

**QATAR NAVIGATION (Q.S.C.)
DOHA - QATAR**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2009**

QATAR NAVIGATION (Q.S.C.)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the year ended December 31, 2009

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Qatar Navigation (Q.S.C.) (the "Company"), which comprise the statement of financial position as of December 31, 2009, and the 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 Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

The financial statements include the assets, liabilities and net results of the joint venture as detailed in Note 7, which have been audited by another auditor who issued an unqualified report on those financial statements. This audit report was furnished to us, and our opinion in so far as it relates to the amounts included for this joint venture is based solely on the report of the other auditor. The joint venture's financial statements represent 7% of the Company's total assets, 15% of its total liabilities and 28% of its net results.

Independent Auditor's Report (Continued)...

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 financial statements.

We believe that the audit evidence we have obtained and the report of the other auditor are sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and based on the report of the other auditor, the financial statements give a true and fair view of the financial position of Qatar Navigation (Q.S.C.) as of December 31, 2009, 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 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 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**

**Doha - Qatar
February 8, 2010**

**Muhammad Bahemia
License No. 103**

QATAR NAVIGATION (Q.S.C.)

STATEMENT OF FINANCIAL POSITION

As of December 31, 2009

	Note	2009 QR'000	2008 QR'000
ASSETS			
Non-Current Assets			
Property, vessels and equipment	4	1,267,612	1,309,570
Investment properties	5	578,980	89,586
Deferred dry docking costs		11,901	14,096
Investment in associates	6	26,882	50,851
Available-for-sale investments	8	4,473,710	4,416,792
Notes receivable		622	349
Total Non-Current Assets		6,359,707	5,881,244
Current Assets			
Inventories	9	104,614	89,165
Trade receivables	10	275,509	290,884
Prepayments and other debit balances	11	113,664	85,066
Trading investments	12	61,578	59,680
Bank balances and cash	13	283,214	334,669
Total Current Assets		838,579	859,464
Total Assets		7,198,286	6,740,708

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

QATAR NAVIGATION (Q.S.C.)

STATEMENT OF FINANCIAL POSITION

As of December 31, 2009

	Note	2009 QR'000	2008 QR'000
EQUITY AND LIABILITIES			
Equity			
Share capital	14	720,252	600,210
Legal reserve	15	1,198,586	1,198,586
General reserve	16	623,542	623,509
Fair value reserve		2,465,465	2,377,736
Retained earnings		616,057	431,751
Proposed cash dividends	17	288,101	240,084
Proposed issue of bonus shares	17	--	120,042
Total Equity		5,912,003	5,591,918
Non-Current Liabilities			
Loans and borrowings	19	686,769	513,669
Employees' end of service benefits	20	41,388	34,505
Obligation under finance lease	21	15,574	18,658
Total Non-Current Liabilities		743,731	566,832
Current liabilities			
Trade payables		51,510	69,048
Accruals and other credit balances	22	184,641	188,092
Bank overdrafts	13	127,741	9
Loans and borrowings	19	172,700	319,282
Obligation under finance lease	21	5,960	5,527
Total Current Liabilities		542,552	581,958
Total Liabilities		1,286,283	1,148,790
Total Equity and Liabilities		7,198,286	6,740,708

The financial statements were authorized for issue by the Board of Directors on February 8, 2010.

.....
H.E. Sh. Ali Bin Jassem Al-Thani
Chairman and Managing Director

.....
Mr. Hitmi Ali Al Hitmi
Vice Chairman

.....
Mr. Khalifa Ali Al-Hitmi
Chief Executive

QATAR NAVIGATION (Q.S.C.)

STATEMENT OF INCOME

For the year ended December 31, 2009

	Note	2009 QR'000	2008 QR'000
Operating revenues	23	1,163,964	1,342,023
Operating expenses		(803,515)	(895,478)
Gross Profit		360,449	446,545
Investments and interest revenues	24	187,187	207,328
Rental revenues		25,414	13,317
Other revenues		9,574	15,082
Profit from disposal and write off of property, vessels and equipment and investment properties		37,543	917
Share of results of associates	6	(9,510)	24,676
General and administration expenses	25	(97,299)	(78,013)
Impairment loss on available-for-sale investments		(2,186)	(9,670)
Finance costs		(22,552)	(32,121)
Profit Before Provision for Social and Charitable Activities and Board of Directors remuneration		488,621	588,061
Provision for social and charitable activities	26	(6,513)	(6,000)
Proposed board of directors' remuneration		(9,700)	(12,700)
Net Profit For The Year		472,407	569,361
Earning Per Share			
Basic EPS as previously stated		--	9.85
Basic EPS (December 31, 2008 restated for bonus and rights issue)	27	6.56	8.15
Weighted average number of shares		72,025	69,826

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

QATAR NAVIGATION (Q.S.C.)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2009

	2009 QR'000	2008 QR'000
	<u>472,407</u>	<u>569,361</u>
Net profit for the year		
Other comprehensive income items		
Net loss / (gain) on cash flow hedge	483	(84)
Net movement in fair value reserve of available for sale investments	113,826	(1,531,769)
Gain on sale of available for sale investments transferred to statement of income	(28,766)	(88,933)
Loss on impairment of available-for-sale investments transferred to statement of income	2,186	9,670
Other comprehensive income	87,729	(1,611,116)
Total comprehensive income for the year	<u>560,136</u>	<u>(1,041,755)</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

QATAR NAVIGATION (Q.S.C.)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended December 31, 2009

	<u>Share Capital</u>	<u>Legal reserve</u>	<u>General reserve</u>	<u>Fair value reserve</u>	<u>Retained earnings</u>	<u>Proposed cash dividend / issue of bonus shares</u>	<u>Total</u>
	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000
Balance at January 1, 2008	468,000	537,536	623,509	3,988,852	222,516	234,000	6,074,413
Issue of share capital	132,210	661,050	--	--	--	--	793,260
Dividends paid for 2007	--	--	--	--	--	(234,000)	(234,000)
Proposed cash dividends (Note 17)	--	--	--	--	(240,084)	240,084	--
Proposed issue of bonus shares (Note 17)	--	--	--	--	(120,042)	120,042	--
Total comprehensive income for the year	--	--	--	(1,611,116)	569,361	--	(1,041,755)
Balance at December 31, 2008	600,210	1,198,586	623,509	2,377,736	431,751	360,126	5,591,918
Issue of share capital	120,042	--	--	--	--	(120,042)	--
Gain on sale of fractional shares arising from bonus shares issue	--	--	33	--	--	--	33
Dividends paid for 2008	--	--	--	--	--	(240,084)	(240,084)
Proposed cash dividends (Note 17)	--	--	--	--	(288,101)	288,101	--
Total comprehensive income for the year	--	--	--	87,729	472,407	--	560,136
Balance at December 31, 2009	720,252	1,198,586	623,542	2,465,465	616,057	288,101	5,912,003

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

QATAR NAVIGATION (Q.S.C.)**STATEMENT OF CASH FLOWS**

For the year ended December 31, 2009

	Note	2009 QR'000	2008 QR'000
<u>OPERATING ACTIVITIES</u>			
Profit for the year		472,407	569,361
Adjustment for:			
Depreciation of property, vessels and equipments and investment properties		92,995	69,543
Amortization of dry docking costs		9,485	7,159
Provision for employees' end of service benefits		8,866	5,628
Impairment loss on available-for-sale investments		2,186	9,670
(Profit) from disposal and write off of property, vessels and equipment and investment properties		(37,543)	(917)
Investments and interest revenues	24	(187,187)	(207,328)
Finance costs		22,552	32,121
Share of results of associates	6	9,510	(24,676)
		393,271	460,561
Working capital changes:			
Inventories		(15,449)	7,149
Trade receivables and prepayments and other debit balances		(13,223)	(67,460)
Trade payables and accruals and other credit balances		(20,989)	(36,212)
Cash generated by operations		343,610	364,038
Finance costs paid		(22,552)	(32,121)
Employees' end of service benefits paid		(1,983)	(14,440)
Net cash generated by operating activities		319,075	317,477
<u>INVESTING ACTIVITIES</u>			
Proceeds from disposal of property, vessels and equipment		37,761	1,877
Proceeds from sale of investments		111,350	255,463
Income from investments received	24	133,733	116,039
Interest received		17,580	9,515
Notes receivable		(273)	1,128
Purchase of property, vessels and equipment	4	(44,888)	(424,756)
Net movement of investments		(34,257)	(143,302)
Net change in investment properties	5	(495,761)	--
Additions to dry docking costs		(7,290)	(15,024)
Net cash used in investing activities		(282,045)	(199,060)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

QATAR NAVIGATION (Q.S.C.)**STATEMENT OF CASH FLOWS**

For the year ended December 31, 2009

	<u>Note</u>	<u>2009</u> <u>QR'000</u>	<u>2008</u> <u>QR'000</u>
<u>FINANCING ACTIVITIES</u>			
Issue of share capital		--	793,260
Dividend paid	17	(240,084)	(234,000)
Proceeds from loans and borrowings		685,800	532,190
Repayment of loans and borrowings		(659,282)	(1,086,457)
Obligation under finance lease		(2,651)	24,185
Net cash (used in) / generated by financing activities		(216,217)	29,178
Net increase in cash and cash equivalents		(179,187)	147,595
Cash and cash equivalents at the beginning of the year		334,660	187,065
Cash and Cash Equivalents at the End of the Year	13	155,473	334,660

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

QATAR NAVIGATION (Q.S.C.)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

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 transport, acting as agent to foreign shipping lines, offshore services, sale of heavy vehicles, ship repair, fabrication and installation of offshore structures, land transport, chartering of vessels and the operation of a travel agency. The Company has a branch in Dubai, United Arab Emirates (UAE).

2. ADOPTION OF NEW AND REVISED STANDARDS

Standards and Interpretations effective in the current period

At the date of authorization of these financial statements, the following Standards and Interpretations were effective:

(i) **Revised standards:**

- IAS 1 (Revised) - IAS 1 has introduced the following:
Presentation of Financial Statements
 - Terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.
 - Comprehensive revision including requiring a statement of comprehensive income

- IAS 23 (Revised) - The principal change to the Standard was to eliminate the option to expense all borrowing costs when incurred. This change has had no impact on these financial statements because it has always been the Company’s accounting policy to capitalise borrowing costs incurred on qualifying assets.
Borrowing Costs

- IFRS 7 (Revised) - The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk.
Financial Instruments

- IAS 40 (Revised) - The principal change to the Standard was that the property that is being constructed or developed for future use as investment property is classified under investment property, instead of property, plant and equipment.
Investment Property

Various In addition to the amendments described earlier in this section, the following standards were also amended. The Improvements have led to changes in the detail of the Company’s accounting policies – some of which are changes in terminology only, and some of which are substantive but have had no material effect on amounts reported.

- IAS 16 (Revised) *Property, Plant and Equipment*
- IAS 19 (Revised) *Employee Benefits*
- IAS 20 (Revised) *Government Grants and Disclosure of Government Assistance*
- IAS 27 (Revised) *Consolidated and Separate Financial Statements*
- IAS 28 (Revised) *Investments in Associates*
- IAS 29 (Revised) *Financial reporting in Hyperinflationary economies*
- IAS 31 (Revised) *Interest In Joint Ventures*

QATAR NAVIGATION (Q.S.C.)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

Standards and Interpretations effective in the current period (continued)

- IAS 32 (Revised) *Financial Instruments: Presentation*
- IAS 36 (Revised) *Impairment of Assets*
- IAS 38 (Revised) *Intangible Assets*
- IAS 39 (Revised) *Financial Instruments- Recognition & Measurement*
- IFRS 1 (Revised) *First time adoption*
- IFRS 2 (Revised) *Share-based Payments*

(ii) New Standard:

- IFRS 8 *Operating Segments*

(iii) New Interpretations:

- IFRIC 13 *Customer loyalty Programmes*
- IFRIC 15 *Agreements for the Construction of Real Estate*
- IFRIC 16 *Hedges of Net Investment in Foreign Operations*

The adoption of these standards and interpretations had no significant effect on the financial statements of the Company for the year ended December 31, 2009, other than certain presentation and disclosure changes.

Standards and Interpretations in issue not yet effective

At the date of authorization of these 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 July 1, 2009

- IAS 27 (Revised) – *Consolidated and Separate Financial Statements*
- IAS 28 (Revised) – *Investments in Associates*
- IAS 31 (Revised) – *Interest In Joint Ventures*
- IAS 38 (Revised) – *Intangible Assets*
- IAS 39 (Revised) – *Financial Instruments: Recognition & Measurement*
- IFRS 2 (Revised) – *Share-based Payments*
- IFRS 3 (Revised) – *Business Combinations*
- IFRS 5 (Revised) – *Non Current assets Held for Sale & Discontinued Operations*

QATAR NAVIGATION (Q.S.C.)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

Standards and Interpretations in issue not yet effective (continued)

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

- IAS 1- *Presentation of Financial statements*
- IAS 7 (Revised) - *Statement of Cash Flows*
- IAS 17 (Revised) - *Leases*
- IAS 36 (Revised) - *Impairment of Assets*
- IAS 39 (Revised) – *Financial Instruments: Recognition & Measurement*
- IFRS 1 (Revised) - *First time adoption*
- IFRS 2 (Revised) - *Share-based Payments*
- IFRS 5 (Revised) – *Non Current assets Held for Sale & Discontinued Operations*
- IFRS 8 (Revised) – *Operating Segments*

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

- IAS 24 (Revised) – *Related Party Disclosures.*

(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) New Interpretations

Effective for annual periods beginning on or after July 1, 2009

- IFRIC 17 - *Distributions of Non-Cash Assets to Owners*

Effective for transfers from customers received on or after July 1, 2009

- IFRIC 18 - *Transfers of Assets from Customers*

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 financial statements of the Company in the period of initial application, other than certain presentation and disclosure changes. Management has yet to decide when to adopt IFRS 9 and will only be in a position to assess its potential impact on the financial statements at the time of adoption.

QATAR NAVIGATION (Q.S.C.)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

The financial statements are presented in Qatari Riyals, which is the Company's functional and presentation currency and all values are rounded to the nearest thousand (QR'000) except when otherwise indicated. The accounting policies are consistent with those used in the previous year.

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 financial position 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.

Investment income:

Income from investments other than joint venture is accounted for on an accrual basis when right to receive the income is established.

QATAR NAVIGATION (Q.S.C.)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

Operating leases:

Leases where the Company 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 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 Company 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 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	20-25 years
Used vessels	5-20 years
Barges and containers	10 -20 years
Buildings	20 years
Machinery, equipment and tools	4 -7 years
Furniture and fittings	3-5 years
Motor vehicles	3-7 years

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.

Expenditure incurred to replace a component of an item of property, vessels and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, vessels and equipment. All other expenditure is recognised in the statement of income as the expense is 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 statement of income in the year the asset is derecognised.

QATAR NAVIGATION (Q.S.C.)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 properties 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 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 Company's investments in its associates are accounted for under the equity method of accounting. An associate is an entity in which the Company 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 statement of financial position at cost plus post acquisition changes in the Company's share of net assets of the associate, less any impairment in value, if any. The statement of income reflects the Company's share of the results of its associates.

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

Investment in a joint venture

The Company has an interest in a joint venture which is a jointly controlled entity. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

QATAR NAVIGATION (Q.S.C.)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment in a joint venture (continued)

The Company recognizes its interest in the joint venture using proportionate consolidation. The Company combines its share of each of the assets, liabilities, income and expenses of the joint venture with the similar items, line by line, in its financial statements. The financial statements of the joint venture are prepared for the same reporting period as the Company, using consistent accounting policies.

The joint venture is proportionately consolidated until the date on which the Company ceases to have joint control over the joint venture.

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 statement of income. Impairment is determined as follows:

- (a) For assets carried at fair value, impairment is the difference between cost and fair value;
- (b) 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.
- (c) 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.

Investments

The Company maintains two separate investments portfolios, as follows:

- Trading securities;
- Available-for-sale investments

All regular purchases and sales of investments are recognised on the trade date when the Company 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 remeasured using the following basis:

Trading investments

Investments classified as held for trading in these financial statements are included in the category trading investments. Investments are classified as trading investments if they are acquired for the purpose of selling in the near term. These investments are subsequently remeasured at fair value. All related unrealised gains or losses are included in the statement of income. Interest earned or dividends received are included in interest and dividend income respectively.

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.

QATAR NAVIGATION (Q.S.C.)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (continued)

Available-for-sale investments (continued)

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 other comprehensive income is included in the statement of income for the period.

Due to the nature of cash flows arising from the Company’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, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognised in the statement of income, is transferred from equity to the statement of income. Reversal of impairment losses in respect of equity instruments classified as available-for-sale is not recognised in the statement of income. Reversal of impairment losses on debt instruments are recognised through the 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 statement of income.

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 statement of financial position 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:

Stores, 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 financial position except those with a remaining term to maturity of less than one year, which are included under prepayments and other debit balances.

QATAR NAVIGATION (Q.S.C.)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

For the purpose of the 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 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 statement of income when the liabilities are derecognized.

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.

Provisions

Provisions are recognized when the Company 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 Company 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 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.

QATAR NAVIGATION (Q.S.C.)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedging

The Company uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a 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 statement of income.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

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 Company 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 Company 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:

Fair value hedges

The change in the fair value of a hedging derivative is recognised in the statement of income. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognised in the statement of income.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income.

QATAR NAVIGATION (Q.S.C.)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

4. PROPERTY, VESSELS AND EQUIPMENT

	Vessels, Containers and Barges	Land and Buildings	Machinery, Equipment and Tools	Furniture and Fittings	Motor Vehicles	Capital Work in Progress	Total
	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000
Cost:							
At January 1, 2008	557,432	113,727	234,602	25,865	25,783	408,074	1,365,483
Additions	27,450	17,252	35,096	2,506	16,215	326,237	424,756
Transfers and reclassification	74,189	--	25	--	90	(74,304)	--
Disposals and write off	(43)	--	(2,521)	(827)	(2,057)	(812)	(6,260)
At December 31, 2008	<u>659,028</u>	<u>130,979</u>	<u>267,202</u>	<u>27,544</u>	<u>40,031</u>	<u>659,195</u>	<u>1,783,979</u>
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 off	(77)	--	(941)	(200)	(287)	(160)	(1,665)
At December 31, 2009	<u>1,214,919</u>	<u>133,368</u>	<u>289,815</u>	<u>30,814</u>	<u>45,854</u>	<u>112,432</u>	<u>1,827,202</u>
Accumulated depreciation:							
At January 1, 2008	182,299	68,765	124,832	21,523	16,185	--	413,604
Depreciation charge for the year	31,256	4,520	22,575	2,754	5,000	--	66,105
Related to disposals and write off	(40)	--	(2,502)	(783)	(1,975)	--	(5,300)
At December 31, 2008	<u>213,515</u>	<u>73,285</u>	<u>144,905</u>	<u>23,494</u>	<u>19,210</u>	<u>--</u>	<u>474,409</u>
Depreciation charge for the year	45,567	4,237	28,124	2,843	5,857	--	86,628
Transfers and reclassification	--	1	(185)	(63)	247	--	--
Related to disposals and write off	(46)	--	(933)	(181)	(287)	--	(1,447)
At December 31, 2009	<u>259,036</u>	<u>77,523</u>	<u>171,911</u>	<u>26,093</u>	<u>25,027</u>	<u>--</u>	<u>559,590</u>
Net Carrying Amounts:							
At December 31, 2009	<u>955,883</u>	<u>55,845</u>	<u>117,904</u>	<u>4,721</u>	<u>20,827</u>	<u>112,432</u>	<u>1,267,612</u>
At December 31, 2008	<u>445,513</u>	<u>57,694</u>	<u>122,297</u>	<u>4,050</u>	<u>20,821</u>	<u>659,195</u>	<u>1,309,570</u>

QATAR NAVIGATION (Q.S.C.)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

4. PROPERTY, VESSELS AND EQUIPMENT (CONTINUED)

Notes:

- (i) Depreciation on property, vessels and equipment has been disclosed in the statement of income as follows:

	<u>2009</u> QR'000	<u>2008</u> QR'000
Operating expenses	80,303	61,099
General and administration	6,325	5,006
Total	<u><u>86,628</u></u>	<u><u>66,105</u></u>

- (ii) The encumbrances and liens on vessels, containers and barges are disclosed in Note 19.
 (iii) Included in additions for the year is an amount of QR. 12.4 million (December 31, 2008: 10.9 million) related to finance cost capitalized.

5. INVESTMENT PROPERTIES

	<u>Land</u> QR'000	<u>Buildings</u> QR'000	<u>Property under Construction</u> QR'000	<u>Total</u> QR'000
Cost:				
At January 1, 2009 and 2008	47,435	67,238	--	114,673
Additions	--	66,209	--	66,209
Disposal	(206)	--	--	(206)
Transfers	(501)	--	430,259	429,758
At December 31, 2009	<u><u>46,728</u></u>	<u><u>133,447</u></u>	<u><u>430,259</u></u>	<u><u>610,434</u></u>
Accumulated Depreciation:				
At January 1, 2008	--	21,649	--	21,649
Charge for the year	--	3,438	--	3,438
At December 31, 2008	--	25,087	--	25,087
Charge for the year	--	6,367	--	6,367
At December 31, 2009	--	<u><u>31,454</u></u>	--	<u><u>31,454</u></u>
Net Carrying Amounts:				
At December 31, 2009	<u><u>46,728</u></u>	<u><u>101,993</u></u>	<u><u>430,259</u></u>	<u><u>578,980</u></u>
At December 31, 2008	<u>47,435</u>	<u>42,151</u>	--	<u>89,586</u>

QATAR NAVIGATION (Q.S.C.)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

5. INVESTMENT PROPERTIES (CONTINUED)

Notes:

- (i) Investment properties are located in the State of Qatar.
- (ii) Investment properties with a carrying value of QR148,721,000 as of December 31, 2009 (December 31, 2008: QR 89,586,000) were appraised by an accredited independent appraiser, Aqar Development and Real Estate Company, at a fair value of QR. 612,153,000 (December 31, 2008: QR 560,659,000). The appraiser is an industry specialist in valuing these types of investment properties.
- (iii) Property under construction relates to the Company's tower. The tower with a carrying value of QR. 430,259,000 as of December 31, 2009 (December 31, 2008: QR. 399,778,000) was appraised by an accredited independent appraiser as of December 31, 2009 (Aqar Development and Real Estate Company) at a fair value of QR. 1,109,194,000 (December 31, 2008: QR. 1,167,388,000). The appraiser is an industry specialist in valuing these types of investment properties.
- (iv) The depreciation charge of QR. 6,367,000 for the year ended December 31, 2009 (December 31, 2008: QR. 3,438,000) has been charged under general and administration expenses.
- (v) The Company earned rental income amounting to QR. 25,414,000 for the year ended December 31, 2009 (December 31, 2008: QR. 13,317,000) and this has been reflected in the statement of income. Direct operating expenses related to the investment properties (including depreciation) amounting to QR. 16,367,614 (December 31, 2008: QR. 6,531,832) have been reflected under general and administration expenses.
- (vi) Included in additions for the year is an amount of QR. 5.2 million related to finance cost capitalized.

6. INVESTMENT IN ASSOCIATES

The Company has the following investment in associates:

	Country of incorporation	Ownership		Profit Share	
		December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
Qatar Quarries and Building Materials Company Q.S.C. (Closed) (i)	Qatar	25%	25%	25%	25%
Macgregor Qatar Navigation Company W.L.L. (ii)	Qatar	51%	51%	40%	40%
Iraq-Qatar Transport and Shipping Services Com., L.T.D. (iii)	Iraq	51%	51%	51%	51%
United Arab Shipping Agency Company / Qatar W.L.L (iv)	Qatar	40%	40%	40%	40%

- (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.

QATAR NAVIGATION (Q.S.C.)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

6. INVESTMENT IN ASSOCIATES (CONTINUED)

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

The following table illustrates summarized financial information of the Company's investment in the associates.

	<u>2009</u> QR'000	<u>2008</u> QR'000
Total assets	139,852	257,230
Total liabilities	<u>(34,487)</u>	<u>(56,655)</u>
Net assets	<u>105,365</u>	<u>200,575</u>
The Company's Share of net assets of associates	<u><u>26,882</u></u>	<u><u>50,851</u></u>
	<u>2009</u> QR'000	<u>2008</u> QR'000
Total Revenues	<u>269,365</u>	<u>479,730</u>
(Loss) / Profit for the year	<u>(40,322)</u>	<u>104,576</u>
Company's share of results of associates	<u>(9,510)</u>	<u>24,676</u>

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

QATAR NAVIGATION (Q.S.C.)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

7. INTEREST IN JOINT VENTURE

The Company has a 50% interest in Halul Offshore Services Company W.L.L, which is engaged in chartering of vessels, supply of diving personnel, diving equipment and other related offshore services. The Company's share of the assets, liabilities, revenue and expenses of the joint venture concern, which are included in the financial position, are as follows:

	<u>2009</u>	<u>2008</u>
	<u>QR'000</u>	<u>QR'000</u>
Current assets	176,312	154,801
Non current assets	339,084	315,898
	<u>515,396</u>	<u>470,699</u>
Current liabilities	(62,299)	(72,758)
Non-current liabilities	(126,217)	(160,927)
	<u>(188,516)</u>	<u>(233,685)</u>
Carrying value of net assets	<u>326,880</u>	<u>237,014</u>

For the year ended December 31,

	<u>2009</u>	<u>2008</u>
	<u>QR'000</u>	<u>QR'000</u>
Operating revenue	279,782	282,240
Operating expenses	(129,445)	(147,477)
Investment and interest revenue	3,702	(1,448)
General and administration expenses	(22,257)	(21,898)
Impairment loss on available for sale investment	(283)	(3,342)
Other revenue	9,782	1,625
Profit on disposal of property and equipment	7	12
Finance costs	(2,801)	(4,790)
Profit for the year	<u>138,487</u>	<u>104,922</u>

8. AVAILABLE-FOR-SALE INVESTMENTS

	<u>2009</u>	<u>2008</u>
	<u>QR'000</u>	<u>QR'000</u>
Quoted investments in local companies	3,973,905	3,912,746
Investments in local companies' bonds	9,348	9,932
Investments in Government bonds	--	10,005
Unquoted investments in foreign companies	211,205	215,365
Unquoted investments in local companies	279,252	268,744
Total	<u>4,473,710</u>	<u>4,416,792</u>

Notes:

- (i) Available-for-sale investments represent investments in shares, bonds and investments in funds.

QATAR NAVIGATION (Q.S.C.)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

8. AVAILABLE-FOR-SALE INVESTMENTS (CONTINUED)

- (ii) Included in available-for-sale investments are quoted shares in local companies with a fair value of QR. 611,292,000 as of December 31, 2009 (December 31, 2008: QR 693,786,000), which are restricted due to directors' memberships in investee companies held by the Company.
- (iii) Also included in available-for-sale investments are restricted shares in local companies with a fair value of QR. 57,509,999 as of December 31, 2009 (December 31, 2008: QR 59,122,224) as they represent establishment shares in 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 these investments for capital appreciation as well as dividends income.

9. INVENTORIES

	<u>2009</u> QR'000	<u>2008</u> QR'000
Heavy vehicles, stores and spares	98,770	79,453
Other goods for resale	<u>12,568</u>	<u>16,230</u>
	111,338	95,683
Provision for slow moving items	<u>(6,724)</u>	<u>(6,518)</u>
Net	<u>104,614</u>	<u>89,165</u>

10. TRADE RECEIVABLES

	<u>2009</u> QR'000	<u>2008</u> QR'000
Trade receivables	291,710	314,214
Less: Provision for doubtful debts	<u>(16,201)</u>	<u>(23,330)</u>
Net	<u>275,509</u>	<u>290,884</u>

The average credit period for sale of goods and rendering services is 30 to 60 days. No interest is charged on the overdue trade receivables. The Company makes full provision for doubtful debts for all receivables over 2 years old. The accounts receivables that are under legal cases are provided for based on management market information and experience.

QATAR NAVIGATION (Q.S.C.)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

10. TRADE RECEIVABLES (CONTINUED)

As at December 31, 2009 the aging of trade receivables and movement in the provision for doubtful debts are as follows:

(i) *Aging of neither past due nor impaired*

	<u>2009</u>	<u>2008</u>
	QR'000	QR'000
Less than 60 days	<u>111,926</u>	<u>167,297</u>

(ii) *Aging of past due but not impaired*

	<u>2009</u>	<u>2008</u>
	QR'000	QR'000
61-120 days	53,292	36,597
121-180 days	14,611	10,172
181-365 days	21,375	20,546
More than 365 days	<u>74,305</u>	<u>56,272</u>
Total	<u>163,583</u>	<u>123,587</u>

(iii) *Aging of impaired trade receivables*

	<u>2009</u>	<u>2008</u>
	QR'000	QR'000
More than 365 days	<u>16,201</u>	<u>23,330</u>

(iv) *Movement in the provision of doubtful debts:*

	<u>2009</u>	<u>2008</u>
	QR'000	QR'000
Balance at the beginning of the year	23,330	26,477
Amounts written off as uncollectible	(6,645)	(4,844)
Reversal of provision	(484)	--
Additional provision during the year	<u>--</u>	<u>1,697</u>
Balance at end of the year	<u>16,201</u>	<u>23,330</u>

QATAR NAVIGATION (Q.S.C.)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

11. PREPAYMENTS AND OTHER DEBIT BALANCES

	<u>2009</u> QR'000	<u>2008</u> QR'000
Notes due from customers maturing within one year	8,817	7,542
Accrued income	35,563	42,605
Staff receivables	21,566	18,650
Prepaid expenses	18,305	10,955
Amounts due from related parties (Note 30)	4,716	2,611
Amounts due from Ministry of Municipality & Urban Planning	18,654	--
Other receivable	6,043	2,703
Total	<u>113,664</u>	<u>85,066</u>

Included in last year other receivables is the positive fair value of interest rate swap contracts amounting to QR 28,208 (December 31, 2009: Nil)-(Note 18).

Included in staff receivables are loans against gratuity amounting to QR 17,156,000 (December 31, 2008: QR 13,892,000).

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

12. TRADING INVESTMENTS

	<u>2009</u> QR'000	<u>2008</u> QR'000
Quoted investments in local companies	52,647	50,749
Investment in managed portfolios	8,931	8,931
Total	<u>61,578</u>	<u>59,680</u>

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows include the following financial position amounts:

	<u>2009</u> QR'000	<u>2008</u> QR'000
Current and call accounts	41,450	108,177
Fixed deposits	241,764	226,492
Bank balances and cash	<u>283,214</u>	<u>334,669</u>
Less: Bank overdrafts	<u>(127,741)</u>	<u>(9)</u>
Net	<u>155,473</u>	<u>334,660</u>

QATAR NAVIGATION (Q.S.C.)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

13. CASH AND CASH EQUIVALENTS (CONTINUED)

Notes:

- (i) Short-term deposits earn interest at an average rate between 5.75% - 6.4% (December 31, 2008: 7.10%) per annum. These deposits are due within 90 days.

14. SHARE CAPITAL

The shareholders in their general assembly meeting held on March 24, 2009 approved to increase the capital of the Company by 20% through bonus shares amounting QR. 120 million.

	<u>2009</u>	<u>2008</u>
	<u>Number of shares</u>	<u>Number of shares</u>
	<u>Thousand</u>	<u>Thousand</u>
Authorised		
Shares of QR 10 each	<u>72,025</u>	<u>60,021</u>
	<u>Number of shares</u>	
	<u>Thousand</u>	<u>QR'000</u>
Issued and fully paid		
At January 1, 2008	<u>46,800</u>	<u>468,000</u>
At January 1, 2008	46,800	468,000
Issue of share capital	<u>13,221</u>	<u>132,210</u>
At December 31, 2008	60,021	600,210
Issue of bonus share	<u>12,004</u>	<u>120,042</u>
At December 31, 2009	<u>72,025</u>	<u>720,252</u>

15. LEGAL RESERVE

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

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

QATAR NAVIGATION (Q.S.C.)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

16. 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.

17. DIVIDEND

In their meeting held on February 8, 2010, the Board of Directors proposed cash dividend of 40% for the year 2009 amounting to QR 288 million (2008: QR 240 million cash dividend and QR. 120 million bonus shares), which are subject to the approval of the shareholders in the Annual General Assembly.

During the year, dividends of QR 4 per share totaling QR 240 million relating to the year ended December 31, 2008 were paid (2007: QR 234 million).

18. DERIVATIVE FINANCIAL INSTRUMENTS

	<u>2009</u>	<u>2008</u>
	QR'000	QR'000
Hedging activities		
<i>Cash flow hedges</i>		
Fair value of interest rate swap (IRS) contracts:		
IRS 1 (i)	--	28
IRS 2 (ii)	<u>(546)</u>	<u>(1,057)</u>
Total	<u><u>(546)</u></u>	<u><u>(1,029)</u></u>

Notes:

- (i) At December 31, 2008, the Company was a party to one interest rate swap agreement with a total outstanding notional principal of US\$ 1.2 million (QR 4.38 million) (as at December 31, 2009 : Nil) maturing in May 2009. This contract entitles the Company to swap its one month LIBOR floating interest rate and pay fixed rate of 3.5%. The contract is matched with a portion of the outstanding floating rate long term debt obligation of the Company. The long term debt obligation hedged as the interest rate swap had the same critical terms.
- (ii) The joint venture company, Halul Offshore Services Company W.L.L, which is consolidated using the proportionate consolidation basis, has entered into an interest rate swap contract to hedge its exposure to interest rate risk.

At December 31, 2009, the joint venture company had an interest rate swap agreement in place with a notional amount of US\$ 8.823 million (QR 32.206 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.

QATAR NAVIGATION (Q.S.C.)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

18. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The joint venture company has recognized the fair value of the interest rate swap amounting to QR 1.091 million and the Company's share is QR. 0.546 million as at December 31, 2009 (December 31, 2008: QR 2.144 million and the Company's share is QR. 1.057 million) in the financial statements. The 50% share of negative fair value of the joint venture on this cash flow hedge has been reflected in the fair value reserve in the statement of changes in equity and the corresponding negative fair value is included in accruals and other credit balance (Note 22).

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.

Forward exchange contracts

Forward exchange contracts outstanding at December 31, 2009 for a future period up to twelve months amounted to an equivalent of JPY Nil (2008: JPY 406 Million). The forward exchange contracts are designed to hedge the foreign currency exposure of liabilities.

19. LOANS AND BORROWINGS

	<i>Effective Interest / profit rate %</i>	<i>Maturity</i>	2009 QR'000	2008 QR'000
Loan 1(i)	LIBOR + 0.70%	May 2014	38,523	45,127
Loan 2(ii)	LIBOR + 0.73%	Feb 2014	316,680	316,680
Loan 3 (iii)	5.595% per annum	--	--	36,400
Loan 4 (iv)	LIBOR + 0.5%	--	--	4,449
Loan 5 (iii)	LIBOR +3.0%	--	--	109,200
Loan 6 (iii)	LIBOR +2.0 %	--	--	127,400
Loan 7 (v)	4.5%	April 2011	254,800	--
Loan 8 (v)	4.5%	April 2010	91,000	--
			701,003	639,256
Share of loans of joint venture company:				
Loan 9 (vi)	LIBOR + 0.82%	Feb 2011	16,066	26,775
Loan 10 (vii)	LIBOR + 0.70%	Oct 2014	17,137	20,564
Loan 11 (vii)	LIBOR + 0.65%	June 2014	15,932	19,472
Loan 12 (vii)	LIBOR + 0.60%	July 2013	19,230	22,190
Loan 13 (vii)	LIBOR + 0.70%	Mar 2013	10,443	13,656
Loan 14 (viii)	LIBOR+ 0.60%	Jul 2010	79,658	91,038
			158,466	193,695
Total			859,469	832,951
Presented in the statement of financial position as follows:				
Current portion			172,700	319,282
Non current portion			686,769	513,669
Total			859,469	832,951

QATAR NAVIGATION (Q.S.C.)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

19. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

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 the showroom and villa.
- ii) Loan 2 was obtained to finance the construction of Qatar Navigation tower. The loan is secured by a first priority mortgage on the tower.
- iii) Loans 3, 5-6 represent unsecured loans. These loans are used for working capital purposes given that these loans were repaid fully during the period.
- iv) Loan 4 was obtained to finance the construction of container vessels. This loan was secured by a first priority mortgage on the vessels given that this loan was repaid fully during the period.
- v) Loan 7-8 represents unsecured loans. These loans are used for working capital purposes and to finance the building of vessels.
- vi) Loan 9 was obtained to finance the purchase and construction of vessels. It is secured by a corporate guarantee of the shareholders of the joint venture company.
- vii) Loans 10 - 13 were obtained to finance the purchase of certain vessels. These loans are 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 14 was obtained to finance the purchase of two platform supply vessels. 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.

The repayment schedule of the utilized loan facilities are as follows:

	<u>2009</u>	<u>2008</u>
	<u>QR'000</u>	<u>QR'000</u>
Payable within one year	172,700	319,282
Payable between two to five years	582,953	341,832
Payable after five years	<u>103,816</u>	<u>171,837</u>
Total	<u>859,469</u>	<u>832,951</u>

QATAR NAVIGATION (Q.S.C.)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

20. PROVISION FOR EMPLOYEES' BENEFITS

	2009	2008
	QR'000	QR'000
Provision as at January 1	36,981	45,695
Provided during the year	12,161	8,615
End of service benefits paid	(3,093)	(15,459)
Transferred to the pension fund	(2,132)	(1,870)
Provision as at December 31	43,917	36,981
Provision for employees' benefits:		
End of service benefits	41,388	34,505
Pension provision for Qatari employees (Note 22)	2,529	2,476
Provision as at December 31	43,917	36,981

The pension scheme is a defined contribution pension plan and pension obligations are payable on demand to a Government pension fund. Accordingly, the amounts payable have been classified as a current liability.

21. OBLIGATIONS UNDER FINANCE LEASE

Finance leases relate to the Company's Non Vessel Operating Common Carrier (NVOCC) operation for containers with lease terms 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	
	2009	2008	2009	2008
	QR'000	QR'000	QR'000	QR'000
Within 1 year	7,441	7,223	5,960	5,527
More than 1 year and less than 5 years	17,360	21,413	15,574	18,658
	24,801	28,636	21,534	24,185
Less future finance charges	(3,267)	(4,451)	--	--
Present value of minimum lease payments	21,534	24,185	21,534	24,185
			2009	2008
			QR'000	QR'000
Included in the financial statements as:				
Current portion			5,960	5,527
Non-current portion			15,574	18,658
			21,534	24,185

QATAR NAVIGATION (Q.S.C.)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

22. ACCRUALS AND OTHER CREDIT BALANCES:

	<u>2009</u>	<u>2008</u>
	QR'000	QR'000
Accruals and provisions	94,478	89,110
Other payables	62,834	72,144
Pension provision for Qatari employees (Note 20)	2,529	2,476
Advances from customers	24,800	24,362
Total	184,641	188,092

Included in the other payables is the Company's share (50%) of the negative fair value of interest rate swap contracts of the joint venture amounting to QR 546,000 (December 31, 2008: QR 1,057,006) (Note 18).

23. OPERATING REVENUES

	<u>2009</u>	<u>2008</u>
	QR'000	QR'000
Dubai operations	84,525	96,636
Commercial activities	279,210	400,311
Shipping agencies	238,580	244,799
Marine transport	193,395	236,487
Navigation freight services	41,017	43,957
Ship repair and fabrication	39,583	29,471
Offshore services	7,872	8,122
	884,182	1,059,783
Share of revenue from Halul Offshore Services Company W.L.L	279,782	282,240
Total	1,163,964	1,342,023

24. INVESTMENTS AND INTEREST REVENUES

	<u>2009</u>	<u>2008</u>
	QR'000	QR'000
Income from investments	133,733	116,039
Profit on sale of available-for-sale investments	29,458	103,617
Profit on sale of trading investments	3,953	9,648
Interest income	17,580	9,515
Gain / (loss) from change in fair value of trading investments	2,463	(31,491)
Net	187,187	207,328

QATAR NAVIGATION (Q.S.C.)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

25. GENERAL AND ADMINISTRATION EXPENSES

	<u>2009</u> QR'000	<u>2008</u> QR'000
Employees costs and related benefits	52,449	47,382
Depreciation	12,692	8,444
Supplies	5,746	4,279
Repairs and maintenance	2,795	1,938
Miscellaneous expenses	23,617	15,970
Total	97,299	78,013

Included in the general and administration expenses are direct expenses relating to investment properties amounting to QR. 16,367,614 (December 31, 2008: QR. 6,531,832).

26. PROVISION FOR SOCIAL AND CHARITABLE ACTIVITIES

The boards of directors have proposed to provide an amount of QR. 11.9 million for social and charitable activities (2.5% from Net profit) as per the instruction of the Public Revenues and Taxes department at the Ministry of Finance.

	<u>2009</u> QR'000	<u>2008</u> QR'000
Social and charitable activities for the year	11,973	6,000
Reversal of unutilized social and charitable provision for 2008	(5,460)	--
Net	6,513	6,000

27. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year. During the year, the Company increased the share capital by bonus issue, accordingly the previously reported earning per share have been restated for the bonus issue made during the year.

	<u>2009</u>	<u>2008</u>
Net Profit for the year (QR'000)	472,407	569,361
Weighted average number of shares outstanding during the year In thousands (i)	72,025	69,826
Basic earnings per share (QR) (ii)	6.56	8.15

QATAR NAVIGATION (Q.S.C.)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

27. EARNINGS PER SHARE (CONTINUED)

Notes:

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

	<u>2009</u>	<u>2008</u>
Qualifying shares at beginning of the year	60,021,000	46,800,000
Effect of rights issue / bonus element	12,004,200	23,026,000
Weighted average number of shares at the end of the year	<u>72,025,200</u>	<u>69,826,000</u>

(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.

28. COMMITMENTS**Capital commitments**

	<u>2009</u>	<u>2008</u>
	<u>QR'000</u>	<u>QR'000</u>
<i>Investments</i>		
Uncalled portion of investments	<u>25,147</u>	<u>28,013</u>
<i>Property, vessels and equipment</i>		
Estimated capital expenditure approved but not contracted as of the Financial position date	<u>131,941</u>	<u>534,634</u>
Letters of credit	<u>3,306</u>	<u>27,411</u>

Operating lease commitments

The Dubai Branch of the Company has entered into time charter arrangements for vessels. These arrangements are accounted for as operating leases.

The future lease commitments in respect of the above time charter arrangements are as follows:

	<u>2009</u>	<u>2008</u>
	<u>QR'000</u>	<u>QR'000</u>
Within one year	<u>--</u>	<u>7,590</u>

QATAR NAVIGATION (Q.S.C.)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

29. CONTINGENT LIABILITIES

	<u>2009</u>	<u>2008</u>
	QR'000	QR'000
Letters of guarantee	<u>169,036</u>	<u>149,308</u>

Contingent liability of the joint venture company

The above letters of guarantees include the Company's share of the contingent liabilities of the joint venture company amounting to QR 101,642,000 as of December 31, 2009 (December 31, 2008: QR. 87,139,000).

Legal claims

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

30. 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 to related parties included in the statement of income are as follows:

	<u>2009</u>	<u>2008</u>
	QR' 000	QR' 000
Associate company	10,386	7,516
Joint venture companies	24,385	26,820
Directors	<u>9,668</u>	<u>2,604</u>
Total	<u>44,439</u>	<u>36,940</u>

Related party balances

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

	<u>2009</u>	<u>2008</u>
	QR'000	QR'000
Associate companies	87	549
Directors	<u>4,629</u>	<u>2,062</u>
Total	<u>4,716</u>	<u>2,611</u>

QATAR NAVIGATION (Q.S.C.)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

30. RELATED PARTY DISCLOSURES (CONTINUED)

Compensation of directors and other key management personnel

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

	<u>2009</u>	<u>2008</u>
	QR'000	QR'000
Short-term benefits	13,475	14,029
End of service benefits	305	623
Board of directors remuneration – cash	9,700	12,700
Board of directors remuneration – in kind	3,360	3,035
Total	<u>26,840</u>	<u>30,387</u>

31. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company 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 judgements are as follows:

(i) Impairment of available-for-sale investments

The Company 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 Company 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 statement of financial position, stores and spares and goods for resale net of provision were QR 104,614,000 with provisions for slow moving old and obsolete inventories of QR 6,724,000. Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the statement of income.

QATAR NAVIGATION (Q.S.C.)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

31. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(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 statement of financial position date, gross trade receivables were QR 291,710,000 and the provision for doubtful debts was QR. 16,201,000. Any difference between the amounts actually collected in future periods and the amounts expected will be recognized in the 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. The management has not considered any residual value as it is deemed immaterial.

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.

QATAR NAVIGATION (Q.S.C.)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

32. SEGMENT INFORMATION

Business Segments

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

	Dubai Operations QR'000	Commercial Activities QR'000	Shipping Agencies QR'000	Marine Transport QR'000	Navigation Freight Services QR'000	Ship repair and Fabrication QR'000	Offshore Services QR'000	Halul Offshore QR'000	Total QR'000
<i>For the year ended December 31, 2009</i>									
Operating revenues	84,525	279,210	238,580	193,395	41,017	39,583	7,872	279,782	1,163,964
Operating expenses	<u>(92,191)</u>	<u>(235,329)</u>	<u>(139,692)</u>	<u>(145,217)</u>	<u>(29,221)</u>	<u>(26,386)</u>	<u>(6,034)</u>	<u>(129,445)</u>	<u>(803,515)</u>
Gross profit	<u>(7,666)</u>	<u>43,881</u>	<u>98,888</u>	<u>48,178</u>	<u>11,796</u>	<u>13,197</u>	<u>1,838</u>	<u>150,337</u>	360,449
Unallocated costs									(138,250)
Other income									259,718
Share of results of associates									(9,510)
Profit for the year									<u>472,407</u>
<i>As at December 31, 2009</i>									
Segment assets	286,947	163,366	475,129	493,306	63,863	87,809	4,954	515,396	2,090,770
Investment in associates									26,882
Unallocated assets									<u>5,080,634</u>
Total assets									<u>7,198,286</u>
Segment liabilities	26,155	30,700	24,873	19,689	3,902	504	580	181,224	287,627
Unallocated liabilities									<u>998,656</u>
Total liabilities									<u>1,286,283</u>
Segment Capital Expenditure	241,721	1,297	21,520	271,989	1,990	3,916	23	45,843	588,299
Unallocated Capital Expenditure									<u>3,192</u>
Capital expenditure									<u>591,491</u>
Segment Depreciation	13,187	755	21,131	11,185	8,152	5,327	21	21,260	81,018
Unallocated Depreciation									<u>11,977</u>
Total Depreciation									<u>92,995</u>

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32. SEGMENT INFORMATION (CONTINUED)

Business Segments

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

	Dubai Operations QR'000	Commercial Activities QR'000	Shipping Agencies QR'000	Marine Transport QR'000	Navigation Freight Services QR'000	Ship repair and Fabrication QR'000	Offshore Services QR'000	Halul Offshore QR'000	Total QR'000
<i>For the year ended December 31, 2008</i>									
Operating revenues	96,636	400,311	244,799	236,487	43,957	29,471	8,122	282,240	1,342,023
Operating expenses	(83,118)	(326,121)	(129,641)	(164,035)	(21,628)	(18,435)	(5,023)	(147,477)	(895,478)
Gross profit	<u>13,518</u>	<u>74,190</u>	<u>115,158</u>	<u>72,452</u>	<u>22,329</u>	<u>11,036</u>	<u>3,099</u>	<u>134,763</u>	446,545
Unallocated costs									(138,504)
Other income									236,644
Share of results of associates									24,676
Net Profit for the year									<u>569,361</u>
<i>As at December 31, 2008</i>									
Segment assets	76,050	157,115	255,576	171,086	20,089	18,849	2,813	470,699	1,172,277
Investment in associates									50,851
Unallocated assets									5,517,580
Total assets									<u>6,740,708</u>
Segment liabilities	29,586	31,636	26,868	36,132	4,183	219	--	233,685	362,309
Unallocated liabilities									786,481
Total liabilities									<u>1,148,790</u>
Segment Capital Expenditure	29,956	428	40,290	6,183	4,016	18,035	--	70,219	169,127
Unallocated Capital Expenditure									3,697
Capital expenditure									<u>172,824</u>
Segment Depreciation	3,543	815	16,545	8,605	7,850	5,120	--	18,841	61,319
Unallocated Depreciation									8,224
Total Depreciation									<u>69,543</u>

QATAR NAVIGATION (Q.S.C.)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

32. SEGMENT INFORMATION (CONTINUED)

Geographic segments

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

	2009			2008		
	<i>Qatar</i> <i>QR'000</i>	<i>UAE</i> <i>QR'000</i>	<i>Total</i> <i>QR'000</i>	<i>Qatar</i> <i>QR'000</i>	<i>UAE</i> <i>QR'000</i>	<i>Total</i> <i>QR'000</i>
Operating revenue	1,079,439	84,525	1,163,964	1,245,387	96,636	1,342,023
Operating expenses	(711,324)	(92,191)	(803,515)	(812,360)	(83,118)	(895,478)
Gross profit	368,115	(7,666)	360,449	433,027	13,518	446,545
Investment and interest revenue	187,187	--	187,187	207,328	--	207,328
Rental revenue	25,414	--	25,414	13,317	--	13,317
Other revenue	9,574	--	9,574	15,082	--	15,082
Profit from disposal and write off of property, vessels and equipment and investment properties	37,543	--	37,543	917	--	917
General and administration expenses	(97,299)	--	(97,299)	(78,013)	--	(78,013)
Impairment loss on available-for-sale investments	(2,186)	--	(2,186)	(9,670)	--	(9,670)
Finance costs	(22,552)	--	(22,552)	(32,121)	--	(32,121)
Share of results of associates	(9,510)	--	(9,510)	24,676	--	24,676
Provision for social and charitable activities	(6,513)	--	(6,513)	(6,000)	--	(6,000)
Proposed board of directors remuneration	(9,700)	--	(9,700)	(12,700)	--	(12,700)
Net Profit for the year	480,073	(7,666)	472,407	555,843	13,518	569,361
	2009			2008		
Assets and liabilities						
Segment assets	6,884,457	286,947	7,171,404	6,613,807	76,050	6,689,857
Investment in associates	26,882	--	26,882	50,851	--	50,851
Total assets			7,198,286			6,740,708
Segment liabilities	1,260,128	26,155	1,286,283	1,119,204	29,586	1,148,790
Total liabilities			1,286,283			1,148,790
Capital expenditure	349,770	241,721	591,491	142,868	29,956	172,824

QATAR NAVIGATION (Q.S.C.)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

33. FINANCIAL RISK MANAGEMENT

Interest rate risk exposures

With the exception of certain term loans amounting to QR 16,066,000 (2008 : QR 31,224,000), which are covered by interest rate swap contracts (Note 18), a significant portion of the Company's financial assets and liabilities as of December 31, 2009 are exposed to interest rate fluctuations. The Company's exposure to interest rate risk and the effective interest rates on its financial assets and liabilities are summarised below:

	December 31, 2009				December 31, 2008			
	Fixed interest rate QR'000	Floating interest rate QR'000	Non-interest bearing QR'000	Total QR'000	Fixed interest rate QR'000	Floating interest rate QR'000	Non-interest bearing QR'000	Total QR'000
Financial assets								
Bank balances and cash	241,764	36,017	5,433	283,214	226,492	103,496	4,681	334,669
Average interest rate	5.75% - 6.4%	2%	N/A		7.1%	2%	N/A	
Financial liabilities								
Loans and borrowings	345,800	513,669	--	859,469	353,080	479,871	--	832,951
Bank overdrafts	--	127,741	--	127,741	--	9	--	9
Interest rate swap	16,066	(16,066)	--	--	31,224	(31,224)	--	--
	361,866	625,344	--	987,210	384,304	448,656	--	832,960
Average interest rate	4.98% <i>per annum</i>	LIBOR + 0.69%	N/A		5.83% <i>per annum</i>	LIBOR+ 0.81%	N/A	
Net financial asset/ (liabilities)	(120,102)	(589,327)	5,433	(703,996)	(157,812)	(345,160)	4,681	(498,291)

QATAR NAVIGATION (Q.S.C.)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk exposures (continued)

The Company is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by the Company 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 Company'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 Company's profit for one year, based on the floating rate financial assets and financial liabilities held at December 31, 2009.

	December 31, 2009	
	QR.'000	
Increase / decrease in basis points	+25	-25
Effect on profit for the year	(1,473)	1,473

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties. The Company'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 Company 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 77% of outstanding accounts receivable at December 31, 2009 (December 31, 2008: 76%).

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

Liquidity risk

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Company'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.

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Forward exchange contracts are used to hedge the foreign currency exposure of the Company's liabilities payable in foreign currencies. Management believes that currency risk is minimal since the Company deals mainly in Qatar Riyal and US Dollar.

Market risk

The Company is subject to market risk in relation to available-for-sale and trading investments. The Company 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 Company's portfolio of available-for-sale investment is expected to result in an increase or decrease of QR 420,495,300 in the assets and other comprehensive income of the Company.

A 10% increase or decrease in market values of the Company's portfolio of trading investment is expected to result in an increase or decrease of QR 6,157,800 in the assets and profit of the Company.

Capital risk

The Company 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 Company's overall strategy remains unchanged from 2008.

The capital structure of the Company consists of debt, which includes the loans and borrowings disclosed in note (19), net of cash and cash equivalents and equity, comprising issued capital, reserves and retained earnings.

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33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Gearing ratio

The Company'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:

	<u>2009</u>	<u>2008</u>
	<u>QR'000</u>	<u>QR'000</u>
Debt (i)	859,469	832,951
Cash and cash equivalents	(155,473)	(334,660)
Net debt	<u>703,996</u>	<u>498,291</u>
Equity (ii)	<u>5,912,003</u>	<u>5,591,918</u>
Net debt to equity ratio	<u>12%</u>	<u>9%</u>

(i) Debt is defined as long and short term borrowing, as detailed in note (19).

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

34. 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 trading securities. Financial liabilities mainly consist of bank overdrafts, interest bearing loans and borrowings, trade payable, accrued expenses and finance lease obligations. Derivative financial instruments consist of interest rate swaps and forward currency contracts.

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).

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34. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurements (continued)

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).

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>QR'000</u>	<u>QR'000</u>	<u>QR'000</u>	<u>QR'000</u>
Trading investments financial assets	52,647	8,931	--	61,578
Available for sale financial assets				
Quoted equities	3,973,905	--	--	3,973,905
Unquoted equities	221,700	--	268,757	490,457
Investments in bonds	9,348	--	--	9,348
	<u>4,257,600</u>	<u>8,931</u>	<u>268,757</u>	<u>4,535,288</u>
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

35. ONGOING EVENT

The Board of Directors of Qatar Navigation Q.S.C., and Qatar Shipping Company Q.S.C. have approved moving forward with a proposal merger of the two companies, based on exchange ratio of 2.2 shares of Qatar Shipping for each share of Qatar Navigation Q.S.C.

36. COMPARATIVE FIGURES:

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