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
Safely, reliably and efficiently provide shipping and maritime services

Protect the environment wherever we work

Maximize shareholder return through optimized investment opportunities

Contribute to and support the Qatar National Vision 2030

Exceed customer expectations through strong partnerships

Foster passionate collaboration and capture synergies amongst the Nakilat family

Invest in human capital; attracting, retaining and developing our workforce with an emphasis on National Development
Dear Shareholders,

On behalf of Nakilat’s Board of Directors, it is my pleasure to present to you the 2018 Nakilat Annual Report. The Board of Directors is extremely pleased to acknowledge that Nakilat has been pushing the boundaries, implementing its numerous strategic long-term growth strategies by strengthening international presence, expanding its horizon through diversification strategies and pursuing operational excellence across the organization, in a bid to develop the State of Qatar as a strategic shipping and maritime hub.

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

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

With a fleet strength of 70 vessels, Nakilat now stands proud with one of the world’s largest LNG fleet comprising of 65 LNG carriers, as well as four large LPG carriers and one Floating Storage Repugasification Unit (FSRU). Through its in-house ship management, Nakilat oversees the operations of 18 vessels, comprising 14 LNG and 4 LPG carriers. The majority of Nakilat’s vessels are fixed with long-term charters to quality counterparties, allowing us to remain steadfast and resilient, steering forward its vision to be the global leader in LNG transportation whilst contributing towards the development of Qatar’s shipping and maritime industry.

Growth to deliver stronger financial performance. These acquisitions will ensure that Nakilat sustains its strong financial performance and continues to play an integral role in the country’s industry-leading status as the world’s largest exporter of clean energy.

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

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

• N-KOM completed over 886 marine and offshore projects
• NSQD successfully delivered its first two newbuilds of fast luxury superyachts constructed at Erhama bin Jaber Al Jalahma Shipyard, completing a total of 66 newbuild and refit projects
• NSH has undertaken an average of approximately 13,000 tug jobs per annum
• NAC has attended to 4,000 vessel calls in 2018

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

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

With significant accomplishments attained this past year, I am pleased to announce that we have achieved a net profit of QR 892 million for 2018, a 5.3% increase as compared to QR 847 million for 2017. As such, Nakilat’s Board of Directors is pleased to recommend the General Assembly to distribute cash dividends equivalent to ‘One Qatari Riyal’ per share for the year 2018. Nakilat’s Board of Directors would like to express its gratitude to Qatar Petroleum (QP) for its ongoing support of Nakilat’s activities, and to QP Industrial Cities for its co-operation with the Erhama Bin Jaber Al Jalahma Shipyard. We also extend appreciation to our long-term charterer Qatargas for their continued support towards Nakilat’s operations. Finally, we would also like to thank Nakilat’s partners, shareholders, management, employees, Qatar Exchange and Qatar Financial Markets Authority (QFMA) for their continued dedication and support.
I am pleased to report that Nakilat’s joint venture companies have also performed well, supported by the encouraging demand for energy transportation and maritime services.

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

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

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

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

I am pleased to report that Nakilat’s joint venture companies have also performed well, supported by the encouraging demand for ship repair, retrofits and offshore fabrication at the world-class Erhama bin Jaber Al Jalahma shipyard Nakilat-Damen Shipyard Qatar (NSDQ) also successfully delivered its first two luxury superyacht newbuilds, fully constructed in Qatar.

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

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

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

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

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

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

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

Nakilat remains optimistic that with these solid foundations proven by great accomplishments, the company has gained the growth momentum to propel us forward from good to great in the upcoming years. The future holds much promise for Nakilat and we look forward to an exciting journey ahead, crossing the oceans to deliver clean energy across the world.
2018 Financial Performance

FINANCIAL RESULTS HIGHLIGHTS FOR THE YEAR ENDED 31st DECEMBER 2018

The company recorded an underlying net profit of QR 892.2 million.

Total assets of Nakilat:
- Total assets of Nakilat were QR 29.6 billion compared to QR 29.9 billion as of December 31, 2017.
- Non-current assets, consisting mainly of investments in LNG carriers, property and equipment and other assets were QR 26.7 billion as of December 31, 2018.
- Total assets of Nakilat, including Nakilat’s share of its joint ventures assets was more than QR 44 billion.

In addition, Nakilat also has an economic interest, full, operational and management responsibilities in the QR 10.6 billion Erhama Bin Jaber Al Jalahma Shipyard, funded by Qatar Petroleum in the Port of Ras Laffan.

Total assets value of QR 54.6 billion managed by Nakilat.

Total borrowing as of December 31, 2018 was QR 19.8 billion compared to QR 20.6 billion as of December 31, 2017. This reflects repayments of the borrowings.

Total equity before hedging reserve and non-controlling interests as of December 31, 2018 was QR 9 billion compared to QR 8.7 billion as of 31st December 2017. Negative hedging reserve as of December 31, 2018 decreased at QR 2.1 billion compared to QR 2.8 billion as of December 31, 2017 due to a decrease in the year end mark to market value resulting in a decrease in the liability that reflects increased swap rates.

Revenue: 3,635 million (QAR)
Profit: 892.2 million (QAR)
Total Assets: 29.6 billion (QAR)
Earnings Per Share: 1.61 (QAR)

Credit Rating:

The three major credit rating agencies, Standard & Poor’s, Moody’s, and Fitch rate the Nakilat Inc. senior debt and Nakilat Inc. subordinated 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.
Established in 2004, Nakilat is a shipping and maritime company based in the State of Qatar. With the world’s largest Liquefied Natural Gas (LNG) shipping fleet comprising of 65 LNG carriers, the company provides the essential transportation link in Qatar’s LNG supply chain. The company also jointly owns one floating storage regasification unit (FSRU). Through its wholly-owned subsidiary Nakilat Shipping Qatar Limited (NSQL), the company manages and operates four very large LPG carriers (VLGCs) and 14 LNG carriers.

In addition to its core shipping activities, Nakilat operates the ship repair and construction facilities at Erhama Bin Jaber Al Jalalha Shipyard in Ras Laffan Industrial City via two strategic joint ventures: Nakilat-Keppel Offshore & Marine (N-KOM) and Nakilat Damen Shipyards Qatar (NDSEQ). 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 Svitzer&Wijsmuller (NSW). The company’s Vessel Support Unit (VSU) offers chandlery, storage, logistics services for vessels operating in Qatari waters.

Leading transporter of LNG

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

International outreach

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

Long-term stability

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

Sustainable workforce

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

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

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

1. Sustainable Growth
   - While we have achieved the largest global LNG shipping market share, we aspire to continue our profitable dominance in the industry landscape. We will achieve our growth targets through delivering integrated services that cover the maritime value chain.
   - We operate in a dynamic industry with fierce competition and high price elasticity where only top performers endure in the long run. Our field of play mandates the highest levels of operational and cost efficiency with no compromise on our standards of safety, reliability and quality.
   - We aim to achieve excellence on the operational level through bespoke operational monitoring and evaluation while streamlining our core processes to deliver on our promise.
   - We believe that our brand is our identity and we understand that maintaining market dominance is a function of customer centricity.
   - Our strategic focus revolves around instilling a culture of value creation for our customers, thereby reflecting that merit in our corporate image as a company that enriches customer experience and adds value in every aspect of the maritime services field.
   - Our strategic formula relies on valuable customer engagement to elevate our brand value.

2. Operational Excellence
   - At Nakilat, we believe that our success has been, and shall continue to be, internally generated through a high-caliber workforce that constitutes our most valuable asset. Our corporate support functions will continue to be instrumental in delivering their services and provisions to support our core operations in the most efficient of manners.
   - Whilst the entire organization shall be operating in harmony and alignment, our strategy will be our focus and our enabling compass that drives efficiency and effectiveness.

3. Customer Engagement
   - While we have achieved the largest global LNG shipping market share, we aspire to continue our profitable dominance in the industry landscape. We will achieve our growth targets through delivering integrated services that cover the maritime value chain.
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   - Our strategic formula relies on valuable customer engagement to elevate our brand value.

4. Organizational Performance Enablement
   - At Nakilat, we believe that our success has been, and shall continue to be, internally generated through a high-caliber workforce that constitutes our most valuable asset. Our corporate support functions will continue to be instrumental in delivering their services and provisions to support our core operations in the most efficient of manners.
   - Whilst the entire organization shall be operating in harmony and alignment, our strategy will be our focus and our enabling compass that drives efficiency and effectiveness.

OUTCOME
- Boost profit
- Increase market share

CUSTOMER
- Nakilat to be one of the top performers
- “Provide a safe, reliable and cost-effective service”
- “Add value to enrich customer experience”

INTERNAL
- Materialize profitable business opportunities
- Improve cost efficiency
- Establish a customer value-creation culture

ENABLERS
- Attract, retain & develop high quality employees
- Ensure lean, cost-efficient, and customer-oriented support functions
- Build a maritime strategy-focused organization

Sustainable Growth
Operational Excellence
Customer Engagement
Organizational Performance Enablement
History

2004 • 2007
- Nakilat established as the shipping arm of Qatar’s LNG sector in 2004
- Nakilat’s shares are listed on the Qatar Stock Exchange in 2005
- Nakilat takes delivery of its first LNG carrier in 2005
- NAC is established in 2005
- NSW is established in 2006, and awarded a 22 year service contract by Qatar Petroleum for services within the Ras Laffan Port
- Nakilat formed strategic alliance with STASCO in 2006 for management of its 25 wholly-owned LNG carriers
- Nakilat awarded a 25-year time charter contract by Qatargas for 24 LNG carriers

2008 • 2011
- 6 LMG 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
- NSQL is established in 2010
- Erhama Bin Jaber Al Jalahma Shipyard inaugurated in 2010
- N-KOM completes first LNG dry-docking project in 2011

2012 • 2014
- NSQL formed in 2012 and assumes management for four LPG carriers
- First Qatari marine cadets signed on with Nakilat
- N-KOM wins two regional awards for ‘Shipyard of the Year’ in 2012 and one in 2013
- N-KOM wins Safety & Security regional award in 2014
- NSQL delivers first three vessels constructed at the facility in 2012
- NSW is established in 2006, and awarded a 22 year service contract by Qatar Petroleum for services within the Ras Laffan Port
- Nakilat formed strategic alliance with STASCO in 2006 for management of its 25 wholly-owned LNG carriers
- Nakilat awarded a 25-year time charter contract by Qatargas for 24 LNG carriers

2015 & beyond
- Nakilat expands joint venture with Maran Ventures Inc., with two new LNG carriers in 2015
- N-KOM completes construction of first liftboat in Qatar in 2016
- NSQL delivers 8 vessels for Hamad Port in 2016
- NAC extends services to vessels calling at Doha and Hamad Port in 2016
- Nakilat won 6 awards in 2017 for excellence in safety, business operations, IT, supply chain management and Qatarization
- Nakilat completes first phase of its fleet management transition with Shell in 2017, with 10 LNG carriers transitioned to NSQL management
- Nakilat signs MDU with Hoegh LNG to explore collaboration opportunities for FSRU projects
- NSQL delivers two luxury superyacht newbuilds
Nakilat won the ‘Green Corporate Award’ at the Qatar Sustainability Awards 2018 in recognition of its success at incorporating sustainable practices across its operations and activities.

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

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

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

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

Nakilat won the prestigious British Safety Council ‘Sword of Honour Award’ for demonstrating excellence in health and safety management.

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

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

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

Nakilat received the "Innovative Player of the Year" Award by The Oil & Gas Year (TO&GY), in recognition of the company’s innovative pursuits towards sustainable growth.
Safety, Health, Environment & Quality (SHEQ)

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

Extensive IIF program

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

Quality (Integrated Management System)

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

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

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

Wholly-owned vessels

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

Joint-venture LNG vessels

- Achieved a Lost Time Injury Frequency (LTIF) of 0.00 year-to-date and Total Recordable Case Frequency (TRCF) of 0.00 year-to-date, both within the industry leading category.

NSQL-managed vessels

- Achieved a Lost Time Injury Frequency (LTIF) of 0.45 year-to-date and Total Recordable Case Frequency (TRCF) of 0.49 year-to-date, both within the industry leading category.

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

**Wholly-owned vessels**

15 vessels

<table>
<thead>
<tr>
<th>Year</th>
<th>LTIF</th>
<th>TRCF</th>
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<tbody>
<tr>
<td>2018</td>
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<td>0.79</td>
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**Joint-venture LNG vessel**

36 vessels

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<th>Year</th>
<th>LTIF</th>
<th>TRCF</th>
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</thead>
<tbody>
<tr>
<td>2018</td>
<td>0.00</td>
<td>0.00</td>
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</table>

**NSQL-managed vessels**

18 vessels

<table>
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<tr>
<th>Year</th>
<th>LTIF</th>
<th>TRCF</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>0.45</td>
<td>0.49</td>
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Nakilat Agency Company (NAC) continued its track record and remained LTIF free for 13 years since its inception. Nakilat SvitzerWijsmuller (NSW) accumulated more than 7 million exposure hours with zero LTIF and operated through 2018 with zero TRCS.
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 Initiatives:
- Distribution of updated ‘SHEQ Essentials Handbook’ to all Nakilat employees, containing essential basic information regarding safety at workplace, health-advisory, environmental management and more.
- A Safety Climate Survey was conducted to assess the company’s safety culture by gauging employees’ authentic responses. The survey obtained data from both onshore and marine (seafarers) employees demonstrating encouraging improvement in all 8 factors measured, in comparison to the previous survey.
- Successfully implemented SAP EHSM Module for all employees, leveraging on technological advancement to enhance SHEQ reporting systems. The new Incident Reporting Module provides a better interface for reporting incidents, near misses and observations (i.e. unsafe acts or unsafe conditions).
- Management of Change (MOC) process has been fully automated and implemented by incorporating the SAP EHSM MOC Module, resulting in a fully integrated, more efficient, and most importantly user-friendly approach to manage changes in the company’s processes and procedures.

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

Environmental Initiatives:
- Nakilat and its joint ventures N-KOM & NDSQ participated in the annual ‘Turtle Beach Clean-up’ activity co-organized by Qatar Petroleum’s Industrial Cities Directorate in Ras Laffan Industrial City (RLIC) to ensure a safe environment ahead of the turtle nesting season.
- Organized a Marine Conservation Awareness’ session for employees in co-ordination with Qatar’s Ministry of Municipality and Environment. An Environmental Export from the Ministry briefed employees about the importance of preservation of marine ecosystem and shared numerous marine conservation efforts ongoing in Qatar.
- ’Reduce Plastics’ awareness session presented to the seafarers during Fleet Officers Meeting (FOM), aimed to deter single-use plastics and advocate protection of the marine environment.
- Briefed employees about the importance of environmental protection and conservation efforts ongoing in Qatar. Collaboration with Ministry of Municipality & Environment, Tree planting initiative with local school students in the leadership capability in the organization.
- Contributed IT equipment to Qatar Red Crescent Society, in support of their various humanitarian initiatives.
- Presented employees donation to Qatar Charity for Kerala Flood Relief Donation Campaign to aid affected victims.
- Organized blood donation drives to help save lives in collaboration with Hamad Medical Corporation (HMC).
- Raised awareness about Qatar Charity’s online donation program for humanitarian causes.
- Addressed Qatar Development Bank (QDB) employees during an inspirational talk to enhance communications and personal development.
- Successfully concluded the ‘Green Corporate Campaign’ with Qatar University’s students, raising awareness on the importance of sustainability practices.
- Engaged youths from local school and universities through various Student Outreach Programs, providing valuable career insights and tips.
- Shared professional experiences during Qatar University’s Business & Networking Event.
- Tree planting initiative with local school students in collaboration with Ministry of Municipality & Environment and the Ministry of Education & Higher Education, to educate them about the importance of environmental protection and preservation.
Corporate Governance:

About Nakilat Annual Report

Financial Performance

Nakilat Annual Report 2018

2018 Business Overview

Business Continuity Management (BCM):

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

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

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

Enterprise Risk Management (ERM):

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

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

Risk Management

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

Enterprise Risk Management (ERM):

Evolving our approach so that BCM is more closely tied to our business processes and integrated with the Enterprise Risk Management (ERM) process

Taking a more holistic perspective of our enterprise BCM, which cuts across corporate business unit’s support processes and fleet operations

Identifying interdependencies among departmental boundaries, including people, process, information and technology

Prioritizing our focus to help integrate response plans and create end-to-end business continuity plans (BCPs)

Establishing a consistent company-wide approach and common language across the enterprise for BCP

Information Security Certification:

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

Corporate Governance:

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

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

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

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

Nakilat’s Governance Report has been prepared in compliance with QFMA governance code and shared with all concerned stakeholders and the public on Nakilat’s website www.nakilat.com.
LNG Market Overview:
The LNG shipping industry is witnessing a significant increase in shipping demand, which had a positive effect on charter rates for shipowners, with spot rates increasing by more than 100%, compared to 2017, while 1-year time charter rates increased by 70%. The market is witnessing a change in the duration of time chartering as well, with some recent fixtures being for an average of period of seven years.

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

We have seen a shift in terms of vessels technology in the past few years. Based on existing and orderbook vessels, by 2021, 64% of vessels will be equipped with Steam Turbine engines (currently operational is at 59%), followed by Dual Fuel Diesel Electric engines at 30% of fleet, than Slow Speed Gas Injection engines at 16% (currently operational is at 7%). The interest in moving to a newer, more efficient technology poses benefits for both owners and charterers due to the fuel efficiency it brings which consequently improves unit freight cost.

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

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

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

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

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

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

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

2018 LNG Fleet Highlights:

- **No. of LNG Cargos**: 685
- **Volume of LNG Shipped**: 128,319,780 m³
- **Distance Travelled by LNG Carriers**: 3,162,632 Nm

### LNG Discharge Terminals:

**ASIA**
- Bangladesh: Bangladesh LNG
- China: Fujian
- Egypt: Ain Sokhna FSRU 2
- Japan: Futsu, Higashihama, Hiromi, Joetsu Chubu, Kawagoe, Negishi, Ohgishima, Sakai
- Jordan: Aqaba
- Kuwait: MAAG
- Singapore: SLNG
- South Korea: Gwangyang, Incheon, Pyeong Taek, Tongyeong
- Taiwan: Taichung, Yung An
- Thailand: Rayong MTP
- Turkey: Aliaga, Dortyol FSRU

**EUROPE**
- Belgium: Zeebrugge
- France: Dunkerque, Fos Cavaou
- Italy: Rovigo, Toscana
- Portugal: Sines
- Spain: Barcelona, Bilbao, Huelva, Mugardos
- The Netherlands: Gate
- United Kingdom: Dragon, South Hook

**AFRICA**
- Egypt: Ain Sokhna FSRU 2
- Ghana
- Dangote FSRU
- Ethiopia
- Mozambique
- Namibia
- South Africa

**NORTH AMERICA**
- Argentina: Bahía Blanca
- Mexico: Altamira, Manzanillo, United States: Elba Island

**SOUTH AMERICA**
- Brazil: Santos
- Chile: Quintero, Valparaíso
- Colombia: Cartagena (COL)

**CENTRAL AMERICA**
- Costa Rica: Guanacaste

**OVERALL FLEET SIZE**
- **Total LNG Vessels**: 70
- **NSQL Operated LNG Vessels**: 14
- **NSQL Operated LPG Vessels**: 4

**DELIVERING CLEAN ENERGY TO THE WORLD**
Shipyard

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

Nakilat-Keppel Offshore & Marine

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

2018 highlights

• Maintained Zero LT1 track record
• Completed 126 Marine repairs, including first in the region and one of the first worldwide to retrofit a tanker with a Scrubber system
• Completed 28 Offshore repair/fabrication and industrial engineering projects

Facilities:

▶ Two graving docks [360m x 6m and 400m x 8m]
▶ One floating dock [40m x 3.6m]
▶ Piers and quays totaling 3,150m in length, equipped with 15 jib cranes of varying capacities (30, 50 and 100 tonnes)
▶ Complete range of support facilities, such as steel shop, machine shop, pipe shop, mechanical and electrical shops, cryogenic cleanrooms and large stores
▶ The facility for small vessel repairs has four tower cranes of 25-tonne lifting capacity each, two mobile boat hoists (30-tonne and 1,100-tonne), a floating quay of 200m, dry berth area as well as a production support facility

Nakilat Damen Shipyards Qatar

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

Facilities:

▶ Construction Hall of 270m in length by 65m wide, Assembly Hall consisting of four bays
▶ Finishing and refit hall for high-value vessels, 180m long x 70m wide x 50m high
▶ Two separate bays that are independently climate controlled
▶ Outfitting pier of 400m in length equipped with a 30-tonne crane
▶ Load-Out and Recovery (LOR) Barge with 10,000 tonnes lifting capacity
▶ Workshops, stores and other support facilities

2018 highlights

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

28 Marine vessel repairs

126

28 Offshore fabrication projects

26 Yacht refits completed

40 Newbuilds delivered

2018 Business Overview
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.

Marine Services

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

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

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

Nakilat Svitzerwijsmuller

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

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

2018 highlights

- All time activity record, performing 13,349 tug jobs for the Ras Laffan Port, an increase of 5.3% YoY 2017
- Incident and Injury free year, incurring zero LTI and zero TRC, accumulating 7.3 million exposure hours without incurring LTI
- Successfully supported Qatar Gas in the ‘shut-down and refit program’ on both SPM-CALM buoys off Ras Laffan
- Successfully attended to more than 3,650 vessels at ports and terminals across Qatar
- Achieved zero lost time incidents since inception in 2005
- Maintained a major market share for vessel attendance in Ras Laffan and Mesaieed Ports

Nakilat Agency Company (Nac)

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

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

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

2018 highlights

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

2018 highlights

- Volume of services provided has increased by over 50% in 2018 compared to 2017
- Over 200 different types of vessels through approximately 800 calls have utilized VSU services at Ras Laffan, including Nakilat-owned, Joint Venture and third party vessels
- All time activity record, performing 13,349 tug jobs for the Ras Laffan Port, an increase of 5.3% YoY 2017
- Incident and Injury free year, incurring zero LTI and zero TRC, accumulating 7.3 million exposure hours without incurring LTI
- Successfully supported Qatar Gas in the ‘shut-down and refit program’ on both SPM-CALM buoys off Ras Laffan
Financial Results

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

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

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INDEPENDENT AUDITOR’S REPORT
QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QPSC)

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

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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.

Description of key audit matters

Fair valuation and hedge effectiveness of cash flow hedges – refer to note 17 and note 1.1.3 in the consolidated financial statements

We focused on this area because:

- The Group entered into a number of interest rate swaps agreements to hedge its exposure to interest rate risk. These hedge transactions gave rise to derivative financial liabilities of QAR 1,943,178 thousand (2017: QAR 2,478,222 thousand). This represents 11.9% of the Group’s total liabilities, hence a material portion of the consolidated financial position.

- The hedging instruments are required to be fair valued at each reporting date. The valuation of the hedging instruments and forming a conclusion that hedge continues to be effective requires a significant degree of complexity and judgment, hence, was considered to be a key audit matter.

How the matter was addressed in our audit

Our audit procedures in this area included, among others:

- Assessing whether the hedge instruments are correctly classified as cash flow hedges by reference to the requirements of the relevant accounting standards.

- Involving our valuation specialist to support us in challenging the valuation produced by the Group and assessing the appropriateness of the hedge effectiveness methodology.

- Re-calculating the current and future values from an independent source on a sample basis.

- Evaluating the adequacy of the disclosures in the consolidated financial statements including disclosures of key assumptions, judgments and sensitivities.
INDEPENDENT AUDITOR’S REPORT (CONTINUED)
QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QPSC)

Description of key audit matters

Carrying value of property and equipment - refer to note 4 to the consolidated financial statements

We focused on this area because:

・The carrying value of the Group’s property and equipment as at 31 December 2018 was QR 71,647,958 thousand (2017: QR 77,487,711 thousand) and the related depreciation charge for the year was QR 757,551 thousand (2017: QR 702,931 thousand) respectively. This represents 73.4% and 84.9% of the Group’s total assets and the net profit respectively, hence a material portion of the consolidated financial position and consolidated income.

・The life of the assets including estimation of residual values for the purpose of depreciation charge are reviewed annually by the management with reference to the available facts and circumstances. This involves a significant degree of management judgment and estimation. Hence, we consider this to be a key audit matter.

How the matter was addressed in our audit

Our audit procedures in this area included among others:

・Testing the design and implementation of key controls around the processes of estimating useful lives and residual values.

・Assessing the reasonableness of Group management’s assertions and estimates regarding estimated useful lives and residual values based on our knowledge and experience of the industry, and

・Challenging the Group’s assessment of possible internal and external indicators of impairment in relation to the assets, such as obsolescence, decline in market value, operating losses etc., based on our knowledge and experience of the industry and understanding of the client’s business operations.

Investments in joint ventures - refer to note 5 to the consolidated financial statements

We focused on this area because:

・The Company has investments in joint ventures whose operations are spread across Qatar and outside Qatar.

・The carrying value of investments in joint ventures and the Company’s share of results in the joint ventures represent 15.6% and 44.4% of the Group’s total assets and the net profit respectively, hence a material portion of the consolidated financial position and consolidated income.

How the matter was addressed in our audit

Our audit procedures in this area included among others:

・Assessing the audited financial information submitted by the joint ventures for consistency with the accounting policies of the Group;

・Obtaining the Group’s joint venture accounting schedule to confirm whether the Group’s processes in the joint ventures’ results in the profits, other comprehensive income and net assets were accounted in accordance with the Group’s participatory interests in the joint ventures; and

・Assessing the adequacy of the Group’s disclosures in relation to the investments in joint ventures by reference to the requirements of the relevant accounting standards.

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

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

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

When we read the Annual Report, if we conclude that there is a material misstatement therein we are required to communicate the matter with the Board of Directors.
INDEPENDENT AUDITOR’S REPORT (CONTINUED)
QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QPSC)

Report on the Audit of the Consolidated Financial Statements (Continued)
Responsibilities of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IPSAS, and the Group’s internal control as the Board of Directors determines to be 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

The objectives of an audit of financial statements 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures in response 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 concealing, artifice or collusion to produce false financial statements. It also includes assessing 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 provide the information that users can use during the period 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 affect 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 auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.
INDEPENDENT AUDITOR’S REPORT (CONTINUED)
QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QPSC)

Report on Other Legal and Regulatory Requirements

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

17 February 2019
Doha
State of Qatar

Ronco

Ceylan Bothuprassamal
Qatar Auditors' Registry No. 562
KPMG
Licensed by QFIA: External Auditor’s License No. XII8152

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

<table>
<thead>
<tr>
<th>Note</th>
<th>December 31, 2018</th>
<th>December 31, 2017</th>
</tr>
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<tbody>
<tr>
<td></td>
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<td></td>
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<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
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<tr>
<td>Non-Current Assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property and equipment</td>
<td>4</td>
<td>13,840,986</td>
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<tr>
<td>Investment in joint venture companies</td>
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<td>Loans to joint venture companies</td>
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<td>Equity investments</td>
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<td><strong>Total Non-Current Assets</strong></td>
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<td>Current Assets:</td>
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<td>Inventories</td>
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<tr>
<td>Trade and other receivables</td>
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<td>2,463,626</td>
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<tr>
<td>Due from joint venture companies</td>
<td>17(9)</td>
<td>95,592</td>
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<tr>
<td>Cash and bank balances</td>
<td>9</td>
<td>2,463,626</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>2,983,852</td>
<td>3,175,158</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>19,642,491</td>
<td>29,919,385</td>
</tr>
</tbody>
</table>

The accompanying notes 1-26 form an integral part of these consolidated financial statements.
QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QPSC)
DOHA - QATAR
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS OF DECEMBER 31, 2018
(Amount Expressed in Thousands of Qatari Riyals)

EQUITY AND LIABILITIES

<table>
<thead>
<tr>
<th>NOTE</th>
<th>December 31, 2018</th>
<th>December 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>18</td>
<td>5,528,971</td>
</tr>
<tr>
<td>Legal reserve</td>
<td>13</td>
<td>883,896</td>
</tr>
<tr>
<td>Fair value reserve</td>
<td></td>
<td>33,049</td>
</tr>
<tr>
<td>Proposed cash dividend</td>
<td>10.1</td>
<td>554,856</td>
</tr>
<tr>
<td>Retained earnings</td>
<td></td>
<td>2,833,683</td>
</tr>
<tr>
<td>Equity before hedging reserve and non-controlling interests</td>
<td></td>
<td>9,810,625</td>
</tr>
<tr>
<td>Hedging reserve</td>
<td>12</td>
<td>(1,867,700)</td>
</tr>
<tr>
<td>Equity after hedging reserve and before non-controlling interests</td>
<td></td>
<td>8,942,925</td>
</tr>
<tr>
<td>Non Controlling Interests</td>
<td></td>
<td>6,264</td>
</tr>
<tr>
<td>Total Equity and Liabilities</td>
<td></td>
<td>9,909,189</td>
</tr>
</tbody>
</table>

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

Dr. Mohammed bin Saleh Al Sada
Chairman

Ahamed Al Ali Salehi
Vice Chairman

Abdulrahman Fadlallah Al Salahi
Chief Executive Officer

The accompanying notes 1-48 form an integral part of these consolidated financial statements.
The accompanying notes 1 to 38 form an integral part of these consolidated financial statements.
QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QPSC)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amount Expressed in Thousands of Qatari Riyals)

For the year ended December 31, 2018  For the year ended December 31, 2017

Note

Cash Flows from Operating Activities:

Profit for the year  897,819  847,197
Adjustments for:
Depreciation of property and equipment  4  757,903  587,454
Finance charges  1,172,359  1,177,341
Share of results from joint ventures  5  (196,492)  (339,049)
Interest income on loans to joint ventures  3,546  (1,816)  6,856
Interest, dividend and profit from Islamic funds  75,876  34,157
Other income  4,043  (102,957)
Pension for employees and service benefits  4,854  4,863

2,311,236  2,290,335

Working Capital Changes:

Inventories  (100)  (1,067)
Trade and other receivables  45,120  (10,818)
Accounts payable and accruals  23,213  (20,877)
Other liabilities  41,928  (11,120)
Due from joint venture companies  (14,426)  (9,546)
Due to joint venture companies  37,479  9,421

Cash generated from operations  2,256,906  2,271,503
Finance charges paid  (11,731)  (1,662,920)
Employment and service benefits paid  (8,368)  (1,728)

Net Cash From Operating Activities  2,117,822  1,088,977

Cash Flows from Investing Activities:

Loans to joint venture companies-net  94,092
Inception till return of investment from joint venture  5  (67,297)  282,740
Dividend income received from joint venture  5  109,310  225,131
Acquisitions of interest in property and equipment  4  (285,227)  1,206
Costs incurred on equity investments-ARS  -  (726)
Investment income received  1,238,977  108,701
Three deposits maturing after 90 days  (186,251)  (2,564,570)

Net Cash (Used) From Investing Activities  (238,955)  219,179

Cash Flows From Financing Activities:

Dividends paid to shareholders  (541,472)  (535,795)
Undivided transfer to separate bank account  (23,448)  (1,702)
Dividend paid against non-controlling interests  -  (1,215)
Repayments of borrowings  (431,749)  (361,614)

Net Cash Used in Financing Activities  (1,807,159)  (1,777,341)

Net Decrease in Cash and Cash Equivalents  (1,675,282)  (1,708,152)
Cash and Cash Equivalents at Beginning of the Year  1,674,113  1,444,207

Cash and Cash Equivalents at End of the Year  9,1  1,651,228  1,544,211

1. Summary of Entity

Qatar Gas Transport Company Limited ("Qatargas") and its subsidiaries ("the Company") is a public shareholding company incorporated in the State of Qatar on June 9, 2004, under Commercial Registration Number 25556 issued by the Ministry of Economy and Commerce. The shares of the Company started trading at the Qatar Exchange on April 7, 2003.

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 and subject to the same economic risks.


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

A. IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 “Revenue” and related interpretations. The Group has prospectively generated revenue from leasing vessels, hence, it was not retrospectively affected by the adoption of IFRS 15.

B. IFRS 9 “Financial Instruments”

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

Changes in accounting policies arising from the adoption of IFRS 9 have been applied using a modified retrospective method. The Group has taken an exemption not to restate compensation information of joint ventures. Differences in the accounting policies of the financial assets and financial liabilities arising from the adoption of IFRS 9 are recognized in retained earnings as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.

Net impact from the adoption of IFRS 9 as at 1 January 2018 was a decrease in retained earnings of QR 18,135 thousand.

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

IFRS 9 contains three principal classification categories for financial assets; measured at amortized cost, FVOCI and FVPL. The classification of financial assets under IFRS 9 is primarily based on the business model in which a financial asset is managed and its contractual cash flows characteristics. IFRS 9 electros all the previous IAS 39 categories of held-to-maturity, loan and receivables and available-for-sale.

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

The accompanying notes 1 to 38 form an integral part of these consolidated financial statements.

2.3 Newly effective amendments and improvements to standards (continued)

(a) Classification and measurement of financial assets and financial liabilities (removal)

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

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group’s financial assets and financial liabilities as at 31 January 2018.

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

<table>
<thead>
<tr>
<th>Note</th>
<th>Original classification under IAS 39</th>
<th>New classification under IFRS 9</th>
<th>Original carrying amount under IAS 39</th>
<th>New carrying amount under IFRS 9</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity securities</td>
<td>Available-for-sale</td>
<td>Equity instrument - FVOCI</td>
<td>100,230</td>
<td>100,230</td>
</tr>
<tr>
<td></td>
<td>Loans and receivables</td>
<td>Amortized cost</td>
<td>340,311</td>
<td>339,776</td>
</tr>
<tr>
<td></td>
<td>Cash and cash equivalents</td>
<td>Amortized cost</td>
<td>1,542,211</td>
<td>1,542,211</td>
</tr>
<tr>
<td></td>
<td>Loans and receivables</td>
<td>Amortized cost</td>
<td>98,774</td>
<td>98,774</td>
</tr>
<tr>
<td>Due from joint ventures and companies</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Loans and receivables</td>
<td>Amortized cost</td>
<td>35,645</td>
<td>35,645</td>
</tr>
<tr>
<td><strong>Total financial assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2,126,181</td>
<td>2,125,656</td>
</tr>
</tbody>
</table>

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

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

2.4 Requirement of financial assets

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

Impact of the new impairment model

For financial assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of IFRS 9’s impairment requirements at 1 January 2018 results in an additional impairment allowance of QAR 10,133 thousand. The following table summarizes the impact of translation as IFRS 9 on the operating balances of related entities.

2.1 New and amended standard and yet effective, but available for early adoption (continued):

Introduction

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

3. Basis of Preparation and Significant Accounting Policies:

3.1 Basis of Preparation:

3.1.1 Statement of Conclusions:

These consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and in compliance with Qatar Commercial Law No. 11 of 2013, as applicable.

b) Basis of measurement:

These consolidated financial statements have been prepared under the historical cost basis, except for the equity investments and cash flow hedging derivatives which are carried at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Revaluations of assets that are 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 translated in the annual statements, except when otherwise indicated.

d) Use of estimates and judgements:

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, 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 assets involving a higher degree of judgement or complexity, as areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 13 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 (on reorganization) and the shares of interests in equity of joint ventures and associates indirectly controlled by the "Group". Revises notes 5 and 13 for details.
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(Amount Expressed in Thousands of Qatari Riyals)

3 Basis of Presentation and Significant Accounting Policies (continued)

3.2 Significant Accounting Policies (continued)

o Financial Instruments (continued)

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

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

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

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

The Group has determined that initial recognition criteria are met for certain receivables and the cash flows associated with respect to the business model are consistent with the cash flows expected and experienced with respect to those receivables.

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

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual cash flows or earning cash flows from changes in the value of the instrument,
- the performance of the portfolio is evaluated and reported to the Group's management,
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed,
- the trajectory, volume and timing of cash flows from financial assets in prior periods, the revenues from such cash flows and expectations about future cash flows.

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

Financial assets – Assessments related to transfers: Cash flows are solely payments of principal and interest

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

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

- contingent events that would change the amount or timing of cash flows,
- terms that may adjust the contractual compensation, including variable rate features,
- payment and extension features, and
- terms that impact the group's claim to cash flows from specified assets (e.g., non-recourse features).
### 3.3 Significant Accounting Policies (continued)

#### a) Financial Instruments (continued)

A financial asset is measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss is reclassified as profit or loss.

<table>
<thead>
<tr>
<th>Financial assets at amortized cost</th>
<th>These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss is reclassified as profit or loss.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial assets at Fair Value Through Profit or Loss (FVTPL)</strong></td>
<td>These assets are subsequently measured at fair value. Net gains and losses, including any realized or unrealized gains and losses, are recognized in profit or loss. The Company does not hold such assets.</td>
</tr>
<tr>
<td><strong>Derivative instruments at Fair Value Through Other Comprehensive Income (FVOCI)</strong></td>
<td>These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified as profit or loss. The Company does not hold such assets.</td>
</tr>
<tr>
<td><strong>Equity investments at Fair Value Through Other Comprehensive Income (FVOCI)</strong></td>
<td>These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never derecategorized or reclassified.</td>
</tr>
</tbody>
</table>

### Financial assets – policy applicable from 1 January 2018

The Group classified its financial assets into loans and receivables category (equity investments, loans to joint ventures, trade and other receivables, due from joint ventures companies and cash and bank balances).

#### a) Financial Liabilities – Determined subsequent to measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is exchanged on a market with market prices. A financial liability is measured at amortized cost using the effective interest method. Interest payments and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.
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QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QPSC)

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(Amount Expressed in Thousands of Qatari Riyals)

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

1.2 Significant Accounting Policies (continued)

4) Financial Instruments (continued)

De derecognition of financial liabilities

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

Offsetting

Financial assets and financial liabilities can 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 realize the asset and settle the liability simultaneously.

a) Inventories

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

j) Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event and the existence of the obligation is probable and can be reliably measured.

k) Employees’ Post-Service Benefits and Pension Contributions

Employees’ post-service benefits represent terminal salaries 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 can occur over the period of employment. The Group has an expectation of settling its post service benefits obligations in near term and hence classified this as a non-current liability.

Under local law No. 34 of 2003 on Retirement and Pension, contributions by the Company to a Government Fund Scheme for Qatar employees are calculated as a percentage of the Qatar employees’ salaries. The Company’s obligations are limited to the contributions which are suspended when and resumed in the General Retirement and Pension Authority on a monthly basis.

b) Revenue and other income

Revenue from charter parties is recognized on the actual method in line with agreements entered into with charter parties under the operating lease as costs and revenues relating to the ownership of the vessels move at a uniform rate. Revenue from repairs and agency services is recognized as and when the services are rendered. Revenue from vessel sub-chartering is recognized on the actual basis.

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

Dividend income from investments is recognized when the shareholder’s right to receive payment is established.
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(Amount Expressed in Thousands of Qatari Riyals)

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

3.2 Significant Accounting Policies (continued)

Impairment (continued)

Presentation of allowance for BCL in the statement of financial position

Less allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group individually assesses an asset with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amounts written off. However, financial assets that are written off would still be subject to rehabilitation initiatives in order to comply with the Group’s procedures and recovery of recoverable debt.

Non-derivative financial assets - policy applicable before 1 January 2018

Financial assets classified as loans and receivables were measured at each reporting date to determine whether there were objective indications of impairment.

Objective evidence that financial assets were impaired included:

- default or delay in payment by a debtor;
- restructuring of an asset due to the Company’s view that the Group would not consider allowing a waiver or extension;
- indications that a debtor would restructure or otherwise restructure a financial asset;
- observable data indicating that there was a measurable decrease in the expected cash flows from a group of financial assets.

Impairment of Non-Financial Assets

The carrying amount of the Group’s non-financial assets other than inventories was tested 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 the consolidated statement of income, wherever 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 in the estimate used to determine the recoverable amount.

Impairment losses recognized in prior periods are reassessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed in the estimate used to determine the recoverable amount.

b) 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 differences is included in the consolidated statement of income.

The individual financial statements of subsidiaries and joint ventures in the Group are translated in the currency of the foreign organization, in which they operate (functional currency), for the purpose of these consolidated financial statements, the results and financial position of each entity are expressed in the presentation currency of the parent company.
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3. Basis of Presentation and Significant Accounting Policies (continued):

3.2 Significant Accounting Policies (continued):

a) 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 or vest substantially all the risks and benefits of ownership of the asset or have a short-term operating lease. Operating lease payments were recognized as an expense in the statement of income on a straight-line basis over the lease term.

b) Operating Segments:

Wholly owned gas transportation vessels in the group’s primary operating segment based on the nature of the services provided. Other segments including agency and marine services are unsegmented and are immaterial.

These financial statements are therefore presented on a single reportable segment basis.

4. Property and Equipment:

\[
\begin{array}{c|c|c|c|c|c}
\text{Item} & \text{Cost} & \text{Depreciation} & \text{Accumulated Depreciation} & \text{Net Carrying amount} \\
\hline
\text{Furniture, Fixtures and Equipment} & & & & \\
\hline
\text{Cost} & \text{Depreciation} & \text{Accumulated Depreciation} & \text{Net Carrying amount} & \\
\hline
\text{At January 1, 2017} & 27,677,383 & 11,701 & 90,918 & 371,099 & 27,953,315 \\
\text{Additions/Adjustments during the year 2017} & (5,400) & - & - & - & (5,400) \\
\hline
\text{At December 31, 2017} & 27,677,383 & 11,701 & 90,918 & 371,099 & 27,953,315 \\
\text{Additions during the year 2018} & 224,478 & 49 & - & - & 224,527 \\
\hline
\text{At December 31, 2018} & 27,901,861 & 12,138 & 91,353 & 389,632 & 27,622,574 \\
\end{array}
\]

5. Investment in Joint Venture Companies:

\[
\begin{array}{c|c|c|c|c|c|c}
\text{Name of Joint Venture} & \text{Investment} & \text{Overall} & \text{Prorata} & \text{Activity} \\
\hline
\text{Mizar Nakilat Company Ltd.} & & & & \\
\text{15 Nakilat No. 1 Ltd.} & & & & \\
\text{15 Nakilat No. 2 Ltd.} & & & & \\
\text{15 Nakilat No. 3 Ltd.} & & & & \\
\text{15 Nakilat No. 4 Ltd.} & & & & \\
\text{15 Nakilat No. 5 Ltd.} & & & & \\
\text{15 Nakilat No. 6 Ltd.} & & & & \\
\text{15 Nakilat No. 7 Ltd.} & & & & \\
\text{15 Nakilat No. 8 Ltd.} & & & & \\
\text{Peninsula LNG Transport No. 1 Ltd.} & & & & \\
\text{Turkey Nakilat Corporation} & & & & \\
\hline
\text{Name of Joint Venture} & \text{Investment} & \text{Overall} & \text{Prorata} & \text{Activity} \\
\hline
\text{Mizar Nakilat Company Ltd.} & & & & \\
\text{15 Nakilat No. 1 Ltd.} & & & & \\
\text{15 Nakilat No. 2 Ltd.} & & & & \\
\text{15 Nakilat No. 3 Ltd.} & & & & \\
\text{15 Nakilat No. 4 Ltd.} & & & & \\
\text{15 Nakilat No. 5 Ltd.} & & & & \\
\text{15 Nakilat No. 6 Ltd.} & & & & \\
\text{15 Nakilat No. 7 Ltd.} & & & & \\
\text{15 Nakilat No. 8 Ltd.} & & & & \\
\text{Peninsula LNG Transport No. 1 Ltd.} & & & & \\
\text{Turkey Nakilat Corporation} & & & & \\
\hline
\end{array}
\]

This excludes capital work in progress amounting to Qat 2.0 million (Qat 4.5 million).
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DOHA - QATAR
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amount Expressed in Thousands of Qatari Riyals)

5. Investment in Joint Ventures Companies (continued):

<table>
<thead>
<tr>
<th>Name of Joint Venture</th>
<th>Place of Incorporation</th>
<th>Proportion of Ownership Interest</th>
<th>Principal Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nakilat Maritime Services WLL</td>
<td>Qatar</td>
<td>70%</td>
<td>Chartering of vessels</td>
</tr>
<tr>
<td>GM Transport Company WLL</td>
<td>Qatar</td>
<td>50%</td>
<td>Chartering of vessels</td>
</tr>
</tbody>
</table>
| NP Maritime Services WLL | Qatar | 90% | Operates and maintains the Skim Resolve Tug, Designs, constructs, 
and operates the Skim Resolve Tug |
| Nakilat Thanes Shipping Qatar Limited | Qatar | 70% | Chartering of vessels |

**Although the Group holds more than half of the equity shares in these entities, it does not exercise control over them. Calculation used assumes control of both parties. The Group does not have any agreements regarding to the assets and obligations for the liabilities relating to these joint ventures. Consequently, the above joint ventures are accounted for under equity method in the consolidated financial statements.**

5.1 Recognised financial information in respect of the Group’s joint venture companies separately amounts shown in the financial statements of respective joint venture prepared in accordance with IFRS (adjusted by the Group for equity accounting purposes) whereas the financial information framework in note 2.

<table>
<thead>
<tr>
<th>As at December 31, 2018</th>
<th>ZA Joint Ventures</th>
<th>Internal Nakhilat Company</th>
<th>Nakilat Joint Ventures</th>
<th>GSNC Nakhilat</th>
<th>Gilt LPG</th>
<th>Equity &amp; Other Joint Ventures</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>3,666,822</td>
<td>2,107,158</td>
<td>2,627,269</td>
<td>532,218</td>
<td>155,812</td>
<td>4,960,583</td>
<td>5,425,332</td>
</tr>
<tr>
<td>Receivables</td>
<td>2,623,962</td>
<td>1,263,501</td>
<td>313,970</td>
<td>329,933</td>
<td>60,643</td>
<td>3,986,577</td>
<td>4,173,327</td>
</tr>
<tr>
<td>Interest-bearing receivables</td>
<td>2,687,931</td>
<td>7,683,134</td>
<td>2,875,758</td>
<td>2,875,758</td>
<td>1,392,156</td>
<td>7,085,758</td>
<td>8,068,288</td>
</tr>
<tr>
<td>Net receivables</td>
<td>21,332,322</td>
<td>13,251,751</td>
<td>11,038,673</td>
<td>11,038,673</td>
<td>9,293,894</td>
<td>26,634,977</td>
<td>27,801,050</td>
</tr>
<tr>
<td>Inventories</td>
<td>1,682,921</td>
<td>12,659,996</td>
<td>12,966,710</td>
<td>12,966,710</td>
<td>12,966,710</td>
<td>14,653,707</td>
<td>27,621,420</td>
</tr>
<tr>
<td>Work in progress</td>
<td>2,606,003</td>
<td>1,393,338</td>
<td>1,434,695</td>
<td>1,434,695</td>
<td>1,434,695</td>
<td>2,868,033</td>
<td>5,470,033</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>1,250,003</td>
<td>1,250,003</td>
<td>1,250,003</td>
<td>1,250,003</td>
<td>1,250,003</td>
<td>2,500,006</td>
<td>5,000,006</td>
</tr>
<tr>
<td>Total assets</td>
<td>26,431,249</td>
<td>28,564,790</td>
<td>26,540,478</td>
<td>26,540,478</td>
<td>26,540,478</td>
<td>53,071,707</td>
<td>106,073,524</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>As at December 31, 2017</th>
<th>ZA Joint Ventures</th>
<th>Internal Nakhilat Company</th>
<th>Nakilat Joint Ventures</th>
<th>GSNC Nakhilat</th>
<th>Gilt LPG</th>
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<tbody>
<tr>
<td>Cash and cash equivalents</td>
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<td>329,933</td>
<td>60,643</td>
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<td>4,173,327</td>
</tr>
<tr>
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<td>9,293,894</td>
<td>26,634,977</td>
<td>27,801,050</td>
</tr>
<tr>
<td>Inventories</td>
<td>1,682,921</td>
<td>12,659,996</td>
<td>12,966,710</td>
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<td>12,966,710</td>
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</tr>
<tr>
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</tr>
<tr>
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<td>28,564,790</td>
<td>26,540,478</td>
<td>26,540,478</td>
<td>26,540,478</td>
<td>53,071,707</td>
<td>106,073,524</td>
</tr>
</tbody>
</table>

6. Loans to Joint Venture Companies:

<table>
<thead>
<tr>
<th>December 31, 2018</th>
<th>December 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>India LNG Transport Company No. 3 Limited</td>
<td>India LNG Transport Company No. 3 Limited</td>
</tr>
<tr>
<td>7,545</td>
<td>6,722</td>
</tr>
<tr>
<td>Nakilat Scawani WLL</td>
<td>Nakilat Scawani WLL</td>
</tr>
<tr>
<td>4,670</td>
<td>2,973</td>
</tr>
<tr>
<td>Nakilat Thanes Shipping Qatar Limited</td>
<td>Nakilat Thanes Shipping Qatar Limited</td>
</tr>
<tr>
<td>26,144</td>
<td>23,129</td>
</tr>
<tr>
<td>Total</td>
<td>Total</td>
</tr>
<tr>
<td>38,359</td>
<td>33,224</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>December 31, 2018</th>
<th>December 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>India LNG Transport Company No. 3 Limited</td>
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</tr>
<tr>
<td>7,545</td>
<td>6,722</td>
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</tr>
<tr>
<td>4,670</td>
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<tr>
<td>26,144</td>
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</tr>
<tr>
<td>Total</td>
<td>Total</td>
</tr>
<tr>
<td>38,359</td>
<td>33,224</td>
</tr>
</tbody>
</table>

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 as at December 31, 2018 is 3.898% (2017: 1.490%).
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amount Expressed in Thousands of Qatari Riyals)

7. Loans and other receivables:

<table>
<thead>
<tr>
<th>Description</th>
<th>December 31, 2018</th>
<th>December 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans Receivable</td>
<td>22,201</td>
<td>28,272</td>
</tr>
<tr>
<td>Less: Provisions for doubtful receivables</td>
<td>(1,484)</td>
<td>(1,484)</td>
</tr>
<tr>
<td>Total</td>
<td>20,717</td>
<td>26,788</td>
</tr>
</tbody>
</table>

(7) Provisions for doubtful receivables are made on the following basis:

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

(8) Aged as of December 31, 2018:

<table>
<thead>
<tr>
<th>Aged as of December 31, 2018</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 90 days</td>
<td>7,297</td>
</tr>
<tr>
<td>91 - 180 days</td>
<td>2,832</td>
</tr>
<tr>
<td>Over 180 days</td>
<td>6,644</td>
</tr>
<tr>
<td>Total</td>
<td>16,773</td>
</tr>
</tbody>
</table>

9.1 Cash and Cash Equivalents:

<table>
<thead>
<tr>
<th>Description</th>
<th>December 31, 2018</th>
<th>December 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash balances</td>
<td>2,463,823</td>
<td>2,775,377</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other bank balances (a)</td>
<td>(28,481)</td>
<td>(20,497)</td>
</tr>
<tr>
<td>Other bank balances (b)</td>
<td>(3,260,925)</td>
<td>(3,260,925)</td>
</tr>
<tr>
<td>Time deposits maturity over 90 days</td>
<td>(1,201,567)</td>
<td>(1,115,491)</td>
</tr>
<tr>
<td>Total</td>
<td>1,851,779</td>
<td>1,542,711</td>
</tr>
</tbody>
</table>

(a) Cash payables to shareholders for unclaimed proceeds of their shares which have been subject to the time deposits maturity over 90 days.
(b) Cash payables to shareholders for unclaimed dividends.

10. Share Capital:

<table>
<thead>
<tr>
<th>Description</th>
<th>December 31, 2018</th>
<th>December 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issued and subscribed share capital</td>
<td>564,806,560</td>
<td>554,076,360</td>
</tr>
<tr>
<td>Amount</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issued, subscribed and paid up share capital with a par value of QR 10 each</td>
<td>4,530,717</td>
<td>4,530,717</td>
</tr>
</tbody>
</table>

At December 31, 2018, a total of 309,724 issued shares were 50% owned (2017: 309,724 issued shares were 50% owned).
QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QPSC)
DOHA - QATAR
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amount Expressed in Thousands of Qatari Riyals)

11. Leases

The Articles of Association of the Company require the Company to provide for a legal reserve at 10% of net profit not paid to shareholders, in excess of 30% of paid up share capital. A provision is not available for contributions except for circumstances specified in the Articles of Association.

12. Hedging Reserve

This represents the Company’s share of the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges that were recognised by one of its subsidiaries and its share from the joint venture companies.

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

13. Borrowings

<table>
<thead>
<tr>
<th>Borrowings</th>
<th>December 31, 2018</th>
<th>December 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan - note (a)</td>
<td>1,218,785</td>
<td>1,087,785</td>
</tr>
<tr>
<td>Senior bank facilities - note (b)</td>
<td>11,218,943</td>
<td>12,218,934</td>
</tr>
<tr>
<td>Subordinated bank facilities - note (c)</td>
<td>1,249,109</td>
<td>1,391,140</td>
</tr>
<tr>
<td>Senior bonds - Series “A” – note (d)</td>
<td>3,885,369</td>
<td>3,030,200</td>
</tr>
<tr>
<td>Subordinated bonds Series “A” – note (e)</td>
<td>881,766</td>
<td>881,766</td>
</tr>
<tr>
<td>KCCIM Facility – note (f)</td>
<td>318,629</td>
<td>616,902</td>
</tr>
<tr>
<td>KSCIC Capital Facility – note (g)</td>
<td>509,579</td>
<td>783,721</td>
</tr>
<tr>
<td>Lease – commercial costs of vessels</td>
<td>(71,014)</td>
<td>(230,170)</td>
</tr>
<tr>
<td>Loan Costs incurred for financing</td>
<td>47,385</td>
<td>67,280</td>
</tr>
<tr>
<td>Less: Transaction costs of refinancing</td>
<td>(16,387)</td>
<td>(10,691)</td>
</tr>
<tr>
<td>Total</td>
<td>18,784,477</td>
<td>20,831,387</td>
</tr>
</tbody>
</table>

Cheques drawn: 2018, 2019

Paid in arrears one year: 277,275

Paid in arrears one year: 284,683

Note (a): Represents USD 990 million loan predicated against the financing facilities. The repayment will begin in June 2019 and will be in June 2029.

Note (b): Represents EUR 320 million loan predicated against the senior bank facility Tropic I, USD 230 million loan predicated against the senior bank facility Tropic II and EUR 537 million loan predicated against senior bank facility Tropic IV. The repayment of Tropic I began from December 2019 and will be in December 2023. The repayment of Tropic II began from June 2021 and will be in December 2025. The repayment of Tropic IV began from December 2023 and will be in December 2025.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amount Expressed in Thousands of Qatari Riyals)

13. Subsidiaries

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

<table>
<thead>
<tr>
<th>Name of Subsidiary</th>
<th>Place of Incorporation (for registration)</th>
<th>Voting Interest</th>
<th>Principled Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nakilat Agency Company Navigation Limited (QPSC)</td>
<td>Qatar</td>
<td>97%</td>
<td>Agency services</td>
</tr>
<tr>
<td>Nakilat Inc.</td>
<td>Marshall Islands</td>
<td>100%</td>
<td>Holding Company</td>
</tr>
<tr>
<td>Nakilat Midam Inc.</td>
<td>Marshall Islands</td>
<td>100%</td>
<td>Chartering of vessels</td>
</tr>
<tr>
<td>Nakilat Umuris Sdn Bhd</td>
<td>Marshall Islands</td>
<td>100%</td>
<td>Chartering of vessels</td>
</tr>
<tr>
<td>Nakilat Blu Sources Inc.</td>
<td>Marshall Islands</td>
<td>100%</td>
<td>Chartering of vessels</td>
</tr>
<tr>
<td>Nakilat S.H.I. 1644 Inc.</td>
<td>Marshall Islands</td>
<td>100%</td>
<td>Chartering of vessels</td>
</tr>
<tr>
<td>Nakilat S.H.I. 1883 Inc.</td>
<td>Marshall Islands</td>
<td>100%</td>
<td>Chartering of vessels</td>
</tr>
<tr>
<td>Nakilat S.H.I. 1890 Inc.</td>
<td>Marshall Islands</td>
<td>100%</td>
<td>Chartering of vessels</td>
</tr>
<tr>
<td>Nakilat S.H.I. 1067 Inc.</td>
<td>Marshall Islands</td>
<td>100%</td>
<td>Chartering of vessels</td>
</tr>
<tr>
<td>Nakilat S.H.I. 1068 Inc.</td>
<td>Marshall Islands</td>
<td>100%</td>
<td>Chartering of vessels</td>
</tr>
<tr>
<td>Nakilat S.H.I. 1091 Inc.</td>
<td>Marshall Islands</td>
<td>100%</td>
<td>Chartering of vessels</td>
</tr>
<tr>
<td>Nakilat Al Ghaniyat Inc.</td>
<td>Marshall Islands</td>
<td>100%</td>
<td>Chartering of vessels</td>
</tr>
<tr>
<td>Nakilat Isma’iya Inc.</td>
<td>Marshall Islands</td>
<td>100%</td>
<td>Chartering of vessels</td>
</tr>
<tr>
<td>Nakilat Al Sawiyat Inc.</td>
<td>Marshall Islands</td>
<td>100%</td>
<td>Chartering of vessels</td>
</tr>
<tr>
<td>Nakilat EMDB 2549 Inc.</td>
<td>Marshall Islands</td>
<td>100%</td>
<td>Chartering of vessels</td>
</tr>
<tr>
<td>Nakilat EMDB 2540 Inc.</td>
<td>Marshall Islands</td>
<td>100%</td>
<td>Chartering of vessels</td>
</tr>
<tr>
<td>Nakilat DMGI 2262 Inc.</td>
<td>Marshall Islands</td>
<td>100%</td>
<td>Chartering of vessels</td>
</tr>
<tr>
<td>Nakilat DMGI 2255 Inc.</td>
<td>Marshall Islands</td>
<td>100%</td>
<td>Chartering of vessels</td>
</tr>
<tr>
<td>Nakilat S.H.I. 1720 Inc.</td>
<td>Marshall Islands</td>
<td>100%</td>
<td>Chartering of vessels</td>
</tr>
<tr>
<td>Nakilat S.H.I. 1751 Inc.</td>
<td>Marshall Islands</td>
<td>100%</td>
<td>Chartering of vessels</td>
</tr>
<tr>
<td>Nakilat S.H.I. 1752 Inc.</td>
<td>Marshall Islands</td>
<td>100%</td>
<td>Chartering of vessels</td>
</tr>
<tr>
<td>Nakilat S.H.I. 1754 Inc.</td>
<td>Marshall Islands</td>
<td>100%</td>
<td>Chartering of vessels</td>
</tr>
<tr>
<td>Nakilat DMGI 2243 Inc.</td>
<td>Marshall Islands</td>
<td>100%</td>
<td>Chartering of vessels</td>
</tr>
<tr>
<td>Nakilat DMGI 2236 Inc.</td>
<td>Marshall Islands</td>
<td>100%</td>
<td>Chartering of vessels</td>
</tr>
<tr>
<td>Nakilat DMGI 2235 Inc.</td>
<td>Marshall Islands</td>
<td>100%</td>
<td>Chartering of vessels</td>
</tr>
<tr>
<td>Nakilat DMGI 2234 Inc.</td>
<td>Marshall Islands</td>
<td>100%</td>
<td>Chartering of vessels</td>
</tr>
<tr>
<td>Qatar Maritime (1945-B) Holding Corporation</td>
<td>Marshall Islands</td>
<td>100%</td>
<td>Holding Company</td>
</tr>
<tr>
<td>QGTC Nakilat (Q436-8) Investment Limited</td>
<td>Marshall Islands</td>
<td>100%</td>
<td>Holding Company</td>
</tr>
<tr>
<td>Nakilat Marine Services Limited</td>
<td>Marshall Islands</td>
<td>100%</td>
<td>Holding Company</td>
</tr>
<tr>
<td>Nakilat Shipping (Cayman) Limited</td>
<td>Qatar</td>
<td>100%</td>
<td>Shipping Company</td>
</tr>
<tr>
<td>QGTC Shaikoum (Cyprus) Inc.</td>
<td>Cyprus</td>
<td>100%</td>
<td>Shipping Company</td>
</tr>
<tr>
<td>QGTC Cyprus Limited</td>
<td>Cyprus</td>
<td>100%</td>
<td>Shipping Company</td>
</tr>
</tbody>
</table>

* Shares capital in these subsidiaries was counted at nominal value.

13. Other Liabilities

This includes deferred income relating to excess dry docking costs and proceeds from MEGII project. The excess dry docking costs will be amortised over the life of the dry docking cost. The proceeds from MEGII project will be amortized over the useful life of related assets. The balance of non-current portion is QR 88,269 thousand (2017: QR 89,237 thousand).

14. Social and Sports Fund contributions:

Qatar 1 cent on 1/2 of MEGII requires Qatar listed shipping companies with MEGII to pay 7% of net profit as a social and sports fund. In accordance to the Law and further classifications for the Law issued in 2013, the Group has made an appropriation of QR 12,779 thousand representing 2.3% of the net consolidated profit of the Group for the year ended December 31, 2018 (December 31, 2017: QR 21,115 thousand). This appropriation has been generated in the consolidated statement of changes in equity.

15. Related Party Transactions:

<table>
<thead>
<tr>
<th>For the year ended</th>
<th>For the year ended</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31, 2018</td>
<td>December 31, 2017</td>
</tr>
<tr>
<td>Transactions with related parties during the year as follows: (All in thousand QR)</td>
<td></td>
</tr>
<tr>
<td>(a)</td>
<td></td>
</tr>
<tr>
<td>(Additional loan) repayment of joint ventures’ loans-net</td>
<td>0.227</td>
</tr>
<tr>
<td>Interest income on loans to joint ventures</td>
<td>8.845</td>
</tr>
<tr>
<td>(b)</td>
<td></td>
</tr>
<tr>
<td>Balances with related parties as at December 31, 2018 as follows:</td>
<td></td>
</tr>
<tr>
<td>Due from joint ventures companies</td>
<td>35,585</td>
</tr>
<tr>
<td>Due to joint ventures companies</td>
<td>18,828</td>
</tr>
<tr>
<td>(c)</td>
<td></td>
</tr>
<tr>
<td>Key management compensation</td>
<td>0.037</td>
</tr>
<tr>
<td>Board of Directors’ remuneration incurred</td>
<td>5,800</td>
</tr>
</tbody>
</table>
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.

<table>
<thead>
<tr>
<th></th>
<th>For the year ended</th>
<th>For the year ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>December 31, 2018</td>
<td>December 31, 2017</td>
</tr>
<tr>
<td>Profit attributable to the owners of the Company</td>
<td>891,142</td>
<td>846,187</td>
</tr>
<tr>
<td>Weighted average number of shares outstanding during the year</td>
<td>533,871,748</td>
<td>533,871,748</td>
</tr>
<tr>
<td>Basic and diluted earnings per share (expressed in QR per share)</td>
<td>1.66</td>
<td>1.62</td>
</tr>
</tbody>
</table>

There were no potentially dilutive shares outstanding at any time during the year and hence the diluted earnings per share are not required to be disclosed in the year.

20. **Financial Risk Management:**

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

- Market risk
- Credit risk
- Liquidity risk

**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.

**Credit Risk:**

The Group is exposed to credit risk as the Group holds 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 as hedges of its borrowings. The difference between the fixed-rate interest cost (payable) and the variable-rate interest cost (payable) is settled periodically.

The Group seeks to manage the risk of these costs by using derivative financial instruments to hedge interest rate fluctuations. The use of financial derivatives is governed by the Group’s policy 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 sufficient limits and policies are in place to mitigate risk exposure.

**Interest Rate Sensitivity Analysis:**

The Group is exposed to interest rate risk on its borrowings, loans to joint ventures and borrowings. The table below demonstrates the sensitivity of the Group’s profit to reasonably possible changes in the Group’s profit for one year, based on the floating interest rate of financial assets and liabilities held at December 31, 2018.
QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QPSC)
DOHA - QATAR
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amount Expressed in Thousands of Qatari Riyals)

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

(x) Interest Rate Risk

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating interest rates on the principal amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changes in interest rates on the cash flow exposures on the 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 counterparty swap providers/agents.

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at December 31, 2018:

<table>
<thead>
<tr>
<th>Cash Flow Hedges</th>
<th>Average Contractual Notional Amount</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Interest Rate</td>
<td>Total</td>
<td>Notional Amount</td>
</tr>
<tr>
<td>Rate</td>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td>Outstandings</td>
<td>Floating</td>
<td>%</td>
</tr>
<tr>
<td>6 months and over</td>
<td>6.39</td>
<td>5.33</td>
</tr>
</tbody>
</table>

In addition to the above, the Group has also accounted for the fair values of the notional interest rate derivatives. For example, at December 31, 2018, the Group had a notional interest rate swap with a notional principal amount of QAR 50 million.

The interest rate swap rates were set at 1.1484%. 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 loans are accounted for on a notional basis.

(x) Equity Price Risk

The Group is exposed to equity price risk in relation to equity investments. The Group monitors the current market value and other factors influencing market value such as the capital structure and other financial factors in order to manage its market risk.

A 10% decrease in market value of the Group's portfolio of equity investments at the reporting date is expected to result in an increase or decrease of QAR 14.4 million (2017: QAR 19.9 million) in the assets and equity of the Group.

(x) 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.
28. Financial Risk Management (continued):

Fair Value of Financial Instruments

The fair value of equity investments are derived from quoted market prices in an active market. The fair value of interest rate swaps is calculated in the present value of the estimated future cash flows quoted by the respective swap counterparties. The fair value of other financial instruments approximates their carrying values.

Loan to joint venture companies

<table>
<thead>
<tr>
<th>Amount in Thousands of Qatari Riyals</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31, 2018</td>
</tr>
<tr>
<td>Equity investments</td>
</tr>
<tr>
<td>6</td>
</tr>
<tr>
<td>Liabilities to joint venture companies</td>
</tr>
<tr>
<td>1,750</td>
</tr>
<tr>
<td>Total</td>
</tr>
<tr>
<td>8,086,244</td>
</tr>
</tbody>
</table>

Bank balances

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

Interest rate and financial instruments

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

<table>
<thead>
<tr>
<th>Amount in Thousands of Qatari Riyals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity investments</td>
</tr>
<tr>
<td>144,462</td>
</tr>
</tbody>
</table>
| Financial liabilities measured at fair value:
  Interest rate swaps used for hedging |
| 7,478,722                            |

31. 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 reserves, tax value reserve, non-controlling interests, hedging reserve and retained earnings.

Gearing ratio

The Group’s gearing ratio is determined on a group basis. The gearing ratio at the year-end was as follows:

<table>
<thead>
<tr>
<th>Amount in Thousands of Qatari Riyals</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31, 2018</td>
</tr>
<tr>
<td>Total debt (Equity)</td>
</tr>
<tr>
<td>6</td>
</tr>
<tr>
<td>(1,765,244)</td>
</tr>
<tr>
<td>Total debt</td>
</tr>
<tr>
<td>18,784,777</td>
</tr>
<tr>
<td>Equity</td>
</tr>
<tr>
<td>30,821,587</td>
</tr>
<tr>
<td>Net debt</td>
</tr>
<tr>
<td>18,784,777</td>
</tr>
<tr>
<td>Equity before hedging reserve and non-controlling interests</td>
</tr>
<tr>
<td>6,888,626</td>
</tr>
<tr>
<td>Non-controlling interests</td>
</tr>
<tr>
<td>2,216</td>
</tr>
<tr>
<td>Adjusted equity (A)</td>
</tr>
<tr>
<td>9,825,331</td>
</tr>
<tr>
<td>Net debt to adjusted equity ratio</td>
</tr>
<tr>
<td>239%</td>
</tr>
</tbody>
</table>

(Notes to Consolidated Financial Statements for the Year Ended December 31, 2018)
23. Critical Accounting Estimates and Judgments (continued):

41) Impairment of receivables:

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

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

42) Fair value and hedge effectiveness of cash flow hedges:

Fair value of hedges is derived based on confirmation from banks. Management performs an independent check to assess the accuracy of the fair values. Measurement also reviews its hedging relationships between the interest rate swaps and the underlying loans on a regular basis. This hedge was found to be highly effective. As a result, the fair value of the alternative negative (QAR 2,948 million) is recorded in equity under hedging reserve.

43) Classification of leases:

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 measures:

- 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;
- terms 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;
- asset is used for its specialisation, purpose of creation for the lease and requirements for major modifications to be used by other lessees.

Any options used by management includes calculation of IDER, useful life and salvage value.
24. Operating Lease Revenue:

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

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2018</th>
<th>December 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not later than 1 year</td>
<td>3,971,106</td>
<td>3,162,469</td>
</tr>
<tr>
<td>Later than 1 year but not later than 5 years</td>
<td>12,292,537</td>
<td>12,259,988</td>
</tr>
<tr>
<td>Later than 5 years</td>
<td>32,488,795</td>
<td>35,181,108</td>
</tr>
<tr>
<td>Total</td>
<td>47,746,648</td>
<td>50,703,545</td>
</tr>
</tbody>
</table>

25. Operating Costs:

Operating cost variance includes running and maintenance costs for vessels.

26. General and administrative expenses:

<table>
<thead>
<tr>
<th></th>
<th>For the Year Ended</th>
<th>For the Year Ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>December 31, 2018</td>
<td>December 31, 2017</td>
</tr>
<tr>
<td>Employees costs</td>
<td>82,105</td>
<td>78,294</td>
</tr>
<tr>
<td>Office rent and utilities</td>
<td>25,407</td>
<td>25,901</td>
</tr>
<tr>
<td>Professional fees, legal &amp; others</td>
<td>8,157</td>
<td>11,302</td>
</tr>
<tr>
<td>Directors’ fees / AGM expenses</td>
<td>7,141</td>
<td>7,171</td>
</tr>
<tr>
<td>Others</td>
<td>18,649</td>
<td>17,899</td>
</tr>
<tr>
<td>Total</td>
<td>134,465</td>
<td>134,650</td>
</tr>
</tbody>
</table>

27. Events after the reporting date:

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

28. Comparative amounts:

The comparative figures for the previous period have been reclassified where necessary, in order to continue to use current year’s presentation. Such reclassifications do not affect the previously reported net profits or net revenues.