2,410)
	29,088	16,074
Accrued income	**7,880**	7,733
Other receivables*	**303,343**	302,870
Total	**340,311**	326,677

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

The average credit period is approximately 60 days.

* This includes an amount of QR 51.9 million on account of a claim on loss of charter hire revenue, due to an accident during the year. The Company has taken all required and needed legal actions toward claiming back all losses of charter hire revenue. Thus, based on all available facts and advices received from the Company's legal counsel, the Company is certain of recovery of the amount of claim.

As at **December 31, 2017** the ageing of trade receivables and movement in the provision for doubtful receivables are as follows:

	December 31, 2017	December 31, 2016
(i) *Ageing of neither past due nor impaired*		
Less than 60 days	**9,955**	2,879
(ii) *Ageing of past due but not impaired*		
61-90 days	**4,545**	1,356
91-120 days	**3,337**	2,236
Over 120 days	**11,251**	9,603
Total	**19,133**	13,195
(iii) *Ageing of impaired trade receivables*		
Over 120 days	**1,484**	2,410
(iv) *Movement in the provision for doubtful receivables:*		
Balance at the beginning of the year	**2,410**	2,410
Recovered during the year	**(926)**	-
Balance at end of the year	**1,484**	2,410

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9. ***Cash and Bank Balances:***

	December 31, 2017	December 31, 2016
Cash on hand	**322**	323
Cash at bank-Call and current accounts	**661,856**	707,395
Cash at bank-Time deposits*	**1,995,434**	1,665,020
Other bank balances **(a)**	**20,497**	20,781
Other bank balances **(b)**	**97,268**	99,041
Total	**2,775,377**	2,492,560

* The effective interest and profit rates on the time deposits varies between **1.21%** to **3.25%** (2016: 0.4% to 3.13%).

9.1 ***Cash and Cash Equivalents:***

	December 31, 2017	December 31, 2016
Cash and bank balances	**2,775,377**	2,492,560
Less:		
Other bank balances **(a)**	**(20,497)**	(20,781)
Other bank balances **(b)**	**(97,268)**	(99,041)
Time deposits maturing after 90 days	**(1,115,401)**	(758,531)
	1,542,211	1,614,207

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

(b) Cash payable to shareholders for unclaimed dividend.

10. ***Share Capital:***

	December 31, 2017	December 31, 2016
	Number of Shares	Number of Shares
Issued & paid up share capital	**554,026,360**	554,026,360
	Amount	Amount
Issued and Paid up share capital with a par value of QR 10 each	**5,538,717**	5,538,717

At **December 31, 2017**, a total of **309,224** issued shares are 50% paid (2016: 309,224 issued shares were 50% paid).

10.1 ***Proposed Cash Dividend:***

The Board of Directors has proposed a cash dividend of **QR 554 million** for the current year (2016: QR 554 million) which is subject to the approval of shareholders in the Annual General Meeting. The cash dividend for 2016 was approved by the shareholders at the Annual General Meeting held on March 12, 2017.

11. *Legal Reserve:*

The Articles of Association of the Company require the Company to provide for a legal reserve at 10% of net profit for each year until it reaches 50% of paid up share capital. This reserve is not available for distribution except for circumstances specified in the Articles of Association.

12. *Hedging Reserve:*

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

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

13. *Borrowings:*

These consist of the following:	**December 31, 2017**	December 31, 2016
Loan - **note (a)**	**1,820,765**	1,820,765
Senior bank facilities - **note (b)**	**12,210,374**	12,570,776
Subordinated bank facilities - **note (c)**	**1,391,164**	1,430,457
Senior bonds – Series "A" - **note (d)**	**3,095,299**	3,095,299
Subordinated bonds Series "A" - **note (e)**	**895,150**	927,017
KEXIM Facility - **note (f)**	**474,982**	633,310
KSURE Covered Facility - **note (g)**	**783,721**	997,463
Less: Issuance costs of bonds	**(22,417)**	(23,818)
Less: Costs incurred for financing	**(8,780)**	(10,178)
Less: Transaction costs of refinancing	**(18,671)**	(21,005)
Total	**20,621,587**	21,420,086
Classified as:		
Payable within one year	**832,243**	803,631
Payable after one year	**19,789,344**	20,616,455

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

Note (b):
Represents USD 1,860.6 million against the senior bank facility Tranche I, USD 794.4 million against the senior bank facility Tranche II and USD 698.1 million against senior bank facility Tranche IV. The repayment of Tranche I began from December 2010 and will end in December 2025. The repayment of Tranche II began from June 2011 and will end in December 2025. The repayment of Tranche IV began from December 2013 and will end in December 2025.

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13. *Borrowings (continued):*

Note (c):
Represents USD 146.1 million against the subordinated bank facility Tranche I, USD 106.7 million against the subordinated bank facility Tranche II and USD 129.2 million against subordinated bank facility Tranche IV. The repayment of Tranche I began from December 2010 and will end in December 2025. The repayment of Tranche II began from June 2011 and will end in December 2025. The repayment of Tranche IV began from December 2013 and will end in December 2025.

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

Note (e):
Represents the subordinated bonds issued under the Tranche I financing program. The repayment began from December 2010 and will end in December 2033.

Note (f):
Represents USD 130.4 million against the KEXIM facility Tranche I. The repayment began from December 2009 and will end in December 2020.

Note (g):
Represents USD 58.7 million against the KSURE facility Tranche I and USD 156.5 million against the KSURE facility Tranche II. The repayment of Tranche I began from December 2009 and will end in December 2020. The repayment of Tranche II began from December 2010 and will end in December 2021.

The weighted average interest rate on short / long term facilities (excluding hedge), loans and bonds as above at **December 31, 2017** is **3.10214%** (2016: 2.64894%).

The bank facilities and bonds have been used to finance the acquisition of the vessels.

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

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

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

14. *Fair Value of Interest Rate Swaps:*

The Group has entered into interest rate swap agreements with several financial institutions. As at **December 31, 2017** the outstanding notional amount of swap agreements is **QR 11,136 million** (2016: QR 11,793 million) and net fair value is negative **QR 2,478 million** (2016: negative QR 2,819 million).

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15. ***Accounts Payable and Accruals:***

	December 31, 2017	December 31, 2016
Accounts payable	**126,119**	123,526
Advances from customers	**114,565**	135,652
Payable to shareholders **(1)**	**20,497**	20,781
Other accruals	**114,151**	106,179
Other liabilities-current portion **(note 15.1)**	**48,241**	48,720
Social and sports fund contribution **(note 16)**	**21,155**	23,855
Dividend payable	**97,268**	99,041
Deferred liabilities **(2)**	**157,082**	70,591
Total	**699,078**	628,345

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

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

15.1 ***Other Liabilities:***

This includes deferred income relating to excess dry docking costs and proceeds from MEGI project. The excess dry dock costs will be amortized over the life of the dry docking costs. The proceeds from MEGI project will be amortized over the useful life of related assets. The balance of non-current portion is **QR 119,287** thousands (2016: QR 165,216 thousands).

16. ***Social and Sports Fund Contribution:***

Qatar Law no. 13 of 2008 requires Qatari listed shareholding companies with IPO to pay 2.5% of net profit to a social and sports fund. In pursuant to this Law and further clarifications for the Law issued in 2010, the Group has made an appropriation of **QR 21,155** thousands representing 2.5% of the net consolidated profit of the Group for the year ended **December 31, 2017** (December 31, 2016: QR 23,855 thousand). This appropriation has been presented in the consolidated statement of changes in equity.

17. ***Related Party Transactions:***

		For the year ended December 31, 2017	For the year ended December 31, 2016
(a)	Transactions with related parties during the year are as follows:		
	Repayment of joint ventures' loans	**30,092**	63,012
	Interest income on loans to joint ventures	**9,826**	9,687
(b)	Balances with related parties are as follows:		
	Due from joint venture companies	**35,665**	30,537
	Due to joint venture companies	**46,718**	1,297
(c)	Key management compensation:		
	Compensation of key management personnel	**12,061**	12,124
	Board of Directors' remuneration accrued	**5,900**	5,900

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18. ***Subsidiaries:***

Details of the Company's subsidiaries at **December 31, 2017** are as follows:

Name of Subsidiaries	***Place of Incorporation (or registration)***	***Proportion of Ownership & Voting Interest***	***Principal Activity***
Nakilat Agency Company Navigation Limited (Q.P.J.S.C.)	Qatar	95%	Agency services
Nakilat Inc.	Marshall Islands	100%	Holding Company
-Nakilat Haloul Inc.	Marshall Islands	100%	Chartering of vessels
-Nakilat Umm Slal Inc.	Marshall Islands	100%	Chartering of vessels
-Nakilat Bu Samra Inc.	Marshall Islands	100%	Chartering of vessels
-Nakilat S.H.I. 1694 Inc.	Marshall Islands	100%	Chartering of vessels
-Nakilat S.H.I. 1695 Inc.	Marshall Islands	100%	Chartering of vessels
-Nakilat S.H.I. 1696 Inc.	Marshall Islands	100%	Chartering of vessels
-Nakilat S.H.I. 1697 Inc.	Marshall Islands	100%	Chartering of vessels
-Nakilat H.H.I 1908 Inc	Marshall Islands	100%	Chartering of vessels
-Nakilat H.H.I. 1909 Inc.	Marshall Islands	100%	Chartering of vessels
-Nakilat H.H.I 1910 Inc.	Marshall Islands	100%	Chartering of vessels
-Nakilat Al Ghuwairiya Inc.	Marshall Islands	100%	Chartering of vessels
-Nakilat Lijmiliya Inc.	Marshall Islands	100%	Chartering of vessels
-Nakilat Al Samriya Inc.	Marshall Islands	100%	Chartering of vessels
-Nakilat DSME 2264 Inc.	Marshall Islands	100%	Chartering of vessels
-Nakilat DSME 2265 Inc.	Marshall Islands	100%	Chartering of vessels
-Nakilat DSME 2266 Inc.	Marshall Islands	100%	Chartering of vessels
-Nakilat S.H.I. 1726 Inc.	Marshall Islands	100%	Chartering of vessels
-Nakilat S.H.I. 1751 Inc.	Marshall Islands	100%	Chartering of vessels
-Nakilat S.H.I. 1752 Inc.	Marshall Islands	100%	Chartering of vessels
-Nakilat S.H.I. 1753 Inc.	Marshall Islands	100%	Chartering of vessels
-Nakilat S.H.I. 1754 Inc.	Marshall Islands	100%	Chartering of vessels
-Nakilat DSME 2283 Inc.	Marshall Islands	100%	Chartering of vessels
-Nakilat DSME 2284 Inc.	Marshall Islands	100%	Chartering of vessels
-Nakilat DSME 2285 Inc.	Marshall Islands	100%	Chartering of vessels
-Nakilat DSME 2286 Inc.	Marshall Islands	100%	Chartering of vessels
QGTC Nakilat (1643-6) Holding Corporation *	Marshall Islands	100%	Holding Company
QGTC Nakilat (2245-8) Investment Limited *	Marshall Islands	100%	Holding Company
Nakilat Marine Services Limited *	Marshall Islands	100%	Holding Company
Nakilat Shipping (Qatar) Limited	Qatar	100%	Ship Management Company
QGTC Shipping (M.I.) Inc.	Marshall Islands	100%	Shipping Company
-QGTC Cyprus Limited	Cyprus	100%	Shipping Company

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

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19. ***Earnings Per Share:***

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

	For the year ended December 31, 2017	For the year ended December 31, 2016
Profit for the year attributable to the owners of the Company	**846,187**	954,179
Weighted average number of shares outstanding during the year	**553,871,748**	553,871,748
Basic and diluted earnings per share (expressed in QR per share)	**1.53**	1.72

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

20. ***Financial Risk Management:***

The Group has exposure to the following risks from its use of financial instruments:

I Market risk
II Liquidity risk
III Credit risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework and internal audit activities.

I ***Market Risk***

Market risk is the risk that changes in market prices, such as interest rates, equity prices and foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments.

(a) ***Interest Rate Risk***

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

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

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

(i) ***Interest Rate Sensitivity Analysis***

The Group is exposed to interest rate risk on its bank balances, loans to joint ventures and borrowings. The table below demonstrates the sensitivity of the Group's profit to reasonably possible changes on the Group's profit for one year, based on the floating interest rate of financial assets and liabilities held at **December 31, 2017**.

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

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

	December 31, 2017				December 31, 2016			
	Fixed interest rate	***Floating interest rate***	***Non-interest bearing***	***Total***	*Fixed interest rate*	*Floating interest rate*	*Non-interest bearing*	*Total*
Financial assets								
Bank balances and cash	-	**2,448,877**	**326,500**	**2,775,377**	-	1,973,013	519,547	2,492,560
Loans to joint ventures	-	**98,774**	-	**98,774**	-	135,458	-	135,458
	-	**2,547,651**	**326,500**	**2,874,151**	-	2,108,471	519,547	2,628,018
Financial liabilities								
Interest bearing loans and borrowings	**(3,968,032)**	**(5,517,061)**	-	**(9,485,093)**	(3,998,498)	(5,628,583)	-	(9,627,081)
Interest rate swap	**(11,136,494)**	-	-	**(11,136,494)**	(11,793,005)	-	-	(11,793,005)
	(15,104,526)	**(5,517,061)**	-	**(20,621,587)**	(15,791,503)	(5,628,583)	-	(21,420,086)
Net financial assets/ (liabilities)	**(15,104,526)**	**(2,969,410)**	**326,500**	**(17,747,436)**	(15,791,503)	(3,520,112)	519,547	(18,792,068)

If interest rates had been 50 basis points lower / higher and all other variables were held constant, the net effect on the profit for the year ended **December 31, 2017** would be an increase / decrease by **QR 14.8 million** (December 31, 2016: QR 17.6 million).

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

Outstanding receive floating Pay fixed contracts	*Average contracted fixed interest rate*		*Notional principal amount outstanding*		*Fair value*	
	2017	2016	**2017**	2016	**2017**	2016
	%	%	**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	**11,136**	11,793	**(2,478)**	(2,819)

In addition to the above, the Group has also accounted for its share of the negative fair value of interest rate swaps relating to Joint Ventures amounting to **QR 287 million** as of **December 31, 2017** (2016: negative fair value of QR 426 million).

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

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

(b) *Equity price risk*

The Group is subject to equity price risk in relation to 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 at the reporting date is expected to result in an increase or decrease of **QR 10.9 million** (2016: QR 13.3 million) in the assets and equity of the Group.

(c) *Currency risk*

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

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20. *Financial Risk Management (continued):*

II *Liquidity Risk*

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following are the contractual maturities of non-derivative financial liabilities including finance cost payments and excluding the impact of netting agreements, if any:

Non-Derivative Financial Liabilities

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

31 December 2016	Carrying Amounts	Less than 1 year	1-5 years	Over 5 Years
Borrowings	21,420,086	803,631	3,703,063	16,913,392
Accounts payable	522,166	522,166	-	-
	21,942,252	1,325,797	3,703,063	16,913,392

III *Credit risk*

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, loans and receivable from joint venture companies and bank balances.

The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables. Credit evaluations are performed on all customers requiring credit and are approved by the Group's management.

The credit risk on bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. Bank balances are held with reputed banks in and outside Qatar. Given this reputation management do not expect these banks to fail on their obligations.

The Group maintains a provision for doubtful receivable; the estimation of such provision is reviewed periodically and established on a case by case basis. Please refer to **note 8** for trade receivables ageing.

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20. *Financial Risk Management (continued):*

Exposure to credit risk

The Group's maximum exposure to credit risk for the components of the consolidated statement of financial position as at December 31, 2017 and 2016 is the carrying amounts as illustrated below.

	Note	Carrying amount	
		December 31, 2017	December 31, 2016
Loans to joint venture companies	6	**98,774**	135,458
Available-for-sale investments	7	**109,230**	133,596
Due from joint venture companies	17(b)	**35,665**	30,537
Trade and other receivables	8	**340,311**	326,677
Bank balances	9	**2,775,055**	2,492,237
Total		**3,359,035**	3,118,505

Fair Value of Financial Instruments

The fair value of available-for-sale investments are derived from quoted market prices in an active market. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows quoted by the respective swap counter parties. The fair value of other financial instruments approximates their carrying value.

Fair Value Hierarchy

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

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that is not based on observable market data.

31 December 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value:				
Available-for-sale investments	**109,230**	**-**	**-**	**109,230**
Financial liabilities measured at fair value:				
Interest rate swaps used for hedging	**-**	**2,478,222**	**-**	**2,478,222**
31 December 2016				
Financial assets measured at fair value:				
Available-for-sale investments	133,596	-	-	133,596
Financial liabilities measured at fair value:				
Interest rate swaps used for hedging	-	2,819,165	-	2,819,165

21. *Capital Management:*

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

21. *Capital Management (continued):*

Gearing ratio

The Group's management reviews the capital structure on a regular basis. The gearing ratio at the year-end was as follows:

	Note	**December 31, 2017**	December 31, 2016
Total debt (Borrowings)	13	**20,621,587**	21,420,086
Cash and cash equivalents	9.1	**(1,542,211)**	(1,614,207)
Net debt		**19,079,376**	19,805,879
Equity before hedging reserve and non-controlling interests		**8,686,634**	8,504,939
Add: Non-controlling interests		**4,216**	4,146
Adjusted Equity (i)		**8,690,850**	8,509,085
Net debt to adjusted equity ratio		**219%**	233%

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

22. *Commitments and Contingencies:*

(A) Swap Commitments:

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

(B) Guarantees, Letter of Credit and Commitments:

(i) *Cross Guarantees*
The Company has issued cross guarantees to the various banks with regard to loans and interest rate swaps.

(ii) Bank Guarantees at **December 31, 2017** amounted to **QR 1.51 million** (2016: QR 1.75 million).

(iii) Letters of Credits and Guarantees including the share from joint ventures at **December 31, 2017** amounted to **QR 55.8 million (**2016: QR 78.3 million).

(iv) Capital commitments including the share from joint ventures at **December 31, 2017** amounted to **QR 39.9 million** (2016: QR 19.9 million).

(v) Contingent claims including the share from joint ventures at **December 31, 2017** amounted to **QR 2.4 million** (2016: QR 2.4 million).

(C) Time Charter:

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

22. *Commitments and Contingencies (continued):*

(D) Tax Contingency:

One of the joint ventures of the Company was the lessee under finance lease arrangements for its LNG carriers. Lease payments under the lease arrangements were based on certain tax and financial assumptions at the commencement of the leases and subsequently adjusted to maintain its agreed after-tax margin. The Company terminated the Leases on December 22, 2014. However, the Company still has an obligation to the lessor to maintain the lessor's agreed after-tax margin from the commencement of the lease to the lease termination date.

The UK taxing authority (or HMRC) has been challenging the use of similar lease structures. One of those challenges was eventually decided in favour of HMRC (Lloyds Bank Equipment Leasing No. 1 or LEL1), with the lessor and lessee choosing not to appeal further. Initial indications are that HMRC will attempt to progress matters on other leases including the lease of the joint venture with the intent of asking the lessees to accept the LEL1 tax case verdict that Capital Allowances were not due, and if the joint venture was to be challenged by HMRC, it is not certain at this time whether the joint venture would eventually prevail in court. If the former lessor of the LNG Carriers were to lose on a similar claim from HMRC, the Company's estimate of share of potential exposure is estimated to be approximately QR 68.8 million. Such estimate is primarily based on information received from the lessor.

23. *Critical Accounting Estimates and Judgments:*

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

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

(i)Useful life of property and equipment:

As described in **note 3.2(b)**, the Group's management reviews the estimated useful life and residual value of the property and equipment at the end of each annual reporting period.

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

(ii) Impairment of receivables:

An estimate of the collectible amount of trade accounts receivable and due from related parties is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis.

At the reporting date, there was no allowance for impairment of due from related parties or other receivables as the Group does not have collection concern with regards to its receivables from its related parties.

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

(iii)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 a result, the fair value of the derivative (negative **QR 2,478 million**) is recorded in equity under hedging reserve.

(iv)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.

(v) Classification of lease:

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

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

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

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

24. *Operating Lease Revenue:*

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

	December 31, 2017	December 31, 2016
Not later than 1 year	**3,062,869**	3,063,835
Later than 1 year but not later than 5 years	**12,259,868**	12,263,734
Later than 5 years	**35,381,108**	38,459,903
Total	**50,703,845**	53,787,472

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25. *Operating Costs:*

Operating cost mainly includes running and maintenance costs for vessels.

26. *General and administrative expenses:*

	For the Year Ended December 31, 2017	For the Year Ended December 31, 2016
Employees Costs	**79,296**	85,763
Office rent & utilities	**25,901**	22,997
Professional fee-audit, legal & others	**8,802**	6,052
Directors' fee / AGM expenses	**7,371**	6,807
Others	**12,089**	14,289
Total	**133,459**	135,908

27. *Events after the reporting date:*

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