

Qatar Electricity & Water Company Q.S.C.

**UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS**

30 SEPTEMBER 2010

REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF QATAR ELECTRICITY & WATER COMPANY Q.S.C.

Introduction

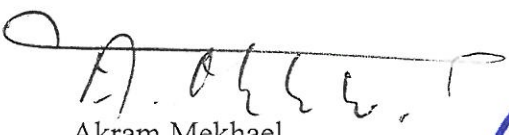
We have reviewed the accompanying interim condensed financial statements of Qatar Electricity & Water Company Q.S.C. (the "Company") and its jointly controlled entities (together referred as the "Group") as at 30 September 2010, comprising of the interim statement of financial position as at 30 September 2010 and the related interim statements of income and comprehensive income for the three-month and nine-month periods ended 30 September 2010, the related interim statement of cash flows and changes in equity for the nine-month period then ended, and the related explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.


Akram Mekhael
of Ernst & Young
Auditor's Registration No. 59

Date: 19 October 2010
Doha



Qatar Electricity & Water Company Q.S.C.

INTERIM STATEMENT OF INCOME

For the nine months ended 30 September 2010

	<i>Notes</i>	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
		<i>2010 QR '000 (Reviewed)</i>	<i>2009 QR '000 (Reviewed)</i>	<i>2010 QR '000 (Reviewed)</i>	<i>2009 QR '000 (Reviewed)</i>
Sales	4	944,298	746,296	2,344,689	1,955,491
Cost of sales		<u>(483,325)</u>	<u>(404,359)</u>	<u>(1,290,880)</u>	<u>(1,137,593)</u>
GROSS PROFIT		460,973	341,937	1,053,809	817,898
Deferred income		1,698	1,698	5,094	5,094
Other operating income		12,461	-	21,952	-
General and administration expenses		(46,323)	(46,331)	(111,112)	(117,216)
Finance costs		(132,708)	(37,636)	(297,914)	(124,295)
Liquidated damages to KAHRAMAA	5	(7,655)	(18,867)	(113,480)	(48,786)
Share of profits of associates		11,921	13,669	29,335	32,700
Interest income		24,163	17,455	63,855	49,370
Dividend income		-	-	11,368	17,302
Share of interest income of joint venture companies		11,054	11,808	33,007	35,584
Share of liquidated damages of joint venture companies		29,274	19,852	126,805	49,724
Miscellaneous (expense) income		<u>(48)</u>	<u>536</u>	<u>11,731</u>	<u>1,827</u>
PROFIT FOR THE PERIOD		<u>364,810</u>	<u>304,121</u>	<u>834,450</u>	<u>719,202</u>
BASIC AND DILUTED EARNINGS PER SHARE	6	<u>3.65</u>	<u>3.04</u>	<u>8.34</u>	<u>7.19</u>
(Expressed in QR per share)					

The attached notes 1 to 16 form part of these interim condensed financial statements.

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2010

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>QR '000</i>	<i>QR '000</i>	<i>QR '000</i>	<i>QR '000</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>
Profit for the period	364,810	304,121	834,450	719,202
Other comprehensive income (loss):				
(Losses) gains from cash flow hedges of the Company	(44,752)	(29,926)	(125,577)	94,839
Share of comprehensive (loss) income of associates and joint venture companies (Notes 8 (iii) and 11)	(431,301)	(367,640)	(1,286,680)	1,091,038
Unrealised gains on available-for-sale investments	29,724	23,042	11,218	31,077
Other comprehensive (loss) income for the period	(446,329)	(374,524)	(1,401,039)	1,216,954
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	(81,519)	(70,403)	(566,589)	1,936,156

Qatar Electricity & Water Company Q.S.C.

INTERIM STATEMENT OF FINANCIAL POSITION

At 30 September 2010

		30 September 2010 QR'000 (Reviewed)	31 December 2009 QR'000 (Audited)
	Notes		
ASSETS			
Non-current assets			
Property, plant and equipment	7	8,942,782	10,663,624
Investments in associates	8	269,533	247,338
Available-for-sale investments		292,917	275,234
Finance lease receivable	9	6,905,714	3,820,652
		<u>16,410,946</u>	<u>15,006,848</u>
Current assets			
Finance lease receivable	9	38,595	27,400
Inventories		262,122	274,416
Accounts receivable and prepayments		648,466	432,376
Bank balances and cash		<u>2,766,976</u>	<u>2,306,962</u>
		<u>3,716,159</u>	<u>3,041,154</u>
TOTAL ASSETS		<u><u>20,127,105</u></u>	<u><u>18,048,002</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital		1,000,000	1,000,000
Legal reserve		500,000	500,000
General reserve		2,707,888	2,707,888
Retained earnings		834,450	500,000
Other components of equity		<u>(2,519,237)</u>	<u>(1,118,198)</u>
Total equity		<u>2,523,101</u>	<u>3,589,690</u>
Non-current liabilities			
Interest bearing loans and borrowings	10	11,070,181	10,822,674
Other term loans		357,913	457,913
Deferred income	12	35,657	40,751
Employees' end of service benefits		<u>57,175</u>	<u>51,200</u>
		<u>11,520,926</u>	<u>11,372,538</u>
Current liabilities			
Accounts payable and accruals		1,569,376	1,102,646
Interest bearing loans and borrowings	10	1,789,097	668,195
Other term loans		105,972	105,972
Derivatives	11	2,611,841	1,202,169
Deferred income	12	<u>6,792</u>	<u>6,792</u>
		<u>6,083,078</u>	<u>3,085,774</u>
Total liabilities		<u>17,604,004</u>	<u>14,458,312</u>
TOTAL EQUITY AND LIABILITIES		<u><u>20,127,105</u></u>	<u><u>18,048,002</u></u>

.....
Abdulla Bin Hamad Al-Attiah
Chairman

.....
Nasser Khaleel Al-Jaidah
Board Member

The attached notes 1 to 16 form part of these interim condensed financial statements.

Qatar Electricity & Water Company Q.S.C.

INTERIM STATEMENT OF CASH FLOWS

For the nine months ended 30 September 2010

	<i>Nine months ended 30 September</i>	
	<i>2010</i>	<i>2009</i>
	<i>QR'000</i>	<i>QR'000</i>
<i>Note</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>
OPERATING ACTIVITIES		
Profit for the period	834,450	719,202
Adjustments for:		
Depreciation	348,270	371,557
Finance costs	297,914	124,295
Provision for slow-moving stocks	14,598	13,471
Provision for employees' end of service benefits	7,367	7,287
Interest income	(63,855)	(49,370)
Dividend income	(11,368)	(17,302)
Share of profit of associates	(29,335)	(32,700)
Deferred income recognized	(5,094)	(5,094)
	<u>1,392,947</u>	<u>1,131,346</u>
Working capital changes:		
Lease receivables	(343,100)	17,659
Inventories	(2,304)	756
Accounts receivable and prepayments	(216,090)	(73,810)
Accounts payable and accruals	<u>466,730</u>	<u>(142,532)</u>
Cash from operations	1,298,183	933,419
Finance costs paid	(297,914)	(124,295)
Employees' end of service benefits paid	<u>(1,393)</u>	<u>(974)</u>
Net cash from operating activities	<u>998,876</u>	<u>808,150</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,380,585)	(3,045,741)
Dividends received from associates	8 4,556	9,568
Interest received	63,855	49,370
Dividends from other shares	11,368	17,302
Purchase of available-for-sale investments	<u>(6,465)</u>	<u>(17,331)</u>
Net cash used in investing activities	<u>(1,307,271)</u>	<u>(2,986,832)</u>
FINANCING ACTIVITIES		
Dividends paid	(500,000)	(450,000)
Drawdown of interest bearing loans and borrowings	1,409,583	3,208,849
Repayment of interest bearing loans and borrowings	(41,174)	(361,886)
Repayment of other term loans	<u>(100,000)</u>	<u>(60,000)</u>
Net cash from financing activities	<u>768,409</u>	<u>2,336,963</u>
INCREASE IN BANK BALANCES AND CASH	460,014	158,281
Bank balances and cash at 1 January	<u>2,306,962</u>	<u>1,614,917</u>
BANK BALANCES AND CASH AT 30 SEPTEMBER	<u><u>2,766,976</u></u>	<u><u>1,773,198</u></u>

The attached notes 1 to 16 form part of these interim condensed financial statements.

Qatar Electricity & Water Company Q.S.C.

INTERIM STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2010

	Share Capital QR '000	Legal reserve QR '000	General reserve QR '000	Retained earnings QR '000	Cash flow hedge reserve QR '000	Available- for-sale reserve QR '000	Total QR '000
Balance at 1 January 2010 (Audited)	1,000,000	500,000	2,707,888	500,000	(1,238,808)	120,610	3,589,690
Profit for the period	-	-	-	834,450	-	-	834,450
Other comprehensive (loss) income	-	-	-	-	(1,412,257)	11,218	(1,401,039)
Total comprehensive loss	-	-	-	834,450	(1,412,257)	11,218	(566,589)
Dividends paid for 2009	-	-	-	(500,000)	-	-	(500,000)
Balance at 30 September 2010 (Reviewed)	1,000,000	500,000	2,707,888	834,450	(2,651,065)	131,828	2,523,101
Balance at 1 January 2009 (Audited)	1,000,000	500,000	2,286,203	450,000	(3,022,811)	94,210	1,307,602
Profit for the period	-	-	-	719,202	-	-	719,202
Other comprehensive income	-	-	-	-	1,185,877	31,077	1,216,954
Total comprehensive income	-	-	-	719,202	1,185,877	31,077	1,936,156
Dividends paid for 2008	-	-	-	(450,000)	-	-	(450,000)
Balance at 30 September 2009 (Reviewed)	1,000,000	500,000	2,286,203	719,202	(1,836,934)	125,287	2,793,758

The attached notes 1 to 16 form part of these interim condensed financial statements.

Qatar Electricity & Water Company Q.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2010

1 CORPORATE INFORMATION

Qatar Electricity & Water Company Q.S.C. (the "Company") is a public shareholding company incorporated in the State of Qatar on 16 March 1992. The Company's registered office is at QIMCO Building, West Bay Corniche Road, P.O.Box 22046, Doha, State of Qatar. The interim condensed financial statements as at and for the three-month and nine-month periods ended 30 September 2010 includes the financial statements of the Company and its interest in associates and jointly controlled entities (together referred as the "Group"). The Group is primarily involved in the production of electricity and water. The Company's shares are listed in the Doha Securities Market.

The structure of the Group, included in the interim condensed financial statements of Qatar Electricity and Water Company Q.S.C. are as follows:

		<i>Country of incorporation</i>	<i>Percentage of holding</i>
AES Ras Laffan Operating Company W.L.L.	Associate	Qatar	30%
Ras Laffan Power Company Limited (Q.S.C.)	Associate	Qatar	25%
Q Power Q.S.C.	Jointly controlled entity	Qatar	55%
Mesaieed Power Company Limited	Jointly controlled entity	Qatar	40%
Ras Girtas Power Company Limited	Jointly controlled entity	Qatar	45%

The interim condensed financial statements of the Group for the nine months ended 30 September 2010 were authorised for issue by the Board of Directors on 19 October 2010.

2 AGREEMENT WITH QATAR GENERAL ELECTRICITY & WATER CORPORATION (KAHRAMAA) FOR ACQUISITION OF STATIONS

During January 2003, the Company entered into an agreement with Qatar General Electricity & Water Corporation (KAHRAMAA) for the acquisition of the following stations:

- Ras Abu Fontas A
- Al Wajbah
- Al Saliyah
- Doha South Super

Article 6 of the agreement states that the agreement is conditional and shall not become effective among others, unless an Emiri decree granting the Company a concession to use the land on which the plants are located has been promulgated and is in full force and effect. Article 6.2 of the said agreement also states that in the event the Emiri decree is not granted by 1 June 2003 the parties shall meet to discuss and agree a solution and to the extent necessary, the said agreement shall be amended to reflect any such solution needed.

As at the end of the reporting period, the Emiri decree has not been obtained by the Company. The revenues from these stations accounted for 17% of the total revenues of the Company for the period ended 30 September 2010 (30 September 2009: 30%). No amendments have been made to the above agreement since both parties are continuing the discussions and are confident of obtaining the Emiri decree in due course.

3 BASIS OF PREPARATION AND ACCOUNTING POLICIES

These interim condensed financial statements are prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting.

The interim condensed financial statements do not contain all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 December 2009. In addition, results for the nine months ended 30 September 2010 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2010.

3 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

The accounting policies used in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2009, except as noted below:

The Group has adopted the following new and amended IFRS and IFRIC interpretations effective 1 January 2010:

- *IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions* effective 1 January 2010
- *IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)* effective 1 July 2009 including consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39
- *IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items* effective 1 July 2009
- *IFRIC 17 Distributions of Non-Cash Assets to Owners* effective for financial periods beginning on or after 1 July 2009
- *IFRIC 18 Transfers of Assets from Customers* effective 1 July 2009
- *Improvements to International Financial Reporting Standards* (issued in 2009) effective for financial periods beginning on or after 1 January 2010

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items

The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group.

Improvements to International Financial Reporting Standards

The International Accounting Standards Board issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wordings. There are separate transitional provisions for each standard. The adoption of applicable amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

The interim condensed financial statements are prepared in Qatari Riyals and all values are rounded to the nearest thousands (QR'000) except when otherwise indicated.

In accordance with the agreement signed with the Government of the State of Qatar on 10 October 1999 for the purchase of Ras Abu Fontas 'B' station and sale of its electricity and water and the mechanism for the calculation of annual revenue signed with the Ministry of Energy, Industry, Electricity and Water on 13 July 2000, an adjustment is made to the annual revenue in the annual financial statements to reflect the guaranteed revenue. The interim condensed financial statements are not subject to such adjustments, as the agreement requires that adjustments be made only to the annual figures.

Sales from RAF A, Al Wajbah, Al Saliyah and Doha South Super are accounted for as per the terms of the Power and Water purchase agreement with KAHRAMAA. No sales have been recognised from Al Wajbah as the Station ceased operations with effect from 1 January 2010. An adjustment is made to the annual financial statements to reflect the guaranteed revenue. However, the interim condensed financial statements are not subject to such adjustments, as the agreement requires that adjustments be made only to the annual figures.

3 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Sales from Dukhan desalination plant are accounted for in accordance with the Water Purchase Agreement signed with Qatar Petroleum. As per the agreement an adjustment is to be made to the annual revenue in the annual financial statements to reflect the guaranteed revenue. However, an adjustment has been made to revenue as on 30 September 2010 to reflect the guaranteed revenue after making such prorated annual adjustment.

Costs that are incurred unevenly during the financial year are anticipated or deferred in the interim condensed financial statements only if it would be appropriate to anticipate or defer such costs to the end of the financial year.

4 SALES

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>
Sales represent revenues generated from the supply of:				
Electricity	519,496	465,229	1,244,019	1,156,648
Water	295,664	242,202	802,063	685,030
Lease income from plant lease:				
- Q Power Q.S.C.	37,320	38,865	111,287	113,813
- Mesaieed Power Company Limited	64,535	-	160,037	-
- Ras Girtas Power Company Limited	27,283	-	27,283	-
	<u>944,298</u>	<u>746,296</u>	<u>2,344,689</u>	<u>1,955,491</u>

5 LIQUIDATED DAMAGES TO KAHRAMAA

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>
Liquidated damages payable to KAHRAMAA (i)	-	-	56,202	-
Share of liquidated damages of joint venture companies (ii)	<u>7,655</u>	<u>18,867</u>	<u>57,278</u>	<u>48,786</u>
	<u>7,655</u>	<u>18,867</u>	<u>113,480</u>	<u>48,786</u>

Notes:

- (i) The liquidated damages payable to KAHRAMAA arise from RAF A1 project for failing to commence the production on scheduled commencement date which resulted in the delay of supply of water.
- (ii) The share of liquidated damages of joint venture companies arises from failure of Mesaieed Power Company Limited and Ras Girtas Power Company Limited to achieve the target power dates resulting in the delay of supply of electricity.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2010

6 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the period by the weighted average number of shares outstanding during the period as follows:

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>
Profit for the period (in QR'000)	<u>364,810</u>	<u>304,121</u>	<u>834,450</u>	<u>719,202</u>
Weighted average number of shares outstanding during the period (in shares)	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>
Basic and diluted earnings per share (expressed in QR per share)	<u>3.65</u>	<u>3.04</u>	<u>8.34</u>	<u>7.19</u>

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

Qatar Electricity & Water Company Q.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2010

7 PROPERTY, PLANT AND EQUIPMENT

	<i>Production facilities QR'000</i>	<i>Furniture, fixtures and office equipment QR'000</i>	<i>Motor vehicles QR'000</i>	<i>"C" inspection costs QR'000</i>	<i>Capital spares QR'000</i>	<i>Capital work in progress QR'000</i>	<i>Total QR'000</i>
Cost:							
At 1 January 2010	6,314,950	19,276	5,194	206,884	120,218	6,623,388	13,289,910
Additions	827	4,183	919	-	18,619	1,356,037	1,380,585
Reclassifications	1,857,968	686	-	80,166	-	(1,938,820)	-
Transfer to finance lease receivable	-	-	-	-	-	(2,753,157)	(2,753,157)
Retirements/disposals	-	-	-	(18,246)	-	-	(18,246)
At 30 September 2010	8,173,745	24,145	6,113	268,804	138,837	3,287,448	11,899,092
Depreciation:							
At 1 January 2010	2,501,449	13,946	2,330	85,580	22,981	-	2,626,286
Charge for the period	286,780	1,971	833	52,279	6,407	-	348,270
Retirements/disposals	-	-	-	(18,246)	-	-	(18,246)
At 30 September 2010	2,788,229	15,917	3,163	119,613	29,388	-	2,956,310
Net carrying amounts:							
At 30 September 2010 (Reviewed)	5,385,516	8,228	2,950	149,191	109,449	3,287,448	8,942,782
At 31 December 2009 (Audited)	3,813,501	5,330	2,864	121,304	97,237	6,623,388	10,663,624

Notes:

- The Company has discontinued the operations of its Al Wajba power production facility during the period as per instructions received from the Government of the State of Qatar. Negotiations for compensation have not formally started. Management believes it can recover the full carrying value of the facility and thus no impairment loss has been provided in these financial statements.
- Included in capital work-in-progress is an amount of QR 105 million (31 December 2009: QR 84.7 million) representing borrowing costs capitalized during the period.

Qatar Electricity & Water Company Q.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2010

8 INVESTMENTS IN ASSOCIATES

The Company has the following investments in associates:

	<i>Country of incorporation</i>	<i>Ownership</i>	<i>30 September 2010 QR'000 (Reviewed)</i>	<i>31 December 2009 QR'000 (Audited)</i>
AES Ras Laffan Operating Company W.L.L	Qatar	30%	42,993	34,886
Ras Laffan Power Company Limited Q.S.C.	Qatar	25%	226,540	212,452
			<u>269,533</u>	<u>247,338</u>

Notes:

- (i) AES Ras Laffan Operating Company W.L.L. is engaged in the management, operation, maintenance and development of electricity and water desalination plants in Qatar. Ras Laffan Power Company Limited (Q.S.C.) is engaged to develop, own, operate and maintain an electricity and water desalination plant in Qatar.
- (ii) The Company have accounted for its share of profits from associate companies amounting to QR 29.34 million for the nine-month period ended 30 September 2010 (30 September 2009: QR 32.70 million) and dividend received amounted to QR 4.56 million for the period ended 30 September 2010 (30 September 2009: QR 9.57 million).
- (iii) The Company has also accounted for its share in the cumulative changes in the fair value of derivative financial instruments (interest rate swaps) of Ras Laffan Power Company Limited (Q.S.C.) amounting to QR 2.56 million as at 30 September 2010 (31 December 2009: QR 18.78 million).

The above adjustments have been recorded in the Company's interim condensed financial statements based on the financial statements prepared by the associate companies, which have not been independently reviewed.

The following table illustrates summarised financial information of the Company's investments in associates:

	<i>30 September 2010 QR'000 (Reviewed)</i>	<i>31 December 2009 QR'000 (Audited)</i>
<i>Share of the associates' financial position:</i>		
Current assets	130,630	91,975
Non-current assets	539,432	574,094
Current liabilities	(67,626)	(71,857)
Non-current liabilities	<u>(332,903)</u>	<u>(346,874)</u>
Net assets	<u>269,533</u>	<u>247,338</u>
<i>Share of the associates' revenue and profits:</i>		
Revenue	<u>134,471</u>	<u>153,369</u>
Profits	<u>29,335</u>	<u>46,619</u>
Carrying amounts of the investments	<u>269,533</u>	<u>247,338</u>

9 FINANCE LEASE RECEIVABLES

Finance lease receivables represent the proportionate share of lease receivables from Q Power Q.S.C., Ras Girtas Power Company Limited and Mesaieed Power Company Limited. The jointly controlled entities adopted IFRIC 4 *Determining Whether an Arrangement Contains a Lease* which became effective from 1 January 2006 in accounting for their self-constructed production facilities.

10 INTEREST BEARING LOANS AND BORROWINGS

	30 September 2010 QR'000 (Reviewed)	31 December 2009 QR'000 (Audited)
Loan 1 (Note (i))	1,562,840	1,581,163
Loan 2 (Note (ii))	546,750	546,750
Loan 3 (Note (iii))	1,215,329	1,234,103
Loan 4 (Note (iv))	2,383,337	2,163,843
Loan 5 (Note (v))	908,761	708,952
Loan 6 (Note (vi))	453,397	423,195
Loan 7 (Note (vii))	1,093,500	1,093,500
Loan 8 (Note (viii))	4,754,839	3,794,612
	<u>12,918,753</u>	<u>11,546,118</u>
Less: financing arrangement costs	<u>(59,475)</u>	<u>(55,249)</u>
	<u>12,859,278</u>	<u>11,490,869</u>
Classified in the statement of financial position as follows:		
Current portion	1,789,097	668,195
Non-current portion	<u>11,070,181</u>	<u>10,822,674</u>
	<u>12,859,278</u>	<u>11,490,869</u>

Notes:

- (i) The Company has entered into credit agreement with The Bank of Tokyo Mitsubishi UFJ Ltd which acts as a facility agent and offshore security trustee for a credit facility amounting to US\$ 485.5 million (QR 1,769 million) to finance the construction of RAF B2. The total drawn amount as at 30 September 2010 amounted to US\$ 428 million (QR 1,563 million) (31 December 2009: US\$ 433 million (QR 1,581 million)). Interest is charged at a rate of LIBOR + 0.55 to 1.65 per annum as specified in the credit agreement. The loan is repayable semi annually commencing from actual facility date i.e. six months from actual facility date or ten months after scheduled completion date.
- (ii) The Company has entered into Revolving Bridge Facility agreement with The Bank of Tokyo Mitsubishi UFJ Ltd. which acts as a mandated lead arranger for a facility amounting to US \$ 150 million to finance the construction of RAF A expansion projects. The total drawn amount as at 30 September 2010 amounted to US\$ 150 million (QR 546.75 million) (31 December 2009: US\$ 150 million (QR 546.75 million)). Interest is charged at a rate of LIBOR + 1.5 per annum as specified in the facility agreement. The termination date of the facility is 31 October 2010.
- (iii) This represents the Company's share of Q-Power Q.S.C. bank borrowings.
- (iv) This represents the Company's share of Mesaieed Power Company Limited bank borrowings.

10 INTEREST BEARING LOANS AND BORROWINGS (continued)

Notes:

- (v) The Company entered into a facility agreement with a consortium of banks to finance its RAF A1 plant facilities. This term loan facility of US\$ 288,200,000 carries interest at LIBOR plus a margin ranging from 0.60% to 1.05%. The total drawn amount as at 30 September 2010 amounted to US\$249.3 million (QR 908.76 million) (31 December 2009: US\$ 194.5 million (QR 708.95 million)). The loan is repayable in semi-annual installments starting on 30 June 2010 at a pre-determined repayment percentage multiplied against the principal amount outstanding as at the end of the availability period.
- (vi) The Company has availed US\$ 144,100,000 Islamic facility agreement in the form of Istisnaa' for the construction of three multi-stage flash type desalination units forming part of a fully-functioning water-desalination plant at RAF A1. The total drawn amount as at 30 September 2010 amounted to US\$ 124.39 million (QR 453.39 million) (31 December 2009: US\$ 115.94 million (QR 423.19 million)).
- (vii) The Company entered into a revolving credit facility agreement with a consortium of banks to finance several projects. This term loan facility of USD 300,000,000 carries interest at LIBOR plus a margin of 0.40%. The Company has drawn down the full amount as at 30 September 2010 (31 December 2009: US\$ 300 million (QR 1,093.50 million)). The loan is repayable in full on or before the termination date which is on the third year from 21 April 2008.
- (viii) This represents the Company's share of Ras Girtas Power Company Limited bank borrowings.

11 DERIVATIVES

	<i>30 September 2010 QR'000 (Reviewed)</i>	<i>31 December 2009 QR'000 (Audited)</i>
Share in fair value of cash flow hedge (i)	2,345,682	1,061,587
Cash flow hedge (ii)	<u>266,159</u>	<u>140,582</u>
	<u><u>2,611,841</u></u>	<u><u>1,202,169</u></u>

Notes:

- (i) Q Power Q.S.C., Mesaieed Power Company Limited and Ras Girtas Power Company Limited have entered into various interest rate swap contracts to hedge their floating interest rate bearing loans against interest rate risk. The Company accounted for its proportionate share of the fair value of the derivatives which amounted to QR 2,345.68 million as of 30 September 2010 (31 December 2009: QR 1,061.59 million).
- (ii) As at 30 September 2010, the Company has six interest rate swap contracts with maximum notional amount of QR 1,120 million in order to hedge against interest rate risk arising from certain floating interest-bearing loans. The terms of the interest rate swap contracts have been negotiated to match the terms of the commitments. As at 30 September 2010, the measurement of the fair values of the hedges resulted in a negative amount of QR 266.16 million (31 December 2009: QR 140.58 million) which has been recognised in the interim statement of comprehensive income as a cash flow hedge reserve and as a derivative liability under current liabilities.

12 DEFERRED INCOME

	<i>30 September 2010 QR'000 (Reviewed)</i>	<i>31 December 2009 QR'000 (Audited)</i>
Balance at beginning of period/year	47,543	54,335
Income recognised during the period/year	<u>(5,094)</u>	<u>(6,792)</u>
Balance at end of period/year	<u>42,449</u>	<u>47,543</u>
Presented in the statement of financial position as follows:		
Current portion	6,792	6,792
Non-current portion	<u>35,657</u>	<u>40,751</u>
	<u>42,449</u>	<u>47,543</u>

Deferred income represents the fair value of spare parts received/receivable from Alstom Power in respect of the settlement agreement of the RAF B contract between KAHRAMAA and Alstom Power. This deferred income is amortised and credited to the interim statement of income on a straight-line basis over the remaining estimated useful life of RAF B plant.

13 INVESTMENTS IN JOINT VENTURE COMPANIES (Q POWER Q.S.C., MESAIEED POWER COMPANY LIMITED AND RAS GIRTAS POWER COMPANY LIMITED)

The Company's share of the assets, liabilities, income and expenses of the jointly controlled entities, on a combined basis after inter company adjustments at 30 September 2010 and 31 December 2009 and for the nine months period ended and the year then ended, respectively, which are included in the financial statements are as follows:

	<i>30 September 2010 QR'000 (Reviewed)</i>	<i>31 December 2009 QR'000 (Audited)</i>
Current assets	454,284	588,927
Non-current assets	8,728,254	7,133,397
Current liabilities	(2,925,387)	(1,493,422)
Non-current liabilities	<u>(8,251,913)</u>	<u>(7,110,628)</u>
	<u>(1,994,762)</u>	<u>(881,726)</u>
Revenues	666,841	484,944
Cost of sales	(319,272)	(249,928)
Administrative expenses	(109,879)	(79,053)
Finance costs	(222,627)	(114,245)
Other income	<u>155,998</u>	<u>18,804</u>
Profit for the period/year	<u>171,061</u>	<u>60,522</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2010

14 SEGMENT INFORMATION

The Group primarily operates integrated plants for the generation of electricity and desalination water in the State of Qatar. The water desalination process is completely dependent upon electricity generation. Electricity and water processes are interrelated and are subject to similar risks and returns. Production is sold to two customers. The management has determined that the Group is considered to have a single operating segment.

15 COMMITMENTS AND CONTINGENT LIABILITIES

	<i>30 September 2010 QR'000 (Reviewed)</i>	<i>31 December 2009 QR'000 (Audited)</i>
<i>Commitments:</i>		
Capital commitments (i)	<u>225,946</u>	<u>1,762,254</u>
Operating lease commitments (ii)	<u>147,684</u>	<u>15,048</u>
<i>Contingent liability:</i>		
Bank guarantees and documentary credits (iii)	<u>117,723</u>	<u>192,925</u>

Notes:

(i) Capital commitments include the following:

- a) The amounts payable to the EPC contractors of RAF A1 project amounting to QR Nil as at 30 September 2010 (31 December 2009: QR 277.72 million).
- b) The proportionate commitment of the Company in Mesaieed Power Company Limited as at 30 September 2010 which amounts to QR .08 million (31 December 2009: QR 263.06 million).
- c) The proportionate commitment of the Company in Ras Girtas Power Company Limited as at 30 September 2010 which amounts to QR 207.63 million (31 December 2009: QR 870.57 million).

(ii) Operating lease commitment includes:

The proportionate share of the future lease commitments in Mesaieed Power Company Limited's operating lease commitment in accordance with the land lease agreement with Qatar Petroleum, where the jointly controlled entity is contingently liable for the value of the annual rent for the term of the lease agreement for the land on which the jointly controlled entity has constructed its plant facilities are as follows:

	<i>30 September 2010 QR'000 (Reviewed)</i>	<i>31 December 2009 QR'000 (Audited)</i>
Due in one year	382	382
Due in 2- 5 years	2,383	2,290
Due in more than 5 years	<u>11,919</u>	<u>12,376</u>
Total	<u>14,684</u>	<u>15,048</u>

(iii) Bank guarantees and documentary credits include the Company's proportionate share of bank guarantees given to lenders and to Ras Laffan Power Company by Q Power Q.S.C. amounting to QR 60.14 million as at 30 September 2010 (31 December 2009: QR 189.94 million).

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2010

16 RELATED PARTY DISCLOSURES

Related party transactions

Related parties represent associated companies, major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

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

		Three months ended 30 September		Nine months ended 30 September	
		2010	2009	2010	2009
		QR'000	QR'000	QR'000	QR'000
	Related Party	(Reviewed)	(Reviewed)	(Reviewed)	(Reviewed)
Sales:					
Revenue from sale of electricity	KAHRAMAA	519,496	465,229	1,244,019	1,156,648
Revenue from sale of water	KAHRAMAA	292,118	238,868	792,037	676,004
	Qatar Petroleum	3,546	3,334	10,026	9,026
Lease income from plant leases	KAHRAMAA	129,138	38,865	298,607	113,813
Cost of sales:					
Cost of gas consumed	Qatar Petroleum	218,690	220,853	588,469	556,924
Other income:					
Interest on bank deposits	Qatar National Bank	16,086	14,755	52,798	40,648

Related party balances

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

	<i>30 September 2010</i>		<i>31 December 2009</i>	
	<i>Trade receivables QR'000 (Reviewed)</i>	<i>Trade and other payables QR'000 (Reviewed)</i>	<i>Trade receivables QR'000 (Audited)</i>	<i>Trade and other payables QR'000 (Audited)</i>
KAHRAMAA	830,211	29,818	371,354	28,091
Qatar Petroleum	3,542	225,274	2,272	141,053
	<u>833,753</u>	<u>255,092</u>	<u>373,626</u>	<u>169,144</u>

Compensation of key management personnel

The remuneration of directors and members of key management during the period are as follows:

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2010 QR'000 (Reviewed)</i>	<i>2009 QR'000 (Reviewed)</i>	<i>2010 QR'000 (Reviewed)</i>	<i>2009 QR'000 (Reviewed)</i>
Management remuneration	<u>2,103</u>	<u>1,747</u>	<u>11,054</u>	<u>9,222</u>
Directors' sitting fees	<u>2,925</u>	<u>2,925</u>	<u>8,775</u>	<u>8,775</u>