

# **Halul Offshore Services Company W.L.L.**

## **FINANCIAL STATEMENTS**

**31 DECEMBER 2006**



# Halul Offshore Services Company W.L.L.

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## INCOME STATEMENT

Year ended 31 December 2006

	<i>Notes</i>	<b>2006</b> <b>QR'000</b>	2005 <i>QR'000</i>
Operating income		<b>295,814</b>	273,385
Operating expenses	3	<u><b>(248,459)</b></u>	<u>(225,292)</u>
<b>NET OPERATING INCOME</b>		<b>47,355</b>	48,093
Investment income	4	<b>1,319</b>	13,629
Other income	5	<b>2,707</b>	2,511
General and administration expenses	6	<b>(22,885)</b>	(16,120)
Impairment loss on available-for-sale investments		<b>(17,160)</b>	-
Interest income		<b>200</b>	611
Finance costs		<u><b>(10,373)</b></u>	<u>(9,618)</u>
<b>PROFIT FOR THE YEAR</b>		<u><b>1,163</b></u>	<u>39,106</u>

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The attached notes 1 to 25 form part of these financial statements.

# Halul Offshore Services Company W.L.L.

## BALANCE SHEET

At 31 December 2006

	<i>Notes</i>	<i>2006</i> <i>QR'000</i>	<i>2005</i> <i>QR'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	8	<b>399,932</b>	365,704
Dry docking costs	9	<b>7,447</b>	8,157
Available-for-sale investments	10	<b>23,676</b>	40,226
		<u><b>431,055</b></u>	<u>414,087</u>
<b>Current assets</b>			
Inventories	11	<b>547</b>	821
Accounts receivable and prepayments	12	<b>96,973</b>	90,229
Bank balances and cash		<b>23,213</b>	27,645
		<u><b>120,733</b></u>	<u>118,695</u>
<b>TOTAL ASSETS</b>		<u><b>551,788</b></u>	<u>532,782</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital	13	<b>150,000</b>	150,000
Legal reserve	14	<b>15,824</b>	15,708
Cumulative changes in fair values	15	<b>(1,623)</b>	(3,733)
Retained earnings		<b>22,755</b>	44,808
<b>Total shareholders' equity</b>		<u><b>186,956</b></u>	<u>206,783</u>
<b>Non-current liabilities</b>			
Non-current portion of term loans	16	<b>250,056</b>	244,498
Employees' end of service benefits	17	<b>2,292</b>	1,690
		<u><b>252,348</b></u>	<u>246,188</u>
<b>Current liabilities</b>			
Accounts payable and accruals	18	<b>62,357</b>	41,456
Current portion of term loans	16	<b>50,127</b>	38,355
		<u><b>112,484</b></u>	<u>79,811</u>
<b>Total liabilities</b>		<u><b>364,832</b></u>	<u>325,999</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>551,788</b></u>	<u>532,782</u>

.....  
H.E. Sh. Hamad Bin Suhaim Al Thani  
Chairman

.....  
Mohd. Khalifa Al Sadah  
Managing Director

.....  
Khalifa Mohd. Al Hitmi  
General Manager

The attached notes 1 to 25 form part of these financial statements.

# Halul Offshore Services Company W.L.L.

## CASH FLOW STATEMENT

Year ended 31 December 2006

	Note	2006 <i>QR'000</i>	2005 <i>QR'000</i>
<b>OPERATING ACTIVITIES</b>			
Profit for the year		1,163	39,106
Adjustments for:			
Net gains on disposal of available-for-sale investments	4	(525)	(13,339)
Depreciation and amortisation		38,748	35,872
Impairment loss on available-for-sale investments		17,160	-
Provision for employees' end of service benefits	17	757	707
Loss on disposal/write off of property and equipment		62	4
Dividend and interest income		(994)	(901)
Finance costs		10,373	9,618
Operating profit before working capital changes:		66,744	71,067
Inventories		274	(256)
Accounts receivable and prepayments		(6,744)	(14,362)
Accounts payable and accruals		22,081	8,437
Cash from operations		82,355	64,886
Interest paid	17	(10,373)	(9,618)
Employees' end of service benefits paid		(155)	(244)
Net cash from operating activities		71,827	55,024
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment		(70,130)	(67,409)
Proceeds from disposal of property and equipment		-	52
Purchase of available-for-sale investments		(1,933)	(43,552)
Proceeds from disposal of available-for-sale investments		2,778	44,417
Dividend and interest income		994	901
Dry docking costs incurred		(2,198)	(6,076)
Net cash used in investing activities		(70,489)	(71,667)
<b>FINANCING ACTIVITIES</b>			
Payment of Board of Directors remuneration		(3,100)	(2,500)
Dividends paid		(20,000)	-
New term loan		65,547	58,264
Repayment of term loans		(48,217)	(32,994)
Net cash from financing activities		(5,770)	22,770
<b>(DECREASE) INCREASE IN BANK BALANCES AND CASH</b>		(4,432)	6,127
Bank balances and cash at 1 January		27,645	21,518
<b>BANK BALANCES AND CASH AT 31 DECEMBER</b>		23,213	27,645

The attached notes 1 to 25 form part of these financial statements.

# Halul Offshore Services Company W.L.L.

## STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2006

	<i>Share capital QR'000</i>	<i>Legal reserve QR'000</i>	<i>Cumulative changes in fair values QR'000</i>	<i>Retained earnings QR'000</i>	<i>Total QR'000</i>
Balance at 1 January 2005	<u>100,000</u>	<u>11,797</u>	<u>(4,315)</u>	<u>62,113</u>	<u>169,595</u>
Recognised gains and losses on available-for-sale investments during the year	-	-	(2,166)	-	(2,166)
Net movement in fair value of available-for-sale investments	-	-	(1,655)	-	(1,655)
Net movement in fair value of cash flow hedges	-	-	4,403	-	4,403
Total income and expense for the year recognised directly in equity	-	-	582	-	582
Profit for the year	-	-	-	39,106	39,106
Total income and expenses for the year	-	-	582	39,106	39,688
Dividend paid for 2004 (Note 13)	50,000	-	-	(50,000)	-
Payment of Board of Directors' remuneration (2004)	-	-	-	(2,500)	(2,500)
Transfer to legal reserve (Note 14)	-	3,911	-	(3,911)	-
Balance at 31 December 2005	<u>150,000</u>	<u>15,708</u>	<u>(3,733)</u>	<u>44,808</u>	<u>206,783</u>
Net movement in fair value of available-for-sale investments (Note 15)	-	-	930	-	930
Net movement in fair value of cash flow hedges (Note 15)	-	-	1,180	-	1,180
Total income and expense for the year recognised directly in equity	-	-	2,110	-	2,110
Profit for the year	-	-	-	1,163	1,163
Total income and expenses for the year	-	-	2,110	1,163	3,273
Dividend paid for 2005 (Note 13)	-	-	-	(20,000)	(20,000)
Payment of Board of Directors' remuneration (2005)	-	-	-	(3,100)	(3,100)
Transfer to legal reserve (Note 14)	-	116	-	(116)	-
<b>Balance at 31 December 2006</b>	<b><u>150,000</u></b>	<b><u>15,824</u></b>	<b><u>(1,623)</u></b>	<b><u>22,755</u></b>	<b><u>186,956</u></b>

The attached notes 1 to 25 form part of these financial statements.

# Halul Offshore Services Company W.L.L.

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## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2006

### 1 ACTIVITIES

Halul Offshore Services Company W.L.L. (the “Company”) is a limited liability company registered in the State of Qatar. The Company was formed as an equally owned joint venture between Qatar Shipping Company Q.S.C. and Qatar Navigation Q.S.C. on 4 November 2000. The Company’s main activities include chartering of vessels, supply of diving personnel, diving equipment and other related offshore services.

The financial statements were authorised for issue in accordance with a resolution of the directors on 7 February 2007.

### 2 SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards, and the applicable requirements of Qatar Commercial Companies’ Law No. 5 of 2002.

The financial statements have been presented in Qatari Riyals and all values are rounded to nearest thousand (QR’000) except when otherwise indicated.

The financial statements are prepared under the historical cost convention modified to include the measurement at fair value of available-for-sale investments and cash flow hedges.

#### **Changes in accounting policies**

The accounting policies are consistent with those used in the previous year.

#### **IASB Standards and Interpretations issued but not adopted**

The following IASB Standards and Interpretations have been issued but are not yet mandatory, and have not yet been adopted by the Company:

##### *IFRS 7 Financial Instruments: Disclosures*

The application of IFRS 7, which will be effective for the year ending 31 December 2007 will result in amended and additional disclosures relating to financial instruments and associated risks.

#### **Revenue recognition**

Operating income represents income earned and invoiced from chartering of vessels and supply of diving personnel and equipment, in accordance with the terms of the contracts entered into with customers.

Mobilisation revenue is recognised when the right to earn revenue is established as per the terms of the contract entered into with customers.

Interest revenue is recognised as the interest accrues.

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2006

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Property and equipment**

Property and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight line basis over the estimated useful lives of the assets as follows:

New vessels	20 years
Second hand vessels	3 to 10 years
Diving & vessels equipment	2 to 5 years
Leasehold improvements	20 years
Office equipment	1 to 3 years
Furniture and fixtures	1 to 5 years
Motor vehicles	1 to 4 years

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate 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, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property 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 and equipment. All other expenditure is recognised in the income statement as the expense is incurred.

An item of property 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 income statement in the year the asset is derecognised.

The asset's residual values, useful lives and method of depreciation are viewed and adjusted, if appropriate, at each financial year end.

**Dry docking costs**

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

**Impairment and uncollectibility of financial assets**

An assessment is made at each balance sheet 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 income statement. 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 future cash flows discounted at the current market rate of return for a similar financial asset.

**Available-for-sale investments**

Available-for-sale investments are recognised and derecognised, on a trade date basis, when the Company becomes, or ceases to be, a party to the contractual provisions of the instrument.

Investments designated as available-for-sale investments are initially recorded at cost and subsequently measured at fair value, unless this cannot be reliably measured. Changes in fair value are reported as a separate component of equity. On derecognition or impairment the cumulative gain or loss previously reported in equity is included in the income statement for the period.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2006

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing inventories to their present location and condition at purchase cost on a weighted average basis.

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

**Accounts receivable**

Accounts receivable are stated at original invoice amount less a 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.

**Accounts payable and accruals**

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

**Provisions**

Provisions are recognised 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 able to be reliably measured.

**Term loans**

The term loans are carried on the balance sheet at their outstanding principal amount. Instalments due within one year are shown as a current liability.

**Employees' end of service benefits**

The Company provides end of service 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 is payable upon resignation or termination of the employee. The expected costs of these benefits are accrued over the period of employment.

As per the interpretation of Law No.24 of 2002, on Retirement and Pension and the Qatar Labour Law, the Company has continued to make provision for end of service benefits for its Qatari staff till 31 December 2006.

With respect to its Qatari employees, the Company makes contributions to Government Pension Fund calculated as a percentage of the employees' salaries in accordance with the requirements of Law No. 24 of 2002 pertaining to Retirement and Pensions. The Company's obligations are limited to these contributions, which are expensed when due. A fund deposit account has been established with a local bank for this purpose and the contribution by both the Company and employees are credited to this account.

**Borrowing costs**

Borrowing costs that are directly attributable to acquisition or construction of Property and equipment are capitalised as part of cost of the asset. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare for its intended use are completed. A capitalisation rate of 100% is used up to the date of completion of substantially all the activities necessary to prepare for its intended use as the entire loan related to the acquisition of qualifying assets. Other borrowing costs are recognised as expense in the period in which they are incurred.

**Foreign currencies**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2006

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Derivative financial instruments**

The Company uses interest rate swap contracts to hedge its risk associated primarily with interest rate fluctuations relating to the interest charged on its long term loan. These cash flow hedges are included in the balance sheet at fair value and any resultant gain or loss is recognised in the statement of changes in equity and subsequently recognised in the income statement on maturity of the interest rate swap contracts. The fair values of the interest rate swap contracts are included in “other receivables” in case of favourable contracts and “other payables” in case of unfavourable contracts.

**Fair values**

For investments traded in active markets, fair value is determined by reference to quoted market bid prices.

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

The fair value of interest rate swap contracts is calculated by reference to the market valuation of the swap contracts.

**3 OPERATING EXPENSES**

	<i>2006</i> <i>QR'000</i>	<i>2005</i> <i>QR'000</i>
Staff costs	67,790	59,280
Insurance expenses	6,172	5,971
Hire charges	95,113	75,605
Spare parts	5,125	7,860
Maintenance and consumable expenses	21,929	23,318
Diving and equipment expenses	5,692	1,929
Depreciation and amortisation	37,960	35,071
Miscellaneous operating expenses	<u>8,678</u>	<u>16,258</u>
	<u><u>248,459</u></u>	<u><u>225,292</u></u>

**4 INVESTMENT INCOME**

	<i>2006</i> <i>QR'000</i>	<i>2005</i> <i>QR'000</i>
Gains on disposal of available-for-sale investments	525	13,339
Dividend income	<u>794</u>	<u>290</u>
	<u><u>1,319</u></u>	<u><u>13,629</u></u>

# Halul Offshore Services Company W.L.L.

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2006

### 5 OTHER INCOME

	<i>2006</i> <i>QR'000</i>	<i>2005</i> <i>QR'000</i>
Penalties	1,456	1,966
Gain on foreign exchange	79	192
Miscellaneous income	<u>1,172</u>	<u>353</u>
	<u><b>2,707</b></u>	<u><b>2,511</b></u>

Penalties represent reimbursement of revenue loss due to non-availability of vessels. The penalty income also includes liquidated damages received from shipbuilders with which it contracted to construct vessels.

### 6 GENERAL AND ADMINISTRATION EXPENSES

	<i>2006</i> <i>QR'000</i>	<i>2005</i> <i>QR'000</i>
Staff costs	15,887	9,960
Provision for bad and doubtful debts	1,000	-
Rent	1,427	1,521
Communication expenses	838	764
Depreciation	788	801
Travelling expenses	508	524
Insurance	268	167
Advertising and sales promotions	236	312
Immigration expenses	173	141
Printing and stationery	166	120
Vehicle running expenses	131	207
Hardware/ software maintenance expenses	122	10
Utilities	111	91
Entertainment expenses	88	112
Legal and management fees	25	112
Miscellaneous expenses	<u>1,117</u>	<u>1,278</u>
	<u><b>22,885</b></u>	<u><b>16,120</b></u>

### 7 STAFF COSTS

	<i>2006</i> <i>QR'000</i>	<i>2005</i> <i>QR'000</i>
Salaries and wages	49,802	44,380
End of service benefits	757	829
Other benefits	<u>33,118</u>	<u>24,031</u>
	<u><b>83,677</b></u>	<u><b>69,240</b></u>

# Halul Offshore Services Company W.L.L.

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2006

### 8 PROPERTY AND EQUIPMENT

	<i>Vessels QR'000</i>	<i>Diving &amp; vessels equipment QR'000</i>	<i>Vessels under Construction QR'000</i>	<i>Leasehold improvements QR'000</i>	<i>Furniture and office equipment QR'000</i>	<i>Motor vehicles QR'000</i>	<i>Total QR'000</i>
Cost:							
At 1 January 2006	342,409	38,395	80,194	321	4,207	1,111	466,637
Additions	-	1,687	67,286	550	333	274	70,130
Transfers	30,586	-	(30,586)	-	-	-	-
Write offs	-	-	(62)	-	-	-	(62)
At 31 December 2006	<u>372,995</u>	<u>40,082</u>	<u>116,832</u>	<u>871</u>	<u>4,540</u>	<u>1,385</u>	<u>536,705</u>
Depreciation:							
At 1 January 2006	81,804	16,405	-	-	2,049	675	100,933
Depreciation charge for the year	29,257	5,722	-	41	547	273	35,840
Disposal	-	-	-	-	-	-	-
At 31 December 2006	<u>111,061</u>	<u>22,127</u>	<u>-</u>	<u>41</u>	<u>2,596</u>	<u>948</u>	<u>136,773</u>
Net carrying amounts:							
At 31 December 2006	<u><b>261,934</b></u>	<u><b>17,955</b></u>	<u><b>116,832</b></u>	<u><b>830</b></u>	<u><b>1,944</b></u>	<u><b>437</b></u>	<u><b>399,932</b></u>
At 31 December 2005	<u>260,605</u>	<u>21,990</u>	<u>80,194</u>	<u>321</u>	<u>2,158</u>	<u>436</u>	<u>365,704</u>

The depreciation charge has been allocated in the income statement as follows:

	<i>2006 QR'000</i>	<i>2005 QR'000</i>
Operating expenses	<b>35,052</b>	32,250
General and administration expenses	<u><b>788</b></u>	<u>801</u>
	<u><b>35,840</b></u>	<u>33,051</u>

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2006

**8 PROPERTY AND EQUIPMENT (continued)**

The vessels under construction relates to costs incurred on the construction of 9 vessels (2005: 4 vessels). It also includes progress payments made to shipyards and the borrowing costs capitalised in respect of the vessels. During the year, an interest of QR 7,569,619 (2005: QR 4,079,037) were capitalised with the cost of the vessels.

**9 DRY DOCKING COSTS**

	<i>2006</i> <i>QR'000</i>	<i>2005</i> <i>QR'000</i>
Costs		
At 1 January	<b>15,411</b>	9,335
Additions	<u><b>2,198</b></u>	<u>6,076</u>
At 31 December	<u><b>17,609</b></u>	<u>15,411</u>
Amortisation		
At 1 January	<b>7,254</b>	4,433
Amortisation for the year	<u><b>2,908</b></u>	<u>2,820</u>
At 31 December	<u><b>10,162</b></u>	<u>7,254</u>
Net carrying amount		
At 31 December	<u><u><b>7,447</b></u></u>	<u><u>8,157</u></u>

**10 AVAILABLE-FOR-SALE INVESTMENTS**

	<i>2006</i> <i>QR'000</i>	<i>2005</i> <i>QR'000</i>
Quoted shares	<u><b>23,676</b></u>	<u>40,226</u>
	<u><u><b>23,676</b></u></u>	<u><u>40,226</u></u>

Available for sale investments includes the negative fair value of investments amounting to QR 901,910 (2005: QR 1,733,819).

**11 INVENTORIES**

	<i>2006</i> <i>QR'000</i>	<i>2005</i> <i>QR'000</i>
Stores and spares	<b>1,312</b>	1,586
Less: Provision for slow moving items	<u><b>(765)</b></u>	<u>(765)</u>
	<u><u><b>547</b></u></u>	<u><u>821</u></u>

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2006

**12 ACCOUNTS RECEIVABLE AND PREPAYMENTS**

	<i>2006</i> <i>QR'000</i>	<i>2005</i> <i>QR'000</i>
Trade accounts and notes receivable	<b>68,131</b>	66,216
Advances to suppliers	<b>2,446</b>	544
Prepaid expenses	<b>3,782</b>	3,408
Accrued income	<b>22,901</b>	15,114
Other receivables	<b>1,660</b>	5,894
	<b>98,920</b>	91,176
Less: Provision for doubtful debts	<b>(1,947)</b>	(947)
	<b>96,973</b>	90,229

**13 SHARE CAPITAL**

	<i>2006</i> <i>QR'000</i>	<i>2005</i> <i>QR'000</i>
Authorised:		
150,000 shares of QR 1,000 each	<b>150,000</b>	150,000
<i>Issued and fully paid:</i>		
Balance as on 1 January	<b>150,000</b>	100,000
Bonus shares issued	<b>-</b>	50,000
Balance as on 31 December	<b>150,000</b>	150,000

During the year, dividends of QR 133.33 per share totalling QR 20 Million relating to 2005 were declared and paid.

**14 LEGAL RESERVE**

As required by Qatar Commercial Companies' Law No. 5 of 2002 and the Company's Articles of Association, 10% of the net profit has been transferred to legal reserve. The Company may resolve to discontinue such annual transfer when the reserve totals 50% of the issued share capital. The reserve is not available for distribution except in the circumstances stipulated in the above law.

**15 FAIR VALUE RESERVE**

	<i>Cash</i> <i>flow</i> <i>hedges</i> <i>QR'000</i>	<i>Available</i> <i>for sale</i> <i>investments</i> <i>QR'000</i>	<i>2006</i> <i>Total</i> <i>QR'000</i>	<i>2005</i> <i>Total</i> <i>QR'000</i>
Balance at 1 January	(1,999)	(1,734)	<b>(3,733)</b>	(4,315)
Net movement during the year	1,180	(17,082)	<b>(15,902)</b>	2,748
Recognised gains and losses	-	852	<b>852</b>	(2,166)
Transfer to income statement on impairment	-	17,160	<b>17,160</b>	-
Net movement during the year	1,180	930	<b>2,110</b>	582
<b>Balance at 31 December</b>	<b>(819)</b>	<b>(804)</b>	<b>(1,623)</b>	<b>(3,733)</b>

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2006

**16 TERM LOANS**

	<i>2006</i> <i>QR'000</i>	<i>2005</i> <i>QR'000</i>
Loan 1 (i)	<b>96,393</b>	117,813
Loan 2 (ii)	<b>40,164</b>	46,590
Loan 3 (iii)	<b>53,105</b>	60,186
Loan 4 (iv)	<b>54,837</b>	58,264
Loan 5 (v)	<b>8,345</b>	-
Loan 6 (vi)	<b>47,339</b>	-
	<b><u>300,183</u></b>	<b><u>282,853</u></b>
Presented in the balance sheet as follows:		
Current portion	<b>50,127</b>	38,355
Non-current portion	<b>250,056</b>	244,498
	<b><u>300,183</u></b>	<b><u>282,853</u></b>

*Notes:*

- (i) Loan 1 is repayable in 17 equal semi-annual instalments of QR 10.7 million each commencing from February 2005 and carries interest at LIBOR plus a margin of 0.82%. . The loan is obtained to finance the purchase and construction of vessels and is secured by a corporate guarantee of the shareholders of the Company.
- (ii) Loan 2 has been obtained to finance the purchase of nine vessels. The loan is repayable in 34 equal quarterly instalments of QR 1.6 million each and loan carries interest at LIBOR plus a margin of 0.70%.
- (iii) Loan 3 has been obtained to finance the purchase of two anchor handling tug vessels which are currently under construction. The loan is repayable in 18 equal instalments of QR 3.5 million each commencing from December 2006 and carries interest at LIBOR plus a margin of 0.65%.
- (iv) Loan 4 has been obtained to finance the purchase of two vessels. The loan is repayable in 17 equal semi-annual instalments of QR 3.40 million commencing from September 2006 and carries interest at LIBOR plus a margin of 0.70%.
- (v) Loan 5 has been obtained as short term bridging finance to meet working capital requirements. The loan is repayable in 12 equal monthly instalments starting from June 2006 and carries interest at LIBOR plus a margin of 0.40%.
- (vi) Loan 6 has been obtained to finance the purchase of 4 utility standby safety vessels. The loan is repayable in 16 semi-annual instalments commencing from July 2008 and carries interest at LIBOR plus a margin of 0.60%

All the above 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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2006

**16 TERM LOANS (continued)**

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

	<i>2006</i> <i>QR'000</i>	<i>2005</i> <i>QR'000</i>
In one year	<b>50,127</b>	38,355
Between 1 and 2 years	<b>92,440</b>	41,782
Between 2 and 5 years	<b>110,968</b>	156,418
Over 5 years	<b>46,648</b>	46,298
	<b><u>300,183</u></b>	<b><u>282,853</u></b>

**17 EMPLOYEES' END OF SERVICE BENEFITS**

	<i>2006</i> <i>QR'000</i>	<i>2005</i> <i>QR'000</i>
Movements in the provision recognised in the balance sheet are as follows:		
Provision as at 1 January	<b>1,690</b>	1,227
Provided during the year	<b>757</b>	707
End of service benefits paid	<b>(155)</b>	(244)
Provision as at 31 December	<b><u>2,292</u></b>	<b><u>1,690</u></b>

**18 ACCOUNTS PAYABLE AND ACCRUALS**

	<i>2006</i> <i>QR'000</i>	<i>2005</i> <i>QR'000</i>
Trade accounts payable	<b>37,446</b>	14,719
Amounts due to related parties (Note 22)	<b>1,337</b>	5,430
Accrued expenses	<b>22,668</b>	18,526
Negative fair value of interest rate swap	<b>819</b>	1,999
Other payables	<b>87</b>	782
	<b><u>62,357</u></b>	<b><u>41,456</u></b>

**19 DERIVATIVE FINANCIAL INSTRUMENTS**

At 31 December 2006, the Company had an interest rate swap agreement in place with a notional amount of US\$ 26,470,588 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 Loan 1 included in Note 16 above. The term loan and interest rate swap have the same critical terms.

The Company has recognised the fair value of the interest rate swap amounting to QR 819,057 as at 31 December 2006 (2005: QR 1,998,897). The loss on this cash flow hedge has been reflected as an equity adjustment representing the cumulative changes in fair value. The fair value of the interest rate swap is calculated by reference to the market valuation of the swap agreement.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2006

**20 EXPENDITURE COMMITMENTS**

	<i>2006</i> <i>QR'000</i>	<i>2005</i> <i>QR'000</i>
<b>Capital expenditure commitments</b>		
Estimated capital expenditure contracted for at the balance sheet date but not provided for:		
Property and equipment	<u>202,054</u>	<u>40,541</u>
<b>Operating lease commitments</b>		
Future minimum lease payments:		
Within one year	360	-
After one year but not more than five years	270	-
More than five years	<u>-</u>	<u>-</u>
Total operating lease commitments contracted at the balance sheet date	<u>630</u>	<u>-</u>

**21 CONTINGENT LIABILITIES**

The Company had contingent liabilities in respect of bank and other guarantees arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

The following bank guarantees given by the Company were outstanding as at year-end:

	<i>2006</i> <i>QR'000</i>	<i>2005</i> <i>QR'000</i>
Guarantees against performance bonds	57,993	55,926
Guarantees against tender bonds	<u>27,041</u>	<u>873</u>
	<u>85,034</u>	<u>56,799</u>

**22 RELATED PARTY TRANSACTIONS**

Related parties represent shareholders, directors and key management personnel of the Company. Pricing policies and terms of these transactions are approved by the Company's management.

Transactions with related parties included in the financial statement are as follows:

	<i>2006</i> <i>QR'000</i>	<i>2005</i> <i>QR'000</i>
Purchases from Qatar Navigation Q.S.C.	<u>17,162</u>	<u>20,179</u>
Payments to Qatar Shipping Company Q.S.C. for the construction of two anchor handling tugs	<u>16,216</u>	<u>28,143</u>

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2006

**Compensation of key management personnel**

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

	<i>2006</i> <i>QR'000</i>	<i>2005</i> <i>QR'000</i>
Short-term benefits	<b>3,960</b>	3,946
Employees' end of service benefits	<u>65</u>	<u>45</u>
	<b><u>4,025</u></b>	<b><u>3,991</u></b>

Amounts due to related parties are disclosed in Note 18.

**23 FINANCIAL RISK MANAGEMENT**

**Interest rate risk**

The Company is exposed to interest rate risk on its interest bearing assets and liabilities (bank deposits and term loans).

**Credit risk**

The Company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

The Company provides its services to a small number of oil and gas companies. Its three largest customers account for 77% of outstanding accounts receivable at 31 December 2006 (2005: 78%).

**Liquidity risk**

The Company limits its liquidity risk by ensuring bank facilities are available. The Company's terms of service agreements require amounts to be paid within 30-60 days of the date of invoice. Trade payables are normally settled within 30 days of the date of purchase.

**Currency risk**

Currency risk is the risk that the value of financial statements will fluctuate due to changes in foreign exchange rates. Management is of the opinion that the Company is not exposed to significant currency risk.

**24 FAIR VALUES OF FINANCIAL INSTRUMENTS**

Financial instruments comprise of financial assets, financial liabilities and derivatives financial instruments.

Financial assets consist of cash and bank balances, investments and receivables. Financial liabilities consist of term loans, accounts payable and accrued expenses. Derivative financial instruments consist of interest rate swaps.

The fair values of financial instruments are not materially different from their carrying values.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2006

**25 KEY SOURCES OF ESTIMATION UNCERTAINTY**

**Impairment of accounts receivable**

An estimate of the collectible amount of trade accounts receivable 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 balance sheet date, gross trade accounts receivable were QR 68,131,326 (2005: QR 66,216,111) and the provision for doubtful debts was QR 1,947,231 (2005: QR 947,231). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the income statement.

**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. Amounts 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 realizable value.

At the balance sheet date, gross stores and spares were QR 1,312,497 (2005: QR 1,586,092), with provisions for old and obsolete inventories of QR 764,770 (2005: QR 764,770). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the income statement.