الملاحة القطرية (ش.م.ق)

QATAR NAVIGATION (Q.S.C)

Annual Report 2010

www.qatarnav.com

ANNUAL REPORT 2010

His Highness

Sheikh Hamad bin Khalifa Al Thani

Emir of the State of Qatar

His Highness
Sheikh Tamim bin Hamad Al Thani
Heir Apparent

Contents

Chairman's Message

In the Name of Allah, Most Gracious, Most Merciful

Dear Shareholders,

It is my pleasure to welcome you, on behalf of the Board of Directors, to the Ordinary General Assembly Meeting of Qatar Navigation, and take pleasure in wishing our national company great success and progress.

Last year was a real challenge for all of us.

On one hand, it was necessary to counter the negative effects of the global financial crisis, which resulted in slow economic growth both worldwide and in the region.

On the other, we commenced with the detailed implementation of the Qatar Shipping Company merger. This acquisition process required significant operational co-ordination, while necessitating continued improved performance in meeting the objectives behind the acquisition.

Despite these factors, Qatar Navigation managed to achieve good results, attaining a profit last year of QR 1,099 million compared with the profit for 2009 of QR 479 million.

What helped to achieve these good results is a collective will and determination coupled with effective planning by the company's Board of Directors and accurate implementation by the executive management and all employees.

The operational activities have delivered sterling performances over the last year, increasing the Marine Transport Department's volume capacity for transport cargo and increased the fleet of marine vessels.

After commissioning and deploying their fourth container vessel with the capacity of 1015 TEU, the number of containers loaded in the first half of last year increased.

Maritime transport activities have expanded to reach other ports in the Gulf and we aim to increase the reach of our company's ships to ports beyond the region.

The Ship Repair and Fabrication Department located in the shipyard in Mesaieed, expanded its customer base through outstanding service precision, while the performance of the Fleet and Technical Department rose in the maintenance of units of the company's fleet.

The Shipping Agencies Department successfully secured new shipping agencies based on its wide experience and sound reputation among shipping lines.

The Real Estate Development & Property Management Department has shown significant growth. After leasing the entire Navigation Tower in Dafna, construction began on a new tower located at the Corniche, which will serve as offices.

It undertook a number of other projects including labour accommodation in Al Khor, a complex for logistics services in Al Thumamah, and a commercial and residential complex in Ain Khaled, as well as further projects still in the review stage.

Additionally, negotiations continued on a number of potential joint ventures with various international companies in the maritime services sector.

Upon successful completion of these negotiations, and once data analysis confirms the benefits, Qatar Navigation will take a significant step towards the global market.

Despite intense competition within the sector, the company's branch in Dubai performed admirably over the past year.

With regards to Port Services, Qatar Navigation entered into an agreement with the Qatar Ports Management Company, whereby we have been entrusted with the management and operations for the Port of Doha. The contract was signed on 10.02.2011 and we consider this achievement to be a quantum leap in Qatar Navigation's operational activity.

The company's investment portfolios also achieved solid financial returns.

Moreover, the Shared Services Department has shown across its various divisions, consistent effort and support, contributing to the success of the operational departments in achieving results that meet pre-set objectives.

As part of efforts to encourage and motivate Qatari youth in the country, the company has continued to provide vast employment opportunities for these young people who believe in the role to be played by each of them in the national economy through their employment in one of the most important and oldest national shareholding companies in the country. Within this framework, the company has provided Qatari men and women in the country with the opportunity to complete their studies and develop their scientific and practical experience at the expense of the company, in order to build a cadre of national expertise ready to support and service the country in various fields.

Halul Offshore Services Company, a subsidiary wholly owned by Qatar Navigation Company, continued performing successfully, and is currently implementing a number of important contracts in the field of marine services related to the oil and gas service sectors.

In the same context, the vessels of Qatar Shipping Company, owned by Qatar Navigation, continue to be operated, either through previous charter contracts, or via new contracts, in accordance with current requirements and global market prices.

On behalf of all those present, I would like to extend my sincere gratitude to His Highness Sheikh Hamad bin Khalifa Al-Thani, the Emir of Qatar, and to His Highness Sheikh Tamim bin Hamad Al-Thani, the Heir Apparent, and to His Excellency Sheikh Hamad bin Jassim bin Jabr Al-Thani, Prime Minister and Minister of Foreign Affairs and to our prudent Government, for their continuous support and patronage of our national company, calling God to preserve our wise leadership and to secure and preserve our beloved country.

Peace be upon you…

Ali bin Jassim bin Mohammad Al-Thani
Chairman and Managing Director

Board of Directors

Sheikh Ali bin Jassim bin Mohammad Al-Thani
Chairman and Managing Director

Salem bin Butti Al-Naimi
Vice Chairman

Sheikh Jassim bin Hamad bin Jassim Al-Thani
Board Member

Ali Ahmad Al-Kuwari
Board Member

Saad Mohammad Al-Romaihi
Board Member

Adil Ali Bin Ali
Board Member

Hamad Mohammad Al-Mana
Board Member

Hetmi Ali Al-Hetmi
Board Member

Dr. Mazen Jassim Jaidah
Board Member

Sulaiman Haidar Sulaiman
Board Member

Ali Hussain Al-Sada
Board Member

Management

Khalifa bin Ali Al-Hetmi
Chief Executive

Mohammad Ebrahim Al-Sulaiti
Deputy Chief Executive Finance & Investments Affairs

Najeb Khalifa Al-Sada
Deputy Chief Executive Operations

Board of Directors' Report

We are pleased to present to you the Annual Report including the achievements of the company's operational activities.


GOTTWALD

Shipping AGENCIES

One of the leading shipping agencies in Qatar and the Middle East established 54 years ago, the Shipping Agencies Department has a market share of about 50% in Qatar representing main shipping lines not only to cater for their vessels but also to monitor and follow up the movement of their container units. In addition, the department offers vessels' survey and inspection services, handling of P&I and other shipping related claims.

The marketing section carries out local marketing services on behalf of the shipping lines.

Ship Services

This section offers a wide range of services to vessels calling Qatar Ports as well as offshore support vessels and oil platforms, which include but are not limited to: maintenance, repair, bunker and water supply, crew change, ship chandlery and other husbandry services. The section represents most of the international offshore support service companies, oil companies and offshore drilling companies who are working in Qatari waters.

Special Projects

This section offers equipment and skilled labour to local and international companies working in oil and gas industries such as Maersk Oil and Elf Petroleum, which is in addition to offering cargo stuffing services to QAPCO, and specialized work force for the warehousing requirement of Ras Gas & Qatar Petroluem in Ras Laffan.

Major Achievements in the year 2010

- Achieved more revenue and profit than budgeted.
- In spite of tough competition, still maintains an upper hand in the market for agency business.
- Due to aggressive marketing strategies by Qatar Navigation, overall performance in agency vessel calls, especially, in Break bulk / Project vessels showed a great deal of improvement from the 2nd half of 2010 onwards, which will lead to further achievements in 2011.
- Awarding of Qatalum contract for using QNL containers for exporting their cargoes to Nhavasheva and Colombo.

Plans for the year 2011

- Appoint an agency representative in Dubai, where there is more exposure to international market and better scope for business development.
- Increase export activities by expanding destinations in Europe and the Far East.
- Give more focus on imports from Europe and the US sectors, which are comparatively lower than the Far East sector.
- Add more charter parties and small lines for strengthening activities in the gulf sector market.

PORT Services

Major achievements in 2010 have been:

- 80% improvement in Lost Time Accident statistics compared to 2009, and an associated 94% reduction in the number of man-days lost productivity;
- The Department was split into 3 distinctive Business Units during the year, and all 3 Units delivered positive net results despite declining, and lower than forecast, volumes for the year; and
- Focus on activity based costing and tighter cost controls have ensured an overall reduction in operating costs in the mature business units.

Individual business unit activities are as follows:

Doha Port Activities

The majority of cargoes into Doha Port continued a gradual decrease in volumes throughout 2010. By year end, when compared to 2009, vessel calls had declined by 11%, with an associated 26% reduction in the container volumes, being the largest volume and revenue component of the business, 34% reduction in General and Project cargoes and 69% decrease in Bulk Cargoes. This impact reduced revenues compared to 2009. At the same time, operating costs were reduced compared to 2009, enabling the business to post a reduced net profit to 2009.

Mesaieed Bulk Activities

This activity was accounted for separately for the 1st time in 2010. Bulk related activities performed for Qatar Petroleum in 2010, saw a 54% decline in bulk volumes, partly due to the shift of business away to the GABBRO berth, and a 46% decline in Project Cargo. New business commenced in the year, handling Qatalum's bulk import vessel hold cleaning activities. Despite this, revenues only dropped 14% below budget while costs were similarly contained 14% below budget, enabling the business to post a net profit.

Mesaieed Container Terminal 7 (CT7) Activities

This activity was accounted for separately for the 1st time in 2010. Dedicated Container Operations in the Temporary Container Terminal set up commenced in December 2009, under contract with and equipment supplied by Qatar Petroleum. Dedicated container volumes were significantly below budget, due to factors beyond the control of the company. This resulted in revenues being 62% below budget. Despite this, CT7 operations were able to deliver a net profit.

Outlook for 2011 includes:

- Expected takeover of the Management Contract for the existing Doha Port, for all Stevedoring and Marine Services Activities;
- Go live of Qatar Petroleum's Flag Ship, 500,000 TEU capacity, CT7 Container Terminal Operations in 1st Quarter 2011, for which our Port Services have all Operations and Maintenance responsibilities;
- Start up of Qatalum Break Bulk Aluminum exports in 1st Quarter, which Port Services will stevedore; and
- Further enhancement of safe operations, training and development of staff to be recognized for delivering World's Best Practice in Port Management and Stevedoring Operations.

Marine TRANSPORT

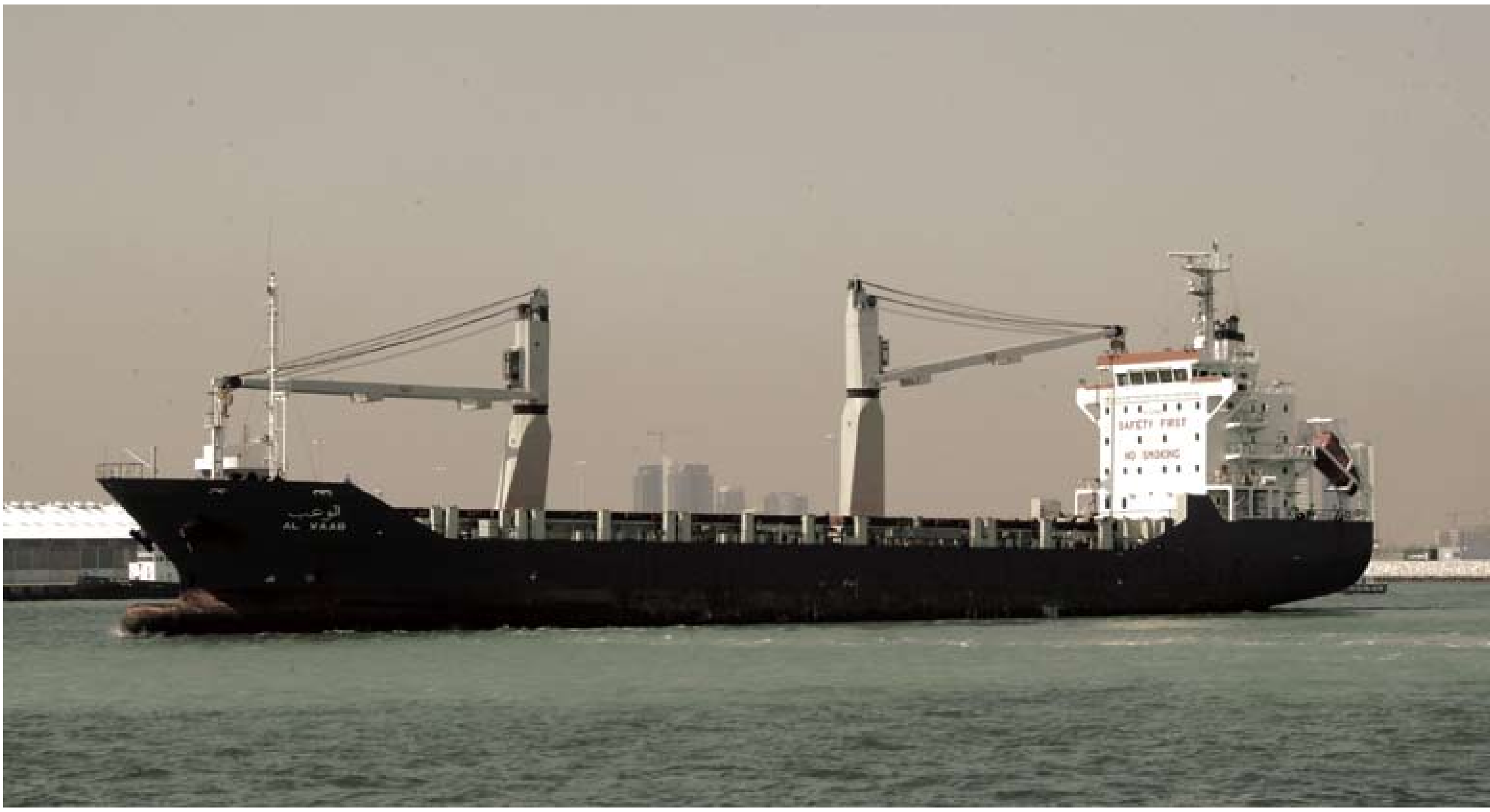
Qatar Navigation continued to dominate the marine traffic between the State of Qatar and the UAE in 2010. Amongst all feeder operators, Qatar Navigation ranks first with a market share of 98% on the Feeder Market. Out of the total market that includes main line operators running their own ships, Qatar Navigation carried 63.5% of the total container imports and 93% of exports. Qatar Navigation operated a fleet of 22 owned marine vessels during 2010 including fully cellularised container vessels, open-top barges and towing tugs.

Qatar Navigation will continue its leading role in container feedering to and from the State of Qatar providing reliable first class services to all importers and exporters, as well as for UAE coastal and Iranian Ports.

During 2009 three new built vessels of 1015 TEU each joined the fleet. The 4th of the same capacity joined the fleet in July 2010.

Due to our distinguished performance, Qapco, Q-Chem and Qatalum continued to employ Qatar Navigation to be their exclusive carrier of their exports, in addition to securing their need of empty containers.

The total number of transported containers in 2010 was 317,968 TEU.



Navigation
Freight Services (NFS)

Navigation Freight Services (NFS) provides logistics and other related support services to major industrial projects in Qatar through its modern trucks, trailers, lowbeds, mobile cranes up to 450 tonne capacity and other equipments. It is able to provide complete services to EPC contractors in Qatar that include shipping, handling cargo inside the port, customs clearance, transportation to site and offloading at site.

Major companies in Qatar such as QASCO, QVC, QAPCO, QAFAC, GDI, RASGAS, QATARGAS among others have continued to entrust their logistics requirements to NFS.

During November 2010, we successfully handled the logistic requirements of Milipol Exhibition. CTJV project was completed during this period and NFS handled 2.8 million freight tonnes of Cargo for this project.

Even though the transport and heavy equipment rental market was faced with stiff competition, our revenue target set for 2010 was achieved.

In 2011, we are looking forward to establishing a global presence through international tie-up and take this business segment to new heights.

Commercial Activities

Navigation Marine Service Centre (NMSC)

Under this activity, we represent many international marine equipment companies which produce marine engines and navigation communication devices. We also stock the required spare parts and lubricant oil for vessels engines.

We represent Doosan, Koden, Castrol Marine and Fuchs Oil. As a dealer of Doosan Marine Engine in Qatar and U.A.E. we have received the “Appreciation Award” for the excellent sales performance during 2010 by reaching the value of US $3 million. We have sold 115 Doosan Marine Diesel Engines: out of which 52 were sold in Doha and the balance 63 were sold in Dubai.

Navigation Trading Agencies (NTA)

Here we provide a variety of activities, and respond to the requirements of construction and building sector by providing different kinds of trailers, heavy equipment, cranes and trucks, which are suited to the needs and specifications of companies as well as individuals. We are the exclusive distributor in Qatar for the biggest and best known companies which produce heavy equipment, such as Hino Motors, Hino original spare-parts (Belgium), Doosan, Daewoo Heavy Machinery and Construction Equipment (S.Korea), Fassi Cranes (Italy) and Sennebogen Cranes (Germany).

We are proud to win the biggest tender in Qatar with Qatar Fuel – WOQOD – with a high number of units which is a good image for our product.

Navigation Travel and Tourism (NTT)

Our travel agency NTT is the first IATA approved agent in Qatar. We provide different kinds of services related to travel and tourism, such as, reservations and ticketing with all airlines to different destinations. We also provide reservations for hotels, apartments and arrange car rentals for our clients. Additionally, we provide special tourist offers and collective group reservations, by coordinating with all international air and sea lines, and provide a quality service.

We look forward to 2011 to grab an opportunity to increase our market share on account of Qatar winning to field the World Cup in 2022. We expect to increase our turnover and break the record we have set in the past.

Ship Repair
& Fabrication

Our shipyard is geared with special equipment and facilities for drydocking and repairs of all types of vessels and marine units as well as handling of industrial works. We have two floating docks ("AL RUFAA-1" with 3,300 tonnes lifting capacity and "AL RUFAA-2" with 8,500 tonnes lifting capacity), a mechanical ship lift of 700 tonnes lifting capacity provided with five dry berths of 50 metres long each. The yard is provided with two quays of 135 metres and 165 metres long respectively for afloat repairs.

Thus, the shipyard offers its services in the marine field as well as industrial companies in Qatar.

We conducted the following activities in year 2010:

a. Marine Activities

In 2010, a total of 99 vessels were dry-docked (54 vessels in floating docks and 45 on dry-berth areas). Also a total of 292 other maintenance and repair operations were conducted for 133 vessels afloat either alongside shipyard's quay or at Doha/Mesaieed/Ras Laffan Ports or at anchorage areas.

A total of 2,130 metres floating hoses for exporting crude oil were assembled and tested/dismantled and cleaned in floating docks.

A total of 1,100 tonnes chain for S.P.M. Buoy were loaded and ranged onto barge.

Major modification works including installation of a new crane were carried out for one Anchor Handling Supply vessel.

b) Non Marine Activities

These activities comprise steel fabrication, mechanical, machining, electrical works, dynamic balancing, motors rewinding, metal stitching for cast iron, manufacturing of steel wire rope slings, hire of test weights and providing highly skilled manpower which expands our customer base to cover all major industries in Qatar and the region.

Dubai Operations

The company started its operations in Dubai in 1978. Today, the Dubai Office runs many operations in the fields of containers shipping and agency services.

The office also offers logistics services, as well as shipping services via its warehouse in Jebel Ali, with an area of 10,000 square meters, fully equipped with the latest technology.

Moreover, Dubai Office acts as a representative of Qatar Navigation in the UAE, and acts on its behalf in all shipping and commercial activities.

The company expects Dubai operations to expand in 2011, in line with the expected expansion in international maritime activity.

Fleet & Technical Services

Activities & Work Achieved during Year 2010

We continued to perform all the necessary functions and activities to ensure efficient performance of the fleet, locally as well as overseas.

1. Taking Delivery of Ships of New Building:

(A) M.V. "AL RUMEILA":

Delivery commenced from the end of 2009 and continued in 2010. F&T members attended the preparation of the ship for operation and sailing to Qatar to join the rest of QN fleet.

(B) M.V. "OSHAIRIJ":

1. In May 2010, M.V. "OSHAIRIJ" was in the final stages of building in DAESUN shipyard in South Korea. A team of F&T Department attended the shipyard to follow up arrangements to ensure the ship was completed on the assigned date and to arrange for launching/ taking delivery. The ship was inspected, surveyed and attended for sea trials to reach the best performance and efficiency.

2. Ship's crew were selected and arranged to fly to S. Korea to sail the ship. Spare parts, stores items and fuel oils were arranged and delivered to the ship, sufficient for sailing.

3. The ship sailed from S. Korea on charter to **UASC** to operate in the Far East region, for (6+6) month's contracts. Now the ship is performing the 2nd term of the charter.

2. Ships & Units in Dry-Docking:

The following ships and units were dry-docked in our Ship Repair and Fabrication (S&F) floating docks for the periodic docking in order to comply with the rules of classification society (Class):

Tugs:	Barges:
1. Brouk	1. QN 115
2. Fontas	2. QN 116
3. Khowair	3. QN 119
4. Rakan	4. QN 120

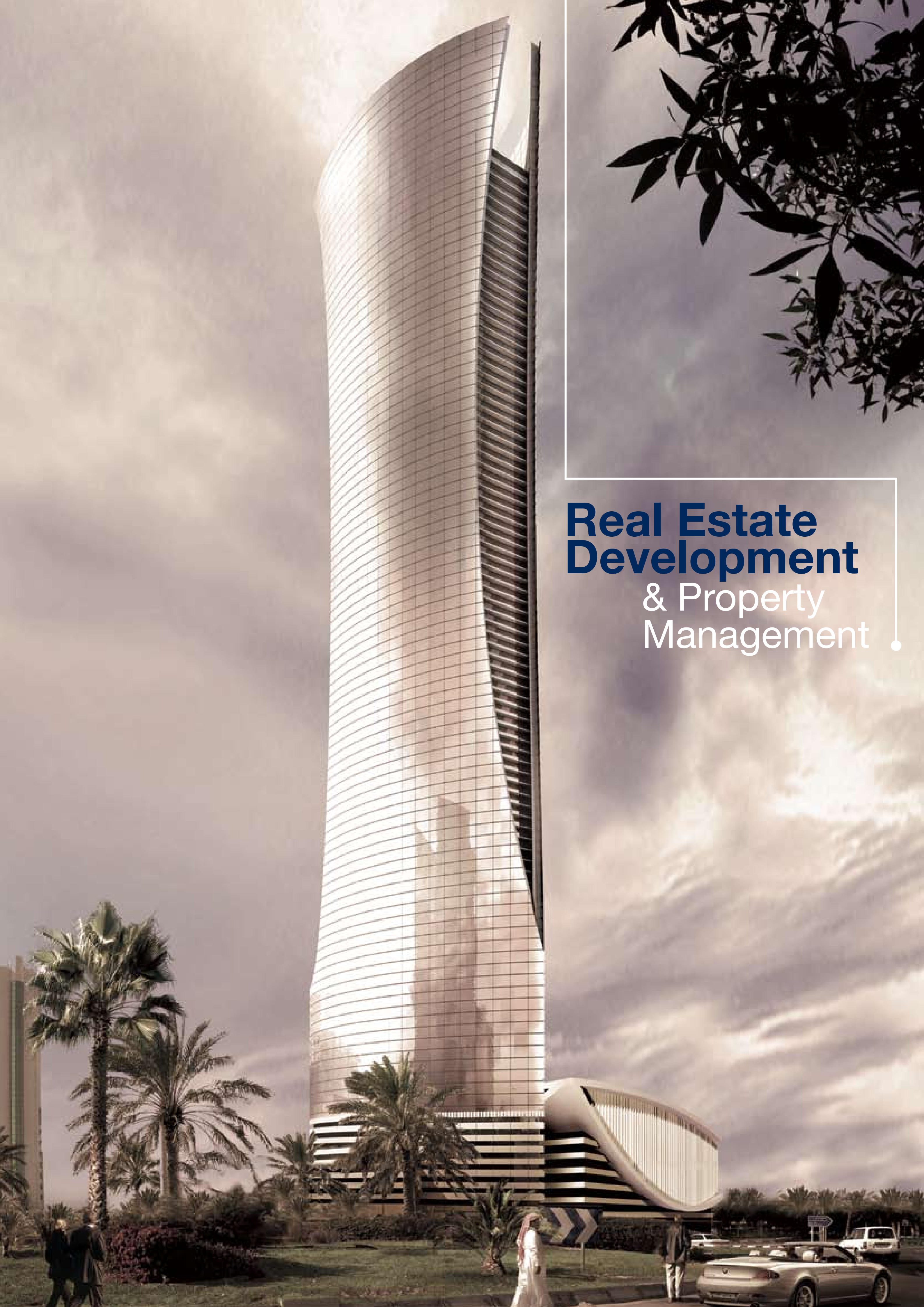
Docking work included the following activities:

1. Prepare plans and schedules for required hull work, maintenance and repairs on machinery and deck equipment.

2. Attend at the dock to monitor work progress at S&F to utilize maximum time and avoid delays on ship's schedule for cargo. Liaise with any maker/external workshop for the necessary work.

3. Liaise with Classification Society (Class) surveyor to attend for items due for survey.

Real Estate Development
& Property Management



Major achievements in 2010 have been:

1- We were able to rent out the entire Navigation Tower with a long term lease to Qatar Gas.

2- We leased Al Jazeera Tower and moved our office activities from the Corniche headquarter to the tower.

3- The whole of the Corniche headquarter building was leased to Hassad Foods.

Whereas the following are the new on-going projects:

1- Commercial center and residential compound at Ain Khalid on a plot area of about 90,000 sq. mtr.

2- Logistics city at "Wadi Aba Alsulail", on a plot area of about 500,000 sq. mtr

3- Q-ship multi-purpose tower consisting 45 floors at West Bay on a plot area of about 5000 sq. mtr.

4- MAN Diesel workshop at Ras Laffan.

5- Hino service center at Industrial Area.

6- Al Khor labor accommodation facilities.

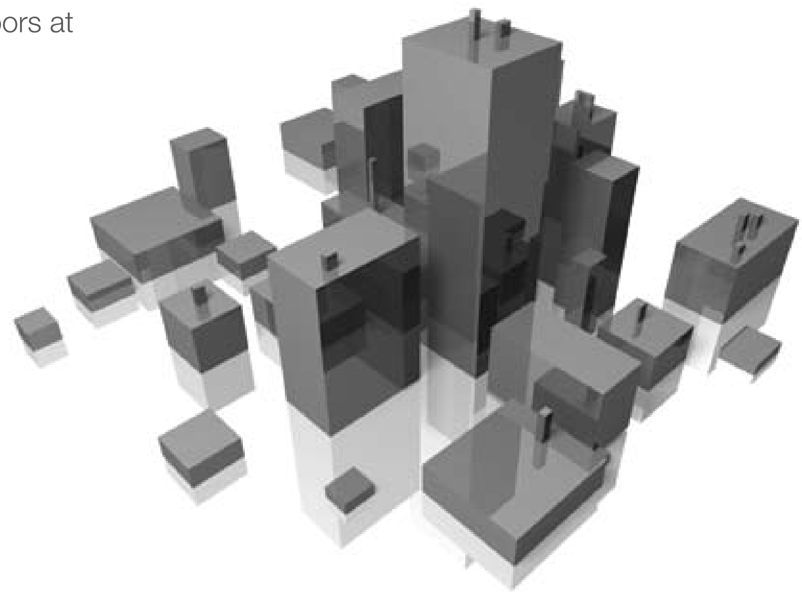
7- Hino showroom at Industrial Area.

In addition to the above new projects, the on-going activity is operating and maintaining the following buildings which generate considerable revenue:

1- Navigation showroom complex on Doha/Wakrah Road.

2- Villa compound behind the showroom complex.

3- Navigation Plaza building on C-Ring Road.



Qatar Shipping Company (Q-Ship)

Q-Ship's continued commitment to safety and protection of the environment has resulted in improved results in meeting the organization's stated safety, health, quality and environmental objectives during the past year. Q-Ship continues to maintain it's Certification for Quality Management (ISO 9001:2008), Environment Management (ISO 14001:2004) and Occupational Health and Safety Management (OSHAS 18001:2007) after the successful completion of a harmonized audit of the company together with the ISM audit in August 2010. This year saw the implementation of the Hazardous Waste Management and Shipboard Energy Efficiency Management Plans as part of the company's ongoing commitments to operational excellence.

Q-Ship's fully owned and operated deep-sea fleet traded worldwide and called at terminals operated by most of the major oil companies and leading international charterers. Throughout the year, all the vessels were on time charter to leading industry names such as ExxonMobil, Total, SK Shipping (Korea), Bharat Petroleum Corporation Limited (BPCL), Heidmar, Norden and Qatar Fertiliser Company (QAFCO) carrying cargoes of crude oil, clean and dirty petroleum products, vegetable oils and refrigerated ammonia and all performed very well without any incident. The product/chemical tanker, DUKHAN, completed her three years timecharter to Heidmar in July 2010 and immediately commenced a timecharter to Norden. The LPG/Ammonia carrier ALMAJEDAH, which completed her time charter in the last week of December 2009 commenced a timecharter to QAFCO in early January 2010. Thus, Q-Ship now has both it's gas carriers on charter to QAFCO, with the first one, ALMARONA, being on timecharter to QAFCO since her delivery in 2004.

Q-Ship Shipping Company (India) Pvt Ltd was set up in 2009 in Mumbai, India and their well experienced team has performed all the crew management of our fleet. Having our own inhouse crew management team has enabled enhanced selection procedures and improved onboard performance of our crew.

The table below gives the voyages performed by vessels fully owned by Q-Ship during the year 2010. Q-Ship owned vessels performed a total of 108 voyages and transported about 4.8 million metric tonnes of cargo.

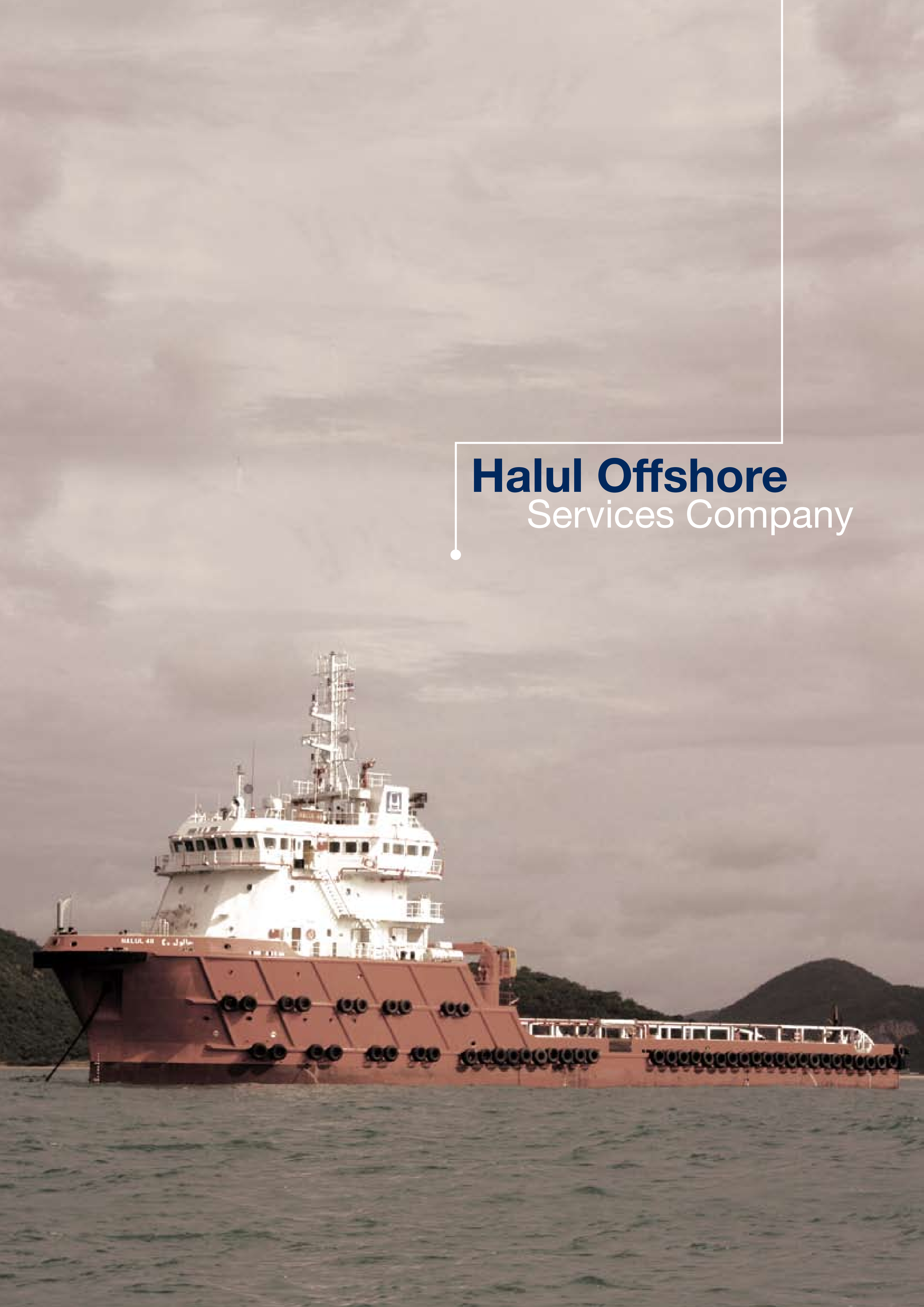
Name of Vessel	Type of Vessel	DWT (MT)	VOYAGES	TOTAL CARGO CARRIED (MT)
JINAN	Product/ Chemical Tanker	37,285	12	360,008
DUKHAN	Product/ Chemical Tanker	37,283	12	383,881
UMLMA	Crude Oil/ DPP Carrier	106,054	23	1,758,777
MESAIEED	Crude/ Clean and Dirty Products	106,054	16	1,100,063
KHAWR ALADID	Crude/ Clean and Dirty Products	106,054	8	688,237
ALMARONA	LPG Carrier	17,446	17	247,137
ALMAJEDAH	LPG Carrier	17,446	20	268,422
	TOTAL	427,622	108	4,806,525

The technical performance of the fleet continued to be excellent. Scheduled dry dockings and Under Water Inspections in Lieu of Dry docking (UWILD) were done as required, together with requirements to meet new legislation. In addition to the United States Coast Guard acceptance, all the vessels have had vetting inspections successfully done by most of the Oil majors and carried cargoes for most of them. The vessels have passed all port state control inspections flawlessly.

As in previous years, there was absolutely no pollution incident of any nature involving the Q-Ship fleet and, while we are proud of this achievement, we continue to remain ever vigilant. The Q-Ship oceangoing fleet continued to have no claims affecting the Hull and Machinery Insurance.

Offshore Support Services

The company continued to successfully execute the Qatar Petroleum (QP) contract of providing Harbour Towage, Pilot Boat services and Mooring Crew at Mesaieed Port with four fully owned Tugs, two inchartered Tugs and three fully owned Pilot boats.This ten year contract was completed in October 2009 and thereafter the contract has been extended at improved terms for a further firm period of one year with an optional period up to three years. Under this contract variation, the number of the mooring crew that Q-Ship provides to the port has also been increased by about 30%. Under another long-term contract with QP at Halul Island Terminal, we continue to operate a fully owned tug "Wassit", which is deployed as a tanker berthing assistance tug.



Halul Offshore
Services Company

The year 2010 witnessed remarkable strides in terms of performance. Halul Offshore Services Company W.L.L (HOSC) was awarded a good number of short term and long term contracts in Offshore Qatar as well as across the Arabian Gulf. Major among them were Qatar Petroleum contracts such as a 3 year contract for Construction services in Qatar offshore fields, 5 year contract for safety standby vessels, provision of diving support services for 3 years and provision of AHTS for 2 years. We also undertook various offshore projects with other leading clients in Qatar which include Occidental Petroleum of Qatar, Ras Gas, Qatar Gas, Maersk Oil Qatar and Total E&P Qatar. The important one to mention is the successful performance of the 2010 session of the painting contract at offshore location for the Occidental Petroleum of Qatar. The painting contract will be resuming after the winter break for the 2011 session by March/ April 2011. Apart from these, HOSC was successful in achieving a breakthrough in the kingdom of Saudi Arabia with the award of few contracts with Saudi Aramco for seismic activities and geophysical surveys in Saudi waters.

Added to the contract related achievements, HOSC's fleet expanded with the introduction of two (2) new built DP vessels, Halul 38 and Halul 41 which were taken delivery on 1st April 2010 and 4th December 2010 respectively. Of the two, Halul 38, DP 1 Construction support vessel has commenced her 3 year charter with Qatar Petroleum for the Construction services and Halul 41, DP2 Diving support vessel is busy with her preparations for the start of contract with Qatar Petroleum shortly for diving support services. Moreover there are five more vessels in various categories such as diving support and anchor handlers presently under construction and expected to be introduced to our fleet in the next 18 months. The year 2010 also witnessed HOSC taking over the ownership of 2 Anchor Handling Tug Supply vessels, Maqdeem II and Diyab on 29th August 2010 and 30th August 2010 respectively, from our parent company, Qatar Navigation.

Another important highlight of the year 2010 is the setting up of our new office in KSA, named Halul United Business Offshore Services Company W.L.L. The new company was formed jointly by Halul Offshore Services Company, Doha, Qatar (51%) and United Business Petroleum Company, Saudi (49%) with a view to expand our market and provide offshore support services in Saudi Arabia. On 12th January 2010, the company was registered in KSA and it was approved by Saudi Aramco.

HOSC also made its presence felt in the Offshore Industry by its active participation in the 3 day exhibition – Offshore Middle East 2010 (Doha – Qatar) held from 12th October 2010 to 14th October 2010 at Qatar International Exhibition Centre. The exhibition was organized under the patronage of H.E Abdullah bin Hamad Al-Attiyah, Deputy Prime Minister.

Also, in keeping with its reputation as a leading company in the offshore business in the Middle East, HOSC won the Ship Owner of the Year award at the event ShipTek 2010 conducted by Marine Biz TV in Dubai in the UAE in November 2010.

With the ongoing rapid and steady expansion of HOSC on all fronts, we hope to undertake more long term/ short term offshore projects over the years and gain major success.

Investments

Qatar Navigation has historically created a unique access for investment opportunities by utilizing its long term strategic relationships and solid reputation as an investor. Today, Qatar Navigation enjoys a sizable investment portfolio mainly invested in equities and real estate among other asset classes. In terms of the geographical focus, the vast majority of the investment portfolio is located in the state of Qatar.

The primary objective for this portfolio is shareholder value creation via generating optimal total return at the desired level of risk tolerance. This investment portfolio serves as a reserve that helps the company during the cyclicality of the shipping and maritime industry.

Going forward, Qatar Navigation will continue to focus financial and real estate investments on the local market across all asset classes benefiting from the growing local economy and utilizing the exceptional access for investment opportunities.

Human Resources (HR)

The HR Department at Qatar Navigation took a special interest in manpower, being the most influential factor in overcoming future challenges. The company empowered its workforce with expertise and capability to perform required functions at the highest standards.

Qatar Navigation is interested in attracting Qatari people to join its workforce, in an attempt to encourage Qatari talents, and enable them to develop their skills and reach positions of responsibility. To achieve this, the company created special training programs for Qatari people, in order to elevate their capabilities and work skills. The company also worked to enable many Qatari people to finish their secondary and tertiary studies at Qatar

University or North Atlantic University, which prepares them to be active employees at the company. Moreover, the company offered scholarships to many students, so that they could finish their higher studies abroad, in the fields of Maritime and Navigation.

The company participated in Qatar Career Fair in 2010, which was organized by Qatar Foundation, Qatar Petroleum, Qatar University, and the Ministry of Labour. This fair was held between March 14 and March 18, 2010. Our participation aimed at providing opportunity for Qatari youth to be exposed to our activities and human resources plans in recruitment and training and development.

The company developed a five year strategic plan that extends from 2011 to 2015, aiming at providing the largest possible number of job opportunities for Qatari people in all its departments, thus attempting to increase the percentage of Qatari people working at the company.

Information Technology (IT)

The IT Department at Qatar Navigation aims for excellence at all times, our motto being "Aim for the best". In 2010, we achieved a dramatic makeover with the latest technology being implemented with time. We are always striving for perfection whether in serving our users or our clients.

This year, we acquired some of the best hardware to enhance our performance. Our INS section works around the clock to ensure that our users' demands are met in time. New systems have been implemented each suited to the satisfaction of our users' needs individually.

Achievements during 2010

1. A new, large, secure, scalable and fully equipped data center for all IT infrastructure of the Qatar Navigation group was set up
2. A major upgrade of our corporate computing infrastructure providing for business continuity and future expansion was completed
3. Implementing an advanced time and attendance system and integrating it with the Groups HR system
4. Implementing a full-fledged Access Control solution for the Head Office

Plans for 2011

1. Implementation of business intelligence and management reporting solutions to provide timely, analytical and insightful reporting
2. Technology and resources upgrade in some vital areas to ensure readiness to meet future challenges as business demands grow
3. Proactive measures to empower the end-users making them more productive and responsive
4. An advanced help desk system to better streamline the process of user support

Corporate Development

In mid 2010, Qatar Navigation undertook a game-changing initiative to re-define its future vision and strategy. The Board and management took a bold step to build on the merger with Qatar Shipping Company, and the subsequent incorporation of Halul Offshore Services Company as a fully-owned subsidiary. After a rigorous evaluation process, Roland Berger Strategy Consultants was retained to assist Qatar Navigation in developing a new, long term vision and strategy for the company and its subsidiaries.

As part of this effort, the company performed a thorough analysis on the outlook of the various business segments in which it is currently involved, as well as those that it could potentially target for growth in the medium to long term. Several attractive growth options were considered across the areas of shipping, maritime services and logistics. A target portfolio of business segments has been identified and will be further specified and detailed during 2011. Qatar Navigation aims to more than triple its revenues in the next 5 – 7 years through a focused execution of the defined strategy, with the goal of significantly boosting returns for its shareholders.

The expected growth of the company requires a strong, stable and effective support infrastructure. Therefore, in parallel, with the help of Roland Berger, the company also undertook an in-depth review of its existing support infrastructure – Finance, HR, IT and other internal functions – to understand current strengths and weaknesses. All aspects of the support infrastructure, including the organization, processes, procedures and systems were studied to determine their readiness to support the company's ambitious growth plan going forward. Over the course of 2011, Qatar Navigation will work to enhance its support infrastructure in line with world-class practices and to ensure that the business segments receive timely, efficient and cost-effective services as they grow into the future.

Realizing the vision of the company, both externally and internally, will require significant resources and tremendous focus. The execution of the strategy, while challenging, will also provide our people with new and exciting opportunities for personal growth.

Corporate Communications and Public Relations

The Corporate Communications and Public Relations Department was newly formed in 2010 with the objective of providing full disclosure of communications to stakeholders and investors. The Board of Directors values clear, comprehensive and timely communications with shareholders and stakeholders. This is achieved through interim financial statements and its Annual Report. All financial statements comply with the International Financial Reporting Standards (IFRS) and the regulatory requirements of Qatar.

This department aims to present shareholders with detailed information and data on Qatar Navigation's performance and its achievements during the year, along with outlining major business plans and objectives. The investors' community at large is also kept abreast of new developments, strategic initiatives and the company's financial performance throughout the year. Further, Qatar Navigation keeps the Qatar Exchange and other regulatory bodies updated on matters and developments that may affect share price performance.

Corporate Governance

To comply with the statutory requirements of Qatar Financial Markets Authority (QFMA), Qatar Navigation has reported on its adherence to corporate governance as laid down by QFMA as well as per the internationally recognized practices. On an ongoing basis, we will ensure that the best practices that are currently followed are also continued into the future and the mandatory periodic reports are made to add shareholders'value.

Commitment to the Community

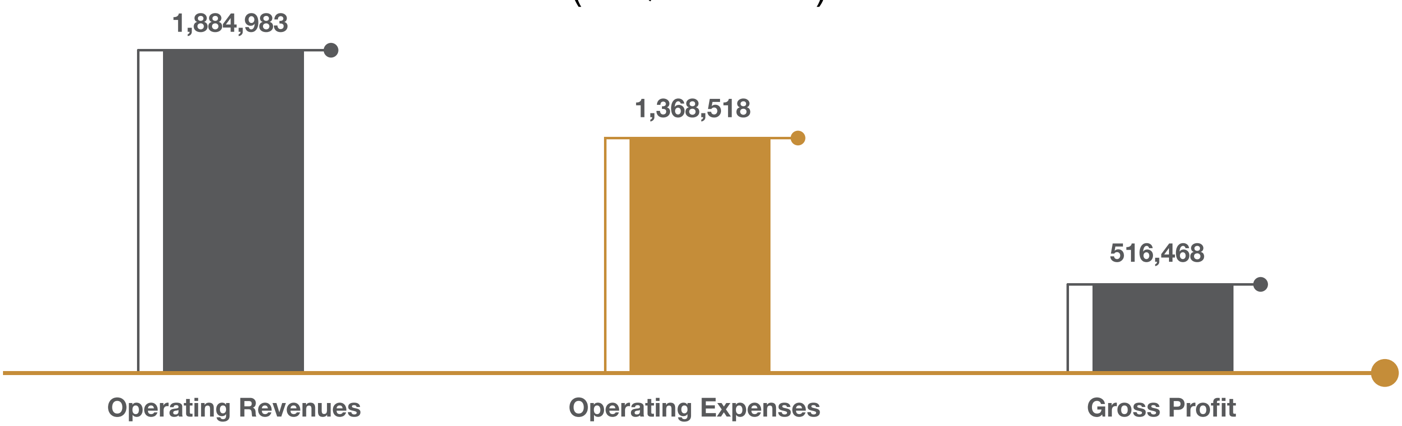
Qatar Navigation is committed to supporting the communities in which it operates. As part of Qatar Navigation's Corporate Social Responsibility framework, generous financial support is provided in various key areas. These include: health, economic and international affairs, education, sports and social and humanitarian affairs.

Qatar Navigation's newly established Corporate Communications and Public Relations Department plans to issue a Corporate Social Responsibility Report in 2011, which will provide specific details on the company's social responsibility framework, its activities and aspirations.

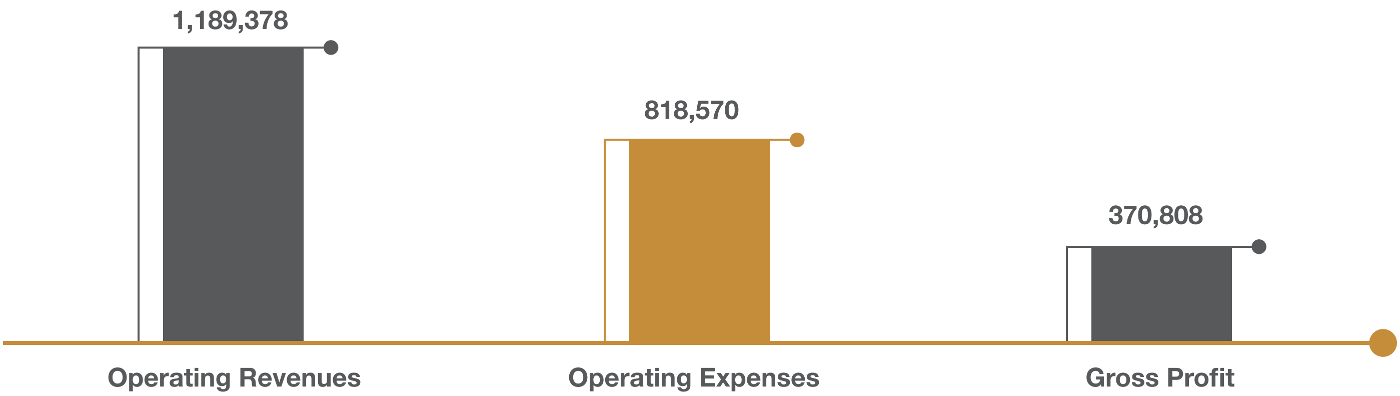
The company will also see a revamp in the corporate identity to commemorate the new vision, mission and corporate strategy set to be implemented in 2011.

Financial Highlights

Operating Revenues and Expenses 2010
(in QAR 000's)



Operating Revenues and Expenses 2009
(in QAR 000's)

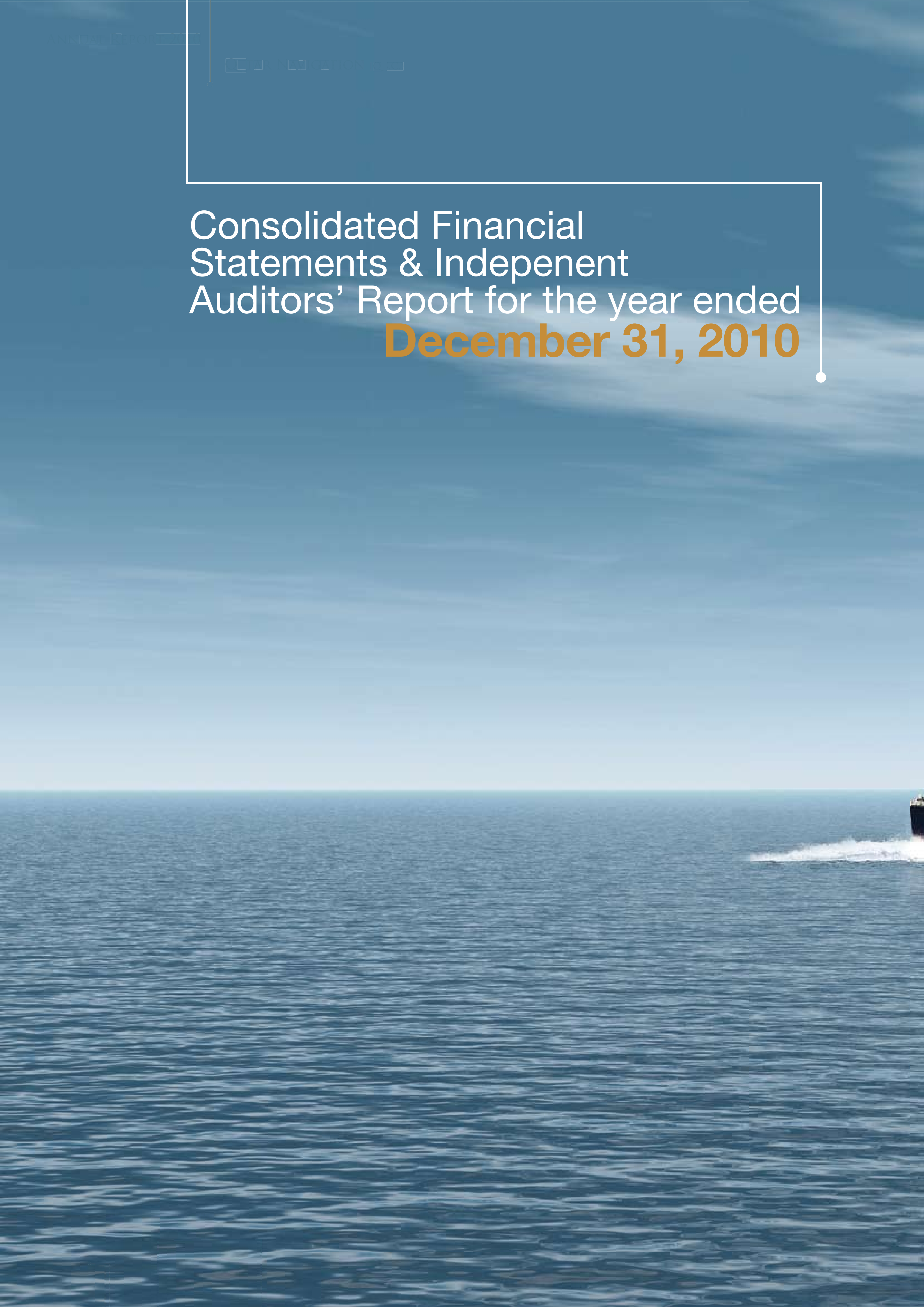


The operating revenue during the year 2010 was Qrs. 1.9 billion (Qrs. 1.2 billion - 2009). The gross operating profit was Qrs. 516 million (Qrs. 371 million-2009) and the net profit was Qrs. 1.1 billion (Qrs. 479 million - 2009). The earnings per share amounted to Qrs. 9.59 (Qrs. 6.65 - 2009).

The shareholders' equity was Qrs. 10.8 billion (Qrs. 5.9 billion - 2009).

For clarity, it should be noted that the comparatives for the year 2009 were Qatar Navigation's prior to formation of the group on 1st January 2010.

Consolidated Financial Statements & Indepenent Auditors' Report for the year ended December 31, 2010



QR 32634

Independent Auditor's Report

To the Shareholders
Qatar Navigation (Q.S.C.)
Doha - Qatar

Report on the Consolidated Financial Statements
We have audited the accompanying consolidated financial statements of Qatar Navigation (Q.S.C.) (the "Company"), which comprise the consolidated statement of financial position as of December 31, 2010 and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements give a true and fair view of the financial position of Qatar Navigation (Q.S.C.) as of December 31, 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements
Furthermore, in our opinion the consolidated financial statements provide the information required by the Qatar Commercial Companies' Law No. (5) of 2002 and the Company's Articles of Association. We are also of the opinion that proper books of accounts were maintained by the Company, and an inventory count has been duly carried out. We further confirm that the financial information included in the Annual Report of the Board of Directors is in agreement with the books and records of the Company. We have obtained all the information and explanations which we considered necessary for the purpose of our audit. To the best of our knowledge and belief and according to information given to us, no contravention of the Qatar Commercial Companies Law or the Company's Articles of Association were committed during the year which would materially affect the Company's activities or its financial position

For Deloitte & Touche
Muhammad Bahemia
License No. 103
March 16, 2011, Doha - Qatar

Consolidated Statement of Financial Position

As of December 31, 2010

	Notes	2010 QR'000	2009 QR'000
ASSETS			
Non-Current Assets			
Property, vessels and equipment	5	**3,213,958**	1,267,612
Investment properties	6	**708,460**	578,980
Intangible assets	10	**48,042**	--
Deferred dry docking costs		**29,633**	11,901
Investment in associates	7	**4,197,811**	26,882
Available-for-sale investments	8	**2,915,640**	4,473,710
Loans to LNG and LPG companies	9	**382,244**	--
Notes receivable		**159**	622
Total Non-Current Assets		**11,495,947**	6,359,707
Current Assets			
Inventories	11	**144,631**	104,614
Trade receivables	12	**299,471**	275,509
Prepayments and other debit balances	13	**258,167**	113,664
Financial assets at fair value through profit or loss	14	**200,321**	61,578
Bank balances and cash	15	**909,602**	283,214
Total Current Assets		**1,812,192**	838,579
Total Assets		**13,308,139**	7,198,286
EQUITY AND LIABILITIES			
Equity			
Share capital	16	**1,145,252**	720,252
Legal reserve	17	**4,693,986**	1,198,586
General reserve	18	**623,542**	623,542
Fair value reserve		**2,900,217**	2,466,011
Hedging reserve		**(261,990)**	(546)
Retained earnings		**1,229,195**	616,057
Proposed cash dividends	19	**458,100**	288,101
Equity attributable to equity holders of the parent company		10,788,302	5,912,003
Non-controlling interest		**54,322**	--
Total Equity		**10,842,624**	5,912,003
Non-Current Liabilities			
Term loans	21	**1,528,603**	686,769
Employees' end of service benefits	22	**57,011**	41,388
Obligation under finance leases	23	**9,553**	15,574
Total Non-Current Liabilities		**1,595,167**	743,731
Current liabilities			
Trade payables		**110,850**	51,510
Accruals and other credit balances	24	**327,205**	184,641
Term loans	21	**424,171**	172,700
Obligation under finance leases	23	**6,021**	5,960
Bank overdrafts	15	**2,101**	127,741
Total Current Liabilities		**870,348**	542,552
Total Liabilities		**2,465,515**	1,286,283
Total Equity and Liabilities		**13,308,139**	7,198,286

The accompanying notes are an integral part of these consolidated financial statements

The consolidated financial statements were authorized for issue by the Board of Directors on March 16, 2011.

H.E. Sh. Ali bin Jassim bin Mohammad Al-Thani
Chairman & Managing Director

Mr. Salem bin Butti Al Naimi
Vice Chairman

Mr. Khalifa bin Ali Al Hetmi
Chief Executive

Consolidated Statement of Income

For the year ended December 31, 2010

	Notes	2010	2009
		QR'000	QR'000
Operating revenue	25	**1,884,983**	1,189,378
Operating expenses		**(1,368,518)**	(818,570)
Gross Profit		**516,465**	370,808
Investments and interest income	26	**319,302**	187,187
Other income		**19,181**	9,574
Profit from disposal and write off of property, vessels and equipment		**9,856**	37,543
Share of results of associates	7	**197,489**	(9,510)
General and administrative expenses	27	**(191,197)**	(82,244)
Amortization of intangible assets	10	**(29,200)**	--
Impairment of available-for-sale investments		**(825)**	(2,186)
Finance costs		**(76,264)**	(22,552)
Realized fair value gain from deemed disposal of available for sale investment	28	**236,048**	--
Gain from acquisition of Qatar Shipping Company	4	**298,450**	--
Impairment of vessels		**(177,392)**	--
Profit Before Provision for Board of Directors' Remuneration		**1,121,913**	488,620
Proposed Board of Directors' Remuneration	33	**(20,500)**	(9,700)
Net profit for the year		**1,101,413**	478,920
Attributable to:			
Equity holder of the parent		**1,098,706**	478,920
Non-controlling interest		**2,707**	--
Total		**1,101,413**	478,920
Earnings Per Share			
Basic EPS (QR.)	29	**9.59**	6.65
Weighted average number of shares (thousand)		**114,525**	72,025

The accompanying notes are an integral part of these consolidated financial statements

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2010

	Notes	2010	2009
		QR'000	QR'000
Net profit for the year		**1,101,413**	478,920
Other comprehensive income items			
Net movement in fair value of Interest Rate Swaps		**(1,646)**	483
Group share of net increase of Interest Rate Swaps of associate		**(259,798)**	--
Increase in fair value of available for sale investments		**707,089**	113,826
Fair value transferred to consolidated statement of income on:			
- Realized fair value gain from deemed disposal of available for sale investment	**28**	**(236,048)**	--
- Gain on sale of available for sale investments		**(36,835)**	(28,766)
- Loss on impairment of available-for-sale investments		**--**	2,186
Other comprehensive income		**172,762**	87,729
Total comprehensive income for the year		**1,274,175**	566,649
Attributable to:			
Owners of the parent		**1,271,468**	566,649
Non-controlling interest		**2,707**	--
Total		**1,274,175**	566,649

The accompanying notes are an integral part of these consolidated financial statements

Consolidated Statement of Changes in Shareholders' Equity

For the year ended December 31, 2010

	Share capital QR'000	Legal reserve QR'000	General reserve QR'000	Fair value reserve QR'000	Hedging reserve QR'000	Retained earnings QR'000	Proposed cash dividend / issue of bonus shares QR'000	Equity attributable to equity holder of the parent QR'000	Non-controlling interest QR'000	Total QR'000
Balance at January 1, 2009	**600,210**	**1,198,586**	**623,509**	**2,378,765**	**(1,029)**	**431,751**	**360,126**	**5,591,918**	**--**	**5,591,918**
Dividends paid for 2008	--	--	--	--	--	--	(240,084)	(240,084)	--	(240,084)
Issue of share capital	120,042	--	--	--	--	--	(120,042)	--	--	--
Gain on sale of fractional shares arising from bonus shares issue	--	--	33	--	--	--	--	33	--	33
Proposed cash dividends (Note 19)	--	--	--	--	--	(288,101)	288,101	--	--	--
Total comprehensive income for the year	--	--	--	87,246	483	478,920	--	566,649	--	566,649
Contribution to social and sports fund (Note 20)	--	--	--	--	--	(6,513)	--	(6,513)	--	(6,513)
Balance at January 1, 2010	**720,252**	**1,198,586**	**623,542**	**2,466,011**	**(546)**	**616,057**	**288,101**	**5,912,003**	**--**	**5,912,003**
Dividends paid for 2009	--	--	--	--	--	--	(288,101)	(288,101)	--	(288,101)
Issue of share capital	425,000	--	--	--	--	--	--	425,000	--	425,000
Share premium on issue of shares	--	3,495,400	--	--	--	--	--	3,495,400	--	3,495,400
Proposed cash dividends (Note 19)	--	--	--	--	--	(458,100)	458,100	--	--	--
Non-controlling interest	--	--	--	--	--	--	--	--	51,615	51,615
Total comprehensive income for the year	--	--	--	434,206	(261,444)	1,098,706	--	1,271,468	2,707	1,274,175
Contribution to social and sports fund (Note 20)	--	--	--	--	--	(27,468)	--	(27,468)	--	(27,468)
Balance at December 31, 2010	**1,145,252**	**4,693,986**	**623,542**	**2,900,217**	**(261,990)**	**1,229,195**	**458,100**	**10,788,302**	**54,322**	**10,842,624**

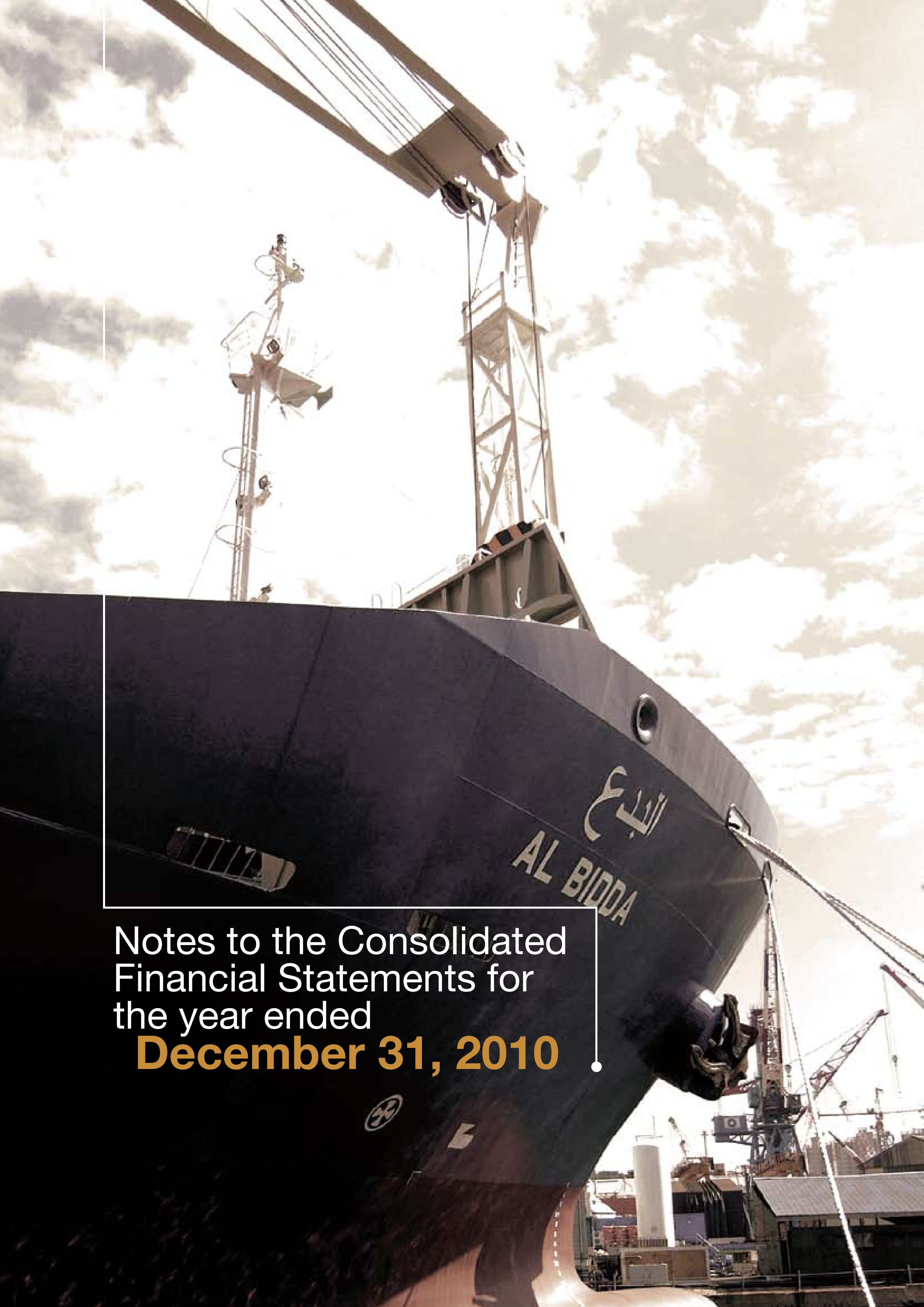
The accompanying notes are an integral part of these consolidated financial statements

Consolidated Statement of Cash Flows

For the year ended December 31, 2010

	Notes	2010 QR'000	2009 QR'000
OPERATING ACTIVITIES			
Profit for the year		**1,101,413**	478,920
Adjustment for:			
Depreciation of property, vessels and equipments and investment properties		**212,686**	92,995
Amortization of dry docking costs		**11,301**	9,485
Provision for employees' end of service benefits		**13,771**	9,976
Provision for pension fund		**3,872**	2,132
Impairment of available-for-sale investment		**825**	2,186
Profit from disposal and write off of property, vessels and equipment and investment properties		**(9,856)**	(37,543)
Investments and interest income	26	**(319,302)**	(187,187)
Finance costs		**76,264**	22,552
Share of results of associates	7	**(197,489)**	9,510
Amortization of intangible assets		**29,200**	--
Realized fair value gain from deemed disposal of available for sale investment		**(236,048)**	--
Gain from acquisition of Qatar Shipping Company		**(298,450)**	--
Impairment of vessels		**177,392**	--
		565,579	403,026
Working capital changes:			
Inventories		**21,311**	(15,449)
Trade receivables and prepayments and other debit balances		**(91)**	(13,223)
Trade payables and accruals and other credit balances		**(339,419)**	(20,989)
Contribution for social and sport fund		**(27,468)**	(6,513)
Cash generated by operations		**219,912**	346,852
Finance costs paid		**(76,264)**	(22,552)
Employees' end of service benefits paid		**(6,379)**	(3,093)
Transfer to pension fund		**(3,872)**	(2,132)
Net cash generated by operating activities		**133,397**	319,075
INVESTING ACTIVITIES			
Proceeds from disposal of property, vessels and equipment		**11,675**	37,761
Proceeds from sale of investments		**140,843**	111,350
Income received from investments	26	**154,382**	133,733
Interest income received		**78,739**	17,580
Notes receivable		**463**	(273)
Purchase of property, vessels and equipment	5	**(279,599)**	(44,888)
Net movement of investments		**(90,847)**	(34,257)
Net change in investment properties	6	**(15,592)**	(495,761)
Additions to dry docking costs		**(22,520)**	(7,290)
Loans to LNG and LPG companies		**84,841**	--
Cash received on acquisition of Qatar Shipping Company		**628,263**	--
Net cash from / (used in) investing activities		**690,648**	(282,045)
FINANCING ACTIVITIES			
Dividend paid	19	**(288,101)**	(240,084)
Net movement in term loans		**170,429**	26,518
Obligation under finance lease		**(5,960)**	(2,651)
Non controlling interest		**51,615**	--
Net cash used in financing activities		**(72,017)**	(216,217)
Net increase / (decrease) in cash and cash equivalents		**752,028**	(179,187)
Cash and cash equivalents at the beginning of the year		**155,473**	334,660
Cash and Cash Equivalents at the End of the Year	15	**907,501**	155,473
Non-cash transactions			
Issue of shares to acquire Qatar Shipping Company		**3,920,400**	--
Acquisition of Qatar Shipping Company net of cash		**4,059,187**	--
Deemed disposal of available for sale investment		**534,600**	--

The accompanying notes are an integral part of these consolidated financial statements



Notes to the Consolidated Financial Statements for the year ended December 31, 2010

1. STATUS AND ACTIVITIES

Qatar Navigation Q.S.C (the "Company") is a Qatari Shareholding Company incorporated on July 5, 1957 and domiciled in Qatar. The shares of the Company are publicly traded at Qatar Exchange. The Company is engaged primarily in marine transportation, acting as agent to foreign shipping lines, offshore services, sale of heavy vehicles and industrial equipments, ship repair and fabrication and offshore structures, logistics related services, international shipping, chartering of vessels and investments in real estate and trading of building material. The Company has a branch in Dubai, United Arab Emirates (UAE).

During the year 2010, the Company acquired all the shares of Qatar Shipping Company (Note 4).

The consolidated financial statements include the financial statements of the Company and that of its subsidiaries, as defined in notes 3 and 4; referred to as (the "Group").

The comparative figures represent the accounts of Qatar Navigation on stand alone basis which include the accounts of the Company and on a proportionate consolidation basis its 50% share of the Joint Venture Halul Offshore Services Company W.L.L.

2. ADOPTION OF NEW AND REVISED STANDARDS

2.1 Standards and Interpretations effective in the current year

At the date of authorization of these consolidated financial statements, the following standards and interpretations were effective:

(i) Revised standards
- IFRS 1 (Revised) - First time adoption of International Financial Reporting Standards
- IFRS 2 (Revised) - Share-based Payment
- IFRS 3 (Revised) - Business combinations
- IFRS 5 (Revised) - Non Current assets Held for Sale & Discontinued Operations
- IFRS 8 (Revised) - Operating Segments
- IAS 1 (Revised) - Presentation of Financial Statements.
- IAS 7 (Revised) - Statement of cashflows
- IAS 17 (Revised) - Leases
- IAS 27 (Revised) - Consolidated and Separate Financial Statements
- IAS 28 (Revised) - Investment in associates
- IAS 31 (Revised) - Investment in joint ventures
- IAS 36 (Revised) - Impairment of Assets
- IAS 38 (Revised) - Intangible Assets
- IAS 39 (Revised) - Financial Instruments : Recognition and Measurement

(ii) Revised Interpretations
- IFRIC 9 - Reassessment of Embedded Derivatives
- IFRIC 16 - Hedges of Net Investment in Foreign Operations

(iii) Withdrawn Interpretations
- IFRIC 8 - Scope of IFRS 2
- IFRIC 11 - Group and Treasury Share Transactions

(iv) New Interpretations
- IFRIC 17 - Distributions of Non-cash Assets to Owners
- IFRIC 18 - Transfers of Assets from Customers

The adoption of these standards and Interpretations had no significant effect on the consolidated financial statements of the Group for the year ended December 31, 2010, other than certain presentation and disclosure changes.

2.2 Standards and Interpretations in issue not yet effective

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

(i) Revised Standards

Effective for annual periods beginning on or after February 1, 2010
- IAS 32 (Revised) - Financial Instruments : Presentation

Effective for annual periods beginning on or after July 1, 2010
- IFRS 1 (Revised) - First time adoption of International Financial Reporting Standards.
- IFRS 3 (Revised) - Business combinations
- IAS 27 (Revised) - Consolidated and Separate Financial Statements

Effective for annual periods beginning on or after January 1, 2011
- IFRS 1 (Revised) - First time adoption of International Financial Reporting Standards
- IFRS 7 (Revised) - Financial Instruments disclosures

IAS 1 (Revised) – Presentation of Financial Statements
- IAS 24 (Revised) - Related Party Disclosures
- IAS 34 (Revised) - Interim Financial Reporting.

2.2 Standards and Interpretations in issue not yet effective (continued)

(ii) New Standard

Effective for annual periods beginning on or after January 1, 2013 (Early adoption allowed)

• IFRS 9 - Financial Instruments –Classification and Measurement

(iii) Revised Interpretations

Effective for annual periods beginning on or after January 1, 2011

• IFRIC 14 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

(iv) New Interpretations

Effective for annual periods beginning on or after July 1, 2010

• IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

Management anticipates that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the consolidated financial statements of the Group in the period of initial application, other than certain presentation and disclosure changes.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of Qatar Commercial Companies' Law No. 5 of 2002.

Basis of preparation

The consolidated financial statements are prepared under the historical cost convention except for available-for-sale investments, financial assets at fair value through profit or loss and derivative financial instruments that have been measured at fair value.

The consolidated financial statements are presented in Qatari Riyals, which is the Group's functional and presentation currency and all values are rounded to the nearest thousand (QR'000) except when otherwise indicated.

Basis of consolidation

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the asset transferred. The accounting policies and reporting period of the subsidiaries have been changed where necessary to ensure consistency with the policies and period adopted by the Group.

The consolidated financial statements of the Group include the financial statements of the Company and its controlled subsidiaries listed below. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Entity	Place of registration	Nature of business
Qatar Shipping Company P.Q.S.C	State of Qatar	International shipping
Halul Offshore Services Company W.L.L	State of Qatar	Chartering of vessels, supply of diving personnel
Qatar Quarries And Building Materials Company P.Q.S.C	State of Qatar	Trading of building materials
Gulf Shipping Investment Company W.L.L	State of Qatar	Shipping related activities
Qatar Shipping Company (India) Private Limited	India	Shipping related activities
Ocean Marine Services W.L.L	State of Qatar	Shipping related activities

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets are reported at cost less accumulated amortisation and impairment losses, if any. Amortisation is recognised on a straight-line basis over the estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

3. Significant Accounting Policies (continued)

Revenue recognition
Revenue is recognized on the following basis:

Revenue from chartering of vessels and others
Revenue from chartering of vessels, equipment and others is recognized on an accrual basis in accordance with the terms of the contract entered into with customers.

Sales of goods and services
Revenue from sales of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Revenue from rendering of services is recognized when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the transaction at the reporting date.

Cargo transport and container barge income
Revenue is recognized based on the value of all work invoiced during the year as adjusted for uncompleted trips. Attributable profit on uncompleted trips is accounted for on a percentage of completion basis after making due allowance for future estimated losses, if any.

Shipping agency income
Shipping agency income is recognised on the completion of all supply requirements for vessels.

Loading, clearance and land transport income:
Loading, clearance and land transport income is recognised upon completion of these services.

Rental income:
Rental income from investment properties is accounted for on a time proportion basis.

Interest income:
Interest revenue is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts, estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

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

Investment income:
Income from investments is accounted for on an accrual basis when right to receive the income is established.

LEASES
Operating leases:
Leases where the Group as a lessee does not retain substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated statement of income on a straight line basis over the lease term.

Finance lease:
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held as finance leases are recognized as assets of the Group at their fair value at the date of acquisition or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessee is included in the consolidation statement financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the assets or the term of the lease.

Property, vessels and equipment
Property, vessels and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any impairment in value. The cost of property, vessels and equipment includes all directly attributable costs including the borrowing costs that are directly attributable to the construction of the asset.

Depreciation is provided on a straight-line basis on all property, vessels and equipment, except freehold land, which is determined to have an indefinite life. The estimated residual value at the end of the estimated useful life is also considered in the depreciation of vessels. The rates of depreciation are based upon the following estimated useful lives:

New vessels	20 - 30 years
Used vessels	3 - 20 years
Barges and containers	10 - 20 years
Owned ocean going vessels	20 - 30 years
Diving & vessels equipment	2 - 5 years
Buildings & leasehold improvement	4 - 20 years
Machinery, equipment & tools	2 - 14 years
Furniture & fittings	2 - 5 years
Motor vehicles	2 - 7 years
Intangible assets	2 - 3 years

3. Significant Accounting Policies (continued)

Property, vessels and equipment (continued)

The carrying values of property, vessels and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Expenditures incurred to replace a component of an item of property, vessels and equipment that is accounted for separately are capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditures are capitalised only when they increase future economic benefits of the related item of property, vessels and equipment. All other expenditures are recognised in the consolidated statement of income as they are incurred.

An item of property, vessels and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the consolidated statement of income in the year the asset is derecognised.

Capital work in progress

This account represents work-in-progress on assets, which are carried at cost, less recognised impairment loss, if any. Upon completion of the work, the balance of work performed is transferred to properties, vessels and equipment or investment properties.

Investment properties

Land and buildings are considered as investment properties when they are being held to earn rentals or for long term capital appreciation or both.

Investment properties are stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated. The cost of property includes all directly attributable costs including the borrowing costs that are directly attributable to the construction of the assets and excludes the cost of day-to-day servicing of investment properties.

Depreciation on buildings is calculated on a straight line basis over the estimated useful life of 20 years.

The carrying values of investment properties are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

An item of investment property is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the consolidated statement of income in the year the asset is derecognised.

Dry docking costs

Dry docking costs incurred on vessels are deferred and are amortised over a period of 30 months.

Investment in associates

The Group's investments in its associates are accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate, less any impairment in value, if any. The consolidated statement of income reflects the Group's share of the results of its associates.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates.

Investments

The Group maintains two separate investments portfolios, as follows:

- Financial assets at fair value through profit or loss;
- Available-for-sale investments

All regular purchases and sales of investments are recognised on the trade date when the Group becomes, or ceases to be, a party to the contractual provisions of the instrument.

All investments are initially recognised at cost being the fair value of the consideration given and subsequently re-measured using the following basis:

Financial assets at fair value through profit or loss

Investments classified as financial assets at fair value through profit or loss in these consolidated financial statements are included in the category "financial assets at fair value through profit or loss". Investments are classified as financial assets at fair value through profit or loss if they are acquired for the purpose of selling in the near term. These investments are subsequently re-measured at fair value. All related unrealised gains or losses are included in the consolidated statement of income. Interest earned or dividends received are included in interest and dividend income respectively.

3. Significant Accounting Policies (continued)

Investments (continued)

Available-for-sale investments
Available-for-sale investments are those investments that are designated as available-for-sale or are not classified in the preceding category.

After initial recognition, investments which are classified "available for sale – quoted" and investment in bonds are remeasured at fair value, with any resultant gain or loss directly recognised as a separate component of other comprehensive income and accumulated in equity under the 'fair value reserve' until the investment is sold, collected, or the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the consolidated statement of income for the year.

Due to the nature of cash flows arising from the Group's unquoted investments, the fair value of investments cannot be reliably measured and consequently, these investments are carried at cost, less provision for impairment losses, if any.

If an available-for-sale investment is impaired, the impairment loss is transferred from equity to the consolidated statement of income. Reversal of impairment losses in respect of equity instruments classified as available-for-sale is not recognised in the consolidated statement of income. Reversal of impairment losses on debt instruments are recognised through the consolidated statement of income, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the consolidated statement of income.

Impairment and uncollectibility of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated statement of income. Impairment is determined as follows:

(a) For assets carried at cost, impairment is the difference between cost and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

(b) For assets carried at amortised cost, impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial assets' original effective interest rate.

Fair value
The fair value of investments that are actively traded in organised financial markets is determined with reference to quoted market bid prices at the close of business on the reporting date.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition, as follows:

Spares and goods for sale - Purchase cost on a weighted average basis
Work in progress - Cost of direct materials and labour

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Trade receivables

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

Notes due from customers are disclosed as a separate item on the statement of financial position except those with a remaining term to maturity of less than one year, which are included under prepayments and other debit balances.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances due within 3 months and cash, net of outstanding bank overdrafts.

Trade payables

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

Interest bearing loans and borrowings

Interest bearing loans and borrowings are recognized initially at fair value of the amounts borrowed, less directly attributable transaction costs. Subsequent to initial recognition, interest bearing loans and borrowings are measured at amortized cost using the effective interest method, with any differences between the cost and final settlement values being recognized in the consolidated statement of income over the period of borrowings. Installments due within one year at amortized cost are shown as a current liability. Gains or losses are recognized in the consolidated statement of income when the liabilities are derecognized.

3. Significant Accounting Policies (continued)

Borrowing cost
Borrowing costs are recognized in the period in which they are incurred with unpaid amounts included in "accruals and other credit balances".
Borrowing costs that are directly attributable to the construction of investment properties and property, vessels and equipment are capitalized and form part of the cost of the assets. The capitalization of borrowing costs ceases once the asset is ready for its intended use. All other borrowing costs are recognized as expenses. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

Employees' Benefits
End of service benefit plans
The Group provides for end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period, calculated under the provisions of the Qatar Labour Law and the employees' contracts and is payable upon resignation, termination or retirement of the employee. The expected costs of these benefits are accrued over the period of employment.

Pension plan
Under Law No. 24 of 2002 on Retirement and Pension, the Company is required to make contributions to a Government fund scheme for Qatari employees calculated as a percentage of the Qatari employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

Foreign currencies
Transactions in foreign currencies are initially recorded in the functional currency rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All exchange differences are taken to the consolidated statement of income. Non-monetary items measured in terms of historical costs in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Derivative financial instruments and hedging
The Company uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the period that do not qualify for hedge accounting are taken directly to the consolidated statement of income.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or unrecognised firm commitment (except for foreign currency risk); or

- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or

- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods of which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income and accumulated in equity.

4. BUSINESS COMBINATION

Prior to January 1, 2010 the Company held 15% of the share capital of Qatar Shipping Company Q.S.C. (the "Acquiree" or "Qatar Shipping"). On January 1, 2010 the Company acquired the remaining 85% of the share capital of the Acquiree through a share exchange transaction (the "Transaction") resulting in the Company issuing 42.5 million new shares.

The acquisition date is January 1, 2010 which is the date the Company is deemed to exercise control over Qatar Shipping Company.

The fair value and the carrying amount of the identifiable assets and liabilities of the Acquiree at the date of the acquisition were as follows:

I. Assets acquired and liabilities recognised at the date of acquisition

	At fair value	**At carrying amount**
	QR'000	QR'000
Cash and bank balances	628,263	628,263
Accounts receivable and prepayments	137,604	137,604
Investments held for trading	71,960	71,960
Inventories	5,628	5,628
Loans to LNG and LPG companies	467,085	467,085
Available for sale investments	2,203,820	2,180,713
Investment in associate companies	371,501	60,380
Vessels, property and equipment	2,018,431	1,744,381
Deferred dry docking cost	6,513	6,513
Investment property	137,100	16,682
Intangible assets	77,242	--
Total assets	**6,125,147**	**5,319,209**
Accounts payable and accruals	96,378	96,378
Term loans	894,323	894,323
Employees' terminal benefits	6,996	6,996
Dividends payable	440,000	440,000
Total liabilities	**1,437,697**	**1,437,697**
Total net assets	**4,687,450**	**3,881,512**

II. Step up details

	2010
	QR'000
Fair value of identifiable net assets acquired	4,687,450
Less: carrying amount of the identifiable net assets	(3,881,512)
Step up amount	**805,938**

The step up amount reflected in the consolidated statement of financial position is broken down as follows:

	2010
	QR'000
Property, vessels and equipment	274,050
Investment property	120,418
Investment in associate	311,121
Available-for-sale investments	23,107
Intangible assets (Note 10)	77,242
Step up amount	**805,938**

4. BUSINESS COMBINATION (continued)

III. Gain from bargain purchase arising on acquisition

	At fair value QR'000
Consideration transferred	4,389,000
Less: Fair value of identifiable net assets acquired	(4,687,450)
Gain from bargain purchase arising on acquisition	**(298,450)**

IV. Impact of acquisitions on the results of the Company

As a result of the Transaction, the following represent changes to the Group accounting treatments related to some of its investments:

1. The assets and liabilities of Qatar Quarries and Building Materials Company ("Qatar Quarries") at the date of the Transaction were as follows:

	January 1, 2010 QR'000
Cash and cash equivalents	13,578
Financial assets at fair value through profit or loss	1,945
Due from Ministry of Finance	2,629
Trade and other receivables	28,452
Inventories	55,700
Available for sale investments	5,406
Property and equipment	29,593
Total assets	**137,303**
Accounts payable and accruals	4,945
Term loans	28,552
Employees' terminal benefits	1,235
Total liabilities	**34,732**
Total net assets	**102,571**
Share of the Group	**50%**
Acquisition date value of company's interest in Qatar Quarries	**51,286**

As a result of the Transaction, the Group acquired control of Qatar Quarries. As such, the accounting treatment was changed from equity accounting to full consolidation. The financial statements of Qatar Quarries as of December 31, 2010 were consolidated in these consolidated financial statements as the Group owns 50% of the share capital of Qatar Quarries. The remaining 50% were recorded as non controlling interest

2. The Group changed its classification of the investment in Nakilat from available for sale investment to investment in an associate. Following the Transaction, the Company owns 30% of the share capital of Nakilat and exercises significant influence over this company. The results of operation of Nakilat have been accounted for under the equity method of accounting. The fair value of Nakilat as of the Transaction date is deemed the carrying amount at the date of the Transaction. The fair value reserve associated with Nakilat is kept as part of the consolidated statement of equity until the investment is sold, collected, or is determined to be impaired.

3. The accumulated fair value reserve of the initially held 15% of Qatar Shipping shares in the books of the Company as of January 1, 2010 which amounted to QR. 236 million was transferred to the consolidated statement of income as a result of the Transaction (Note 28). These shares were treated as a deemed disposal.

5. PROPERTY, VESSELS AND EQUIPMENT

	Vessels, Containers and Barges QR'000	Land and Buildings QR'000	Machinery, Equipment and Tools QR'000	Furniture and Fittings QR'000	Motor Vehicles QR'000	Capital Work in Progress QR'000	Total QR'000
Cost:							
At January 1, 2009	659,028	130,979	267,202	27,544	40,031	659,195	1,783,979
Additions	8,498	1,654	24,145	2,940	5,055	498,271	540,563
Transfers and reclassification	547,470	735	(591)	530	1,055	(1,044,874)	(495,675)
Disposals and write offs	(77)	--	(941)	(200)	(287)	(160)	(1,665)
At December 31, 2009	1,214,919	133,368	289,815	30,814	45,854	112,432	1,827,202
Additions relating to business combination of Qatar Shipping (Note 4)	1,965,250	1,056	244	1,272	536	50,073	2,018,431
Additions relating to business combination of Qatar Quarries (Note 4)	--	6,300	22,326	380	588	--	29,594
Additions	74,396	1,398	9,945	3,850	3,618	186,392	279,599
Transfers and reclassification	87,393	373	1,143	3,370	1,214	(93,493)	--
Disposals and write offs	(41,033)	(472)	(3,918)	(561)	(742)	--	(46,726)
At December 31, 2010	**3,300,925**	**142,023**	**319,555**	**39,125**	**51,068**	**255,404**	**4,108,100**
Accumulated depreciation:							
At January 1, 2009	213,515	73,285	144,905	23,494	19,210	--	474,409
Depreciation charge for the year	45,567	4,237	28,124	2,843	5,857	--	86,628
Transfer and reclassification	--	1	(185)	(63)	247	--	--
Relating to disposals and write offs	(46)	--	(933)	(181)	(287)	--	(1,447)
At December 31, 2009	259,036	77,523	171,911	26,093	25,027	--	559,590
Depreciation charge for the year	152,008	5,786	32,630	3,829	8,127	--	202,380
Transfers and reclassification	--	--	620	--	(620)	--	--
Relating to disposals and write offs	(39,887)	(472)	(3,775)	(449)	(637)	--	(45,220)
Impairment of vessels	177,392	--	--	--	--	--	177,392
At December 31, 2010	**548,549**	**82,837**	**201,386**	**29,473**	**31,897**	**--**	**894,142**
Net Carrying Amounts:							
At December 31, 2010	**2,752,376**	**59,186**	**118,169**	**9,652**	**19,171**	**255,404**	**3,213,958**
At December 31, 2009	955,883	55,845	117,904	4,721	20,827	112,432	1,267,612

5. PROPERTY, VESSELS AND EQUIPMENT (continued)

Notes:

(i) Depreciation on property, vessels and equipment is disclosed in the consolidated statement of income as follows:

	2010 QR'000	2009 QR'000
Operating expenses	**193,116**	80,303
General and administration	**9,230**	6,325
Total	**202,346**	86,628

(ii) The encumbrances and liens on vessels, containers and barges are disclosed in Note 21.

(iii) Included in additions for the year is an amount of QR. 1.251 million (December 31, 2009: 12.400 million) related to finance cost capitalized.

(iv) As a result of the Transaction, the Group adjusted the carrying amounts of the acquired vessels to their fair market values.

6. INVESTMENT PROPERTIES

	Land QR'000	Buildings QR'000	Property under Construction QR'000	Total QR'000
Cost:				
At January 1, 2009	47,435	67,238	--	114,673
Additions	--	66,209	--	66,209
Disposals	(206)	--	--	(206)
Transfers	(501)	--	430,259	429,758
At December 31, 2009	46,728	133,447	430,259	610,434
Additions relating to business combination of Qatar Shipping (Note 4)	112,436	24,664	--	137,100
Additions	--	223	15,368	15,591
Transfers	--	441,040	(441,040)	--
At December 31, 2010	**159,164**	**599,374**	**4,587**	**763,125**
Accumulated Depreciation:				
At January 1, 2009	--	25,087	--	25,087
Charge for the year	--	6,367	--	6,367
At December 31, 2009	--	31,454	--	31,454
Charge for the year	--	23,211	--	23,211
At December 31, 2010	**--**	**54,665**	**--**	**54,665**
Net Carrying Amounts:				
At December 31, 2010	**159,164**	**544,709**	**4,587**	**708,460**
At December 31, 2009	46,728	101,993	430,259	578,980

(i) Investment properties are located in the State of Qatar.

(ii) Investment properties with a carrying value of QR 708,460,000 as of December 31, 2010 (December 31, 2009: QR 148,721,000) were appraised by an accredited independent appraiser, Aqar Development and Real Estate Company, at a fair value of QR. 1,681,094,000 (December 31, 2009: QR 612,153,000). The appraiser is an industry specialist in valuing these types of investment properties.

6. INVESTMENT PROPERTIES (continued)

Notes:
(iii) Property under construction with the carrying value of QR. 4,587,000 as of December 31, 2010 relates to the Company's tower. The construction relates to contract work after completion of the tower. The carrying amount of the property under construction as of December 31, 2009 amounting to QR. 430,259,000 was appraised by an accredited independent appraiser (Aqar Development and Real Estate Company) at a fair value of QR. 1,109,194,000. The appraiser is an industry specialist in valuing these types of investment properties.

(iv) The Company earned rental income amounting to QR.112,039,000 for the year ended December 31, 2010 (December 31, 2009: QR. 25,414,000). Direct operating expenses related to the investment properties (including depreciation) amounting to QR. 56,267,000 (December 31, 2009: QR. 16,367,614) have been reflected under operating expenses.

(v) Included in additions for the year is an amount of QR. 2.1 million (December 31, 2009: 5.2 million) related to finance cost capitalized.

7. INVESTMENT IN ASSOCIATES

The Company has the following investment in associates:

		Ownership		Profit Share	
	Country of incorporation	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Qatar Quarries and Building Material Company Q.S.C. (i)	Qatar	**--**	25.0%	**--**	25.0%
Macgregor Qatar Navigation Company W.L.L. (ii)	Qatar	**51.0%**	51.0%	**40.0%**	40.0%
Iraq-Qatar Transport and Shipping Services Com., L.T.D. (iii)	Iraq	**51.0%**	51.0%	**51.0%**	51.0%
United Arab Shipping Agency Company W.L.L (iv)	Qatar	**40.0%**	40.0%	**40.0%**	40.0%
Qatar Gas Transport Company (NAKILAT) (v)	Qatar	**30.0%**	15.0%	**30.0%**	--
Camartina Shipping INC (vi)	Liberia	**29.4%**	--	**29.4%**	--
Peninsula LNG Transport No. 1 Ltd (vii)	Liberia	**29.4%**	--	**29.4%**	--
Peninsula LNG Transport No. 2 Ltd (vii)	Liberia	**29.4%**	--	**29.4%**	--
Peninsula LNG Transport No. 3 Ltd (vii)	Liberia	**29.4%**	--	**29.4%**	--
Qatar LNG Transport Ltd (viii)	Liberia	**20.0%**	--	**20.0%**	--
QIM Transport INC (ix)	Panama	**33.3%**	--	**33.3%**	--

(i) Qatar Quarries and Building Materials Company Q.S.C. (Closed) was established to import and sell construction materials including aggregate in the local market. Effective January 1, 2010 as a result of (the "Transaction"), the Group acquired control of Qatar Quarries and changed the accounting treatment of recognizing Qatar Quarries from investment in an associate to investment in a subsidiary (Note 4).

(ii) Macgregor Qatar Navigation Company W.L.L. was established to provide maintenance and repair of marine and land based cargo access, fluid power and control system to off-shore and on-shore oil services and gas facilities.

(iii) Iraq-Qatar Transport and Shipping Services Company L.T.D. was established to provide transportation and shipping logistics.

7. INVESTMENT IN ASSOCIATES (continued)

Notes:
(iv) United Arab Shipping Agency Company / Qatar W.L.L. was established to provide cargo and shipping services.

(v) Qatar Gas Transport Company Limited (Nakilat), Q.S.C., was established to work in the sector of gas transportation either through the direct acquisition of ocean going vessels or by investing in joint ventures with other parties. The Group's share of this associate has been pledged against loan for working capital purposes refer to note (21). Effective January 1, 2010, as a result of the Transaction, the Group changed its accounting treatment from available for sale investment to investment in associate (Note 4).

(vi) Camartina Shipping INC was established to acquire, own, operate, and time charter a 135.000 m^3 Liquefied Natural Gas (LNG) vessels. The Group acquired this associate through the transaction.

(vii) Peninsula LNG Transport Ltd. was established to acquire, own, operate, and time charter a 145.000 m^3 Liquefied Natural Gas (LNG) vessels. The Group acquired this associate through the transaction.

(viii) Qatar LNG Transport Ltd. was established to acquire, own, operate, and time charter a 135.000 m^3 Liquefied Natural Gas (LNG) vessels. The Group acquired this associate through the transaction.

(ix) QIM Transport INC was formed with the intention of transporting chemicals out of Qatar. The Group acquired this associate through the transaction.

The following table illurstates summarized financial statements of the Group's investments in these assets

	2010 QR'000	2009 QR'000
Total assets	4,953,275	139,852
Total liabilities	(5,810,671)	(34,487)
Net assets	(857,396)	105,365
The Group's Share of net assets of associates	(118,294)	26,882
Fair value of investments	4,018,965	--
The Group's Share of net assets of associate	3,900,671	26,882
Addition relating to business combination (Note 4)	311,121	--
Depreciation related to step up adjustment	(13,981)	--
Net Group's Share of net assets of associates	4,197,811	26,882
Total Revenues	3,372,815	269,365
Profit / (Loss) for the year	1,369,662	(40,322)
Group's share of results of associates	211,470	(9,510)
Depreciation related to step up adjustment	(13,981)	--
Group's share of results of associates	197,489	(9,510)

a) The Companies listed under (ii) and (iii) above are not consolidated with the Group's results as the Group does not exercise control over their operations and activities. The assets and liabilities of these entities are not material.

b) As a result of the Transaction, the vessels of associates held by Qatar Shipping were revalued to fair value (See Note 4). This step up adjustment is being depreciated over the remaining useful lives of each vessel.

8. AVAILABLE-FOR-SALE INVESTMENTS

	2010	2009
	QR'000	QR'000
Quoted investments in local companies	**2,223,035**	3,973,905
Investments in local companies' bonds	**7,297**	9,348
Unquoted investments in foreign companies	**341,217**	211,205
Unquoted investments in local companies	**344,091**	279,252
Total	**2,915,640**	4,473,710

Notes:
(i) Available-for-sale investments represent investments in shares and investments in funds.

(ii) Included in available-for-sale investments as of December 31, 2010 are quoted shares in local companies with a fair value of QR. 28,444,883 (December 31, 2009: QR. 611,292,000). These shares are restricted due to the Group's directors' memberships in those investee companies.

(iii) Also included in available-for-sale investments as of December 31, 2010 are restricted shares in local companies with a fair value of QR. 95,009,999 (December 31, 2009: QR 57,509,999) as they represent establishment shares in those investee companies.

(iv) The unquoted investments represent investments in companies in which the Company is a founding shareholder. The intention of management is to keep those investments for capital appreciation as well as dividend income.

9. LOANS TO LNG AND LPG COMPANIES

The Group has provided loans to the following LNG and LPG companies through one of its 100% owned subsidiaries. These loans carry annual interest rates between 6% to 8%.

Name of LNG/ LPG companies	Company operating the LNG and LPG companies
• India LNG Transport Company No.1 Ltd,	• Shipping Corporation of India Ltd
• Camartina Shipping INC, Liberia	• Mitsui OSK Lines
• K S Membrane-I, Denmark	• Maersk
• Qatar LNG Transport Ltd., Liberia	• Mitsui OSK Lines
• India LNG Transport Company No.2 Ltd., Malta	• Shipping Corporation of India Ltd
• Peninsula LNG Transport No. 1 Ltd, Liberia	• NYK
• Peninsula LNG Transport No. 2 Ltd, Liberia	• K Line
• Peninsula LNG Transport No. 3 Ltd, Liberia	• Mitsui OSK Lines
• K S Membrane-II, Denmark	• Maersk
• Gulf LPG Transport W.L.L. Qatar	• Qatar Gas Transportation Company

The loans to the above LNG and LPG companies included the following:

	2010	2009
	QR'000	QR'000
Loans	**182,538**	--
Accrued Interest	**199,706**	--
	382,244	--

10. INTANGIBLE ASSETS

As a result of the Transaction, the Company identified and recorded the following intangible assets with definite useful lives.

	2010 QR'000	2009 QR'000
Identifiable intangible assets (Note 4)	77,242	--
Amortized during the year	(29,200)	--
Balance at end of the year	48,042	--

The identifiable intangible assets represent Deep sea transportation charter-out contracts and offshore contracts that have definite useful lives ranging between 2 – 3 years.

11. INVENTORIES

	2010 QR'000	2009 QR'000
Heavy vehicles and spares	94,446	98,770
Gabbro and aggregate	39,425	--
Other goods for resale	18,164	12,568
	152,035	111,338
Provision for slow moving items	(7,404)	(6,724)
Net	144,631	104,614

12. TRADE RECEIVABLES

	2010 QR'000	2009 QR'000
Trade receivables	319,420	291,710
Less: Provision for doubtful debts	(19,949)	(16,201)
Net	299,471	275,509

The average credit period for sale of goods and rendering services is between 30 to 60 days. No interest is charged on the overdue trade receivables. The Company makes full provision for doubtful debts for non-government receivables over one year old, and for governmental receivable over two years. The accounts receivables that are under legal cases are provided for, based on management market information and experience.

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

(i) Aging of neither past due nor impaired

	2010 QR'000	2009 QR'000
Less than 60 days	206,230	111,926

12. TRADE RECEIVABLES (continued)

(ii) Aging of past due but not impaired

	2010 QR'000	2009 QR'000
61-120 days	34,616	53,292
121-180 days	9,298	14,611
181-365 days	44,279	21,375
More than 365 days	5,048	74,305
Total	93,241	163,583

(iii) Aging of impaired trade receivables

	2010 QR'000	2009 QR'000
More than 365 days	19,949	16,201

(iv) Movement in the provision of doubtful debts:

	2010 QR'000	2009 QR'000
Balance at the beginning of the year	16,201	23,330
Addition relating to business combination	3,555	--
Amounts written off as uncollectible	--	(6,645)
Reversal of provision	--	(484)
Additional provision during the year	193	--
Balance at end of the year	19,949	16,201

13. PREPAYMENTS AND OTHER DEBIT BALANCES

	2010 QR'000	2009 QR'000
Notes due from customers maturing within one year	2,868	8,817
Accrued income	82,471	35,563
Staff receivables	25,780	21,566
Prepaid expenses	55,708	18,305
Amounts due from related parties (Note 33)	35,291	4,716
Amounts due from Ministry of Municipality & Urban Planning	20,493	18,654
Advance to suppliers	18,784	1,813
Other receivable	16,772	4,230
Total	258,167	113,664

- Included in staff receivables are loans against gratuity amounting to QR 20,196,000 (December 31, 2009: QR 17,156,000).

- Amounts due from Ministry of Municipality & Urban Planning represent the unpaid portion against taking over certain assets of the Company.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2010	2009
	QR'000	QR'000
Quoted investments in local companies	**197,486**	52,647
Investment in managed portfolios	**2,835**	8,931
Total	**200,321**	61,578

15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated statement of cash flows include the following:

	2010	2009
	QR'000	QR'000
Cash on hand	**1,245**	--
Current and call accounts	**283,765**	41,450
Fixed deposits (i)	**624,592**	241,764
Bank balances and cash	**909,602**	283,214
Less: Bank overdrafts	**(2,101)**	(127,741)
Net	**907,501**	155,473

Notes:

(i) Fixed deposits earn interests ranging from 3.1% - 6.4% (December 31, 2009: 5.75% - 6.4%) per annum. These deposits mature within 90 days.(i)

16. SHARE CAPITAL

At an extraordinary general assembly held on April 8, 2010, the shareholders' approved an implementation agreement dated March 21, 2010 between Qatar Navigation and Qatar Shipping, pursuant to which each 2.2 shares of Qatar Shipping were exchanged for one newly issued share of Qatar Navigation.

At the same meeting, the shareholders approved to increase the share capital of Qatar Navigation from QR. 720,252,000 to QR. 1,145,252,000 by issuing 42,500,000 shares at a par value of QR. 10 each. These shares were distributed to the shareholders of Qatar Shipping in exchange for their shares in Qatar Shipping Company.

	2010	2009
	Number of shares	Number of shares
	Thousand	Thousand
Authorised		
Shares of QR 10 each	**114,525**	72,025
	Number of shares	QR'000
	Thousand	
Issued and fully paid		
At January 1, 2009	**60,021**	600,210
Issue of bonus share	**12,004**	120,042
At December 31, 2009	**72,025**	720,252
Issue of share capital (Note 4)	**42,500**	425,000
At December 31, 2010	**114,525**	1,145,252

17. LEGAL RESERVE

The Company has resolved to discontinue annual transfers to the legal reserve, as the reserve exceeds the issued capital. The legal reserve also includes an amount of QR 360,000,000 relating to the share premium in respect of a rights issue in 2004 and QR 661,050,000 relating to additional paid-in-capital of QR 50 per share as a result of the rights issue in 2008.

During the year, an amount of QR. 3,495,400,000, relating to share premium from the issue of shares was transferred to legal reserve.

The reserve is not available for distribution except in the circumstances stipulated in the Companies' law.

18. GENERAL RESERVE

In accordance with clause (41) of the Company's Articles of Association, the General Assembly, based on the Board of Directors' proposal, may decide to transfer a portion of the net profit to a general reserve. This reserve may be used in any way the General Assembly decides.

19. PROPOSED CASH DIVIDENDS

In their meeting held on March 16, 2011, the Board of Directors proposed cash dividend of 40% for the year 2010 amounting to QR 458 million (2009: QR 288 million). The proposed dividends are subject to the approval of the shareholders in the Annual General Assembly.

During the year, dividends of QR 4 per share totaling QR 288 million relating to the year ended December 31, 2009 were paid (2008: QR 240 million).

20. PROVISION FOR SOCIAL AND SPORT ACTIVITIES

The boards of directors have proposed to provide an amount of QR 27,468 million (December 31, 2009: 11.9 million) for social and sport activities (2.5% from net profit) as per the instructions of the Public Revenues and Taxes Department at the Ministry of Finance.

	2010	2009
	QR'000	QR'000
Social and sport activities for the year	**27,468**	11,973
Reversal of unutilized social and sport provision for 2009	**--**	(5,460)
Net	**27,468**	6,513

21. TERM LOANS

	Effective Interest / profit rate %	Maturity	2010 QR'000	2009 QR'000
Loan 1 (i)	LIBOR + 0.70%	Dec-2015	**31,919**	38,523
Loan 2 (ii)	LIBOR + 0.73%	Oct-2016	**295,013**	316,680
Loan 3 (iii)	4.5%	Jul-2011	**--**	254,800
Loan 4 (iii)	4.5%	Apr-2010	**--**	91,000
Loan 5 (iii)	LIBOR + 1.50%	Jun-2012	**254,800**	--
Loan 6 (iii)	LIBOR + 0.50%	Dec-2011	**182,000**	--
Loan 7 (iv)	LIBOR + 1.15 %	Jul-2012	**582,400**	--
Loan 8 (v)	LIBOR + 0.82%	Jul-2011	**10,710**	16,066
Loan 9 (vi)	LIBOR + 0.70%	May-2013	**14,459**	10,443
Loan 10 (vii)	LIBOR + 0.65%	Nov-2015	**24,783**	15,932
Loan 11 (viii)	LIBOR + 0.70%	Feb-2015	**27,418**	17,137
Loan 12 (ix)	LIBOR + 0.60%	Jun-2016	**32,546**	19,230
Loan 13 (x)	LIBOR + 0.60%	Mar-2017	**136,556**	79,658
Loan 14 (xi)	LIBOR + 0.80%	Sep-2013	**56,801**	--
Loan 15 (xii)	LIBOR + 0.75%	Apr-2016	**245,412**	--
Loan 16 (xiii)	10.0%	Apr-2011	**57,957**	--
Total			**1,952,774**	859,469
Presented in the consolidated statement of financial position as follows:				
Current portion			**424,171**	172,700
Non-current portion			**1,528,603**	686,769
Total			**1,952,774**	859,469

Notes:

(i) Loan 1 was obtained to finance the construction of a showroom and villa complex. The Company is not allowed to assign or transfer any or all of its rights, benefits or obligations under the loan without the bank's approval. This loan is secured by a lien of the showroom and villa properties and repayable on a monthly basis.

(ii) Loan 2 was obtained to finance the construction of Qatar Navigation tower. The loan is secured by a first priority mortgage on Navigation Tower and is repayable on a monthly basis.

(iii) Loans 3, 4, 5 and 6 represent unsecured loans and they are used for working capital purposes and to finance the building of vessels. Loans 3 and 4 were repaid fully during the year; loan 3 has been repaid before the maturity date. The remaining loans are repayable at the maturity date.

(iv) Loan 7 is used for working capital purposes and to finance the building of vessels. The loan is repayable at the maturity date. The loan is pledged by 53,400,000 shares of Qatar Gas Transport Company (NAKILAT) that has a fair value of QR. 1.068 million at December 31, 2010.

(v) Loan 8 was obtained to finance the purchase and construction of vessels by one of the subsidiary and is secured by a corporate guarantee of the shareholders of the subsidiary. The loan is repayable on semi-annual installments.

(vi) Loan 9 was obtained to finance the purchase of nine vessels. The loan is repayable in quarterly installments. This loan is secured by assignment of the revenue from each vessel to an account held with the respective lending bank. Any insurance proceeds in respect of the vessels will be assigned to the lending bank.

(vii) Loan 10 was obtained to finance the purchase of two anchor handling tug vessels. The loan is repayable on semi-annual installments. This loan is secured by assignment of the revenue from each vessel to an account held with the respective lending banks. Any insurance proceeds in respect of the vessels will be assigned to the lending bank.

(viii) Loan 11 was obtained to finance the purchase of two vessels. The loan is repayable on semi-annual installments. This loan is secured by assignment of the revenue from each vessel to an account held with the respective lending banks. Any insurance proceeds in respect of the vessels will be assigned to the lending bank.

21. TERM LOANS (continued)

Notes:

(ix) Loan 12 was obtained to finance the purchase of 4 utility standby safety vessels. The loan is payable on semi-annual installments. This loan is secured by assignment of the revenue from each vessel to an account held with the respective lending banks. Any insurance proceeds in respect of the vessels will be assigned to the lending bank.

(x) Loan 13 was obtained to finance the purchase of two platform supply vessels, which are currently under construction. The loan is repayable in semi-annual installments.

(xi) Loan 14 was drawn to finance the construction of two clean product tankers namely, Jinan and Dukhan. It is secured by a first priority mortgage over the above tankers. The loan is repayable in equal quarterly installments.

(xii) Loan 15 was drawn to partially finance construction of two LPG/ Ammonia carrier and six Aframax size crude/ clean tankers. The loan is secured by a first priority mortgage over the vessels. The loan is repayable in variable quarterly average installments.

(xiii) Loan 16 was obtained for working capital purposes. The Principal amount plus the profit are repayable in two equal installments each, the first one was paid in April 2010 and the second is payable in April 2011. The loan is pledged by 10,000,000 shares of Qatar Gas Transport Company (NAKILAT) that has a fair value of QR. 200 million at December 31, 2010.

The repayment schedule of the drawn down loan facilities are as follows:

	2010 **QR'000**	2009 QR'000
Payable within one year	**424,171**	172,700
Payable between two to five years	**1,335,508**	582,953
Payable after five years	**193,095**	103,816
Total	**1,952,774**	859,469

22. PROVISION FOR EMPLOYEES' BENEFITS

	2010 **QR'000**	2009 QR'000
Provision as at January 1	**43,917**	36,981
Addition relating to business combination of Qatar Shipping (Note 4)	**6,996**	--
Addition relating to business combination of Qatar Quarries (Note 4)	**1,235**	--
Provided during the year	**17,643**	12,161
End of service benefits paid	**(6,379)**	(3,093)
Transferred to the pension fund	**(3,974)**	(2,132)
Provision as at December 31	**59,438**	43,917
Provision for employees' benefits:		
End of service benefits	**57,011**	41,388
Pension provision for Qatari employees (Note 24)	**2,427**	2,529
Provision as at December 31	**59,438**	43,917

The pension scheme is a defined contribution pension plan. Pension obligations of Qatari employees are payable monthly to a Government pension fund; accordingly, the amount payable has been classified as a current liability.

23. OBLIGATION UNDER FINANCE LEASES

Finance leases relate to the Group's Non Vessel Operating Common Carrier (NVOCC) operations for containers with lease terms ranging from 3 to 5 years. The Company has the option to purchase the containers for a nominal amount at the conclusion of the lease agreements.

Finance lease obligation

	Minimum Lease Payments		Principal	
	2010	2009	**2010**	2009
	QR'000	QR'000	**QR'000**	QR'000
Within 1 year	**6,891**	7,441	**6,021**	5,960
More than 1 year and less than 5 years	**10,469**	17,360	**9,553**	15,574
	17,360	24,801	**15,574**	21,534
Less future finance charges	**(1,786)**	(3,267)	**--**	--
Present value of minimum lease payments	**15,574**	21,534	**15,574**	21,534

Included in the consolidated statements of financial position as follows:

	2010	2009
	QR'000	QR'000
Current portion	**6,021**	5,960
Non-current portion	**9,553**	15,574
	15,574	21,534

24. ACCRUALS AND OTHER CREDIT BALANCES

	2010	2009
	QR'000	QR'000
Accruals and provisions	**143,884**	87,965
Contribution to social and sport fund (Note 20)	**27,468**	6,513
Other payables (i)	**90,337**	62,834
Pension provision for Qatari employees (Note 22)	**2,427**	2,529
Advances from customers	**63,089**	24,800
Total	**327,205**	184,641

(i) Included in the other payables is an amount of QR 2.192 million (December 31, 2009: QR 546 thousands) representing the negative fair value of interest rate swap contracts from one of the subsidiaries (Note 30).

25. OPERATING REVENUES

	2010	2009
	QR'000	QR'000
Dubai operations	**95,040**	84,525
Commercial activities	**225,312**	290,758
Shipping agencies	**49,921**	41,424
Marine transport	**204,608**	193,395
Navigation freight services	**34,279**	29,445
Ship repair and fabrication	**16,842**	47,455
Port services	**161,233**	197,180
Halul Offshore Services Company operations	**500,186**	279,782
Qatar Quarries And Building Materials Company operations	**236,768**	--
Qatar Shipping Company operations	**249,064**	--
Real Estate	**111,730**	25,414
Total	**1,884,983**	1,189,378

26. INVESTMENTS AND INTEREST INCOME

	2010	2009
	QR'000	QR'000
Income from investments	**154,382**	133,733
Profit on sale of available-for-sale investments	**36,835**	29,458
Profit on sale of financial assets at fair value through profit or loss	**35,590**	3,953
Interest income	**78,739**	17,580
Unrealised gain from change in fair value of financial assets at fair value through profit or loss	**13,756**	2,463
Total	**319,302**	187,187

27. GENERAL AND ADMINISTRATION EXPENSES

	2010	2009
	QR'000	QR'000
Employees' costs and related benefits	**100,513**	48,179
Depreciation	**8,556**	6,325
Supplies	**13,557**	2,460
Repairs and maintenance	**2,045**	2,164
Fuel and lubricants	**6,189**	--
Professional fees	**19,551**	9,306
Miscellaneous expenses	**40,786**	13,810
Total	**191,197**	82,244

28. REALIZED FAIR VALUE GAIN FROM DEEMED DISPOSAL OF INVESTMENT IN QATAR SHIPPING COMPANY AT ACQUISITON DATE

The gain is calculated as follows:

	January 1, 2010
	QR'000
Shares' quoted price at the acquisition date	**534,600**
Less: Qatar Shipping historical cost	**(298,552)**
Total	**236,048**

29. 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.

	2010	2009
Net Profit for the year (QR'000)	**1,098,706**	478,920
Weighted average number of shares outstanding during the year in thousands (i)	**114,525**	72,025
Basic earnings per share (QR) (ii)	**9.59**	6.65

29. EARNINGS PER SHARE (continued)

Notes:

(i) The weighted average number of shares has been calculated as follows:

	2010	2009
Qualifying shares at beginning of the year	**72,025,200**	60,021,000
Issue of new shares / bonus shares	**42,500,000**	12,004,200
Weighted average number of shares outstanding during the year	**114,525,200**	72,025,200

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

30. DERIVATIVE FINANCIAL INSTRUMENTS

	2010 QR'000	2009 QR'000
Hedging activities		
Cash flow hedges		
Fair value of interest rate swap (IRS) contracts:		
IRS 1 (i)	**(2,096)**	--
IRS 2 (ii)	**(96)**	(546)
Total	**(2,192)**	(546)

Notes:

(i) The Company, through Qatar Shipping Company, has entered into an interest rate swap contract to hedge its exposure to interest rate risk.

At December 31, 2010, Company had an interest rate swap agreement in place with a notional amount of US$ 15.466 million (QR. 56.608 million), whereby it receives a variable rate equal to LIBOR and pays a fixed rate of interest of 3.21% on the notional amount. The swap is being used to hedge the exposure to interest rate fluctuations on one of its loans. The term loan and interest rate swap have the same critical terms.

The Company has recognized the negative fair value of the interest rate swap amounting to QR 2.096 million as at December 31, 2010 (December 31, 2009: QR 2.68 million) in other payables with a corresponding entry to hedging reserve (Note 24).

These cash flow hedges were assessed to be highly effective. The fair value of the interest rate swaps are calculated by reference to the market valuation of the swap agreements.

(ii) The Company, Halul Offshore Services Company W.L.L, has entered into an interest rate swap contract to hedge its exposure to interest rate risk.

At December 31, 2010, Company had an interest rate swap agreement in place with a notional amount of US$ 2.941 million (QR 10.710 million), whereby it receives a variable rate equal to LIBOR and pays a fixed rate of interest of 5.43% on the notional amount. The swap is being used to hedge the exposure to interest rate fluctuations on one of its loans. The term loan and interest rate swap have the same critical terms.

The Company has recognized the negative fair value of the interest rate swap amounting to QR 0.096 million as at December 31, 2010 (December 31, 2009: QR 0.546 million) in other payables with a corresponding entry to hedging reserve (Note 24).

These cash flow hedges were assessed to be highly effective. The fair value of the interest rate swaps are calculated by reference to the market valuation of the swap agreements.

31. COMMITMENTS

Capital Commitments

	2010 QR'000	2009 QR'000
Investments		
Uncalled portion of investments	9,028	25,147
Property, vessels and equipment		
Estimated capital expenditure approved but not contracted as of the reporting date	699,394	131,941
Letters of credit	116,414	3,306

Operating lease commitments

The Company has entered into rent contacts. These contracts are accounted for as operating leases. The future lease commitments in respect of the above rent contracts are as follows:

	2010 QR'000	2009 QR'000
Within one year	47,688	--
More than one but less than five years	185,534	--
Total	233,222	--

32. CONTINGENT LIABILITIES

	2010 QR'000	2009 QR'000
Letters of guarantee	835,227	169,036

Legal claims

A liability has been recognised for those claims where the Company's lawyer believes it is probable that the claimants will succeed. No provision for liability has been made in these consolidated financial statements where the possibility of claimants succeeding with the claims is remote as advised by the lawyers.

33. RELATED PARTY DISCLOSURES

Related party transactions

Related parties represent associated companies, major shareholders, directors and key management personnel of the Company, and companies of which they are principal owners. Pricing policies and terms of these transactions are approved by the Company's management.

Sales and purchases to/or from related parties included in the consolidated statement of income are as follows:

	2010 QR'000		2009 QR'000	
	Sales	**Purchases**	Sales	Purchases
Associate company	**135,357**	**3,129**	10,386	--
Joint venture companies	**--**	**--**	24,385	--
Directors	**8,516**	**--**	9,668	--
Total	**143,873**	**3,129**	44,439	--

Related party balances

Balances with related parties included in the consolidated statement of financial position are as follows:

	2010 QR'000	2009 QR'000
Associate companies	**2,964**	87
Related party	**28,145**	--
Directors	**4,182**	4,629
Total	**35,291**	4,716

Compensation of directors and other key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	2010 QR'000	2009 QR'000
Short-term benefits	**24,534**	13,475
End of service benefits	**2,194**	305
Board of directors remuneration – cash	**20,500**	9,700
Board of directors remuneration of a subsidiary – cash	**10,400**	--
Board of directors remuneration – in kind	**4,620**	3,360
Total	**62,248**	26,840

34. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key accounting estimates and judgments are as follows:

(i) Impairment of available-for-sale investments

The Group treats available-for-sale investments as impaired when there has been a significant or prolonged decline in fair value below its cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires considerable judgment. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

(ii) Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Inventories which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

At the reporting date, provisions for slow moving, old and obsolete inventories amounted to QR 7,404,000. Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the consolidated statement of income.

(iii) Impairment of trade receivables

An estimate of the collectible amount of trade receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

At the reporting date, gross trade receivables were QR 319,420,000 and the provision for doubtful debts was QR. 19,949,000. Any difference between the amounts actually collected in future periods and the amounts expected will be recognized in the consolidated statement of income.

(iv) Property, vessels and equipment

The cost of property, vessels and equipment is depreciated over the estimated remaining useful life, which is based on expected usage of the asset, expected physical wear and tear, the repair and maintenance program and technological obsolescence arising from changes and residual value. Management has estimated the residual values of the vessels and their useful lives.

The carrying values of property, vessels and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Such assessment of impairment is based on several assumptions relating to future cash flows from the assets, risk adjusted discounted factors etc.

(v) Intangible assets

The Group appointed a consultant to perform a detailed purchase price allocation. As part of the process, assets were revalued and QR 77.2 million of intangible assets were identified. These intangible assets will be amortized over the useful life of the intangible assets as defined in the accounting policy note.

35. SEGMENT INFORMATION

Business Segments

The segment information is presented based on the Group's reporting structure and is disclosed after elimination of inter departmental and company transactions.

	Dubai Operations QR'000	Commercial Activities QR'000	Shipping Agencies QR'000	Port Services QR'000	Marine Transport QR'000	Navigation Freight Services QR'000	Ship repair and Fabrication QR'000	Real Estate QR'000	Qatar Shipping QR'000	Halul Offshore QR'000	Qatar Quarries And Building Materials QR'000	**Total QR'000**
For the year ended December 31, 2010												
Operating revenues	95,040	225,312	49,921	161,233	204,608	34,279	16,842	111,730	249,064	500,186	236,768	**1,884,983**
Operating expenses	(88,908)	(197,223)	(22,565)	(130,369)	(176,169)	(27,669)	(7,307)	(56,267)	(176,501)	(258,006)	(227,534)	**(1,368,518)**
Gross profit	6,132	28,089	27,356	30,864	28,439	6,610	9,535	55,463	72,563	242,180	9,234	**516,465**

	Qatar Navigation Standalone QR'000	Qatar Shipping QR'000	Halul Offshore QR'000	Qatar Quarry Building Materials QR'000	**Total QR'000**
For the year ended December 31, 2010					
Gross profit	192,488	72,563	242,180	9,234	**516,465**
Investment and interest income	131,497	170,199	16,109	1,497	**319,302**
Other income	3,505	9,152	6,115	409	**19,181**
Profit from disposal and write off of property, vessels, and equipment	2,905	--	6,951	--	**9,856**
General and administration expenses	(89,590)	(46,305)	(50,624)	(4,678)	**(191,197)**
Amortization of intangible assets	(29,200)	--	--	--	**(29,200)**
Impairment loss on available-for-sale investments	(825)	--	--	--	**(825)**
Impairment on Property, vessels and equipments	(177,392)	--	--	--	**(177,392)**
Finance Costs	(26,449)	(44,985)	(3,423)	(1,407)	**(76,264)**
Share of results of associates	84,153	113,336	--	--	**197,489**
Realized fair value gain from deemed disposal of available for sale investment	236,048	--	--	--	**236,048**
Gain from acquisition of Qatar Shipping	298,450	--	--	--	**298,450**
Proposed Directors remunerations	(20,500)	--	--	--	**(20,500)**
Net profit for the year	605,090	273,960	217,308	5,055	**1,101,413**
Non-controlling interest					**(2,707)**
Profit attributable to equity holder of the parent					**1,098,706**

35. SEGMENT INFORMATION (continued)

The segment information is presented based on the Group's reporting structure and is disclosed after elimination of inter departmental and company transactions.

	Dubai Operations QR'000	Commercial Activities QR'000	Shipping Agencies QR'000	Port Services QR'000	Marine Transport QR'000	Navigation Freight Services QR'000	Ship repair and Fabrication QR'000	Real Estate QR'000	Qatar Shipping QR'000	Halul Offshore QR'000	Qatar Quarries And Building Materials QR'000	Total QR'000
For the year ended December 31, 2009												
Operating revenues	84,525	290,758	41,424	197,180	193,395	29,445	47,455	25,414	--	279,782	--	1,189,378
Operating expenses	(92,191)	(244,157)	(10,373)	(129,320)	(145,217)	(20,392)	(32,420)	(15,055)	--	(129,445)	--	(818,570)
Gross profit	(7,666)	46,601	31,051	67,860	48,178	9,053	15,035	10,359	--	150,337	--	370,808

	Qatar Navigation Standalone QR'000	Qatar Shipping QR'000	Halul Offshore QR'000	Qatar Quarry Building Materials QR'000	Total QR'000
For the year ended December 31, 2009					
Gross profit	220,471	--	150,337	--	370,808
Investment and interest income	183,485	--	3,702	--	187,187
Other income	(208)	--	9,782	--	9,574
Profit from disposal and write off of property, vessels, and equipment	37,536	--	7	--	37,543
Share of results of associates	(9,510)	--	--	--	(9,510)
General and administration expenses	(59,987)	--	(22,257)	--	(82,244)
Impairment loss on available-for-sale investments	(1,903)	--	(283)	--	(2,186)
Finance costs	(19,751)	--	(2,801)	--	(22,552)
Proposed Directors remunerations	(9,700)	--	--	--	(9,700)
Net profit for the year	340,433	--	138,487	--	478,920

35. SEGMENT INFORMATION (continued)

Geographic Segment

The company provides services in the state of Qatar and the United Arab Emirates (UAE). Segment information is disclosed after elimination of inter departmental and company transactions.

	2010			2009		
	Qatar QR'000	**UAE QR'000**	**Total QR'000**	Qatar QR'000	UAE QR'000	Total QR'000
Operating revenue	**1,789,943**	**95,040**	**1,884,983**	1,104,853	84,525	1,189,378
Operating expenses	**(1,279,610)**	**(88,908)**	**(1,368,518)**	(726,379)	(92,191)	(818,570)
Gross profit	**510,333**	**6,132**	**516,465**	378,474	(7,666)	370,808
Investment and interest income	**319,302**	**--**	**319,302**	187,187	--	187,187
Other income	**19,181**	**--**	**19,181**	9,574	--	9,574
Profit from disposal and write off of property, vessels and equipment.	**9,856**	**--**	**9,856**	37,543	--	37,543
Share of results of associates	**197,489**	**--**	**197,489**	(9,510)	--	(9,510)
General and administration expenses	**(191,197)**	**--**	**(191,197)**	(82,244)	--	(82,244)
Amortization of intangible assets	**(29,200)**	**--**	**(29,200)**			
Impairment loss on available-for-sale investments	**(825)**	**--**	**(825)**	(2,186)	--	(2,186)
Finance costs	**(76,264)**	**--**	**(76,264)**	(22,552)	--	(22,552)
Realized fair value gain from deemed disposal of available for sale investment	**236,048**	**--**	**236,048**	--	--	--
Gain from acquisition of Qatar Shipping Company	**298,450**	**--**	**298,450**	--	--	--
Impairment of vessels	**(177,392)**	**--**	**(177,392)**	--	--	--
Profit Before Provision for Board of Directors' remuneration	**1,115,781**	**6,132**	**1,121,913**	496,286	(7,666)	488,620
Proposed Board of Directors remuneration			**(20,500)**			(9,700)
Net Profit for the year			**1,101,413**			478,920
Non-controlling interest			**(2,707)**			--
Profit attributable to equity holder of the parent			**1,098,706**			478,920

36. FINANCIAL RISK MANAGEMENT

Interest rate risk exposures

With the exception of certain term loans amounting to QR 67,511,000 (2009 : QR 16,066,000), which are covered by interest rate swap contracts (Note 30), a significant portion of the Group's financial assets and liabilities as of December 31, 2010 are exposed to interest rate fluctuations. The Group's exposure to interest rate risk and the effective interest rates on its financial assets and liabilities are summarized below:

	December 31, 2010				December 31, 2009			
	Fixed interest rate	**Floating interest rate**	**Non-interest bearing**	**Total**	Fixed interest rate	Floating interest rate	Non-interest bearing	Total
	QR'000	**QR'000**	**QR'000**	**QR'000**	QR'000	QR'000	QR'000	QR'000
Financial assets								
Bank balances and cash	624,592	283,765	1,245	909,602	241,764	36,017	5,433	283,214
Financial liabilities								
Loans and borrowings	57,957	1,894,817	--	1,952,774	345,800	513,669	--	859,469
Bank overdrafts	--	2,101	--	2,101	--	127,741	--	127,741
Interest rate swap	67,511	(67,511)	--	--	16,066	(16,066)	--	--
	125,468	1,829,407	--	1,954,875	361,866	625,344	--	987,210
Net financial asset/ (liabilities)	**499,124**	**(1,545,642)**	**1,245**	**(1,045,273)**	(120,102)	(589,327)	5,433	(703,996)

The Group is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by the Group by the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring optimal hedging strategies are applied through different interest rate cycles.

The following table demonstrates the sensitivity of the Group's profit to reasonably possible changes in interest rates, with all other variables held constant. The sensitivity of the profit is the effect of the assumed changes in interest rate on the Group's profit for one year, based on the floating rate financial assets and financial liabilities held at December 31, 2010.

	December 31, 2010	
	QR'000	
Increase / decrease in basis points	**+25**	-25
Effect on profit for the year	**(3,864)**	3,864

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties. The Group's exposure to its counterparties is continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by management.

The Group provides its services and products to a large number of oil and gas companies and other trading companies in Qatar. Its five largest customers account for 68% of outstanding accounts receivable at December 31, 2010 (December 31, 2009: 77%).

Cash is placed with local and international banks with good credit ratings.

36. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk
The Group manages liquidity risk by maintaining adequate reserves, banking and borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group's terms of services and sales require amounts to be paid within a 30-60 day credit period. Trade payables are normally settled within 30-90 days of the date of purchase.

Currency risk
Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Management believes that currency risk is minimal since the Group deals mainly in Qatar Riyal and US Dollar.

Market risk
The Group is subject to market risk in relation to available-for-sale and financial assets at fair value through profit or loss. The Group evaluates the current market value and other factors including normal volatility in share price for quoted equities and other relevant factors such as investment manager's periodic reports relating to unquoted equities in order to manage its market risk.

A 10% increase or decrease in market values of the Group's portfolio of available-for-sale investment is expected to result in an increase or decrease of QR 222,303,500 in the assets and other comprehensive income of the Group.

A 10% increase or decrease in market values of the Group's portfolio of financial assets at fair value through profit or loss is expected to result in an increase or decrease of QR 20,032,100 in the assets and profit of the Group.

Capital risk
The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through optimization of the debt and equity balances. The Group's overall strategy remains unchanged from 2009.

The capital structure of the Group consists of debt, which includes the loans and borrowings disclosed in note (21), net of cash and cash equivalents and equity, comprising issued capital, reserves and retained earnings.

Gearing ratio
The Group's management reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

The gearing ratio at the year end as follows:

	2010 **QR'000**	2009 QR'000
Debt (i)	**1,952,774**	859,469
Cash and cash equivalents	**(907,501)**	(155,473)
Net debt	**1,045,273**	703,996
Equity (ii)	**10,851,286**	5,912,003
Net debt to equity ratio	**10%**	12%

(i) Debt is defined as long and short term borrowing, as detailed in note (21).

(ii) Equity includes all capital and reserves of the Group.

37. FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets, financial liabilities and derivative financial instruments.

Financial assets consist mainly of bank balances and cash, trade receivables, available for sale investments and financial assets at fair value through profit or loss. Financial liabilities mainly consist of bank overdrafts, interest bearing loans and borrowings, trade payable and finance lease obligations. Derivative financial instruments consist of interest rate swaps.

Fair value measurements

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 QR'000	Level 2 QR'000	Level 3 QR'000	Total QR'000
Financial assets at fair value through profit or loss	197,486	2,835	--	**200,321**
Available for sale financial assets				
Quoted equities	2,223,035	--	--	**2,223,035**
Unquoted equities	344,092	--	341,216	**685,308**
Investments in bonds	7,297	--	--	**7,297**
	2,771,910	**2,835**	**341,216**	**3,115,961**
Interest rate swaps	**--**	**2,192**	**--**	**2,192**

38. COMPARATIVE FIGURES:

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.