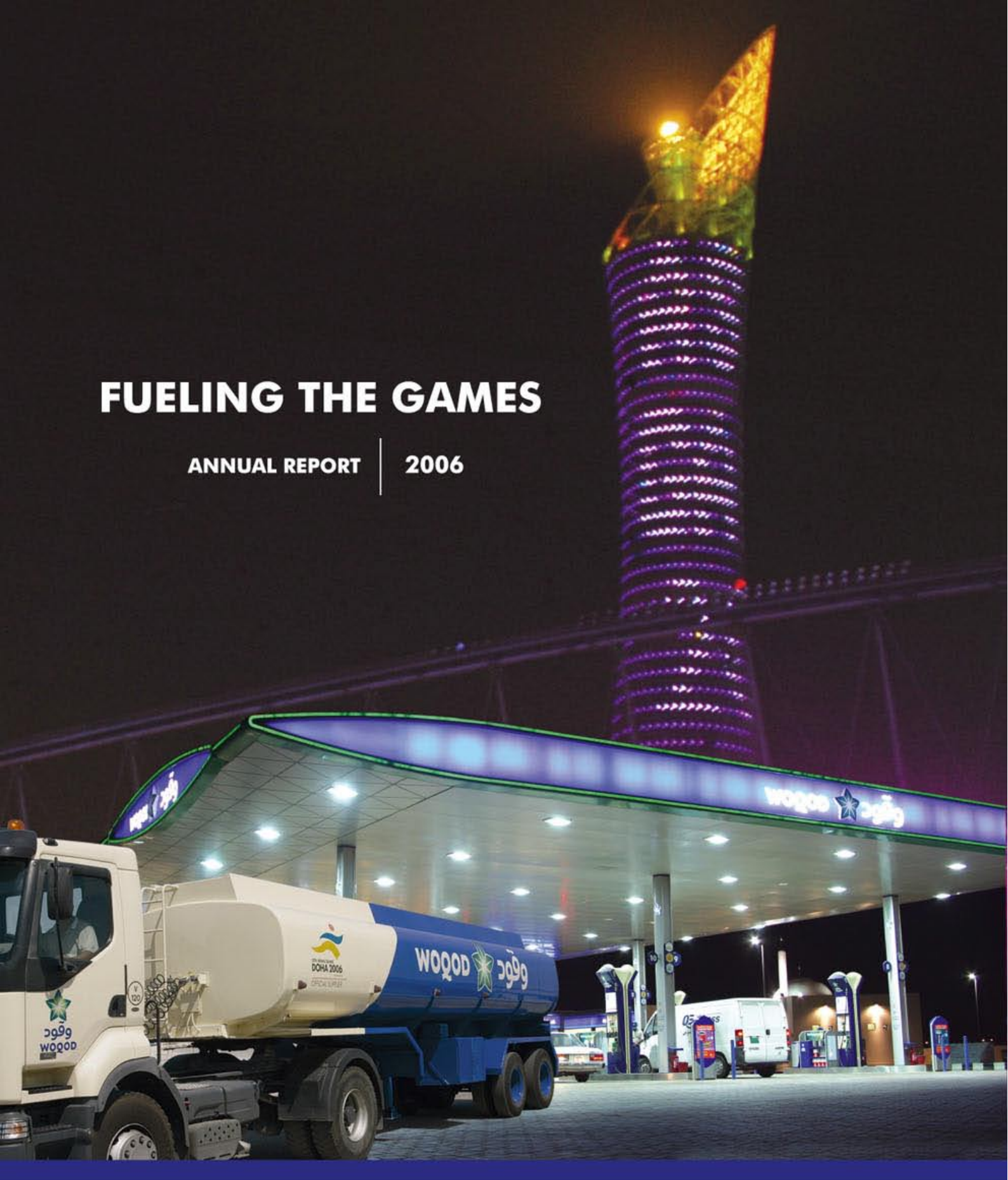


FUELING THE GAMES

ANNUAL REPORT | 2006



Driving energy
www.woqod.com.qa



**IN THE NAME OF ALLAH
THE MOST GRACIOUS
THE MOST MERCIFUL**



His Highness
Sheikh Tamim Bin Hamad Al Thani
The Heir Apparent



His Highness
Sheikh Hamad Bin Khalifa Al Thani
Emir of the State of Qatar

Table of Contents

| | |
|---|----|
| Board of Directors | 6 |
| Our Profile | 8 |
| Chairman's Message | 12 |
| Board of Directors' Report | 14 |
| Financial Highlights | 23 |
| Independent Auditor's Report | 24 |
| Consolidated Balance Sheet | 26 |
| Consolidated Statement of Income | 28 |
| Consolidated Statement of Changes in Shareholders' Equity | 29 |
| Consolidated Statement of Cash Flows | 30 |
| Notes to the Consolidated Financial Statements | 32 |

Board Of Directors



H.E. Mr. Abdullah Bin Hamad Al Attiyah
Second Deputy Prime Minister,
Minister of Energy & Industry,
WOQOD Chairman



Mr. Mohamed Khalifa Turki Al-Sobai
Vice-Chairman
and Managing Director



Mr. Hussain Mohamed Hussain Al Ishaq
Member



Mr. Nasser Mubarak Al-Maadeed
Member



Dr. Mohamed A. Wahed Al-Hamadi
Member



Mr. Abdulhadi Treheeb N. Al-Shahwani
Member



Sheikh Ali Bin Nasser Al-Ahmad Al Thani
Member

Our Profile

Introduction

Qatar Fuel "WOQOD" provides and distributes all of Qatar's energy needs. Gasoline and diesel for vehicles, boats and industry, LPG for cooking and aviation fuel for Doha International Airport. Our products and services touch everybody in Qatar, when you are driving your car, eating your meal or flying on holiday. We fuel Qatar's industrial developments, providing Bitumen to build new roads and diesel to power earth moving equipment. Qatar Fuel "WOQOD" is a young public share company listed in the Doha Securities Exchange. Our share growth has been both progressive and impressive and we are issuing dividends within the early stages of company establishment. Our performance is shared by a strong Qatar shareholder base and positively influenced by our largest shareholder, Qatar Petroleum.

We have well planned and aggressive growth targets to consolidate our position in Qatar and prepare for international expansion. We will bring to the market new ideas in innovation to improve dramatically our service to our customers. Everything we do will be benchmarked against world class best practices with an aspiration to demonstrate leadership in customer service.

Our Vision

To be the leading petroleum and related services marketing company in the region.



Our Mission

- Provide all customers with reliable, professional and innovative solutions through friendly, excellent and convenient services.
- To demonstrate accountability for all our activities.
- To achieve our vision and mission, we will train and develop competencies across the organization to enable us to demonstrate that we are the best in what we do in the region.
- We will achieve 50% Qatarization by 2010.
- Minimizing our impact on the environment will be achieved through the introduction of new technologies not yet seen in the region.

Our Brand

Our brand is inspired by a strong Qatari heritage - the Sidra tree - and environment - the energy from the Sun.

The Sidra is endemic to Qatar, it is a tough tree, able to thrive in Qatar's desert environment with minimum maintenance.

Many families have lived with the Sidra tree in their gardens. It provides shade from the sun and beautifies the desert landscape. Our new modern brand will enable us to compete globally but will always remind us where our roots are.

Our Brand Values

Professional

Everything WOQOD does internally and externally will be seen as a truly professional approach. We aspire to be the most professionally managed company in Qatar.

Solid

WOQOD as a company is built on a solid foundation financially through its shareholders.



Friendly

WOQOD is a friendly company to deal with and always approaches its stakeholders in a friendly manner.

Innovation

WOQOD leads the market in innovative products, services and processes.

Accountable

WOQOD is truly accountable for all its business activities and their impact.

Chairman's Message



H.E. Mr. Abdullah Bin Hamad Al Attiyah
Second Deputy Prime Minister, Minister of Energy & Industry
WOQOD Chairman

Honorable shareholders,

On behalf of the members of the Board of Directors of Qatar Fuel (WOQOD), it gives me great pleasure to welcome you and to present the Fourth Annual Report of our company, highlighting major accomplishments achieved during the fiscal year ended 2006.

The year 2006 was distinguished for WOQOD on both national as well as international levels. The pace of growth of the world's economy has continued, where the GDP growth rate is expected to achieve its estimated target. The world oil prices which exceeded \$60 per barrel during 2006, among other several factors, have contributed to a more favorable economic performance during the year for the economies of the Gulf Cooperation Council Countries (GCC).

On the domestic side, Qatar's economy maintained exemplary robustness backed by increased gas and oil production and relatively high international energy prices leading the GDP growth rate to reach 24% in 2006. The year 2006 also witnessed the 15th Asian Games which Doha successfully hosted. WOQOD was honored to be one of the main sponsors and the official supplier of fuels to the games.

Concerning our company's achievements during 2006, I am pleased to confirm that this year was another one of progress for WOQOD. Our strategic vision for the first five-year plan starting from the date of the establishment of the company is approaching its end. During this phase, WOQOD has reinforced its infrastructures for all projects, improved efficiencies of existing operations and established new business channels. In our second strategic plan which will start in 2008, we look forward to investing internationally, where WOQOD will assess and evaluate attractive investment opportunities outside the State of Qatar, and will not hesitate to participate in projects that could add to the company's value.

Concerning the major projects achieved in 2006, Messaimer West and Musheireb service stations were commissioned and the station at Messaimer East is almost completed.

Construction work at other projects are either completed as in the Bitumen storage and loading facility or close to completion as in the Heavy Fuel Oil bunkering facility at Ras Laffan which started in March 2006, in cooperation with QP, and expected to be completed by the first half of 2007.

Other important projects are in either early stage of contracting such as WOQOD's Office Tower or progressing as in LPG filling and distribution plant. You can find more details of these projects in the Annual

Report. Our financial achievements have contributed further to strengthening the financial position of the company. Net profit in 2006 reached QR 430 million from QR 223 million in 2005, with an increase of QR 207 million or 93%. This sharp increase in net profit has resulted in increasing earning per share (EPS) from QR 7.4 in 2005 to QR 14.3 in 2006, or 92%.

Total assets grew organically by 40%, increasing from QR 1,595 million in 2005 to QR 2,230 million in 2006. The company has strengthened its financial position further and shareholders' equity grew by 16% to QR 981 million in 2006 as compared to QR 843 million in 2005. In accordance with the excellent performance of the company in the fiscal year 2006 and in compliance with our forecasting performance for the coming year 2007, I am pleased to submit through the agenda of the esteemed general assembly a recommendation for distributing dividends of QR 135 million, at 45% of the value of the nominal capital, i.e. at QR 4.5 per share.

The actual cash flow position and the future financial requirements for WOQOD's projects, which are estimated at QR 500 million in 2007, were taken into consideration in our dividend distribution recommendation.

Thanks and appreciation

At the end, in my name and on behalf of the Board of Directors, I am pleased to seize this opportunity to express my best regards and thanks to H.H. the Emir of the State of Qatar, Sheikh Hamad Bin Khalifa Al Thani, for his continuous support and wise instructions for the comprehensive development process of the economy, including the services sectors.

I would also like to extend my gratitude and regards to H.H. the Heir Apparent, Sheikh Tamim Bin Hamad Al Thani for his continuous support to Qatar Fuel (WOQOD), which directly contributes to the success and prosperity of the Company. Thanks also to the honorable shareholders for their confidence, faith and loyalty to our Company. We reiterate our commitment to persistently work hard to realize the shareholders' best interest and development of their investments through methodical professional plans and studies and the execution of promising strategic vision and mission. Lastly, I take this occasion to extend my thanks and appreciation to the management and employees of the company for their wholehearted devotion, loyalty and cooperation in the service of the company and fulfillment of its goals.



Abdullah Bin Hamad Al Attiyah
Chairman

Board of Directors' Report

Company's Activities and Performance in the Fiscal Year 2006



Mr. Mohamed Khalifa Turki Al-Sobai

Vice-Chairman
and Managing Director

Honorable shareholders,

On behalf of the management team of WOQOD, I am pleased to present to our esteemed shareholders our review of the company's activities, achievements, operations and financial results during the fiscal year of 2006, as well as the projects under construction or planned for coming years.

First: Progress of the Company's Main Projects:

A - Petrol Station Network Projects:

Messaimer West and Musheireb petrol stations have been completed and commissioned while final touches are underway for the inauguration and commissioning of Messaimer East.

As far as other projects are concerned, the stages of progress and achievements vary from one project to another. Tendering is completed for seven petrol stations in the city of Doha and suburbs, while four additional sites are under initial design. It is worth mentioning that three other sites have been allocated at Doha-Abu Samra International Highway. These petrol stations will serve the increasing and accelerating movements of traffic on this vital and international highway. WOQOD will start tendering and designing for these sites during the year 2007.



B - Bitumen Storage Loading and Processing Facilities:

Construction for the first phase of the project was completed in October 2006. This phase includes a storage capacity of about 1800 MT of Bitumen and other derivatives. The second phase will include an additional storage facility of about 2200 MT, raising total storage capacity to above 4000 MT.





This huge storage capacity will help in satisfying the increased local demand of Bitumen due to huge construction and road projects which Qatar is currently witnessing.

In addition to storage and loading facilities, the project will also provide the following facilities:

- Emulsion and Tack-Coat plant to produce Tack and Prime Coats.
- Polymer Modified Bitumen plant which can be used in road construction and maintenance projects.

Negotiations are underway with international specialized firms to provide technical support and services to WOQOD. This project is expected to start its operations by the second half of 2007.

C - HFO Bunkering Facility at Ras Laffan:

This project includes storage and supply facilities and three berths for Gas exports, with the possibility of adding a fourth berth in the near future. Construction works started in March 2005. About 61% and 90% of building and engineering are completed respectively. The number of berths could reach 9 by the end of 2009. The estimated cost of the project will amount to QR 300 million. Other related projects are going in parallel with bunkering project.



These projects include:

- The construction of the storage shipments station.
- The export-import fuel oil pipeline.
- The electricity power cable supply from the station of Ras Laffan to the main storage tanks site.

The project is expected to start its operations in the third quarter of 2007.

D - Butane Gas Bottling Plant:

Works are progressing at Mesaieed Gas Bottling plant.

The project is expected to be completed by the beginning of 2008. The total capacity of the project will exceed 2400 cylinders per hour and this will satisfy the local demand for cylinders.

Board of Directors' Report

Company's Activities and Performance in the Fiscal Year 2006

E - New LPG Pipeline:

Engineering, procurement, installation and commissioning tenders have been evaluated and approved in September 2006. The project is expected to be operating by the end of 2007, with more than 35 kms of pipeline to be installed and paid for by Qatar Petroleum.



Second: Marketing Activities

These activities represent all services and commercial activities, which WOQOD intends to innovate, manage, or develop for either existing projects or coming ones. This includes the following:

A - LPG Bulk for Households and Business Units:

- Four contractors were selected and approved as qualified companies for the installation of LPG tanks.
- LPG tanks with different shapes and sizes were received in July 2006. The new service was introduced to customers and advertisement campaigns were launched and repeated frequently in Arabic and English newspapers.
- During 2006, more than 40 customers, representing different economic segments, including households, have benefited from the new service. Actual users of 48-kg Cylinders were advised to switch to LPG fixed tanks during the coming weeks. WOQOD has announced and confirmed its intention to cancel all 48-kg cylinders and to withdraw them from the market in due time.
- Planning for future expansion, WOQOD held talks with "Barwa" to supply its residential projects with LPG bulk. The first network for LPG supplies to Barwa will start during the second half of 2007.

B - Butane Gas Cylinders:

The bottling plant has been handed over to WOQOD by Qatar Petroleum. WOQOD is currently running the project and distributing LPG bulk to contractors.

C - Lubricating Oil Project:

WOQOD is in the final stages of producing lubricant oil carrying its brand name and distributed under its trademark. Contracts have been signed with international specialized



firms for oil processing and agency's activities. Different names have been registered at the Ministry of Economy & Commerce in Qatar under WOQOD's trademark.

The new products are expected to be available in the domestic market by the second half of 2007.

D - Ship to Ship Bunkering:

Operations started in June 2006 in cooperation with international specialized companies as well as Qatar Navigation. Plans are underway for contracting with other new customers for providing bunkering facilities to huge vessels and ships crossing the national territories of the State of Qatar.

The first phase of the project is expected to be completed by the second half of 2007.

Third: Acquired Assets and Investments:

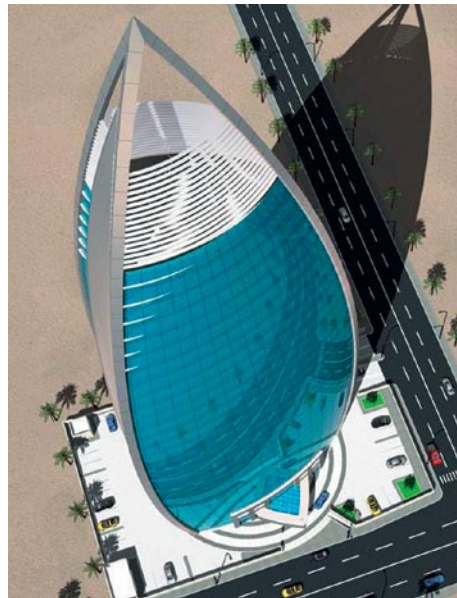
A - Real Estate:

In addition to what have been mentioned about assets, including the newly established petrol stations, and the old land slots acquired and registered by WOQOD, the company has managed to acquire additional new plots of land in vital areas, with reasonable measurements.

These properties have been registered in WOQOD's name. Efforts continue for acquiring additional pieces of land in suitable sites for constructing new petrol stations and other related projects.

As far as WOQOD's Tower is concerned, the tendering process for the designing, engineering and consultancy is completed, and contracts were signed with an international consultancy firm.

The tower comprises 30 floors, and its completion is expected by 2009. Part of the Tower will be used by WOQOD, and the other will be leased on commercial basis.



Board of Directors' Report

Company's Activities and Performance in the Fiscal Year 2006

B - WOQOD's Marine Fleet:

The number of ships owned and leased by WOQOD has reached 6 by the end of 2006, and as follows:

Ships owned by WOQOD:

- 1- Sidra Qatar with a storage capacity of 1150 tons.
- 2- Sidra Al-Khaleej with a storage capacity of 3200 tons.
- 3- Sidra Doha with a storage capacity of 3200 tons.
- 4- Sidra Al-Wajba (under construction) with a storage capacity of 4000 tons.

Ships leased by WOQOD:

- 1- Safina Al-Ain with a storage capacity of 1250 tons.
- 2- Safina Al Wadra with a storage capacity of 2250 tons.



WOQOD is planning to purchase more ships when it is feasible.

C - WOQOD's Financial Portfolio:

WOQOD is still holding its investment portfolio which includes Nakilat stocks purchased by WOQOD during the IPO process. Despite the sharp decline of all stocks listed on DSM, WOQOD's portfolio is still making a good capital gain.

D - Further Developments:

To fully address increasing demand of our products and to keep pace with the accelerating economic development process and in order to satisfy the required security and safety measures, the company has taken the following steps:

1. Contracting to establish 4 additional storage tanks for Gasoline and Light Gas Oil (LGO) at Doha Depot. Two of these tanks will be used for Diesel storage, while others will be allocated for Gasoline.
2. Contracting to purchase 22 trucks and 19 trailers of different sizes for carriage of petroleum products, LPG and Bitumen, in addition to 10 multipurpose cars and heavy-duty automatic car-wash machine for heavy vehicles.
3. Expanding the administration building at Doha Depot. This project included a car-wash station for heavy vehicles (both manual and automatic) and a workshop for tire repairs.
4. Updating and upgrading the Fuel-Facs system at Doha Depot.
5. Contracting to purchase safety, control, protection and security instruments at Doha Depot, in addition to machinery and equipment for workshops at this site.
6. Contracting to increase the number of loading gantries at Doha Depot by adding eight additional loading gantries by the end of 2007.

Fourth: Operations

Operation activities include distributing petrol products, LPG, Bitumen and other related products and services.

A - Petroleum Products:

WOQOD continued the implementation of the Concession Decree Law and reinforced its efforts to cover domestic market demand with all petroleum products and managed to control more than 96% of bulk sales by 2006 compared to 85% in 2005. All efforts will be devoted to cover the whole market demand from these products in 2007.

The following table summarizes major achievements in 2006 as compared to 2005.

| DISTRIBUTION OF PETROLEUM PRODUCTS | | | |
|------------------------------------|--|--|------------------------|
| Product Type | 2005 Quantity of Sales per mn / Liters | 2006 Quantity of Sales per mn / Liters | % change (+) or (-) |
| Petroleum Products: | | | |
| Diesel | 720 | 1032 | + 43% |
| Super | 386 | 473 | + 22% |
| Premium | 293 | 353 | + 20% |
| Total | 1399 | 1858 | 32.7% |
| Other Products: | | | |
| LPG (Ton) | 10.224 | 11.094 | 8.5% |
| Bitumen (Ton) | 30.000 | 51.000 | 70.0% |

B - Bitumen:

- Based on official directives, a joint committee from WOQOD, QP, Public Works Authority and Qatari Standards has been formed to study using modified Bitumen in Airport and road constructions and maintenance.
- WOQOD has signed a technical consultancy agreement with one of the international specialized companies to provide technical assistance to the modified bitumen processing and other related activities and to help in suggesting a chemical formula for the new products which takes into consideration the nature and climate of the State of Qatar.
- WOQOD has leased two ships with a storage capacity of 3250 tons, in addition to Sidra which is owned by WOQOD for the purpose of importing Bitumen due to the increasingly demand for this project in the local market.
- This domestic demand of Bitumen is estimated at 10,000 – 12,000 tons per month. This will raise import capacity of WOQOD to 4250 tons. This volume will increase significantly when WOQOD receives the new ship purchased from China and expected to be operating by November 2007.

Board of Directors' Report

Company's Activities and Performance in the Fiscal Year 2006

Fifth: Information Technology

- Different studies have been conducted by IT departments during 2006.
- The Network Controlling System has been updated at and connected to internal networks at Messaimer, Mesaeed, Dukhan and the main premises.
- WOQOD continued its technical support to Mowasalat (Karwa) company.
- The IT department has provided technical support to all company's departments through the ERP (Enterprise Resources Planning).
- Contracting to protect the IT infrastructure within WOQOD. The tender has been published.
- The final stage of constructing a website for WOQOD is completed. The website will be functional in 2007.



Sixth: Human Resources Department (HRD)

- The new organization structure of the company has been implemented.
- The ERP has been applied successfully in most of the administration department activities.
- Employees chart has been reviewed, updated and approved by company's management. These administrative charts will be required as a pre-requisite for corporate governance and ISO certification.
- WOQOD has been connected with the E-Government Network during 2006. Some of the paperwork, such as visas and work permits have been replaced.
- During 2006, the HRD managed to recruit 128 persons out of 308 which were targeted for that period, in addition to 204 workers for WOQOD's newly established petrol stations.



- WOQOD reinforced and accelerated the Qatarization process by attracting 30 new Qatari staff by the end of 2006. WOQOD will provide academic as well as professional training for all Qatari staff, in order to achieve its main objective of reaching a 50% Qatarization by the end of 2010.

Seventh: The 15th Asian Games, Doha 2006

WOQOD was honored to sponsor the activities of the Doha Asian Games which was organized in Doha in December 2006. WOQOD was the sole supplier of fuel products to the Asian Games. The company received a letter of appreciation from the Doha Asian Games Organizing Committee (DAGOC) for its financial and logistic support to the Asian Games activities which contributed significantly to the success of the event.

Eighth: Financial Performance

As for the financial performance of the company the year of 2006 was another year of excellent achievement for WOQOD, and could be summarized as follows:

- Net profit for the financial year 2006 has reached QR 430 million, as compared to QR 223 million for 2005, with an increase of QR 207 million or 93%.
- The company continued its sustainable growth where total assets increased from QR 1,595 million in 2005 to QR 2,230 million in 2006, with an increase of QR 635 million or 40%.
- The financial position of WOQOD has been strengthened further and total shareholders equity amounted to QR 981 million in 2006, as compared to QR 843 million in 2005, an increase of QR 138 million or 16%.
- The earning per share (EPS) for the year has reached QR 14.3 for 2006, as compared to QR 7.4 in 2005, with an increase of 92%.

The sharp growth of the net profit for 2006 could be contributed to the following factors:

- Implementation of the Concession Decree Law and performing the business of carriage and transport of petrol products activities.
- Increased revenues from the management of certain marine and non-marine petrol filling stations.
- Sales operations of Qatar-jet by WOQOD which started by February 2006.
- Sales of heavy fuel oil.
- Sales operations of gas cylinders which was handed over to WOQOD by QP.
- Revenues from new petrol stations owned by WOQOD.
- Dedication and hard work of management and staff.

Board of Directors' Report

Company's Activities and Performance in the Fiscal Year 2006

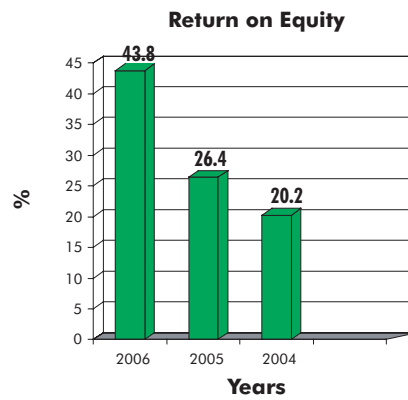
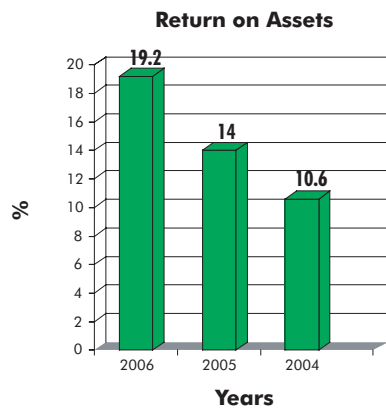
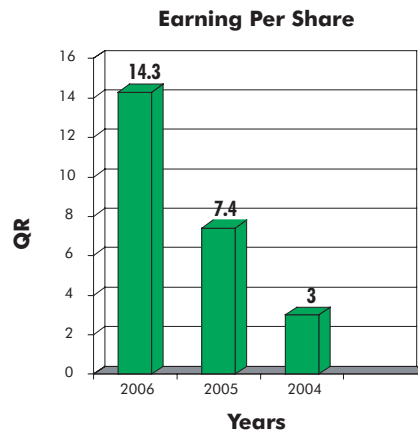
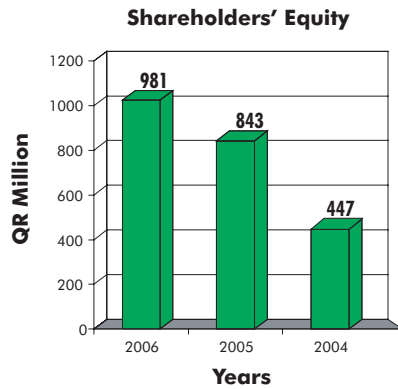
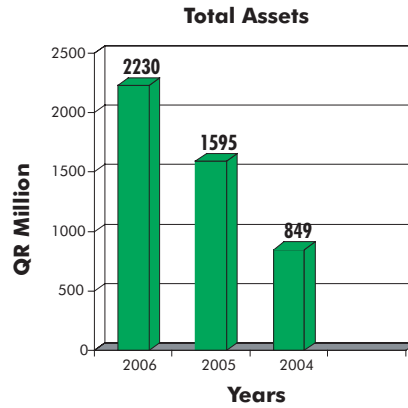
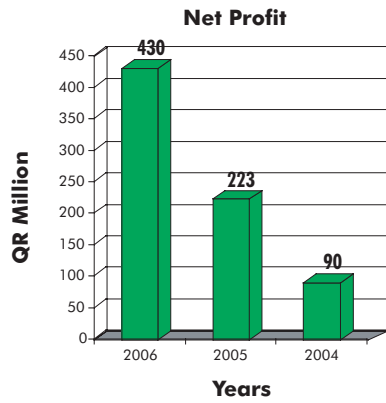
Finally, WOQOD is pleased to extend its lasting superlative gratitude to His Highness Sheikh Hamad Bin Khalifa Al Thani, the Emir of the State of Qatar and His Highness Heir Apparent Sheikh Tamim Bin Hamad Al Thani for their continuous support to the company.

Our gratitude is extended also to His Excellency, Mr. Abdullah Bin Hamad Al-Attiyah, The Second Deputy Premier, The Minister of Energy and Industry and the Chairman of The Board of Directors of WOQOD for his exquisite professional leadership, support and directives.

In addition, we extend our thanks and regards to the whole Qatari government, public and private establishments for their support and to the staff and employees of the company for all efforts extended.

Mr. Mohamed Khalifa Turki Al-Sobai
Vice-Chairman and Managing Director

Financial Highlights



Independent Auditor's Report

To The Shareholders Qatar Fuel (WOQOD) Q.S.C. Doha – Qatar

Report on the financial statements

We have audited the accompanying consolidated financial statements of Qatar Fuel (WOQOD) Q.S.C.(the "Company") Doha - Qatar, which comprise of the consolidated balance sheet as on December 31, 2006, and the consolidated statements of income, changes in 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.

The consolidated financial statements of the Company include assets, liabilities and results of operation of the subsidiary company amounting to QR. 405,988,589 (2005: QR. 259,285,078), QR. 317,023,279 (2005: QR. 182,480,785) and QR. 41,411,017 (2005:QR. 37,458,182) respectively which have been audited by other auditors and expressed their unqualified opinion thereon. The audit report of the subsidiary company was furnished to us, and our opinion, insofar as it relates to the amounts included for the subsidiary, is based solely on the report of other auditors.

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.

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 Company'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 Company'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 is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audit and the report of the other auditors, the accompanying consolidated financial statements present fairly, in all material respect the consolidated financial position of Qatar Fuel (WOQOD) Q.S.C. as of December 31, 2006, and the consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 account were maintained by the Company and the contents of the directors' report are in agreement with the Company's financial statements. To the best of our knowledge and belief and according to the information given to us, no contraventions of the 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
March 1, 2007

Muhammad Bahemia
License No. 103

Consolidated Balance Sheet

for the year ended December 31, 2006

| | <u>Note</u> | <u>December 31, 2006</u> QR. | <u>December 31, 2005</u> QR. |
|--------------------------------------|-------------|---------------------------------|---------------------------------|
| <u>ASSETS</u> | | | |
| Current Assets: | | | |
| Cash and cash equivalent | 6 | 871,782,353 | 488,839,684 |
| Accounts receivable | | 774,821,304 | 532,334,844 |
| Due from a related company | 7 | 2,977,035 | 2,483,487 |
| Inventories | 8 | 73,527,865 | 34,733,651 |
| Prepayments and other debit balances | | 19,862,127 | 7,315,506 |
| | | ----- | ----- |
| Total Current Assets | | 1,742,970,684 | 1,065,707,172 |
| | | ----- | ----- |
| Non-Current Assets: | | | |
| Goodwill | 9 | 57,700,022 | 57,700,021 |
| Available-for-sale investments | 10 | 73,920,000 | 276,578,400 |
| Property, plant and equipment | 11 | 355,135,362 | 194,713,828 |
| | | ----- | ----- |
| Total Non-Current Assets | | 486,755,384 | 528,992,250 |
| | | ----- | ----- |
| Total Assets | | 2,229,726,068 | 1,594,699,422 |
| | | ===== | ===== |

Consolidated Balance Sheet

for the year ended December 31, 2006

| | <u>Note</u> | <u>December 31, 2006</u> QR. | <u>December 31, 2005</u> QR. |
|---|-------------|---------------------------------|---------------------------------|
| <u>LIABILITIES AND EQUITY</u> | | | |
| Current Liabilities: | | | |
| Accounts payable and accruals | | 36,776,395 | 25,494,125 |
| Due to Qatar Petroleum | 12a | 1,150,979,785 | 660,465,312 |
| Loan from Qatar Petroleum | 12b | 12,000,000 | 12,000,000 |
| | | ----- | ----- |
| Total Current Liabilities | | 1,199,756,180 | 697,959,437 |
| | | ----- | ----- |
| Non-Current Liabilities: | | | |
| Loan from Qatar Petroleum | 12b | 5,399,445 | 17,399,445 |
| Provision for employees' end of service benefit | | 7,603,555 | 5,243,518 |
| | | ----- | ----- |
| Total Non-Current Liabilities | | 13,003,000 | 22,642,963 |
| | | ----- | ----- |
| Equity: | | | |
| Share capital | 13 | 300,000,000 | 300,000,000 |
| Legal reserve | 14 | 111,644,487 | 68,578,099 |
| Fair value reserve | | 45,640,000 | 248,298,400 |
| Retained earnings | | 389,096,277 | 136,498,806 |
| Proposed dividend | 15 | 135,000,000 | 90,000,000 |
| | | ----- | ----- |
| Equity attributable to equity holders' | | | |
| of the parent | | 981,380,764 | 843,375,305 |
| Minority Interest | | 35,586,124 | 30,721,717 |
| | | ----- | ----- |
| Total Equity | | 1,016,966,888 | 874,097,022 |
| | | ----- | ----- |
| Total Liabilities and Equity | | 2,229,726,068 | 1,594,699,422 |
| | | ===== | ===== |

These financial statements were approved by the Board of Directors on March 1, 2007 and signed on its behalf by:

H.E. Abdulla Bin Hamad Al-Attayah
Second Deputy Prime Minister and
Minister of Energy and Industry
Chairman of Woqod

Mr. Mohamed Turki Al-Sobai
Vice Chairman and
Managing Director

Mr. Khalil Hassan Makki
Finance Manager

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Income

for the year ended December 31, 2006

| | <u>Note</u> | <u>December 31, 2006</u> QR. | <u>December 31, 2005</u> QR. |
|--|-------------|---------------------------------|---------------------------------|
| Sales | 16 | 3,492,474,819 | 2,374,969,346 |
| Cost of sales | | (2,929,085,870) | (2,052,971,056) |
| | | ----- | ----- |
| Gross Profit | | 563,388,949 | 321,998,290 |
| Depreciation of property, plant and equipment | | (23,308,463) | (14,359,094) |
| General and administrative expenses | 17 | (116,243,321) | (77,619,216) |
| Selling and distribution expenses | | (5,818,822) | (1,700,141) |
| Finance costs | | -- | (197,068) |
| Other income | 18 | 29,209,921 | 10,339,022 |
| | | ----- | ----- |
| Profit for the Year | | 447,228,264 | 238,461,793 |
| | | ===== | ===== |
| Attributable to: | | | |
| Equity holders of the parent | | 430,663,857 | 223,478,520 |
| Minority interest | | 16,564,407 | 14,983,273 |
| | | ----- | ----- |
| Total | | 447,228,264 | 238,461,793 |
| | | ===== | ===== |
| Basic earnings per share | | QR. 14.36 | QR. 7.45 |
| | | ===== | ===== |
| Number of shares | | 30,000,000 | 30,000,000 |
| | | ===== | ===== |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Changes in Shareholders' Equity

for the year ended December 31, 2006

| | Share Capital | Legal Reserve | Fair Value Reserve | Proposed Dividend | Retained Earnings | Attributable to Equity Holders of the Parent | Minority Interest | Total |
|--|------------------|------------------|-----------------------|----------------------|----------------------|---|----------------------|---------------|
| | QR. | QR. | QR. | QR. | QR. | QR. | QR. | QR. |
| Balance on January 1, 2005 | 300,000,000 | 46,186,794 | -- | 75,000,000 | 25,368,138 | 446,554,932 | 23,538,444 | 470,093,376 |
| Net profit for the year | -- | -- | -- | -- | 223,478,520 | 223,478,520 | 14,983,273 | 238,461,793 |
| Legal reserve | -- | 22,347,852 | -- | -- | (22,347,852) | -- | -- | -- |
| Dividend paid | -- | -- | -- | (75,000,000) | -- | (75,000,000) | -- | (75,000,000) |
| Dividend paid to minority shareholders | -- | -- | -- | -- | -- | -- | (7,800,000) | (7,800,000) |
| Proposed dividend | -- | -- | -- | 90,000,000 | (90,000,000) | -- | -- | -- |
| Increase in fair value reserve | -- | -- | 248,298,400 | -- | -- | 248,298,400 | -- | 248,298,400 |
| Increase in share premium | -- | 43,455 | -- | -- | -- | 43,455 | -- | 43,455 |
| Balance on December 31, 2005 | 300,000,000 | 68,578,101 | 248,298,400 | 90,000,000 | 136,498,806 | 843,375,307 | 30,721,717 | 874,097,024 |
| Net profit for the year | -- | -- | -- | -- | 430,663,857 | 430,663,857 | 16,564,407 | 447,228,264 |
| Legal reserve | -- | 43,066,386 | -- | -- | (43,066,386) | -- | -- | -- |
| Dividend paid | -- | -- | -- | (90,000,000) | -- | (90,000,000) | -- | -- |
| Dividend paid to minority Shareholders | -- | -- | -- | -- | -- | -- | (11,700,000) | (11,700,000) |
| Proposed dividend | -- | -- | -- | 135,000,000 | (135,000,000) | -- | -- | -- |
| Decrease in fair value reserve | -- | -- | (202,658,400) | -- | -- | (202,658,400) | -- | (202,658,400) |
| Balance on December 31, 2006 | 300,000,000 | 111,644,487 | 45,640,000 | 135,000,000 | 389,096,277 | 981,380,764 | 35,586,124 | 1,016,966,888 |

Consolidated Statement of Cash Flows

for the year ended December 31, 2006

| | <u>Note</u> | <u>December 31, 2006</u> QR. | <u>December 31, 2005</u> QR. |
|--|-------------|---------------------------------|---------------------------------|
| <u>Cash Flows from Operating Activities:</u> | | | |
| Net profit for the year | | 447,228,264 | 238,461,793 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | | 23,308,463 | 14,359,094 |
| Provision for employees' end of service benefit | | 2,386,000 | 1,356,265 |
| Interest income | | (22,133,514) | (7,561,294) |
| Profit on sale of property, plant and equipment | | (227,073) | (105,091) |
| | | ----- | ----- |
| | | 450,562,140 | 246,510,767 |
| Increase in accounts receivable | | (242,486,460) | (258,225,386) |
| Increase in inventories | | (38,794,214) | (5,767,360) |
| (Increase) Decrease in prepayments and other debit balances | | (12,546,621) | 19,177,864 |
| Increase in due from a related company | | (493,548) | (221,930) |
| Increase in accounts payable, accruals and due to Qatar Petroleum | | 500,577,317 | 352,639,293 |
| | | ----- | ----- |
| Cash Generated by Operations | | 656,818,614 | 354,113,248 |
| Payments towards employees' end of service benefit | | (25,963) | (342,970) |
| | | ----- | ----- |
| Net Cash Generated by Operating Activities | | 656,792,651 | 353,770,278 |
| | | ----- | ----- |

Consolidated Statement of Cash Flows

for the year ended December 31, 2006

| | <u>Note</u> | <u>December 31, 2006</u> QR. | <u>December 31, 2005</u> QR. |
|--|-------------|---------------------------------|---------------------------------|
| <u>Cash Flows from Investing Activities:</u> | | | |
| Purchase of property, plant and equipment | | (183,991,924) | (75,506,111) |
| Interest received | | 22,133,514 | 7,561,294 |
| Proceeds from sale of property, plant and equipment | | 489,000 | 160,000 |
| | | ----- | ----- |
| Net Cash Used in Investing Activities | | (161,369,410) | (67,784,817) |
| | | ----- | ----- |
| <u>Cash Flows from Financing Activities:</u> | | | |
| Share premium | | -- | 43,455 |
| Dividends paid | | (88,780,572) | (72,010,279) |
| Payment of term loans | | (12,000,000) | (15,916,024) |
| Dividend paid to minority holders | | (11,700,000) | (7,800,000) |
| | | ----- | ----- |
| Net Cash Used in Financing Activities | | (112,480,572) | (95,682,848) |
| | | ----- | ----- |
| Net increase in cash and cash equivalent | | 382,942,669 | 190,302,613 |
| Cash and cash equivalent – at beginning of the year | | 488,839,684 | 298,537,071 |
| | | ----- | ----- |
| Cash and cash equivalent – at end of the year | 6 | 871,782,353 | 488,839,684 |
| | | ===== | ===== |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

for the year ended December 31, 2006

1. Activities:

Qatar Fuel (WOQOD) Q.S.C.(the "Company" or "Parent Company") is registered in Qatar with the Ministry of Economy and Commerce as a Qatari Shareholding Company under Commercial Registration No. 24872. The Company was formed in accordance with Emiri Decree No. 5 year 2002 issued on February 10, 2002.

The principal activities of the Company and its subsidiary collectively referred to as "the Group" are sales and distribution of refined petroleum products manufactured by Qatar Petroleum. The group operates only in the State of Qatar.

2. Adoption of New and Revised International Financial Reporting Standards:

In the current year, the Parent Company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for reporting periods beginning on January 1, 2006.

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

- IFRS 7 Financial Instruments: Disclosures
- IFRS 8 Operating segments
- IFRIC 7 Applying the Restatement Approach under IAS 29
Financial Reporting in Hyperinflationary Economies
- IFRIC 8 Scope of IFRS 2
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 10 Interim Financial Reporting and Impairment
- IFRIC 11 Group and Treasury Share Transactions
- IFRIC 12 Service Concession Arrangements

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Company.

3. Prior Year Adjustments:

Land received from the government for the construction of Petrol Stations is treated as non-monetary government grants. These non-monetary grants were previously capitalised at fair value and shown as deferred income to be amortised over the useful life of the Petrol Stations. Due to the restricted use of the land and to improve the quality of the financial information, the company has decided to record the amount at nominal value in accordance with IAS 20. In this regard, the amount shown as deferred income in the

previous year of QR. 56,800,000 has been off set against the correspondent amount in property, plant and equipment. This change has not affected the statement of income of the current and previous years.

4. Significant Accounting Policies:

[a] Statement of Compliance:

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

[b] Basis of Preparation:

The financial statements have been prepared on the historical cost basis, except for the measurement at fair value of financial instruments. The principal accounting policies adopted are set out below. For the purpose of the financial statements, the results and financial position of the Group are expressed in Qatari Riyals, which is the functional currency of the Group, and presentation currency for the financial statements.

[c] Basis of Consolidation:

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary company, Qatar Jet Fuel W.L.L., a company registered in Qatar. The Company owns 60% of the subsidiary company. A subsidiary is an entity where the Parent Company can exercise control. Control is achieved where the parent company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of the subsidiary company to bring its accounting policies into line with those used by the Group. All intercompany transactions, balances, income and expenses between the subsidiary and the Parent Company are eliminated. Minority interest in the net assets of consolidated subsidiary is identified separately from the Parent Company's equity therein. Minority interest consists of the amount of the interest at the date of the original business combination and the minority's share of changes in equity since the date of the combination.

[d] Investment:

Available for Sale After initial recognition, investments classified as "available for sale" are remeasured at fair value. The unrealised gains and losses on remeasurement to fair value are reported as a separate component of equity until the investment is sold, collected or otherwise disposed of, or the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the statement of income for the year.

[e] Revenue Recognition:

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

Notes to the Consolidated Financial Statements

for the year ended December 31, 2006

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity;
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Investment income represents dividend income realized profits on the sale of investments and unrealized profit / (loss) on investments held for trading. Dividend income is recognized when the rights to receive the payment have been established.

Interest income is recognized on a time accrual basis, by reference to the principal amount outstanding and the interest rate applicable.

[f] Related Parties:

A related party is one with which the Group has, in common, partners or management, but is neither an investment, a subsidiary nor an associate. Related parties also include key management personnel of the Group. Transactions with related parties are performed at prices as discussed in Note 19.

[g] Property, Plant and Equipment:

Property, plant and equipment are stated at cost less accumulated depreciation. Land is not depreciated. Depreciation is charged to write off the cost of assets, other than capital work in progress, over their estimated useful lives, using the straight line method. The estimated useful lives of the assets are as follows:

| | |
|--|---------------|
| Buildings and infrastructure | 10 - 20 years |
| Plant and equipment | 10 - 20 years |
| Vehicles, office equipment and furniture | 5 - 10 years |
| Petrol Stations | 5 - 20 years |
| Vessels (excluding dry docking components) | 20 years |

Dry docking components are amortised over the period to the next dry dock (approximately 5 years).

[h] Cash and Cash Equivalents:

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash on hand, bank balances and short term deposits with banks maturing within 90 days.

[i] 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.

[j] Operating Lease:

The land on which the subsidiary company's refueling facilities are located is leased under an operating lease from the government. Lease rentals are charged in the statement of income on a straight-line basis over the period of lease.

[k] Inventories:**Refined Petroleum Products**

Petroleum Product inventories are recorded at the lower of cost and net realisable value. Cost is determined by the first-in first-out basis.

Maintenance Materials and Parts

Maintenance materials and parts inventories are stated at cost with appropriate adjustments for provisions against deterioration, obsolescence or other loss in value. Costs are determined by the first-in first-out basis.

[l] Foreign Currencies:

Transactions in foreign currencies are recorded in Qatari Riyals at the rates of exchange ruling at the date of each transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are translated to Qatari Riyals at the rates of exchange of those currencies ruling at that date. Gains or losses arising thereon are included in the statement of income.

[m] Provisions:

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

[n] Financial Instruments:**Financial Assets:**

The Group's principal financial assets are cash and cash equivalent, investments, due from a related company and accounts receivable. All financial assets, except for certain investments, are stated at their nominal values, as reduced by appropriate allowances for estimated irrecoverable amounts, if any.

Financial Liabilities:

Significant financial liabilities include accounts payable and due to Qatar Petroleum. All financial liabilities are stated at their nominal values.

[o] Government Grants:

Non-monetary government grants are recorded at nominal value.

[p] Accounts Receivable and Prepayments:

Accounts receivable and prepayments are stated net of provision for amounts estimated to be doubtful of recovery. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2006

[q] Impairment:

The carrying amounts of the Group's assets are reviewed at each balance sheet date, to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss, being the excess of the carrying amount over the recoverable amount, is recognised. Impairment losses, if any, are recognised in the statement of income.

[r] Employees' End of Service Benefits and Pension Contributions:

Employees' end of service benefits represent terminal gratuity and are provided for services rendered based on entitlements stipulated in the employees' contracts of employment and their length of service, subject to the completion of a minimum service period.

Under Law No. 24 of 2002 on Retirement and Pensions, contributions by the Company to a Government fund scheme for Qatari employees are calculated as a percentage of the Qatari employees' salaries and the obligations are limited to these contributions, which are expensed when due.

[s] Borrowing Costs:

Borrowing costs directly attributable to the construction of qualifying assets which are assets that necessarily take a substantial period of time to get ready for their intended use are added to the cost of those assets until such time as the assets are substantially ready for their intended use.

All other borrowing costs are recognized as expenses in the year they are incurred.

[t] Capital Work-in-Progress:

All expenditures and costs incurred on the Capital Assets are capitalised and are initially recorded as capital work-in-progress. These costs are transferred to property, plant and equipment when these assets are ready for their intended use.

[u] Goodwill:

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

5. Critical Accounting Judgments and Key Sources of Estimation Uncertainty:

In the process of applying the Company's accounting policies, which are described in Note 3, management has made judgments that have the most significant effect on the amounts recognised in the financial statements and applied certain assumptions, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, as discussed below:

Inventories

Inventories are stated at the lower of cost and net realisable value. Adjustments to reduce the cost of inventory to its realisable value are made at the product level for estimated excess, obsolescence or impaired balances. Factors influencing these adjustments include changes in demand, product pricing, physical deterioration and quality issues. Based on the above factors, the Group has arrived at certain percentages for allowance for slow moving and obsolete inventories. Revisions to these adjustments would be required if these factors differ from the estimates.

Property, Plant, Equipment and Investment Property

The cost of property, plant and equipment is depreciated over the estimated 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 the residual value. The management has not considered any residual value as it is deemed immaterial.

Allowance for Doubtful Debts

Allowance for doubtful debts is determined using a combination of factors to ensure that the trade receivables are not overstated due to uncollectibility. The allowance for doubtful debts for all customers is based on a variety of factors, including the overall quality and aging of the receivables, continuing credit evaluation of the customers' financial conditions and collateral requirements from customers in certain circumstances.

6. Cash and Cash Equivalent:

| | <u>December 31, 2006</u> QR. | <u>December 31, 2005</u> QR. |
|------------------------|---------------------------------|---------------------------------|
| Cash on hand | 214,294 | 86,431 |
| Bank current accounts | 751,256,184 | 377,999,996 |
| Fixed deposit accounts | 120,311,875 | 110,753,257 |
| | <u>871,782,353</u> ===== | <u>488,839,684</u> ===== |

7. Due from a Related Company:

| | <u>December 31, 2006</u> QR. | <u>December 31, 2005</u> QR. |
|-------------------------|---------------------------------|---------------------------------|
| Gulf Helicopters W.L.L. | 2,977,035 ===== | 2,483,487 ===== |

8. Inventories:

| | <u>December 31, 2006</u> QR. | <u>December 31, 2005</u> QR. |
|---|---------------------------------|---------------------------------|
| Refined petroleum products | 67,429,908 | 32,280,571 |
| Maintenance materials and parts | 6,236,478 | 2,591,601 |
| | <u>73,666,386</u> | <u>34,872,172</u> |
| Less: Provision for obsolete maintenance material and parts | (138,521) | (138,521) |
| Net | <u>73,527,865</u> ===== | <u>34,733,651</u> ===== |

Notes to the Consolidated Financial Statements

for the year ended December 31, 2006

9. Goodwill:

Goodwill represent the excess of the cost of acquisition of the subsidiary company over the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

10. Available-for-Sale Investment:

| | <u>Amount</u> <u>QR.</u> |
|-----------------------------------|-----------------------------|
| Cost on January 1, 2005 | 28,280,000 |
| Increase in fair value | 248,298,400 |
| Value on December 31, 2005 | 276,578,400 |
| Decrease in fair value | (202,658,400) |
| Value on December 31, 2006 | 73,920,000 |

11. Property, Plant and Equipment:

| | Land and Buildings | Plant and Equipment | Vehicles, Office Equipment and Furniture | Petrol Station | Vessel | Capital Work-in- Progress | Total |
|-----------------------------|-----------------------|------------------------|---|-------------------|-------------------|---------------------------------|--------------------|
| | QR. | QR. | QR. | QR. | QR. | QR. | QR. |
| Cost: | | | | | | | |
| On January 1, 2006 | 28,094,070 | 83,787,436 | 73,012,060 | 314,754 | 4,883,760 | 64,995,755 | 255,087,835 |
| Additions | 106,250 | 8,955,336 | 12,839,283 | -- | 31,412,065 | 130,678,990 | 183,991,924 |
| Disposals | | | (347,400) | -- | -- | -- | (347,400) |
| Transfers | 9,196,262 | 16,495,564 | 1,158,125 | -- | -- | (26,849,951) | -- |
| On December 31, 2006 | 37,396,582 | 109,238,336 | 86,662,068 | 314,754 | 36,295,825 | 168,824,794 | 438,732,359 |
| Depreciation: | | | | | | | |
| On January 1, 2006 | 5,907,601 | 29,263,491 | 24,879,870 | 58,508 | 264,537 | -- | 60,374,007 |
| Charge for the year | 2,055,858 | 10,527,933 | 9,287,736 | 16,825 | 1,420,111 | -- | 23,308,463 |
| Disposals | -- | -- | (85,473) | -- | -- | -- | (85,473) |
| On December 31, 2006 | 7,963,459 | 39,791,424 | 34,082,133 | 75,333 | 1,684,648 | -- | 83,596,997 |
| Net Book Value: | | | | | | | |
| On December 31, 2006 | 29,433,123 | 69,446,912 | 52,579,935 | 239,421 | 34,611,177 | 168,824,794 | 355,135,362 |
| On December 31, 2005 | 22,186,469 | 54,523,945 | 48,132,190 | 256,246 | 4,619,223 | 64,995,755 | 194,713,828 |

- The fair value of land donated by the government for the construction of Petrol Stations amounted to QR. 67,800,000 (2005: 56,800,000).
- Vessel costs include dry docking components which are to be depreciated at accelerated rates of depreciation as discussed in note 4 (g).

12. Due to Qatar Petroleum:

| | <u>December 31, 2006</u> | <u>December 31, 2005</u> |
|----------------------------------|--------------------------|--------------------------|
| | QR. | QR. |
| a) Due to Qatar Petroleum | | |
| Current liabilities | 1,150,979,785 | 660,465,312 |
| | ===== | ===== |

The above is the current account with Qatar Petroleum which includes normal purchases and service transactions with Qatar Petroleum. The balance is interest free.

| | <u>December 31, 2006</u> | <u>December 31, 2005</u> |
|-------------------------------------|--------------------------|--------------------------|
| | QR. | QR. |
| b) Loan from Qatar Petroleum | | |
| Non Current Liabilities | 17,399,445 | 29,399,445 |
| Less: Current portion | (12,000,000) | (12,000,000) |
| | ----- | ----- |
| | 5,399,445 | 17,399,445 |
| | ===== | ===== |

The above balance is repayable to Qatar Petroleum in equal semi annual installments of QR. 6,000,000 each started on August 30, 2005. The above balance is interest free.

13. Share Capital:

| | <u>December 31, 2006</u> | <u>December 31, 2005</u> |
|---|--------------------------|--------------------------|
| | QR. | QR. |
| 30,000,000 issued and fully paid shares of QR. 10 each | 300,000,000 | 300,000,000 |
| | ===== | ===== |

14. Legal Reserve:

In accordance with Qatar Commercial Companies. Law No. 5 of 2002, 10% of the net profit for the year/ period is to be transferred to legal reserve. This reserve is to be maintained until the reserve equals 50% of the paid up capital and is not available for distribution except in circumstances specified in the Commercial Companies' Law.

15. Dividend:

The Board of Directors proposed a total dividend of QR 4.5 per share for the year ended December 31, 2006 (2005: total dividend QR 3 per share). The proposed dividend for 2005 was approved by the shareholders at the Annual General Assembly Meeting on April 02, 2006.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2006

16. Sales:

| | <u>December 31, 2006</u> | <u>December 31, 2005</u> |
|----------------------------------|--------------------------|--------------------------|
| | QR. | QR. |
| Sale of refined products | 2,001,822,513 | 1,409,487,926 |
| Sale of jet fuel | 1,435,310,127 | 926,318,208 |
| Transportation and other revenue | 55,342,179 | 39,163,212 |
| | <u>3,492,474,819</u> | <u>2,374,969,346</u> |

17. General and Administrative Expenses:

| | <u>December 31, 2006</u> | <u>December 31, 2005</u> |
|---------------|--------------------------|--------------------------|
| | QR. | QR. |
| Manpower cost | 76,037,022 | 53,732,256 |
| Rent | 2,372,428 | 1,009,250 |
| Others | 37,833,871 | 22,877,710 |
| | <u>116,243,321</u> | <u>77,619,216</u> |

18. Other Income:

| | <u>December 31, 2006</u> | <u>December 31, 2005</u> |
|---|--------------------------|--------------------------|
| | QR. | QR. |
| Interest from banks | 22,133,514 | 7,561,094 |
| Profit on sale of property, plant and equipment | 227,073 | 105,091 |
| Others | 6,849,334 | 2,672,837 |
| | <u>29,209,921</u> | <u>10,339,022</u> |

19. Related Party Transactions:

| | <u>December 31, 2006</u> | <u>December 31, 2005</u> |
|-------------------------------------|--------------------------|--------------------------|
| | QR. | QR. |
| Purchases from Qatar Petroleum | 2,894,659,035 | 2,021,488,443 |
| Sales to Qatar Petroleum | 67,310,436 | 64,855,990 |
| General and administrative expenses | 3,246,854 | 8,962,823 |

(I) Sales transactions to Qatar Petroleum are at arms length.

(II) Purchases for Qatar Petroleum are in accordance to the agreement with Qatar Petroleum.

20. Compensation of Key Management Personnel:

The remuneration of key management personnel during the year was as follows:

| | <u>December 31, 2006</u> | <u>December 31, 2005</u> |
|----------------------------------|--------------------------|--------------------------|
| | QR. | QR. |
| Board of Directors' remuneration | 5,588,962 | 2,975,000 |
| Short terms benefits | 5,377,832 | 4,290,648 |
| Post-employment benefits | 277,455 | 227,884 |
| | ----- | ----- |
| | 11,244,249 | 7,493,532 |
| | ===== | ===== |

21. Commitments and Contingent Liabilities:

| | <u>December 31, 2006</u> | <u>December 31, 2005</u> |
|---------------------------------------|--------------------------|--------------------------|
| | QR. | QR. |
| Capital Commitments: | | |
| Heavy Fuel Oil Project | 325,000,000 | 325,000,000 |
| Liquefied Petroleum Gas Plant Project | 150,000,000 | -- |
| Construction of Petrol Stations | 99,329,247 | 96,182,247 |
| Bitumin Storage Tank | 50,000,000 | 50,000,000 |
| Available-for-sale investments* | 28,000,000 | -- |
| | ----- | ----- |
| | 652,329,247 | 471,182,747 |
| | ===== | ===== |

*As of December 31, 2006, the parent company had committed to pay the remaining 50% of its investment in Qatar Gas Transport Company (Nakilat) Q.S.C. amounting to QR. 28,000,000.

| | <u>December 31, 2006</u> | <u>December 31, 2005</u> |
|--------------------------------|--------------------------|--------------------------|
| | QR. | QR. |
| Contingent Liabilities: | | |
| Letter of credit | -- | 1,671,481 |
| | ===== | ===== |
| Letter of guarantee | 543,200 | 43,200 |
| | ===== | ===== |

22. Fair Value of Financial Instruments:

Fair value is the amount for which an asset can be exchanged or a liability settled, between knowledgeable and willing parties at arms length. Since the accompanying financial statements have been prepared under the historical cost convention, except for certain investments, the carrying value of the Group's financial instruments as recorded could therefore be different from the fair value. However, in management's opinion, the fair values of the Group's financial assets and liabilities are not considered significantly different from their book values.

23. Credit Risk:

The Group's credit risk is primarily attributable to its accounts receivable. The amount presented in the balance sheet is net of allowances for doubtful debts, if any, estimated by management based on prior

Notes to the Consolidated Financial Statements

for the year ended December 31, 2006

experience and the current economic environment.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The credit terms for accounts receivable are 30 to 60 days.

24. Interest Rate Risk Sensitivity:

The following summary sets out the Group's exposure to interest rate risk as of December 31, 2006.

| | <u>Effective Interest Rate</u> | <u>Interest Bearing</u> | <u>Non-Interest Bearing</u> | <u>Total</u> |
|--|------------------------------------|-----------------------------|---------------------------------|----------------------|
| | | QR. | QR. | QR. |
| ASSETS: | | | | |
| Cash and cash equivalent | 5.25% | 120,311,875 | 751,470,478 | 871,782,353 |
| Accounts receivable | -- | -- | 774,821,304 | 774,821,304 |
| Inventories | -- | -- | 73,527,865 | 73,527,865 |
| Prepayments and other debit balances | -- | -- | 19,862,127 | 19,862,127 |
| Due from a related company | -- | -- | 2,977,035 | 2,977,035 |
| Available-for-sale investments | -- | -- | 73,920,000 | 73,920,000 |
| Goodwill | -- | -- | 57,700,022 | 57,700,022 |
| Property, plant and equipment | -- | -- | 355,135,362 | 355,135,362 |
| | | ----- | ----- | ----- |
| | | 120,311,875 | 2,109,414,193 | 2,229,726,068 |
| | | ===== | ===== | ===== |
| LIABILITIES AND EQUITY: | | | | |
| Accounts payable and accruals | -- | -- | 36,776,395 | 36,776,395 |
| Due to Qatar Petroleum | -- | -- | 1,150,979,785 | 1,150,979,785 |
| Loan from Qatar Petroleum | -- | -- | 17,399,445 | 17,399,445 |
| Provision for employees' end of service benefit | -- | -- | 7,603,555 | 7,603,555 |
| Equity | -- | -- | 1,016,966,888 | 1,016,966,888 |
| | | ----- | ----- | ----- |
| | | -- | 2,229,726,068 | 2,229,726,068 |
| | | ----- | ----- | ----- |
| Interest Rate Sensitivity Gap | | 120,311,875 | (120,311,875) | -- |
| | | ===== | ===== | ===== |