

**QATAR FUEL Q.S.C. (WOQOD)**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2010**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2010**

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<b>CONTENTS</b>	<b>Page</b>
Independent auditors' report to the Shareholders	1-2
<b>Financial Statements</b>	
Consolidated statement of financial position	3
Consolidated statement of income	4
Consolidated statement of comprehensive income	5
Consolidated statement of changes in equity	6-7
Consolidated statement of cash flows	8
Notes to the consolidated financial statements	9-37

## **Independent auditors' report to the shareholders of Qatar Fuel Q.S.C.**

### **Report on the consolidated financial statements**

We have audited the accompanying consolidated financial statements of Qatar Fuel Q.S.C. ("WOQOD") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2010, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

#### *Responsibility of the directors for the consolidated financial statements*

The directors of the Group are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control, as the directors determine is necessary to ensure the preparation and fair presentation of the consolidated financial statements that are free from material misstatements, whether due to fraud or error.

#### *Auditors' responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Group's preparation and fair presentation of the consolidated 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 Group's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

#### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2010, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Report on other legal and regulatory requirements*

In addition, in our opinion, the Group has maintained proper accounting records and the consolidated financial statements are in agreement therewith. We have reviewed the accompanying report of the Board of Directors and confirm that the financial information contained therein is in agreement with the books and records of the Group. We are not aware of any violations of the provisions of Qatar Companies Commercial Law or the terms of Articles of Association having occurred during the year which might have had a material effect on the business of the Group or its consolidated financial position as at 31 December 2010. Satisfactory explanations and information have been provided to us by the management in response to all our requests.

The consolidated financial statements of the Group as at and for the year ended 31 December 2009 were audited by another auditor whose report dated 7 March 2010 expressed an unqualified audit opinion.

8 February 2011  
Doha  
State of Qatar

Ahmed Hussain  
KPMG  
Qatar Auditor's Registry No. 197

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

In Qatari Riyals

	Notes	31 December 2010	31 December 2009 Restated
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6	1,388,591,418	1,268,906,622
Available-for-sale financial assets	7	225,004,874	148,602,720
Goodwill	8	132,935,132	132,935,132
Other intangible assets	9	-	2,214,996
		<b>1,746,531,424</b>	<b>1,552,659,470</b>
<b>CURRENT ASSETS</b>			
Inventories	10	197,991,082	188,153,947
Trade receivables	11	1,238,050,441	1,280,344,625
Prepayments and other receivables	12	67,601,023	59,089,170
Cash and bank balances	13	2,903,458,119	1,864,340,100
		<b>4,407,100,665</b>	<b>3,391,927,842</b>
<b>TOTAL ASSETS</b>		<b>6,153,632,089</b>	<b>4,944,587,312</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	14	346,500,000	315,000,000
Legal reserve	15	382,831,792	382,831,792
General reserve		30,078,234	30,078,234
Fair value reserve		63,881,291	75,414,720
Retained earnings		3,195,651,398	2,467,991,516
Total equity attributable to shareholders of the Parent		4,018,942,715	3,271,316,262
Non-controlling interest		218,101,278	172,291,950
		<b>4,237,043,993</b>	<b>3,443,608,212</b>
<b>NON CURRENT LIABILITIES</b>			
Due to a related party	16.a	33,818,533	-
Provisions	17	100,000,000	-
Employees' end of service benefits		33,361,611	23,455,881
		<b>167,180,144</b>	<b>23,455,881</b>
<b>CURRENT LIABILITIES</b>			
Payables and accruals	18	173,993,911	272,147,748
Due to a related party	16.a	1,575,414,041	1,205,375,471
		<b>1,749,407,952</b>	<b>1,477,523,219</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>6,153,632,089</b>	<b>4,944,587,312</b>

These consolidated financial statements were approved and signed on behalf of the Board of Directors by the following on 8 February 2011:

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**H.E Abdulla Bin Hamad Al Attiyah**

Deputy Premier and Chairman of the Emiri Diwan -  
Chairman

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**Mr. Mohamed Turki Al-Sobai**

Vice Chairman and Managing Director

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**Mr. Khalil Hassan Makki**

Finance Manager

The attached notes from 1 to 32 form an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2010

In Qatari Riyals

		<b>31 December 2010</b>	31 December 2009
Revenue	19	7,662,813,981	6,176,494,446
Cost of sales		(6,042,511,358)	(4,899,552,405)
<b>Gross profit</b>		<b>1,620,302,623</b>	1,276,942,041
<i>Add / (Less):</i>			
Other income	20	196,188,574	212,858,327
General and administrative expenses	21	(544,698,524)	(540,639,760)
Provision for litigation	17	(100,000,000)	-
Impairment losses	22	(2,826,143)	-
<b>Net profit for the year</b>		<b>1,168,966,530</b>	949,160,608
<i>Attributable to</i>			
Equity holders of the Parent		1,074,159,882	869,962,795
Non-controlling interest		94,806,648	79,197,813
		<b>1,168,966,530</b>	949,160,608
<b>Basic and diluted earnings per share</b>	23	<b>31</b>	25.57

The attached notes from 1 to 32 form an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

In Qatari Riyals

	<b>31 December 2010</b>	31 December 2009
<b>Net profit for the year</b>	<b>1,168,966,530</b>	949,160,608
<b>Other comprehensive income</b>		
Net change in fair value of available for sale financial assets	(11,533,429)	10,734,720
<b>Comprehensive income for the year</b>	<b>1,157,433,101</b>	959,895,328
<i>Attributable to</i>		
Equity holders of the Parent	1,062,626,453	880,697,515
Non-controlling interest	94,806,648	79,197,813
	<b>1,157,433,101</b>	959,895,328

The attached notes from 1 to 32 form an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December 2010**

In Qatari Riyals

31 December 2009  
 Restated

	Equity Attributable to Parent Shareholders						Non-controlling interest	Total equity
	Share capital	Legal reserve	General Reserve	Fair value reserve	Retained earnings	Total		
As at 1 January 2009	300,000,000	150,000,000	30,078,234	64,680,000	1,898,028,721	2,442,786,955	131,198,528	2,573,985,483
<i>Comprehensive income for the year</i>								
Net profit for the year	-	-	-	-	869,962,795	869,962,795	79,197,813	949,160,608
Other comprehensive income				10,734,720	-	10,734,720	-	10,734,720
Total comprehensive income for the year	-	-	-	10,734,720	869,962,795	880,697,515	79,197,813	959,895,328
<i>Transactions with owners of the Group recognized directly in equity</i>								
Cash dividends paid for 2008	-	-	-	-	(300,000,000)	(300,000,000)	-	(300,000,000)
Additional shares issued (Restated - Note 31)	15,000,000	232,831,792	-	-	-	247,831,792	-	247,831,792
Dividend paid to non-controlling interest by a subsidiary	-	-	-	-	-	-	(38,104,391)	(38,104,391)
As at 31 December 2009	315,000,000	382,831,792	30,078,234	75,414,720	2,467,991,516	3,271,316,262	172,291,950	3,443,608,212

The attached notes from 1 to 32 form an integral part of these consolidated financial statements.



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December 2010 (Continued)**

In Qatari Riyals

	Equity Attributable to Parent Shareholders					Non-controlling interest	Total equity	
	Share capital	Legal Reserve	General reserve	Fair value reserve	Retained earnings			Total
<b>31 December 2010</b>								
As at 1 January 2010 as previously stated	315,000,000	307,596,682	30,078,234	75,414,720	2,467,991,516	3,196,081,152	172,291,950	3,368,373,102
Prior year's adjustment (Note 31)	-	75,235,110	-	-	-	75,235,110	-	75,235,110
As at 1 January 2010 as restated	315,000,000	382,831,792	30,078,234	75,414,720	2,467,991,516	3,271,316,262	172,291,950	3,443,608,212
<b>Comprehensive income for the year</b>								
Net profit for the year	-	-	-	-	1,074,159,882	1,074,159,882	94,806,648	1,168,966,530
Other comprehensive income	-	-	-	(11,533,429)	-	(11,533,429)	-	(11,533,429)
<b>Total comprehensive income for the year</b>	-	-	-	(11,533,429)	1,074,159,882	1,062,626,453	94,806,648	1,157,433,101
<i>Transactions with owners of the Group recognized directly in equity</i>								
Bonus shares issue (Note 14)	31,500,000	-	-	-	(31,500,000)	-	-	-
Cash dividend paid for 2009 (Note 24)	-	-	-	-	(315,000,000)	(315,000,000)	-	(315,000,000)
Dilution of non-controlling interest (Note 25)	-	-	-	-	-	-	1,002,680	1,002,680
Dividend paid to non-controlling interest by a subsidiary	-	-	-	-	-	-	(50,000,000)	(50,000,000)
<b>As at 31 December 2010</b>	<b>346,500,000</b>	<b>382,831,792</b>	<b>30,078,234</b>	<b>63,881,291</b>	<b>3,195,651,398</b>	<b>4,018,942,715</b>	<b>218,101,278</b>	<b>4,237,043,993</b>

The attached notes from 1 to 32 form an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the year ended 31 December 2010**

**In Qatari Riyals**

	<b>31 December 2010</b>	31 December 2009 Restated
<b>OPERATING ACTIVITIES</b>		
Net profit for the year	1,168,966,530	949,160,608
<i>Adjustments</i>		
Depreciation for property, plant and equipment	89,370,198	65,047,874
Amortization charges	553,749	553,749
Impairment loss on other intangible assets	1,661,247	-
Provided provision for impairment of receivables	41,713,613	112,144,880
Provided provision for litigations	100,000,000	-
Reversed provision for impairment of receivables	(112,144,880)	-
Loss from dilution of non-controlling interest	1,002,680	-
Loss / (Gain) on sale of property, plant and equipment	1,051,053	(362,874)
Provided end of service benefits	9,905,730	7,396,128
<b>Operating profit before working capital changes</b>	<b>1,302,079,920</b>	1,133,940,365
<i>Changes in working capital</i>		
Change in trade receivable and prepayments	104,213,597	(31,588,171)
Change in inventory	(9,837,135)	(51,086,275)
Change in due to a related party	403,857,103	76,505,836
Change in payable and accruals	(98,153,836)	86,179,229
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>1,702,159,649</b>	1,213,950,984
<b>INVESTING ACTIVITIES</b>		
Payments for purchase of property, plant and equipment	(210,106,047)	(280,155,968)
Proceeds from sale of equipment and furniture	-	1,169,292
Payments for purchase of available for sale investments	(87,935,583)	(16,908,000)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(298,041,630)</b>	(295,894,676)
<b>FINANCING ACTIVITIES</b>		
Dividends paid	(315,000,000)	(300,000,000)
Dividends paid to non-controlling interest	(50,000,000)	(38,104,391)
<b>CASH USED IN FINANCING ACTIVITIES</b>	<b>(365,000,000)</b>	(338,104,391)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR</b>	<b>1,039,118,019</b>	579,951,917
Cash and cash equivalents at the beginning of the year	1,864,340,100	1,284,388,183
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 13)</b>	<b>2,903,458,119</b>	1,864,340,100

The attached notes from 1 to 32 form an integral part of these consolidated financial statements.

## QATAR FUEL Q.S.C. (WOQOD)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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#### 1. LEGAL STATUS AND GENERAL INFORMATION

Qatar Fuel Q.S.C (WOQOD) (“the Company” or “the Parent”) is a Qatari Shareholding Company formed in accordance with the Emiri Decree No 5 of 2002 on 10 February 2002 under the commercial registration No. 24872.

The principal activities of the Company along with its subsidiaries (together referred to as the “Group”) are the sale and distribution of refined petroleum products produced by and transferred from Qatar Petroleum, vehicle inspection services and marine transport. The Group operates only in the State of Qatar through its lines of business.

The Group’s major subsidiaries included in these consolidated financial statements are:

Name of the company and country of incorporation	Shareholding percentage
Qatar Jet Fuel Company – Qatar	60%
WOQOD Vehicle Inspection Company (FAHES) – Qatar	100%
WOQOD Marine Services Company – Qatar	100%
WOQOD International Company – Qatar	100%
WOQOD Kingdom Company – Saudi Arabia	100%

#### 2. BASIS OF PREPARATION

##### a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and applicable requirements of Qatar Commercial Companies Law No. 5 of 2002.

##### b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for available-for-sale financial assets which are measured at fair value.

##### c) Functional and presentation currency

These consolidated financial statements are presented in Qatari Riyals, which is the Group’s functional currency. All financial information presented in Qatari Riyals has been rounded to the nearest Qatari Riyal except otherwise indicated.

##### d) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in Note 30.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

#### **3.1) Basis of consolidation**

##### ***a) Subsidiaries***

Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by another entity, are considered when assessing whether an entity is controlled. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements of subsidiaries are prepared for the same reporting year as the Parent using the same accounting policies.

##### ***b) Transactions eliminated on consolidation***

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

##### ***c) Non-controlling interests***

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity. Losses applicable to the non-controlling interest in excess of the non-controlling interests are allocated to the non-controlling interest even if results in a deficit balance to the non-controlling interest.

#### **3.2) Foreign currency**

Transactions in foreign currencies are translated to the respective functional currencies of the Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity investments, or qualifying cash flow hedges, if any, which are recognised in other comprehensive income.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.3) Financial instruments**

*a) Non-derivative financial assets*

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The Group classifies non-derivative financial assets into the following categories: loans and receivables and available-for-sale financial assets.

*Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are charged to the statement of income.

*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets at the reporting date comprise quoted equity securities.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.3) Financial instruments (continued)**

***b) Non-derivative financial Liabilities***

The Group initially recognizes financial liabilities on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Other financial liabilities comprise trade and other payables.

***c) Share capital***

***Ordinary shares***

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

**3.4) Property, plant and equipment**

***a) Recognition and measurement***

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property and equipment, and is recognised net within other income/other expenses in profit or loss.

***b) Subsequent costs***

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

***c) Depreciation***

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.4) Property, plant and equipment (Continued)**

*c) Depreciation (continued)*

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment. Land, if any, is not depreciated.

The estimated useful lives of the depreciable 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	20 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date, and adjusted if appropriate.

**3.5) Other intangible assets**

*Research and development*

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

**3.6) Inventories**

Inventories comprise refined petroleum products, maintenance materials and parts. Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

**3.7) Impairment**

*Non-derivative financial assets*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.7) Impairment (Continued)

##### *Non-derivative financial assets (Continued)*

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

In assessing collective impairment the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

##### *Receivables*

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment.

All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

##### *Available for sale assets*

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity, to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.



**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.7) Impairment (Continued)**

*Non-financial assets*

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**3.8) Employees' benefits**

The Group provides end of service benefits to its expatriate employees in accordance with Qatar labour law. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the Group makes contributions to the General Pension Fund Authority calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

**3.9) Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.10) Revenue recognition**

*a) Sale of refined oil and gas products and other goods*

Revenue from the sale of refined oil and gas products and other goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

Transfer of risks and rewards for refined oil and gas products is based on the contractual delivery terms with the customers, as either FOB shipping point or FOB destination.

*b) Rendering of services*

Revenue from services rendered is recognised in profit or loss when the service is provided to the customers.

The Group provides the services of vehicles inspection and other vehicles petrol stations services.

*c) Dividend income*

Dividend income from investments is recognized when the right to receive the dividend is established.

*d) Finance income*

Finance income is recognised on a time-proportion basis using the effective interest method.

*e) Rental income*

Rental income from vessels is recognised in profit or loss on a straight-line basis over the term of the lease.

Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

**3.11) Lease payments**

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the contingency no longer exists and the lease adjustment is known.

**3.12) Earnings per share**

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Parent by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees, if any.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.13) Segment reporting**

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments. Segment information is presented in respect of the Group's business and geographical segments in Note 26. The Group's primary format for segment reporting is based on business segments. The business segments are determined based on the Group's management and internal reporting structure.

**3.14) Business combinations and goodwill**

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

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities recognized. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with IAS 14 Segment Reporting.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill at year-end.

Where goodwill forms part of a cash-generating unit (group of cash generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.14 Business combinations and goodwill (continued)

If subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and carrying amount of goodwill is recognized in the consolidated statement of income.

The interest of non-controlling shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

#### 3.15 New standards and interpretations

*a) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted*

*IFRS 9, 'Financial instruments', issued in December 2009*

This addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess IFRS 9's full impact. However, initial indications are that it may affect the Group's accounting for its available-for-sale financial assets, as IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. The Group has not yet decided when to adopt IFRS 9.

*Revised IAS 24, 'Related party disclosures', issued in November 2009*

It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised IAS 24 is required to be applied from 1 January 2011. Earlier application, in whole or in part, is permitted.

*IFRIC 19, 'Extinguishing financial liabilities with equity instruments'*

This clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The interpretation is effective for annual periods beginning on or after 1 July 2010. Earlier application is permitted.

Improvements to International Financial Reporting Standards 2010 were issued in May 2010. The effective dates vary standard by standard but most are effective 1 January 2010.

*b) Standards, amendments and interpretations to existing standards effective in 2010 and relevant to the Group*

#### **IFRS 3 Business Combinations and IAS 27 Separate and Consolidated Financial Statements - Amendments**

Effective 1 January 2010, the Group adopted the amendments on IFRS 3 Business Combinations (2008) in accounting for business combinations.

The revised IFRS 3 introduced a number of changes in the accounting for business combinations on or after 1 January 2010 that have an impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results.

For acquisitions on or after 1 January 2010, the Group measures goodwill at the fair value of consideration transferred (including the fair value of any previously held equity interest in the acquiree) and the recognized amount of any non-controlling interests in the acquiree, less the net recognized amount (generally proportionate share of the acquiree's identifiable net assets) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.15) New standards and interpretations (continued)**

The Group elects on a transaction by transaction basis whether to measure non-controlling interests at fair value, or at their proportionate share of the recognized amount of the identifiable net assets of the acquiree, at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expenses as incurred.

The revised IAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction.

Therefore, such transactions no longer give rise to goodwill, nor give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 'Statement of Cash Flows', IAS 12 'Income Taxes', IAS 21 'The Effects of Changes in Foreign Exchange Rates', IAS 28 'Investment in Associates' and IAS 31 'Interests in Joint Ventures'.

**4. DETERMINATION OF FAIR VALUES**

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

**4.1) Property, plant and equipment**

The fair value of property, plant and equipment recognised as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. Depreciated replacement cost estimates reflect adjustments for physical deterioration as well as functional and economic obsolescence.

**4.2) Equity securities**

The fair value of equity securities is determined by reference to their quoted closing bid price at the reporting date.

**4.3) Intangible assets**

The fair value of intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

## **5. FINANCIAL RISK MANAGEMENT**

### **Overview**

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

- (i) credit risk
- (ii) liquidity risk
- (iii) market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

### **Risk management framework**

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

#### **(i) Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the trade receivables, advances to suppliers and contractors, and advances for purchase of investments.

#### ***Trade receivables and advances***

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each contractor/customer. The demographics of the Group's project/customer base, including the default risk of the industry, in which customers operate, has less of an influence on credit risk. Material amounts of the Group's advances/collections are attributable to contractors/customers originating from the State of Qatar.

The Group's policy is that trade receivables and advances, are stated at original paid advance / 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, if any. All risk in receivables is concentrated in aviation industry, petrol stations and contracting companies. Most of receivables balances are secured against bank guarantee or are outstanding from government agencies.

#### **(ii) Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group uses project-based costing to cost its properties and services, which assists it in monitoring cash flow requirements and optimising its cash return on investments. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations, mainly represented in the balance due to Qatar Petroleum. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

**5. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(iii) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

**(a) Currency risk**

The Group operates locally and is also exposed to currency risk arising from its procurement. These transactions, however, represent only small portion of the Group's overall transactions.

**(b) Interest rate risk**

The Interest rate risk arises when there is a mismatch between positions which are subject to interest rate adjustment within a period. In the Group's funding and investment activities, fluctuations in interest rates are reflected in profit margins and earnings. Interest rate risk reflects the risk of a change in interest rates, which might affect future earnings.

**(c) Equity price risk**

Equity price risk is the risk that the fair values of equity decreases as a result of changes in price indices of investments in other entities' equity instruments as part of the Group's investment portfolio.

**Capital management**

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital as well as the level of dividends to shareholders.

*The details of the financial instruments risk management tools are described in Note 29.*

**QATAR FUEL Q.S.C. (WOQOD)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2010**

**In Qatari Riyals**

**6. PROPERTY, PLANT AND EQUIPMENT**

	<b>Buildings</b>	<b>Plant and equipment</b>	<b>Vehicles office, equipment and furniture</b>	<b>Vessels</b>	<b>Projects in progress</b>	<b>Total 2010</b>
<b>Cost</b>						
At 1 January	130,949,043	230,900,592	246,791,512	260,385,576	624,622,763	1,493,649,486
Additions	1,527,089	13,659,853	47,584,863	185,472	147,148,771	210,106,048
Transferred from projects in progress	122,758,908	106,726,808	6,902,495	-	(236,388,211)	-
Disposals	-	(5,956)	(1,388,584)	-	-	(1,394,540)
At 31 December	255,235,040	351,281,297	299,890,286	260,571,048	535,383,323	1,702,360,994
<b>Accumulated depreciation</b>						
At 1 January	28,245,136	74,043,000	93,036,739	29,417,989	-	224,742,864
Depreciation charges for the year	12,256,330	30,372,087	33,718,353	13,023,428	-	89,370,198
Disposals	-	(1,617)	(341,869)	-	-	(343,486)
At 31 December	40,501,466	104,413,470	126,413,223	42,441,417	-	313,769,576
<b>Net carrying amount</b>						
<b>31 December 2010</b>	<b>214,733,574</b>	<b>246,867,827</b>	<b>173,477,063</b>	<b>218,129,631</b>	<b>535,383,323</b>	<b>1,388,591,418</b>
31 December 2009	102,703,907	156,857,592	153,754,773	230,967,587	624,622,763	1,268,906,622



**QATAR FUEL Q.S.C. (WOQOD)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 December 2010**

**In Qatari Riyals**

**7. AVAILABLE FOR SALE FINANCIAL ASSETS**

Available for sale financial assets represents investments in shares of listed entities in Qatar Exchange. At the date of financial position, the details of the upstanding balance were as follows:

	<b>2010</b>	2009
Qatar Gas Transport Company Q.S.C.	111,776,000	134,400,000
Vodafone Qatar Company Q.S.C.	14,067,456	14,202,720
Industries Qatar Q.S.C.	99,161,418	-
	<b>225,004,874</b>	<b>148,602,720</b>

The movement on available for sale financial assets during the year are illustrated as follows:

	<b>2010</b>	2009
At 1 January	148,602,720	120,960,000
Acquired during the year	87,935,583	16,908,000
Net movement in fair value reserve	(11,533,429)	10,734,720
	<b>225,004,874</b>	<b>148,602,720</b>

**8. GOODWILL**

	<b>2010</b>	2009 Restated
Relating to Qatar Jet Fuel Company	57,700,022	57,700,022
Relating to FAHES	75,235,110	75,235,110
	<b>132,935,132</b>	<b>132,935,132</b>

An impairment review of the goodwill was undertaken by the Directors on 31 December 2010. This compared the carrying value of goodwill with the anticipated recoverable amounts of the subsidiaries Qatar Jet Fuel Company and FAHES, which are the cash-generating units to which the goodwill was allocated. The recoverable amounts of the cash-generating units are based on value in use, which is calculated from cash flow projections for 5 years ending 31 December 2015 using data from Board approved budgets. The key assumptions for the value in use calculations were discount rate represented in the Group's weighted average cost of capital of 8%. The Directors estimate discount rates that reflect the current market assessments of the time value of money and risks specific to the cash-generating units, and they consider the appropriate risk adjusted discount rate is 8%. Changes in revenue and direct costs are based on an assumed compound growth rate of 4%, as well as past experience and expectations of future changes in the market. The Directors concluded from this review that there had been no impairment to the goodwill during the year ended 31 December 2010.

At the end of the year, there was no impairment of goodwill as a result of the impairment tests performed by the Group.

Refer to Note 31 for the restatement on the comparative balance of goodwill.

**9. OTHER INTANGIBLE ASSETS**

	<b>2010</b>	2009
At 1 January	2,214,996	2,768,745
Amortization charges for the year	(553,749)	(553,749)
Impairment losses (Note i)	(1,661,247)	-
<b>At 31 December</b>	<b>-</b>	<b>2,214,996</b>

*Note i:*

The Group assessed the intangible assets, relating to development costs, on 31 December 2010 for impairment, and concluded that there are no future economic benefits are expected to be derived from these assets, hence the outstanding balance of other intangible assets was fully impaired as of that date, and QR 1,661,247 was charged to the profit or loss for the year.

**10. INVENTORIES**

	<b>2010</b>	2009
Refined fuel oil - premium grade	7,699,162	13,043,556
Refined fuel oil - super grade	11,973,421	11,136,940
Light gas fuel oil	25,576,197	24,166,059
Heavy fuel oil	53,822,730	56,195,511
Jet fuel oil	48,228,152	51,030,700
Materials and spareparts	42,062,678	17,537,072
Retail stores inventory	6,066,670	4,001,961
Other inventory items	2,562,072	11,042,148
	<b>197,991,082</b>	<b>188,153,947</b>

**11. TRADE RECEIVABLES**

	<b>2010</b>	2009
Trade receivables	1,226,681,170	1,392,489,505
Notes receivable	53,082,884	-
	1,279,764,054	1,392,489,505
Less: impairment provision for trade receivables (Note i)	(41,713,613)	(112,144,880)
	<b>1,238,050,441</b>	<b>1,280,344,625</b>

All of the above receivables are either secured against bank guarantee or are outstanding from governmental entities.

**11. TRADE RECEIVABLES (CONTINUED)***Note i*

The movement on provision for impairment of receivables during the year was as follows:

	<b>2010</b>	2009
Balance at 1 January	112,144,880	-
Provided provisions during the year (Note 21)	41,713,613	112,144,880
Reversed provisions for the year (note ii) – Note 20	(112,144,880)	-
<b>Balance at 31 December</b>	<b>41,713,613</b>	<b>112,144,880</b>

Note ii: The Group reversed the provision for impairment of receivables that was established in the prior year, after full collection of the doubtful customers balances during the current year.

**12. PREPAYMENTS AND OTHER RECEIVABLES**

	<b>2010</b>	2009
Advances to suppliers and contractors	13,925,699	12,641,988
Advances for purchase of investments	3,822,533	-
Prepaid expenses	4,446,229	3,559,506
Staff advances and loans	20,312,613	12,492,875
Accrued income	12,705,763	82,061
Refundable deposits	8,689,082	25,086,443
Interest receivable	1,016,051	2,160,286
Other receivables	2,683,053	3,066,011
	<b>67,601,023</b>	<b>59,089,170</b>

**13. CASH AND CASH EQUIVALENTS**

	<b>2010</b>	2009
Cash on hand	491,119	480,948
<i>Balances with banks</i>		
Current accounts	37,934,864	-
Call accounts	1,463,027,124	1,311,731,084
Fixed deposits	1,402,005,012	552,128,068
	<b>2,903,458,119</b>	<b>1,864,340,100</b>

**14. SHARE CAPITAL**

	2010	2009
Authorised: 100,000,000 ordinary shares of QR 10 each	<b>1,000,000,000</b>	1,000,000,000
Issued: 34,650,000 ordinary shares of QR 10 each (2009: 31,500,000 shares)	<b>346,500,000</b>	315,000,000

During the current year, the Parent has issued bonus shares equivalent to 10% of the paid up capital amounting to QR 31,500,000 (3,150,000 shares), as approved by the Annual General Assembly held on 4 April 2010.

**15. LEGAL RESERVE**

As required by Qatar Commercial Companies' Law No. 5 of 2002, and the Group's Articles of Association, a minimum of 10% of the net profit for the year should be transferred to legal reserve each year until this reserve equals 50% of the paid up share capital. The reserve is not available for distribution except in the circumstances stipulated in the above mentioned Law.

As the reserve has already exceeded 50% of the share capital, there are no transfers from net profit for the year to legal reserve.

Refer to Note 31 for the restatement on the comparative balance of the legal reserve.

**16. RELATED PARTY TRANSACTIONS**

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

**a) Due to a related party**

	2010	2009
Qatar Petroleum	<b>1,609,232,574</b>	1,205,375,471

The above amount represents the balance of the current account with Qatar Petroleum which consists of normal purchases and service transactions. The outstanding balance is interest free.

The balance due to Qatar Petroleum is segregated between current and non-current liabilities as follows:

	2010	2009
Current liabilities	1,575,414,041	1,205,375,471
Non-current liabilities	33,818,533	-
	<b>1,609,232,574</b>	1,205,375,471

**16. RELATED PARTY TRANSACTIONS (CONTINUED)****b) Transactions with related parties**

Transactions with related parties included in the consolidated statement of income are as follows:

Name of related party and nature of transactions	2010	2009
Qatar Petroleum.– Sales	128,405,175	74,973,223
Qatar Petroleum – Purchases	5,321,483,451	4,357,763,759

Sales transactions to Qatar Petroleum are at arm's length, and purchases from Qatar Petroleum are in accordance with contractual terms approved by the Directors.

**c) Compensation of key management personnel**

	2010	2009
Board of directors remuneration	10,792,751	10,792,751
Salaries and other short term benefits	5,872,857	5,701,920
Post-employment benefits	336,830	327,026
	<b>17,002,438</b>	<b>16,821,697</b>

**17. PROVISIONS**

During the current year, the Directors of the Group decided to provide for QR 100 million as provision for certain litigations raised on the Group by counter parties to the Group. The provision amount was estimated based on the best estimate of the probable unfavourable outcome on the Group as a result of these litigations, as assessed by the Group's legal advisor at the reporting date.

The provided amount for the litigation provision was charged to the profit or loss for the year.

**18. PAYABLES AND ACCRUALS**

	2010	2009
Suppliers and contractors payable	43,216,861	44,306,915
Retention payable	31,220,629	18,876,108
Dividends payable	44,317,104	33,811,232
Deposits from others	11,115,900	12,901,945
Accrued expenses	12,673,868	133,587,000
Other payables	31,449,549	28,664,548
	<b>173,993,911</b>	<b>272,147,748</b>

**QATAR FUEL Q.S.C. (WOQOD)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 December 2010**

**In Qatari Riyals**

**19. REVENUE**

	<b>2010</b>	2009
Sales of refined petroleum products	7,097,200,161	5,745,238,846
Sales of petrol stations	336,779,808	235,845,471
Transportation and storage revenues	182,809,342	171,066,117
Revenues from inspection services	41,479,295	23,326,917
Sales of lubricants and supplies	4,545,375	1,017,095
	<b>7,662,813,981</b>	<b>6,176,494,446</b>

**20. OTHER INCOME**

	<b>2010</b>	2009
Interest income	58,189,673	57,687,952
Reversed provision for impairment of receivables (Note 11.ii)	112,144,880	-
Dividend income	2,800,000	-
Miscellaneous income	23,054,021	155,170,375
	<b>196,188,574</b>	<b>212,858,327</b>

**21. GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>2010</b>	2009
Staff benefits	298,900,980	261,066,726
Immigration expenses	3,536,134	2,447,032
Advertising and subscriptions	12,074,211	9,793,961
Rent expenses	9,818,056	6,922,463
Insurance charges	10,200,356	5,018,836
Utilities charges	3,448,509	2,174,056
Communication expenses	2,596,012	1,788,746
Board of Directors remuneration	10,792,753	10,792,753
Other committees allowances	548,000	409,200
Travel expenses	2,970,025	2,151,456
Prior years expenses	14,707,438	6,205,294
Customs clearing	1,945,623	2,492,128
Social and sports fund provision	27,542,561	22,306,738
Provision for impairment of receivables (Note 11.i)	41,713,613	112,144,880
Depreciation	89,370,198	65,047,874
Other general and administrative expenses	14,534,055	29,877,617
	<b>544,698,524</b>	<b>540,639,760</b>

**Note i:**

The Group does not restate the comparative figures of retained earnings with prior years' expenses for immaterial items.

**22. IMPAIRMENT LOSSES**

	2010	2009
Impairment of other intangible assets (Note 9)	1,661,247	-
Impairment losses for advances to suppliers	188,900	-
Impairment of other debit balances	975,996	-
	<b>2,826,143</b>	-

**23. EARNINGS PER SHARE**

Basic earnings per share is calculated by dividing the net profit attributed to the Parent shareholders for the year by the weighted average number of shares outstanding during the year.

	2010	2009 Restated
Net profit attributable to the Parent's shareholders for the year	1,074,159,882	869,962,795
Weighted average number of shares outstanding during the year (Note i)	34,650,000	34,021,644
<b>Basic and diluted earnings per share (QR)</b>	<b>31</b>	<b>25.57</b>

There were no potentially dilutive shares outstanding at any time during the year. Therefore, the diluted earnings per share are equal to the basic earnings per share.

**Note i:**

Basic earnings per share for the comparative year ended 31 December 2009 was restated due to the effect of bonus shares issued during the current year.

**24. DIVIDENDS**

In its General Assembly Meeting dated 4 April 2010, the shareholders of the Group approved declaring QR 10 per share totalling to QR 315,000,000 as cash dividends to be distributed from 2009 net profit, in addition to 10% bonus shares issue totalling to 3,150,000 shares to its existing shareholders as of that date.

Further the Board of Directors has proposed total cash dividend of QR 346,500,000 (QR 10 per share) for the year ended 31 December 2010, in addition to 20% bonus shares from issued share capital, its meeting held on 8 February 2011.

**25. DILUTION OF NON-CONTROLLING INTEREST**

During the current year, the Board of Directors of the subsidiary FAHES approved the transfer of its wholly owned subsidiary, Raha Auto Assistance Company W.L.L. ("the Subsidiary") to the Parent. As of the date of the transfer, the non-controlling interest in the subsidiary had an outstanding debit balance (deficit) amounting to 1,002,680, which was transferred to the Group on a consolidated basis, being that no consideration was paid to / from the non-controlling parties of the Subsidiary to / from the Parent.

**26. SEGMENT INFORMATION**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Managing Director to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Managing Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Group's headquarters) and head office expenses.

The Group mainly operates in the areas of sale and distribution of refined petroleum products, technical inspection of vehicles and marine transportation. More than 95% of the Group's revenue is generated through sale and distribution of refined petroleum products.

<b>2010</b>	<b>Refined petroleum products</b>	<b>Technical inspection of vehicles</b>	<b>Others</b>	<b>Total 2010</b>
External revenue	7,616,789,311	41,479,295	4,545,375	<b>7,662,813,981</b>
Inter-segment revenue	3,119,979,264	-	-	<b>3,119,979,264</b>
Reportable segment profit	1,153,188,589	15,777,941	-	<b>1,168,966,530</b>
Reportable segment assets	6,061,313,556	92,318,533	-	<b>6,153,632,089</b>

**27. CONTINGENT LIABILITIES**

	<b>2010</b>	2009
Bank guarantees	<b>210,000</b>	-
Letters of credit	<b>11,853,479</b>	-

The Group anticipates that no material liabilities will arise from the above guarantees and letters of credits, which are issued in the ordinary course of business.

**28. CONTRACTUAL COMMITMENTS**

	<b>2010</b>	2009
Heavy fuel oil project	325,000,000	325,000,000
Construction of petrol stations	53,565,310	119,329,247
	<b>378,565,310</b>	444,329,247



**29. FINANCIAL RISK MANAGEMENT****Governance framework**

The primary objective of the Group's risk and financial management framework is to protect the Parent's shareholders from events that hinder the sustainable achievement of the set financial performance objectives. Key management recognizes the critical importance of having efficient and effective risk management systems in place.

The Group has not yet established a risk management function with clear terms of reference from the board of directors, its committees and the associated executive management committees. This is to be supplemented with a clear organizational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees and senior managers. A Group's risk management policy framework which sets out the risk profiles for the Group, risk management, control and business conduct standards for the Group's operations will be put in place in the near future.

**Capital management framework**

The Group is in the process of establishing an internal risk management framework for identifying risks to which each of its business units and the Group as a whole are exposed, quantifying their impact on economic capital. The internal framework estimates will indicate how much capital is needed to mitigate the risk of insolvency to a selected remote level of risk applied to a number of tests (both financial and non-financial) on the capital position of the business.

**Regulatory framework**

The operations of the Group are subject to regulatory requirements within the State of Qatar.

**(a) Credit risk*****Exposure to credit risk***

The carrying amounts of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	<b>Carrying amounts</b>	
	<b>2010</b>	2009
Bank balances and cash equivalents	2,903,458,119	1,864,340,100
Available-for-sale financial assets	225,004,874	148,602,720
Financial receivables	1,251,772,255	1,282,586,972
	<b>4,380,235,248</b>	3,295,529,792

***Cash and cash equivalents***

Credit risk on bank balances is limited as they are placed with local and foreign banks having good credit ratings assigned by international credit rating agencies.

***Available for sale financial assets***

The Group significantly limits its exposure to credit risk by investing in securities, which are quoted in Qatar Exchange securities market.

There is a regular monitoring by the Group's management of the prices of the shares listed in Qatar Exchange and classified as available for sale, and if there is a permanent decline in the value of investments, impairment provisions are considered.

## 29. FINANCIAL RISK MANAGEMENT (CONTINUED)

## (a) Credit risk (Continued)

*Financial receivables*

Financial receivables are represented in trade receivables, accrued revenues and interest receivable. Credit risk on trade receivables is minimal as the Group implements proper credit rating policies and procedures before granting credits to its clients. While the Group Management follows a conservative approach regarding assessment of recoverability of trade receivables, and provides for impairment losses against any noted doubtful balances in full.

## (b) Liquidity risk

The Group has strong liquidity position, being at the statement position date, the Group's current ratio was 2.52 times (2009: 2.3 times on 31 December 2009).

The following are the contractual maturities of financial assets and liabilities (all are non-derivative), including interest payments, if any, and excluding the impact of netting agreements:

2010	Carrying Amounts	Contractual cash in / (out) flows	Less than 1 year	2 – 5 Years	More than 5 years
Cash and bank balances	2,903,458,119	2,903,458,119	2,903,458,119	-	-
Available for sale financial assets	225,004,874	-	-	225,004,874	-
Financial receivables	1,251,772,255	1,251,772,255	1,251,772,255	-	-
Financial payables and accruals	(173,993,911)	(173,993,911)	(173,993,911)	-	-
Due to related parties	(1,609,232,574)	(1,609,232,574)	(1,575,414,041)	(33,818,533)	-
<b>Excess liquidity</b>	<b>2,597,008,763</b>	<b>2,372,003,889</b>	<b>2,405,822,422</b>	<b>191,186,341</b>	-

2009	Carrying Amounts	Contractual cash in / (out) flows	Less than 1 year	2 – 5 Years	More than 5 years
Cash and bank balances	1,864,340,100	1,864,340,100	1,864,340,100	-	-
Available for sale financial assets	148,602,720	-	-	148,602,720	-
Financial receivables	1,282,586,972	1,282,586,972	1,282,586,972	-	-
Financial payables and accruals	(272,147,748)	(272,147,748)	(272,147,748)	-	-
Due to related parties	(1,205,375,471)	(1,205,375,471)	-	-	-
<b>Excess liquidity</b>	<b>1,818,006,573</b>	<b>1,669,403,853</b>	<b>2,874,779,324</b>	<b>148,602,720</b>	-

**29. FINANCIAL RISK MANAGEMENT (CONTINUED)****(b) Market risk***(i) Currency risk*

A sensitivity analysis was not disclosed as the Group has no significant exposure to currency risk. At the reporting date the outstanding payable and receivable balances denominated in foreign currencies were minimal.

*(ii) Equity price risk*

Equity price risk is the risk that the fair values of equity decreases as a result of changes in price indices of investments in other entities' equity instruments as part of the Group's investment portfolio.

The effect on equity as a result of changes by 10% in fair values of the investment in equity instruments designated as available for sale financial assets on the consolidated shareholders' is assessed as follows:

	10 % Increase	10 % Decrease
2010	22,500,487	(22,500,487)
2009	14,860,272	(14,860,272)

*(iii) Interest rate risk*

The majority of the Group's financial assets are non-interest bearing. While the entire Group's financial liabilities are non-interest bearing. As a result, the Group is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. In the meanwhile, any excess cash and cash equivalents is invested in fixed deposits at short-term market interest rates. Hence the Group's only interest bearing financial statement element is fixed deposits with banks.

**2010*****Assets***

Financial assets  
Cash at Bank

	<b>Interest bearing</b>	<b>Non-interest bearing</b>	<b>Total</b>
Financial assets	-	1,251,772,255	1,251,772,255
Cash at Bank	2,865,032,136	38,425,983	2,903,458,119
	<b>2,865,032,136</b>	<b>1,290,198,238</b>	<b>4,155,230,374</b>
<b><i>Liabilities</i></b>			
Financial liabilities	-	173,993,911	173,993,911
Due to related party	-	1,609,232,574	1,609,232,574
	-	<b>1,783,226,485</b>	<b>1,783,226,485</b>

**29. FINANCIAL RISK MANAGEMENT (CONTINUED)***(iii) Interest rate risk (continued)*

2009	Interest bearing	Non-interest bearing	Total
<i>Assets:</i>			
Trade and other receivables	-	1,282,586,972	1,282,586,972
Cash at Bank	1,863,859,152	480,948	1,864,340,100
	1,863,859,152	1,283,067,920	3,146,927,072
<i>Liabilities:</i>			
Trade and other payables	-	272,147,748	272,147,748
Due to related party	-	1,205,375,471	1,205,375,471
	-	1,477,523,219	1,477,523,219

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

**Capital risk management**

The Group's objectives when managing capital are, to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group's overall strategy remains unchanged from 2010. The capital structure of the Group consists of debt, which includes due to Qatar Petroleum disclosed in note 11.c, cash and cash equivalents and equity, comprising issued capital, reserves and retained earnings.

Management reviews the capital structure on a regular basis. As part of this review, management considers the cost of capital and associated risks.

Capital is monitored on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total due to Qatar Petroleum less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

	2010	2009
Due to Qatar Petroleum	1,609,232,574	1,205,375,471
Less: cash and cash equivalents	(2,903,458,119)	(1,864,340,100)
<b>Excess of cash and cash equivalents than debts</b>	<b>(1,294,225,545)</b>	<b>(658,964,629)</b>

The Group does not use gearing in financing its operating and investing activities, as there is excess of cash and cash equivalents than debt as illustrated above.

**30. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY****a) Critical accounting judgments*****Impairment of receivables***

An estimate of the collectible amount of trade receivable and advances is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. As trade receivables are either guaranteed by bank guarantees covering the outstanding balances, or are due from Governmental entities, the risk for impairment of receivables is low, however the group applies a conservative policy regarding providing for any amounts assessed as doubtful in full balance.

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.

***Classification of investment securities***

On acquisition of an investment security, the Group decides whether it should be classified as "investments at fair value through profit or loss" or "available-for-sale". The Group follows the guidance of IAS 39 on classifying its investments. The Group classifies investments as "at fair value through profit or loss" if they are acquired primarily for the purpose of short term profit making and cash generation. All other investments are classified as "available-for-sale". The Group accounts for investments in equity securities as investment in associate only when significant influence over the investee's operations can be proved to exercise, else and regardless of the ownership share, the investment is classified as available for sale.

***Useful lives of property, plant and equipment***

The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset, physical wear and tear, technical or commercial obsolescence.

***Valuation of financial instruments***

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using valuation techniques.

**30. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)****a) Critical accounting judgments - Valuation of financial instruments (continued)**

Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorized:

**2010*****Financial assets at fair value:***

Available for sale financial assets

Level 1	Level 2	Level 3	Total
225,004,874	-	-	225,004,874

2009

***Financial assets at fair value:***

Available for sale financial assets

Level 1	Level 2	Level 3	Total
148,602,720	-	-	148,602,720

**b) Estimation uncertainty*****Impairment of available-for-sale equity investments***

The Group treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in fair value below its cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires considerable judgment. The Group treats “significant” generally as 20% or more and ‘prolonged’ greater than six (6) months. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities, if any.

***Impairment of non-financial assets***

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill embedded in the cost of acquisition of subsidiaries and other indefinite life intangibles, if any, are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

**31. PRIOR PERIOD ADJUSTMENT**

Effective 20 May 2009, the Parent acquired Qatar Technical Inspection Company Q.S.C. (FAHES, or “the Subsidiary”) through issue of 754,717 shares of the Parent’s shares to the shareholders of the Subsidiary as of that date. Based on evaluation of the effective date of acquisition and fair values for the issued shares as of that date, the Group during the year 2010 has revised the measurement and treatment of the transferred consideration and goodwill resulting from the acquisition as recognized in the 2009 financial statements. Accordingly the legal reserve as at 31 December 2009, being the earliest reporting period, has been restated by an amount of QR 75,235,110 and the goodwill included in the consolidated financial statements for the year ended 31 December 2009 has been restated by an amount of QR 75,235,110 to give effect to this adjustment. The basis for calculation of this adjustment is illustrated in the following schedule:

Number of WOQOD’s shares issued to acquire the Subsidiary	754,717
Fair value per share on the effective date of acquisition (20 May 2009) (QR/share)	166.20
Consideration effectively transferred (in QR)	125,433,965
Less: Fair value of acquired net assets of the Subsidiary (in QR)	(50,198,855)
<b>Restatement amount on legal reserve and goodwill (in QR)</b>	<b>75,235,110</b>

Summary of the effects of the restatement from the prior period adjustment on the previously issued comparative figures as at 31 December 2009 is as follows:

	<b>Legal reserve In QR</b>	<b>Goodwill In QR</b>
Balances as at 31 December 2009 as previously stated	307,596,682	57,700,022
Effect of the restatement above	75,235,110	75,235,110
<b>Balances as at 31 December 2009 as restated</b>	<b>382,831,792</b>	<b>132,935,132</b>

**32. COMPARATIVE FIGURES**

The corresponding figures presented for 2009 have been reclassified where necessary to preserve consistency with the 2010 figures. However, such reclassifications did not have any effect on the comprehensive income or the total equity for the comparative period. While the effect on the comparative figures as a result of the restatement due to prior period adjustment is disclosed in Note 31 above.