QATAR ELECTRICITY & WATER COMPANY Q.S.C.

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

QATAR ELECTRICITY & WATER COMPANY Q.S.C.

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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INDEPENDENT AUDITORS' REPORT

To the shareholders of Qatar Electricity & Water Company Q.S.C.
Doha, State of Qatar

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Qatar Electricity & Water Company Q.S.C. (the "Company"), which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated income statement and the consolidated statements of profit or loss and other comprehensive income, cash flows and changes in equity for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is 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 Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, 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 ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from 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 control relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of 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.

KPMG

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at 31 December 2015, and 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

We have obtained all the information and explanations we considered necessary for the purposes of our audit. The Company has maintained proper accounting records and its consolidated financial statements are in agreement therewith. We confirm that the physical count of the inventories was carried out in accordance with established principles. We have reviewed the report of the Board of Directors and confirm that the financial information contained therein is in agreement with the books and records of the Company. We are not aware of any violations of the provisions of the Qatar Commercial Companies Law No. 11 of 2015 or the terms of the Company's Articles of Association during the year which might have had a material adverse effect on the business of the Company or on its consolidated financial position as at 31 December 2015.

2 February 2016
Doha
State of Qatar

Gopal Balasubramaniam
KPMG
Qatar Auditor's Registry No.251

QATAR ELECTRICITY & WATER COMPANY Q.S.C.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015 *In thousands of Qatari Riyals*

	Note	31 December 2015	31 December 2014
ASSETS			
Non-current assets			
Property, plant and equipment	5	5,713,911	5,328,387
Investment property	6	174,901	-
Intangible assets and goodwill	7	114,395	120,365
Investments in associates	8	-	279,678
Investments in joint ventures	9	2,626,834	2,567,039
Available-for-sale financial assets	10	344,435	485,368
Finance lease receivables	11	1,490,605	1,637,081
Other assets	12	21,871	23,731
		10,486,952	10,441,649
Current assets			
Inventories	13	177,895	194,988
Trade and other receivables	14	887,988	551,946
Finance lease receivables	11	146,477	137,969
Cash and cash equivalents	15	1,750,798	1,622,315
		2,963,158	2,507,218
Total assets		**13,450,110**	12,948,867

The consolidated statement of financial position continues on the next page.

The notes on pages 10 to 50 are an integral part of these consolidated financial statements.

QATAR ELECTRICITY & WATER COMPANY Q.S.C.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2015 *In thousands of Qatari Riyals*

	Note	**31 December 2015**	31 December 2014
EQUITY AND LIABILITIES			
EQUITY			
Share capital	16	1,100,000	1,100,000
Legal reserve	17	550,000	550,000
General reserve	18	3,241,834	3,241,834
Hedge reserve	19	(1,759,479)	(1,825,125)
Fair value reserve	20	175,244	316,177
Retained earnings		4,038,710	3,398,727
Equity attributable to owners of the Company		7,346,309	6,781,613
Non-controlling interests		256,048	242,923
Total equity		**7,602,357**	7,024,536
LIABILITIES			
Non-current liabilities			
Bank loans	21	3,790,797	3,674,236
Interest rate swaps for hedging	22	20,010	68,105
Deferred income	23	--	6,791
Employees' end of service benefits	24	48,931	44,250
		3,859,738	3,793,382
Current liabilities			
Bank loans	21	1,124,412	1,425,358
Interest rate swaps for hedging	22	107,329	102,661
Deferred income	23	6,792	6,792
Trade and other payables	25	749,482	596,138
		1,988,015	2,130,949
Total liabilities		**5,847,753**	5,924,331
Total equity and liabilities		**13,450,110**	12,948,867

These consolidated financial statements were approved by the Board of Directors and were signed on its behalf by the following on 2 February 2016:

Dr. Mohamed Bin Saleh Al-Sada
Chairman

Mr. Issa Bin Shahin Al-Ghanim
Vice Chairman

QATAR ELECTRICITY & WATER COMPANY Q.S.C.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015 *In thousands of Qatari Riyals*

	Note	2015	2014
Continuing operations:			
Revenue	26	2,982,598	2,897,811
Cost of sales	27	(1,679,152)	(1,621,957)
Gross profit		**1,303,446**	1,275,854
Other income	28	90,637	161,977
General and administrative expenses	29	(182,667)	(231,945)
Operating profit		**1,211,416**	1,205,886
Finance costs, net	30	(100,254)	(92,093)
Share of profit of associates	8	15,869	28,015
Share of profit of joint ventures	9	408,514	392,593
Profit from continuing operations		**1,535,545**	1,534,401
Discontinued operation:			
Profit from discontinued operation	31	--	32,109
Profit		**1,535,545**	1,566,510
Other comprehensive income:			
Items that are or may be reclassified to profit or loss:			
Associates - Share of effective portion of changes in fair value on interest rate swaps for hedging	8	58,541	(54,006)
Joint ventures - Share of effective portion of changes in fair value on interest rate swaps for hedging	9	(36,322)	(81,735)
Effective portion of changes in fair value on interest rate swaps for hedging of the Company	22	43,427	(1,859)
Net change in fair value on available-for-sale financial assets of the Company	10	(140,933)	31,222
Other comprehensive income		**(75,287)**	(106,378)
Total comprehensive income		**1,460,258**	1,460,132
Profit attributable to:			
Owners of the Company		1,500,550	1,530,003
Non-controlling interests		34,995	36,507
		1,535,545	1,566,510
Total comprehensive income attributable to:			
Owners of the Company		1,425,263	1,423,625
Non-controlling interests		34,995	36,507
		1,460,258	1,460,132
Earnings per share:			
Basic and diluted earnings per share (Qatari Riyals)	32	**13.64**	13.91
Earnings per share – continuing operations			
Basic and diluted earnings per share (Qatari Riyals)	32	**13.64**	13.62

The notes on pages 10 to 50 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2015

In thousands of Qatari Riyals

	Attributable to owners of the Company								
	Share capital (Note 16)	**Legal reserve (Note 17)**	**General reserve (Note 18)**	**Hedging reserve (Note 19)**	**Fair value reserve (Note 20)**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2015	**1,100,000**	**550,000**	**3,241,834**	**(1,825,125)**	**316,177**	**3,398,727**	**6,781,613**	**242,923**	**7,024,536**
Total comprehensive income:									
Profit	-	-	-	-	-	1,500,550	1,500,550	34,995	1,535,545
Other comprehensive income	-	-	-	65,646	(140,933)	-	(75,287)	-	(75,287)
	-	-	-	65,646	(140,933)	1,500,550	1,425,263	34,995	1,460,258
Transactions with owners of the Company:									
Dividends relating to year 2014 (Note 33)	-	-	-	-	-	(825,000)	(825,000)	(21,870)	(846,870)
Other movements in equity:									
Contribution to social and sports support fund for 2015 (Note 34)	-	-	-	-	-	(35,567)	(35,567)	-	(35,567)
Balance at 31December 2015	**1,100,000**	**550,000**	**3,241,834**	**(1,759,479)**	**175,244**	**4,038,710**	**7,346,309**	**256,048**	**7,602,357**

The consolidated statement of equity continues on the next page.

The notes on pages 10 to 50 are an integral part of these consolidated financial statements.

QATAR ELECTRICITY & WATER COMPANY Q.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2015

In thousands of Qatari Riyals

	Attributable to owners of the Company								
	Share capital (Note 16)	Legal reserve (Note 17)	General reserve (Note 18)	Hedging reserve (Note 19)	Fair value reserve (Note 20)	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2014	1,000,000	500,000	3,241,834	(1,687,525)	284,955	2,771,540	6,110,804	229,746	6,340,550
Total comprehensive income:									
Profit	-	-	-	-	-	1,530,003	1,530,003	36,507	1,566,510
Other comprehensive income	-	-	-	(137,600)	31,222	-	(106,378)	-	(106,378)
	-	-	-	(137,600)	31,222	1,530,003	1,423,625	36,507	1,460,132
Transactions with owners of the Company:									
Issue of bonus shares	100,000	-	-	-	-	(100,000)	-	-	-
Dividends relating to year 2013 (Note 33)	-	-	-	-	-	(750,000)	(750,000)	(23,330)	(773,330)
	100,000	-	-	-	-	(850,000)	(750,000)	(23,330)	(773,330)
Other movements in equity:									
Contribution to social and sports support fund for 2014 (Note 34)	-	-	-	-	-	(2,816)	(2,816)	-	(2,816)
Transfer to legal reserve	-	50,000	-	-	-	(50,000)	-	-	-
	-	50,000	-	-	-	(52,816)	(2,816)	-	(2,816)
Balance at 31December 2014	**1,100,000**	**550,000**	**3,241,834**	**(1,825,125)**	**316,177**	**3,398,727**	**6,781,613**	**242,923**	**7,024,536**

The notes on pages 10 to 50 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2015 *In thousands of Qatari Riyals*

	Note	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit		**1,535,545**	1,566,510
Adjustments for:			
Depreciation of property, plant and equipment	5	455,152	453,065
Share of profits of associates	8	(15,869)	(28,015)
Share of profits of joint ventures	9	(408,514)	(392,593)
Provision for employees' end of service benefits	24	5,103	5,776
Deferred income	28	(6,791)	(6,792)
Dividend income from available-for-sale financial assets	28	(18,377)	(24,756)
Profit on disposal of property, plant and equipment	28	(125)	(316)
Amortization of intangible asset	29	5,970	5,970
Provision for slow moving inventories	29	18,968	18,998
Provision for impairment of asset held for sale	29	--	29,846
Amortization of non-current assets	29	1,860	1,710
Provision for impairment of trade receivables	29	--	181
Loss on disposal of associate investment	29	10,033	--
Interest income	30	(20,274)	(16,162)
Interest expense	30	118,512	105,200
		1,681,193	1,718,622
Changes in:			
- Inventories		(1,875)	61,670
- Trade and other receivables		(336,042)	33,307
- Finance lease receivables		137,968	137,884
- Trade and other payables		117,777	(89,361)
Cash generated from operating activities		1,599,021	1,862,122
Employees' end of service benefits paid	24	(422)	(846)
Net cash from operating activities		**1,598,599**	1,861,276
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	5	(1,015,577)	(727,042)
Proceeds from disposal of property, plant and equipment	5	125	445
Acquisition of associates	8	--	(207,262)
Disposal of associates	8	330,862	--
Dividends received from associates	8	13,193	17,084
Dividends received from joint ventures	9	328,232	418,665
Investments in a joint venture	9	(2,187)	(1,971,000)
Net movement in joint ventures	9	(13,648)	--
Dividends from available-for-sale financial assets	28	18,377	24,756
Interest received	30	20,274	16,162
Net cash used in investing activities		**(320,349)**	(2,428,192)

The consolidated statement of cash flows continues on the next page.

The notes on pages 10 to 50 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2015 *In thousands of Qatari Riyals*

	Note	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES			
Net movements in interest bearing loans and borrowings	21	(184,385)	1,425,479
Proceeds from repayment of subordinated loan from joint venture		--	16,711
Repayment of loan to related party		--	(100,000)
Dividends paid to the Company's shareholders	33	(825,000)	(750,000)
Dividends paid to non-controlling interests		(21,870)	(23,329)
Interest paid	30	(118,512)	(105,200)
Net cash (used in) / from financing activities		**(1,149,767)**	463,661
Net increase / (decrease) in cash and cash equivalents		128,483	(103,255)
Cash and cash equivalents at 1 January		1,622,315	1,725,570
Cash and cash equivalents at 31 December	15	**1,750,798**	1,622,315

The notes on pages 10 to 50 are an integral part of these consolidated financial statements.

For the year ended 31 December 2015 In thousands of Qatari Riyals

1. REPORTING ENTITY

Qatar Electricity & Water Company Q.S.C. (the "Company") is incorporated in accordance with the provisions of the Qatar Commercial Companies Law No. 11 of 2015 as a Qatari Shareholding Company, and was registered at the Ministry of Economy and Commerce of the State of Qatar with Commercial Registration number 14275 dated 16 March 1992. The Company is domiciled in the State of Qatar, where it also has its principal place of business. The Company's shares are listed on the Qatar Stock Exchange since 3 May 1998.

The Company's consolidated financial statements comprise the Company and its subsidiaries (collectively referred as the "Group" and individually as the "Group entities").

The principal activities of the Group, which have not changed from the previous year, are the production of electricity and desalinated water for supplying them to the state owned "Qatar General Electricity and Water Corporation ("KAHRAMAA").

The subsidiaries of the Company are the following:

Name	*Principal activity*	*Country of incorporation*	*Share holding*
Ras Laffan Operating Company W.L.L.	Generation of electricity & production of desalinated water	Qatar	100%
Ras Laffan Power Company Q.S.C.	Generation of electricity & production of desalinated water	Qatar	80%

The Group has the following joint ventures:

Name	*Principal activity*	*Country of incorporation*	*Percentage of holding*
Qatar Power Q.S.C.	Generation of electricity & production of desalinated water	Qatar	55%
Mesaieed Power Company Q.S.C.	Generation of electricity & production of desalinated water	Qatar	40%
Ras Girtas Power Company Q.S.C.	Generation of electricity & production of desalinated water	Qatar	45%
Nebras Power Q.S.C.	Investments in electricity and desalinated water projects outside the State of Qatar	Qatar	60%
Umm Al Houl Power Q.S.C.	Generation of electricity & production of desalinated water	Qatar	60%

The Group has the following joint associates:

Name	*Principal activity*	*Country of incorporation*	*Percentage of holding*
AES Oasis Limited	Generation of electricity	Cayman Islands	38.89%
Phoenix Power Company S.A.O.C. (1)	Generation of electricity	Oman	9.75%
Phoenix Operation and Maintenance Company L.L.C. (1)	Operation & maintenance services for Phoenix Power Co.	Oman	15%

(1) The Group has classified these as associates due to the significant influence it exercises over their financial and operating policies as a result of its representation on their Board of Directors. During the year, both these associates were transferred to Nebras Power Q.S.C. (Note 8).

The Company's consolidated financial statements for the year ended 31 December 2015 were authorised for issue by the Board of Directors on 2 February 2016.

2. MAJOR TRANSACTIONS AND AGREEMENTS OF THE GROUP

Below are the major transactions and agreements of the Group in chronological order:

(1) On 10 February 1999 the Company entered into an agreement with the government of the State of Qatar for the purchase of the power plant at Ras Abu Fontas B ("RAF B"). Based on the agreement the Company was assigned the operation and management of the power plant.

(2) In April 2001 the Company entered into a Power Purchase Agreement with the Qatar General Electricity & Water Corporation (hereafter the "KAHRAMAA") for the supply of electricity from the Company's Ras Abu Fontas B1 ("RAF B1") station, which commenced commercial operations on 29 August 2002.

(3) In January 2003 the Company purchased the four stations set out below from KAHRAMAA for a total consideration of QR 600 million. A Power and Water Purchase Agreement (hereafter "PWPA") was also signed with KAHRAMAA for its supply of electricity and desalinated water from these stations:

- Ras Abu Fontas A ("RAF A")
- Al Wajbah
- Al Saliyah
- Doha South Super

The PWPA Article 6 stipulates that the agreement is conditional and shall not become effective, unless an Emiri decree granting the Company a concession to use the land on which the plants are located is promulgated and is in full force and effect. The PWPA Article 6.2 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. The Company's management is confident that the Emiri decree will be issued in the foreseeable future or amendments to the agreement will be agreed with KAHRAMMA. As at the date of these consolidated financial statements, the Emiri decree was not issued and no amendments have been made to the PWPA.

The revenues from the RAF A station accounted for 19% of the total revenue of the Group for the year ended 31 December 2015 (2014: 20.4%). The other three stations are currently non-operational and are held for sale as stated in Note 31. The Company discontinued the operations of the Al-Wajbah station during 2010 following instructions received from the government of the State of Qatar. Also, the operations in Al Saliyah and Doha South Super facilities were discontinued as the relevant contracts with KAHRAMAA expired on 31 December 2014.

(4) In January 2003 the Company acquired from Qatar Petroleum the Dukhan Desalination Plant for QR 71.66 million. Subsequent to the conclusion of this purchase agreement, the Company also concluded the a Land Lease Agreement, a Water Purchase Agreement, and a Fuel Supply Agreement with Qatar Petroleum relating to the Dukhan Desalination Plant.

(5) On 27 January 2005 Qatar Power Q.S.C. was incorporated as a joint venture for the production of electricity and desalinated water from the Ras Laffan B Integrated Water and Power Plant. The percentage shareholding in Qatar Power Q.S.C. is as follows:

- Qatar Electricity & Water Company Q.S.C. (55%)
- International Power Plc (40%)
- Chubu Electric Power Company (5%)

2. MAJOR TRANSACTIONS AND AGREEMENTS OF THE GROUP (CONTINUED)

(6) In October 2005 the Company entered into a PWPA with KAHRAMAA for the supply of electricity and desalinated water from the Company's Ras Abu Fontas B2 ("RAF B2") station.

(7) On 15 January 2007 Mesaieed Power Company Q.S.C. was incorporated as a joint venture between the Company, Marubeni Corporation and Qatar Petroleum for the production of electricity and desalinated water from the Mesaieed power plant. In May 2009, Chubu Electric Power Company joined the joint venture. The current percentage shareholding in Mesaieed Power Company Q.S.C. is as follows:

- Qatar Electricity & Water Company Q.S.C. (40%)
- Marubeni Corporation (30%)
- Qatar Petroleum (20%)
- Chubu Electric Power Company (10%)

(8) In May 2007 the Company entered into a Water Purchase Agreement with KAHRAMAA for the supply of desalinated water from the Company's Ras Abu Fontas A1 ("RAF A1") station (an extension of ("RAF A").

(9) On 25 March 2008 Ras Girtas Power Company Q.S.C. was incorporated as a joint venture for the production of electricity and desalinated water from the Ras Laffan C plant. The percentage shareholding in Ras Girtas Power Company Q.S.C. is as follows:

- Qatar Electricity & Water Company Q.S.C. (45%)
- RLC Power Holding Company (40%)
- Qatar Petroleum (15%)

(10) On 20 May 2013 Nebras Power Q.S.C. was incorporated as a joint venture for the purpose of acquiring electricity and water production projects outside the State of Qatar. The percentage shareholding in Nebras Power Q.S.C. is as follows:

- Qatar Electricity & Water Company Q.S.C. (60%)
- Qatar Petroleum International Limited Q.S.C. (20%)
- Qatar Holding L.L.C. (20%)

(11) On 13 May 2015 Umm Al Houl Power Q.S.C.was incorporated as a joint venture for the purpose of for the production of electricity and desalinated water from the Facility D plant. The percentage shareholding in Umm Al Houl Power Q.S.C. is as follows:

- Qatar Electricity & Water Company Q.S.C. (60%)
- Qatar Petroleum (5%)
- Qatar Foundation for Education, Science & Community Development (5%)
- K1 Energy Limited, incorporated in the U.K. (30%)

3. BASIS OF PREPARATION

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

b) Basis of measurement

The financial statements are prepared under the historical cost convention, as modified for the revaluation of the available-for-sale financial assets and the interest rate swaps for hedging.

c) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency"). For both the subsidiaries of the Company, which are operating in the State of Qatar, the Qatari Riyal is the functional currency. The consolidated financial statements are presented in Qatari Riyals which is the Company's functional and the Group's presentation currency.

d) Use of estimates and judgments

In preparing these consolidated financial statements, management has made 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 estimates are recognised prospectively.

Information about significant areas that involve a higher degree of judgment or complexity, or areas where assumptions or estimates have a significant risk of resulting in a material adjustment to the amounts recognised in the financial statements are as follows:

Going concern
Management has made an assessment of the Group’s ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. The Group has been profitable and it has positive net asset and working capital positions. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group’s ability to continue as a going concern. Therefore, the Group’s financial statements continue to be prepared on a going concern basis.

Depreciation charges of property, plant and equipment
Items of property, plant and equipment are depreciated over their estimated individual useful lives. The determination of useful lives is based on the expected usage of the asset which is generally based on the tenure of the PWPA signed with KAHRAMAA, physical wear and tear, technological or commercial obsolescence, and impacts the annual depreciation charge recognized in the consolidated financial statements. Management reviews annually the residual values and useful lives of these assets. Future depreciation charge could be materially adjusted where management believes the useful lives differ from previous estimates.

3. BASIS OF PREPARATION (CONTINUED)

d) Use of estimates and judgments (continued)

Impairment of available-for-sale financial assets
Management considers objective evidence of impairment of an investment in an equity security a significant or prolonged decline in its fair value below its cost.

Finance lease receivable
The Group has determined that the arrangement with KAHRAMAA based on the PWPA for the supply by the Group to KAHRAMMA electricity and desalinated water for a period of 25 years from a plant constructed for this purpose contains a lease in accordance with IFRIC 4 *"Determining whether an Arrangement contains a Lease"* as it conveys the right of use of the plant to KAHRAMMA in return for a series of payments. On this basis, the Group accounted for the plant as a finance lease receivable in accordance with IAS 17 *"Finance leases"* and not as an asset based IAS 16 *"Property, plant and equipment"*. The finance lease receivable is recognised using cash flows based on forecast capacity charges.

Impairment of non-financial assets (other than inventories)
The carrying amounts of the Company's non-financial assets (Property and equipment, and strategic spare parts) are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, then an impairment test is performed by the Management. The determination of what can be considered impaired, as well as the determination of recoverable amounts require management to make significant judgments, estimation and assumptions.

Impairment of inventories
When inventories become old or obsolete, an estimate is made of their net realizable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision is applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices. The necessity and setting up of a provision for slow moving and obsolete inventories requires considerable degree of judgment.

Impairment of trade and other receivables
The carrying amounts of the receivables are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, then an impairment test is performed by the management. Management uses considerable judgment to estimate any irrecoverable amounts of receivables, determined by reference to past default experience of a counterparty and an analysis of the counterparty's financial situation.

Fair value of cash flow hedges
The Group uses derivative financial instruments to manage its exposure to the variability of its bank loans due to fluctuations in interest rates. All such derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value and recognized in other comprehensive income. Their fair values are estimated using models and valuation methods due to the absence of quoted prices or other observable, market-corroborated data. These contracts are valued using models with inputs that include price curves for each of the different products that are built up from active market pricing data and extrapolated to the expiry of the contracts using the maximum available external pricing information.

3. BASIS OF PREPARATION (CONTINUED)

d) Use of estimates and judgments (continued)

Provision for employees' end of service benefits
Management has measured the Company's obligation for the post-employment benefits of its employees based on the provisions of the Qatar Labor Law No. 14 of 2004. The provision is reviewed by management at the end of each year, and any change to the projected benefit obligation at the year-end is adjusted in the provision for employees' end of service benefits in the profit or loss.

Other provisions and liabilities
Other provisions and liabilities are recognized in the period only to the extent management considers it probable that there will be a future outflow of funds resulting from past operations or events and the amount of cash outflow can be reliably estimated. The timing of recognition and quantification of the liability require the application of judgment to existing facts and circumstances, which can be subject to change. Since the actual cash outflows can take place in subsequent years, the carrying amounts of provisions and liabilities are reviewed regularly and adjusted to take account of changing facts and circumstances. A change in estimate of a recognized provision or liability would result in a charge or credit to profit or loss in the period in which the change occurs.

Contingent liabilities
Contingent liabilities are determined by the likelihood of occurrence or non-occurrence of one or more uncertain future events. Assessment of contingent liabilities is tightly connected with development of significant assumptions and estimates relating to the consequences of such future events.

e) Standards, amendments and interpretations effective on or after 1 January 2015

During the current year, the Group adopted the below amendments and improvements to the International Financial Reporting Standards that are relevant to its operations and are effective for annual periods beginning on 1 January 2015:

- Amendments to IAS 19 on Defined Benefit Plans: Employee Contributions
- Annual Improvements to IFRSs 2010–2012 Cycle - various standard
- Annual Improvements to IFRSs 2011–2013 Cycle - various standards

The adoption of the above amendments and interpretations had no significant impact on the Company's consolidated financial statements.

e) Standards, amendments and interpretations issued but not yet effective

The below International Financial Reporting Standards and amendments thereto that are available for early adoption for annual periods beginning on 1 January 2015 are not effective until a later period, and they have not been applied in preparing these consolidated financial statements.

They following standards are expected to impact the Group's consolidated financial statements:

IFRS 9 "Financial Instruments" (Annual periods beginning on or after 1 January 2018)
IFRS 9 published in July 2014, replaces the existing IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods

3. BASIS OF PREPARATION (CONTINUED)

e) Standards, amendments and interpretations issued but not yet effective (continued)

beginning on or after 1 January 2018, with early adoption permitted. The Company is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.

IFRS 15 "Revenue from Contracts with Customers" (Annual periods beginning on or after 1 January 2018)
IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 "Revenue", IAS 11 "Construction Contracts" and IFRIC 13 "Customer Loyalty Programs". IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted. The Company is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

The following new or amended standards and improvements to standards are not expected to have any impact on the Company's consolidated financial statements:

- Amendments to IAS 1 on Disclosure Initiative (Annual periods beginning on or after 1 January 2016)
- Amendments to IAS 16 and IAS 38 on clarification of acceptable methods of depreciation and amortization (Annual periods beginning on or after 1 January 2016)
- Amendments to IAS 16 and IAS 41 on Agriculture: Bearer plants (Annual periods beginning on or after 1 January 2016)
- Amendments to IAS 27 on equity method in Separate Financial Statements" (Annual periods beginning on or after 1 January 2016)
- Amendments to IFRS 11 on accounting for acquisitions of interests in Joint Ventures (Annual periods beginning on or after 1 January 2016)
- Amendments to IFRS 10 and IAS 28 on sale or contribution of assets between an investor and it's associate or joint venture (Annual periods beginning on or after 1 January 2016)
- Amendments to IFRS 10, IFRS 12 and IAS 28 on investment entities applying the consolidation exception (Annual periods beginning on or after 1 January 2016)
- IFRS 14 "Regulatory Deferral Accounts" (Annual periods beginning on or after 1 January 2016)
- Annual improvements to IFRSs 2012-2014 cycle (Annual periods beginning on or after 1 January 2016)

4. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been applied consistently to all years presented in these consolidated financial statements.

a) Basis of consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group (see "Subsidiaries" below). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of consolidation (continued)

Business combinations (continued)

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Non-controlling interests

Non-controlling interestsare measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Interest in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and joint ventures. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint ventures are accounted for using the equity method. They are initially recognized initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, until the date on which significant influence or joint control ceases.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of consolidation (continued)

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. 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.

b) Property, plant and equipment

Recognition and measurement

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

Cost includes expenditure that is directly attributable to the acquisition or construction of an asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The costs of initial spare parts included under capital spares received for the maintenance of the three gas turbine-generators at RAF B2 are capitalised.

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

Subsequent expenditure

The cost of renovations or replacement of a component of an item of property, plant and equipment is included in the carrying amount of the asset or recognised as a separate asset, as appropriate only when it is possible that the future economic benefits associated with the asset will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful live, and is recognised in profit or loss.

The estimated useful lives of the property, plant and equipment in the current and comparative periods are as follows:

Production facilities:	
- Ras Abu Fontas B (RAF B)	17.75 years
- Ras Abu Fontas B1 (RAF B1)	20 years
- Ras Abu Fontas A (RAF A)	12 years
- Ras Abu Fontas A1 (RAF A1)	25 years
- Ras Abu Fontas A2 (RAF A2)	25 years

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Property, plant and equipment

Depreciation (continued)

The estimated useful lives of the property, plant and equipment in the current and comparative periods are as follows (continued):

Production facilities:	
- Dukhan Desalination Plant	25 years
- Ras Abu Fontas B2 (RAF B2)	25 years
Furniture, fixtures and office equipment	3-7 years
Motor vehicles	4 years
"C" inspection costs	3-5 years

Capital work in progress is not depreciated. Once completed these assets are re-classified to the appropriate category of property, plant and equipment and depreciated accordingly. Land is not depreciated.

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

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Profits and losses on disposals of items of property, plant and equipment are determined by comparing the proceeds from their disposals with their respective carrying amounts, and are recognised net within profit or loss.

c) Investment property

Investment property is property which is held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Recognition and measurement

An investment property is recognized initially at cost of acquisition including any transaction costs and is subsequently measured at cost less accumulated depreciation and impairment losses, if any.

Property that is being constructed for future use as investment property is accounted for as capital work-in-progress within investment property until construction or development is complete, at which time it is reclassified as investment property at the carried cost.

Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that future economic benefits associated with the expenditure will flow to the Group.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Investment property (continued)

Derecognition

An item of investment property is derecognised upon disposal or when no future economic benefits are expected from its use. Profits and losses on disposals of items of investment property are determined by comparing the proceeds from their disposals with their respective carrying amounts, and are recognised net within profit or loss.

d) Intangible assets and goodwill

Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Other intangible assets comprise the Power and Water purchase agreements (PWPA) that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

Amortization

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is recognized in profit or loss. Goodwill is not amortized.

The estimated useful life of the Power and Water Purchase Agreement is 25 years.

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

e) Finance lease receivable

Subsequent to the application of IFRIC 4 “Determining whether an arrangement contains a lease”, the Group has determined that its Power and Water Supply Agreement (PWPA) with KAHRAMAA contains a lease and, accordingly, the Company has accounted for the cost of the plant as a finance lease receivable in line with the provisions in IAS 17 “Leases”.

Initial recognition

The Group presented the plant held under a finance lease in its statement of financial position as a “Finance lease receivable” at an amount equal to the lower of its fair value (cost of construction) and the present value of the minimum lease payments to be made by KAHRAMAA over the 25 years of the PWPA.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Finance lease receivable (continued)

Subsequent measurement

The Group aims to allocate the lease payments made by KAHRAMMA to the Group over the lease term (25 years) on a systematic and rational basis. This income allocation is based on a pattern reflecting a constant periodic return on the Group's investment in the finance lease. Lease payments relating to the year are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.

f) Inventories

Inventories comprise spare parts, chemicals and consumables, which are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average method, and includes expenditure incurred in acquiring the inventories 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 and the estimated costs necessary to make the sale.

g) Financial instruments

The Group classified its non-derivative financial assets into the following categories: loans and receivables (trade and other receivables, and bank balances) and available-for-sale financial assets. The Group classifies its non-derivative financial liabilities (borrowings, and trade and other payables) into the other financial liabilities category.

Non-derivative financial assets and financial liabilities – recognition and de-recognition

The Group initially recognizes loans and receivables on the date when they are originated. All other financial assets and financial liabilities are initially recognized on the trade date.

The Group derecognizes 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 in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Group is recognized as a separate asset or liability.

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

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

Non-derivative financial assets – measurement

Loans and receivables
These assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Financial instruments

Non-derivative financial assets – measurement (continued)

Available-for-sale financial assets
These assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognized in Other Comprehensive Income and accumulated in the available-for-sale financial asset fair value reserve. When these assets are derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

Non-derivative financial liabilities – measurement

Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its interest rate risk exposures.

Derivatives are recognized initially at fair value; any directly attributable transaction costs are recognized in profit or loss as they are incurred. Subsequent to initial recognition, derivatives are measured at fair value.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

The amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or periods during which the hedged item affects profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

h) Impairment

Non-derivative financial assets

Financial assets, including an interest in an equity accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Impairment (continued)

Non-derivative financial assets (continued)

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security; or
- observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost.

Financial assets measured at amortized cost

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset’s carrying amount and the present value of the estimated future cash flows discounted at the asset’s original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss previously recognized in profit or loss. If the fair value of an impaired available-for-sale financial assets subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed through profit or loss; otherwise, it is reversed through other comprehensive income

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Impairment (continued)

Non-derivative financial assets (continued)

Equity-accounted investees

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognized in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets other than inventories to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets 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 CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, 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 amortization, if no impairment loss had been recognized.

i) Cash and cash equivalents

Cash and cash equivalents in the statement of consolidated financial position comprise cash at banks and in hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of any outstanding bank overdrafts.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Share capital

Ordinary shares are classified as equity.

k) Provision for employees' end of service benefits

With respect to the expatriate employees, the Group provides end of service benefits to its expatriate employees in accordance with employment contracts and the Qatar Labour Law No. 14 of 2004. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period, and are payable to the employees on termination of their employment. The expected costs of these benefits are accrued over the period of employment.

With respect to the Qatari nationals, the Group makes contributions to Qatar Retirement and Pension Authority as a percentage of the employees' salaries in accordance with the requirements of respective local laws pertaining to retirement and pensions. The Group's share of contributions to these schemes, which are defined contribution schemes under IAS 19 "Employee Benefits" are charged to profit or loss in the year to which they relate.

l) Provisions

A provision is recognised when:

- the Group has a present obligation (legal or constructive) as a result of a past event;
- it is probable that the Group will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amount of a provision is the present value, of the best estimate, of the amount required to settle the obligation. The amount of the provision is discounted using a pre-tax discount rate when the effect of the expected future cash outflow related to the provision is not expected to occur soon after the reporting date and the effect of discounting is material. Provisions are reviewed annually to reflect current best estimates of the expenditure required to settle the obligations.

m) Revenue recognition

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for the sale services in the ordinary course of the Group's activities. The Group recognizes revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below:

Sale of electricity and desalinated water

Sales of electricity and water are recognised as revenue as per the terms of the respective agreements as follows:

- Sales from RAF B are accounted for based on the mechanism agreed between KAHRAMAA and the Company in respect of the agreement approved on 1 June 2000.
- Sales from RAF B1 are accounted for on the basis of the tariff formula set out in the Power Purchase Agreement with KAHRAMAA.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Revenue recognition (continued)

Sale of electricity and desalinated water (continued)

Sales of electricity and water are recognised as revenue as per the terms of the respective agreements as follows (continued):

- Sales from RAF A, Al Saliyah and Doha South Super are accounted for as per the terms of the Power and Water Purchase Agreement with KAHRAMAA.
- Sales from RAF A1 are accounted for as per the terms of the Water Purchase Agreement with KAHRAMAA.
- Sales from Dukhan Desalination Plant are accounted for in accordance with the Water Purchase Agreement signed with Qatar Petroleum.
- Sales from RAF B2 are accounted for as per the terms of the Power and Water Purchase Agreement with KAHRAMAA.
- Sales from RAF A2 are accounted for as per the terms of the Power and Water Purchase Agreement with KAHRAMAA.

Dividend income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

n) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

o) Dividend distribution to the Company's shareholders

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's consolidated financial statements in the year in which the dividends are approved by the Company's shareholders.

For the year ended 31 December 2015 In thousands of Qatari Riyals

5. PROPERTY, PLANT AND EQUIPMENT

	Production facilities (1)	Furniture, fixtures and office equipment	Motor vehicles	"C" inspection costs (2)	Capital spares	Capital work in progress (5)	Total
Cost							
At 1 January 2014	8,031,378	25,541	6,555	292,365	50,487	860,412	9,266,738
Additions	646	913	1,040	96,123	--	628,320	727,042
Disposals	--	(4)	(790)	(75,619)	--	--	(76,413)
At 31 December 2014 / 1 January 2015	8,032,024	26,450	6,805	312,869	50,487	1,488,732	9,917,367
Additions	--	7,169	612	56,605	--	951,191	1,015,577
Reclassification	1,585,942	--	--	--	--	(1,585,942)	--
Disposal	--	--	(497)	(85,223)	--	--	(85,720)
Transfer to investment property (Note 6)	--	--	--	--	--	(174,901)	(174,901)
At 31 December 2015	9,617,966	33,619	6,920	284,251	50,487	679,080	10,672,323
Accumulated depreciation							
At 1 January 2014	3,991,656	22,167	4,781	177,775	15,817	--	4,212,196
Depreciation (3)	394,985	1,596	1,162	52,794	2,528	--	453,065
Disposals	--	(1)	(661)	(75,619)	--	--	(76,281)
At 31 December 2014 / 1 January 2015	4,386,641	23,762	5,282	154,950	18,345	--	4,588,980
Depreciation (3)	390,617	4,602	782	56,128	3,023	--	455,152
Disposals	--	--	(497)	(85,223)	--	--	(85,720)
At 31 December 2015	4,777,258	28,364	5,567	125,855	21,368	--	4,958,412
Carrying amounts							
At 31 December 2014	3,645,383	2,688	1,523	157,919	32,142	1,488,732	5,328,387
At 31 December 2015	**4,840,708**	**5,255**	**1,353**	**158,396**	**29,119**	**679,080**	**5,713,911**

For the year ended 31 December 2015 In thousands of Qatari Riyals

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(1) Production facilities

(i) The legal title to the Ras Abu Fontas A (RAF A) and satellite stations (Al Wajbah, Al Saliyah and Doha South Super) passed to the Company upon signing the acquisition agreement with KAHRAMAA. As per the terms of the acquisition agreement, the Company cannot sell or otherwise dispose of any of the plants until it pays the sale price in full.

(ii) Land on which the RAF B plant is situated has been leased to the Company by the government of the State of Qatar, free of rent for a period of 50 years commencing on 5 July 1990, under the Emiri Decree No. 24 of 2001.

(iii)The Emiri Decree granting the Company a concession to use the land on which RAF A and satellite stations are situated is still outstanding.

(iv)The land on which the Dukhan desalination plant is situated has been leased to the Company by Qatar Petroleum for a period of 25 years from the acquisition date of the plant.

(2) "C" Inspection costs

Costs incurred for the production facilities under an Inspection and Maintenance program have been capitalized under “C” inspection costs. These costs have are accounted for as separate assets because they have an estimated useful life of 3-5 years. Costs incurred on “C” inspections in progress are included under capital work in progress. On completion of these inspections, their cost will be capitalized under the “C” inspection costs category.

(3) Depreciation

The annual depreciation charge has been allocated to profit or loss as follows:

	2015	2014
Cost of sales (Note 27)	453,693	449,043
General and administrative expenses (Note 29)	1,459	1,549
Asset held for sale and discontinued operations (Note 31)	--	2,473
	455,152	453,065

(4) Proceeds from disposals

In the consolidated cash flow statement, proceeds from disposal of property, plant and equipment comprise:

	2015	2014
Carrying amount	--	129
Profit on disposal of property, plant and equipment	125	316
Proceeds from disposal of property, plant and equipment	**125**	445

For the year ended 31 December 2015 In thousands of Qatari Riyals

6. INVESTMENT PROPERTY

	2015	2014
Transfer from property, plant and equipment (1)	174,901	--
At 31 December	**174,901**	--

(1) Investment property comprises a land in Lusail purchased from Qatar Diar Real Estate Company Q.S.C. Based on an internal valuation exercise performed by the management, the fair value of the investment property as at 31 December 2015 is QR 457 million.

7. INTANGIBLE ASSETS AND GOODWILL

As a result of the transaction, mentioned in Note 7(2), the Company identified and recorded the following intangible assets with definite useful lives.

	2015	2014
Intangible assets (1)	83,582	89,552
Goodwill (2)	30,813	30,813
Balance at end of the year	**114,395**	120,365

(1) Intangible assets

	2015	2014
At 1 January	89,552	95,522
Amortisation (Note 29)	(5,970)	(5,970)
At 31 December	**83,582**	89,552

This represents the Power and Water Purchase Agreement entered into between Ras Laffan Power Company Q.S.C., a subsidiary of the Company, and KAHRAMAA for the supply of electricity and desalinated water by the subsidiary of the Company to KAHRAMAA for a period of 25 years.

(2) Goodwill

Acquisition of Ras Laffan Power Company Limited Q.S.C.

On 20 October 2010 the Company (acquirer) acquired an additional 55% shareholding in Ras Laffan Power Company Q.S.C**.** (acquiree) which increased the Company's shareholding to 80%. Ras Laffan Power Company Q.S.C. is engaged to develop, own, operate and maintain an electricity and water desalination plant in the State of Qatar. The acquisition has been accounted for using the acquisition method of accounting.

The Group has elected to measure the non-controlling interest in the acquiree at fair value.

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7. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

(2) Goodwill (continued)

The fair values and carrying amounts of the identifiable assets and liabilities of Ras Laffan Power Company Q.S.C. at the date of acquisition were as follows:

	At fair values	At carrying amounts
Assets		
Intangibles – PWPA	141,791	--
Plant and equipment	565	565
Finance lease receivables	2,260,288	2,260,288
Accounts receivable and prepayments	103,711	103,711
Cash and cash equivalents	97,792	97,792
	2,604,147	2,462,356
Liabilities		
Interest bearing loans and borrowings	1,294,221	1,294,221
Accounts payable and accruals	97,014	97,014
	1,391,235	1,391,235
Total identifiable net assets	1,212,912	1,071,121
Step up details:		
Fair value of identifiable net assets acquired	1,212,912	
Less: carrying amount of the identifiable net assets	1,071,121	
Step up amount	141,791	
Calculation of goodwill:		
Fair value of consideration given for controlling interest	697,914	
Fair value of non-controlling interest	242,583	
Fair value of previously held interest	303,228	
Total consideration	**1,243,725**	
Less: Fair value of identifiable net assets previously recognized by acquire	1,071,121	
Intangible assets not previously recognized by acquire	141,791	
Total identifiable net assets	**1,212,912**	
Goodwill arising on acquisition	**30,813**	
Net cash outflow on acquisition:		
Net cash acquired with subsidiary	97,792	
Cash paid	(697,914)	
	(600,122)	
Fair value of previously held interest:		
Carrying value of previously held interest	267,781	
Realized fair value gain from deemed disposal	35,447	
	303,228	

As from the date of acquisition, Ras Laffan Power Company Q.S.C. contributed QR 832 million (2014: QR 544 million) to the profit of the Group.

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8. INVESTMENTS IN ASSOCIATES

The Company has the following investments in associates:

	Country of incorporation	*Ownership*	**2015**	2014
AES Oasis Limited (1)	Cayman Islands	38.89%	--	112,223
Phoenix Power Company S.A.O.C. (1)	Oman	9.75%	--	166,603
Phoenix Operation and Maintenance Company L.L.C. (1)	Oman	15%	--	852
			--	279,678

(1) The Company disposed its investments in the above associates to Nebras Power Q.S.C., which is a joint venture of the Company (Note 9) in accordance with the agreements dated 1 December 2015 and 30 December 2015.

The movements of the Group's investments in the associates up to the date of disposals were as follows:

	2015	2014
At 1 January	279,678	115,491
Investments made		207,262
Share of profit	15,869	28,015
Share of loss in other comprehensive income	58,541	(54,006)
Dividend received	(13,193)	(17,084)
Disposals	(330,862)	--
Loss on disposal (Note 29)	(10,033)	--
At 31 December	--	279,678

The following table summarizes the financial information of the Group's associates as included in their own financial statements, and reconciles the summarised information to the carrying amount of the Group's interest in the associates. The information for 2014 presented in the table includes the results of the associates for the period from 1 January 2014 to 31 December 2014. The information for 2015 includes the results of the associates only for the period from 1 January 2015 to the date of their disposals in year 2015.

	2015	2014
Total assets	--	7,012,299
Total liabilities	--	5,751,383
Net assets (100%)	--	1,260,916
Group's share of net assets	--	223,678
Revenue	--	47,990
Profit (100%)	118,566	133,850
Other comprehensive income (100%)	589,950	(365,638)
Total comprehensive income (100%)	708,516	(231,788)
Group's share of profits	**15,869**	28,015
Group's share of other comprehensive income	**58,541**	(54,006)
Group's share of total comprehensive income	**74,410**	**(25,991)**

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9. INVESTMENTS IN JOINT VENTURES

The Group has the following investments in joint ventures:

	Country of incorporation	*Ownership*	**2015**	2014
Qatar Power Q.S.C.	Qatar	55%	376,343	367,287
Mesaieed Power Company Q.S.C. (1)	Qatar	40%	--	--
Ras Girtas Power Company Q.S.C. (1)	Qatar	45%	--	--
Nebras Power Q.S.C.	Qatar	60%	2,248,304	2,199,752
Umm Al Houl Power Q.S.C. (2)	Qatar	60%	2,187	-
			2,626,834	2,567,039

(1) The carrying values of these investments have been reduced to zero as a result of the share of the Group's losses in these joint ventures recognised in previous years.

(2) Umm Al Houl Power Q.S.C. is expected to be operational during the year 2018.

The movements of the Group's investment in the joint ventures were as follows:

	2015	2014
At 1 January	2,567,039	703,845
Investments made	2,187	1,971,000
Share of profit / (loss)	408,514	(26,071)
Share of loss in other comprehensive income	(36,322)	(81,735)
Dividend received	(328,232)	--
Share of loss on disposal of associates (Note 8)	13,648	--
At 31 December	**2,626,834**	2,567,039

The following table summarizes the financial information of the Group's joint ventures as included in their own financial statements, and reconciles the summarised information to the carrying amount of the Group's interest in the joint ventures.

	2015	2014
Current assets	5,956,540	8,197,267
Non-current assets	21,597,121	29,966,295
Current liabilities	(6,707,393)	(9,900,711)
Non-current liabilities	(17,764,791)	(26,936,834)
Net assets (100%)	3,081,477	1,326,017
Group's share of net assets	**2,054,681**	1,128,297
Revenues	4,188,888	3,921,173
Cost of sales	(2,115,077)	(1,929,691)
Other income	44,792	72,289
Administrative expenses	(120,368)	(63,458)
Finance costs	(1,123,105)	(1,145,729)
Profit for the year (100%)	875,463	854,584
Group's share of profits	**408,514**	392,593
Group's share of other comprehensive income	**36,322**	81,735
Group's share of total comprehensive income	**444,836**	474,328

The Group received no dividends from its joint ventures during the year (2014: QR Nil).

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10.AVAILABLE-FOR- SALE-FINANCIAL ASSETS

	2015	2014
At 1 January	485,368	454,146
Net change in fair value transferred to the other comprehensive income	(140,933)	31,222
At 31 December	**344,435**	485,368

During the year, there was a dividend income of QR 18,377 thousand (2014: QR 24,756 thousands) from available-for-sale financial assets, which is included in "Other income" in profit or loss (Note 28).

All available-for-sale financial assets comprise listed equity securities listed on the Qatar Stock Exchange. The fair value of the quoted equity shares is determined by reference to the published price quotations.

11. FINANCE LEASE RECEIVABLES

Finance lease receivables represent the share of lease receivables from Ras Laffan Power Company Q.S.C. The subsidiary 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. The discount rate used by the subsidiary was 9.32% per annum (2014: 7.50% to 9.99% per annum). The finance lease receivables at the end of the reporting period are neither past due nor impaired.

	2015	2014
Finance leases - gross receivable	2,657,612	2,954,356
Unearned finance income	(1,020,530)	(1,179,306)
Present value of minimum lease payments receivable	**1,637,082**	1,775,050
Classified in the consolidated statement of financial position as follows:		
Current portion	**146,477**	137,969
Non-current portion	**1,490,605**	1,637,081

12. OTHER NON-CURRENT ASSETS

In October 2010 Ras Laffan Operating Company W.L.L. (RLOC), one of the Company's subsidiaries, paid QR 23,815 million to Ras Laffan Services Company, a third party, for the acquisition of the rights, benefits, and obligations under a Technical Service Agreement. During 2011 RLOC received an amount of QR 5,887 million. The remaining amount of QR 17.928 million is amortized over a period of 19 years.

Also, on 21 October 2006, the Company signed a Contractual Service Agreement with the Consortium of General Electric International Inc. and GE Energy Parts Inc. for maintenance of specified equipment (covered units) of RAF B2 Power and Water Plant. An amendment was signed between the parties on 24 April 2013 and by the same agreement the Company got a reduction in the variable hourly charges in return for a payment (milestone adder payment) of USD 3 million (QR 10.9 million). The milestone adder payment is amortized over the period of benefit, i.e. until the expiry of Contractual Service Agreement.

The movements in the above accounts were as follows:

	2015	2014
At 1 January	23,731	25,441
Amortization (Note 29)	(1,860)	(1,710)
At 31 December	**21,871**	**23,731**

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13. INVENTORIES

	2015	2014
Spare parts	437,646	435,931
Less: Provision for slow-moving inventories (1)	(265,929)	(246,961)
	171,717	188,970
Chemicals	3,328	2,847
Consumables	2,850	3,171
	177,895	194,988

(1) The movements in the provision for slow-moving inventories were as follows:

	2015	2014
At 1 January	246,961	227,963
Provision made (Note 29)	18,968	18,998
At 31 December	**265,929**	246,961

14. TRADE AND OTHER RECEIVABLES

	2015	2014
Trade receivables (1)	734,982	642,744
Less: Provision for impairment of trade receivables (2)	(153,927)	(153,927)
	581,055	488,817
Prepayments and advances	306,933	63,129
Total	**887,988**	551,946

(1) As at 31 December 2015 the aging of trade receivables was as follows:

Aging of neither past due nor impaired:

	2015	2014
Less than 60 days	**557,448**	488,817

Aging of past due but not impaired:

	2015	2014
61-90 days	5,299	--
91-180 days	14,172	--
181-365 days	4,135	--
Total	**23,606**	--

Aging of past due and impaired trade receivables:

	2015	2014
More than 365 days	**153,927**	153,927

(1) The movements in the provision for the impairment of trade and other receivables were as follows:

	2015	2014
At 1 January	153,927	153,746
Provision made (Note 29)	--	181
At 31 December	**153,927**	153,927

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15. CASH AND CASH EQUIVALENTS

	2015	2014
Deposits with banks in local currency	1,488,094	1,401,779
Deposits with banks in foreign currencies	262,270	164,317
Cash in hand	434	56,219
Total	**1,750,798**	1,622,315

The effective rate of interest on above deposits ranges from 0.35% to 2.6% per annum (2014: 0.12% to 1.75% per annum).

16. SHARE CAPITAL

	2015	2014
Authorized, issued and fully paid:		
110,000,000 (31 December 2014: 110,000,000) shares of QR 10 each	**1,100,000**	1,100,000

	31 December 2015		31 December 2014	
	Number of shares in ‘000’	***QR ‘000’***	*Number of shares in ‘000’*	*QR ‘000’*
At 1 January	110,000	1,100,000	100,000	1,000,000
Issue of bonus shares (1)	--	--	10,000	100,000
At the 31 December	**110,000**	**1,100,000**	110,000	1,100,000

(1) On 27 February 2014 the Company issued bonus ordinary shares at the rate of 1 share for every 10 shares held by the ordinary shareholders following the approval given by the Company’s shareholders at the Extra Ordinary General Meeting of the Company held on 25 February 2014.

17. LEGAL RESERVE

As required by the Qatar Commercial Companies Law No. 11 of 2015 and the Company’s Articles of Association, a minimum amount of 10% of the Company’s profit for the year should be transferred to a legal reserve each year until this reserve is equal to 50% of the Company’s paid up and issued share capital. The Company has resolved to discontinue annual transfer to the legal reserve as the reserve reached 50% of its paid up and issued share capital.

The reserve is not available for distribution, except in the circumstances stipulated in the above mentioned Law and the Company’s Articles of Association.

18. GENERAL RESERVE

In accordance with the Company’s Articles of Association, the General Assembly may allocate a portion of the profit to a General reserve. There is no restriction on the distribution of this reserve and the funds in the reserve are available for future development of the Company as decided by the General Assembly.

19. HEDGE RESERVE

The hedge reserve comprises the effective portion of the cumulative net change in the fair value of the interest rate swaps used for hedging (Note 22).

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20. FAIR VALUE RESERVE

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the assets are derecognised or impaired.

21. BANK LOANS

	2015	2014
Loan (1)	1,300,260	1,349,689
Loan (2)	684,135	730,336
Loan (3)	341,327	364,377
Loan (4)	429,527	635,108
Loan (5)	351,743	125,753
Loan (6)	932,461	838,260
Loan (7)	--	1,093,500
Loan (8)	911,250	--
	4,950,703	5,137,023
Less: Financing arrangement costs	(35,494)	(37,429)
	4,915,209	5,099,594

(1) The Company has entered into a 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 USD 485.5 million (QR 1,769 million) to finance the construction of RAF B2. The total amount payable as at 31 December 2015 amounted to USD 357 million or QR 1,300 million (2014: USD 370 million or QR 1,350 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 in semi-annual installments commencing from actual facility date i.e. six months from actual facility date or ten months after scheduled completion date.

(2) 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$ 288.2 million carries interest at LIBOR plus a margin ranging from 0.60% to 1.05%. The total amount payable as at 31 December 2015 amounted to USD 188 million or QR 684 million (2014: USD 200 million or QR 730 million). The loan is repayable in semi-annual installments started from 30 June 2010 at a pre-determined repayment percentage multiplied against the principle amount outstanding as at the end of the availability period.

(3) The Company has availed USD 144.1 million 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 amount payable as at 31 December 2015 amounted to USD 94 million or QR 341 million (2014: USD 100 million or QR 364 million).

(4) This represents the loan of the acquired subsidiary, Ras Laffan Power Company Limited Q.S.C. This facility represents a credit agreement with a consortium of bank obtained on 20 November 2001 for a long term loan of USD 545 million and a stand-by facility of USD 27.25 million. The loan carries interest at commercial rates and is repayable in accordance with a specific repayment schedule starting on November 2004 with the last installments due in May 2019. The term loan is secured by a mortgage in the plant facilities built by Ras Laffan Power Company Q.S.C. on a land leased from Qatar Petroleum.

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21. BANK LOANS (CONTINUED)

(5) The Company entered into a facility agreement with Qatar National Bank to finance the construction of its RAF A2 plant facilities. This term loan facility of USD 180 million carries interest at LIBOR plus a margin of 1.75% per annum. The total drawn amount as at 31 December 2015 amounted to USD 96.5 million or QR 352 million (2014: USD 34.5 million or QR 126 million). The loan will be repayable in quarterly installments starting from earlier of six months after the actual facility date and June 2016.

(6) The Company has availed US$ 270 million Islamic facility agreement with Qatar Islamic Bank in the form of Istisnaa' for the construction of RAF A2 plant facilities. The total drawn amount as at 31 December 2015 amounted to USD 256 million or QR 932 million (2014: USD 230 million or QR 838 million).

(7) The Company entered into a corporate revolving facility agreement with a consortium of banks with Mizuho Bank Ltd acting as Facility Agent, mainly to finance the equity capital of Nebras Power Q.S.C. This term loan facility of USD 300 million carries interest at LIBOR plus a margin of 0.25%. The Company has drawn down the full amount as at 31 December 2014 amounting to USD 300 million (QR 1,093.50 million). The loan was repaid on 15 December 2015.

(8) The Company entered into a corporate revolving facility agreement with a consortium of banks with Mizuho Bank Ltd acting as Facility Agent, mainly to partly finance the repayment of USD 300 Million revolving facility. This term loan facility of USD 250 million carries interest at LIBOR plus a margin of 0.25%. The Company has drawn down the full amount as at 31 December 2015 amounting to USD 250 million (QR 911.250 million). The loan is repayable on or before the termination date, which is one year from 8 December 2015.

Classified in the consolidated statement of financial position as follows:

	2015	2014
Current portion	1,124,412	1,425,358
Non-current portion	3,790,797	3,674,236
	4,915,209	5,099,594

22. INTEREST RATE SWAPS FOR HEDGING

	2015	2014
At 1 January	170,766	168,907
Change in fair value transferred to other comprehensive income	(43,427)	1,859
At 31 December	**127,339**	170,766

Included in the statement of financial position as follows:

	2015	2014
Current portion	107,329	102,661
Non-current portion	20,010	68,105
	127,339	170,766

The Company has three interest rate swap contracts outstanding as at 31 December 2015 designated as hedges of expected future LIBOR interest rate payments payable during the period up to 9 December 2023 on a maximum notional amount of US$ 2,025 million (2014: US$ 2,120 million). Under the terms of the interest rate swap contracts, the Company pays a fixed weighted average rate ranging from 3.32% - 5.52% and receives floating LIBOR rates. The terms of the interest rate swap contracts have been negotiated to match the terms of the Company's commitments towards bank loans. As at 31 December 2015, the measurement of the fair value of the hedges resulted in an amount of QR 1,759,479 thousand (2014: QR 1,825,125 thousand) being recognised in equity as an unrealised loss.

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23. DEFERRED INCOME

	2015	2014
At 1 January	13,583	20,375
Income recognised (Note 28)	(6,791)	(6,792)
At 31 December	**6,792**	13,583
Presented in consolidated statement of financial position as follows:		
Current portion	6,792	6,792
Non-current portion	--	6,791
	6,792	13,583

The deferred income represents the fair value of spare parts received from Alstom Power in respect of the settlement agreement regarding RAF B contract between KAHRAMAA and Alstom Power. This deferred income is amortized and credited to the consolidated income statement of profit or loss on a straight-line basis over the remaining estimated useful life of RAF B plant, which is 13.5 years. The initial amount was QR 91 million.

24. PROVISION FOR EMPLOYEES' END OF SERVICES BENEFITS

	2015	2014
At 1 January	44,250	39,320
Provision made (1)	5,103	5,776
Provision used	(422)	(846)
At 31 December	**48,931**	44,250

(1) The provision is included within staff costs in the consolidated profit or loss.

25. TRADE AND OTHER PAYABLES

	2015	2014
Trade accounts payable	300,135	168,213
Other payables and accrued expenses	369,370	368,155
Provision for social and sports support fund	35,567	26,188
Payable to shareholders	38,301	28,418
Pension contributions for Qatari employees	6,109	5,164
	749,482	596,138

26. REVENUE

	2015	2014
Sales of electricity	1,495,856	1,503,505
Sales of desalinated water	1,320,982	1,211,209
Share of lease receivable from Ras Laffan Power Company Q.S.C.	165,760	183,097
	2,982,598	2,897,811

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27. COST OF SALES

	2015	2014
Cost of gas consumed	843,454	793,889
Depreciation of property, plant and equipment (Note 5)	453,693	449,043
Spare parts, chemicals and consumables	89,435	82,207
Staff costs	194,740	183,614
Others	97,830	113,204
	1,679,152	1,621,957

28. OTHER INCOME

	2015	2014
Profit on disposal of property, plant and equipment (Note 5)	125	316
Dividend income from available-for-sale financial assets (Note 10)	18,377	24,756
Deferred income (Note 23)	6,791	6,792
Miscellaneous income (1)	65,344	130,113
	90,637	161,977

(1) This includes liquidity damages pertaining to the Raf A2 project amounting to QR 28 million received from Mitsubishi Corporation due to the delay in construction in accordance with the EPC contract.

29. GENERAL AND ADMINISTRATION EXPENSES

	2015	2014
Staff costs	84,872	94,053
Provision for slow moving inventories (Note 13)	18,968	18,998
Depreciation of property, plant and equipment (Note 5)	1,459	1,549
Amortization of intangible assets (Note 7)	5,970	5,970
Amortization of non-current assets (Note 12)	1,860	1,710
Advertisement and public relation expenses	1,071	8,144
Rent	3,586	2,792
Insurance	14,437	15,527
Donations	1,090	3,920
Recruitment and training expenses	2,052	5,584
Professional fees	584	6,120
Telephone postage and couriers	1,939	1,943
Repairs and Maintenance	3,055	1,646
Office expenses	1,088	174
Subscription and licenses	738	728
Board of Directors' remuneration	11,750	11,750
Provision for impairment of asset held for sale (Note 31)	--	29,846
Provision for impairment of trade receivables (Note 14)	--	181
Provision for liquidity damages	5,508	--
Others (1)	22,640	21,310
	182,667	231,945

(1) This includes the share of loss from the disposals of associates QR 10.03 millions (Note 8).

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30. FINANCE COSTS, NET

	2015	2014
Interest expense:		
- Banks loans	118,512	98,425
- Other loans	--	6,775
	118,512	105,200
Interest income	(20,274)	(16,162)
Share of interest income from joint ventures	--	(196)
	98,238	88,842
Bank charges	2,016	3,251
	100,254	92,093

31. ASSET HELD FOR SALE AND DISCONTINUED OPERATIONS

The Company discontinued its operations in Al Saliyah and Doha South Super, included in RAF A SAT stations. The carrying value of these stations at the reporting date was QR Nil as they were both fully depreciated in earlier years (2014: QR Nil). The Company has requested potential buyers who have already submitted their bids for Al Wajbah station that was discontinued in year 2010 and fully impaired during 2014, to provide a quotation that includes Al Saliyah and Doha South Super as well.

The Al Saliya and Doha South Super stations were not classified as held for sale or as discontinued operations in the audited consolidated financial statements for the year ended 31 December 2014 since the terms of contract with KAHRAMAA expired on 31 December 2014. The comparative consolidated statement of profit or loss and other comprehensive income has therefore been restated to show the discontinued operation separately from the continuing operations.

		For the year ended 31 December	
		2015	2014
	Note		
Revenue		--	90,895
Cost of sales		**--**	(56,624)
General and administrative expenses		**--**	(2,162)
Profit for the period		**--**	32,109
Basic and diluted earnings per share (expressed in QR per share)	**32**	**--**	0.29

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32. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share is arrived by dividing the profit attributable to the owners of the Company for the year by the weighted average number of ordinary shares outstanding during the year.

	For the year ended 31 December					
	2015			2014		
	Continuing operation	**Discontinued operation**	**Total**	Continuing operation	Discontinued operation	Total
Profit for the period attributable to owners of the Company	1,500,550	--	1,500,550	1,497,894	32,109	1,530,003
Weighted average number of shares outstanding during the period (in shares) (1)	110,000	--	110,000	110,000	110,000	110,000
Basic and diluted earnings per share (expressed in QR per share)	**13.64**	--	**13.64**	13.62	0.29	13.91

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

	For the year ended 31 December	
	2015	2014
Issued ordinary shares at beginning of the period	110,000	100,000
Effect of bonus shares issued	--	10,000
Weighted average number of shares at end of the period	**110,000**	110,000

Diluted earnings per share

The calculation of diluted earnings per share is arrived by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares during the year after adjustment for the effect of all dilutive potential ordinary shares, such as share options and convertible notes.

As the Company has no potential dilutive shares, the diluted earnings per share equals to the basic earnings per share.

33. DIVIDENDS

During the period, the Company declared and paid a cash dividend of QR 7.5 per share totalling to QR 825,000 thousand (2014 : QR 7.5 per share totalling to QR 750,000 thousand).

The proposed final dividend for 2015 will be submitted for formal approval at the Annual General Assembly Meeting.

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34. CONTRIBUTION TO SOCIAL AND SPORTS SUPPORT FUND

In compliance with Qatar Law No. 13 of 2008, the Company made an appropriation from its retained earnings of QR 35.5 million (2014: QR 2.8 million) to the Social and Sports Development Fund of Qatar.

During the year an amount equal to QR 26.1 million for the 2014 appropriation was remitted to the Public Revenues and Taxes Department of the State of Qatar.

35. SEGMENTAL INFORMATION

The Group primarily operates integrated plants for the generation of electricity and production of desalination of water in the State of Qatar. The water desalination process is completely dependent upon electricity generation. The electricity and desalinated water processes are interrelated and are subject to similar risks and returns. The Company also sells both its products to only two customers, KAHRAMA and Qatar Petroleum, in the State of Qatar. Consequently, the Group is considered to have a single business and single geographical segment.

36. COMMITMENTS AND CONTINGENT LIABILITIES

	2015	2014
Commitments:		
Capital commitments (1)	**908,949**	272,586
Contingent liabilities:		
Bank guarantees, corporate guarantees and documentary credits	**213,174**	275,811

(1) Capital commitments include the commitment of the Company for the construction of the RAFA3 project.

37. RELATED PARTY DISCLOSURES

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 Group's management.

Related party transactions

The transactions with significant related parties were as follows:

	Related parties	**2015**	2014
Sale of electricity	KAHRAMAA	**1,495,856**	1,503,505
Sale of desalinated water	KAHRAMAA	**1,307,340**	1,197,383
	Qatar Petroleum	**13,642**	13,826
Lease income from plant	KAHRAMAA	**165,760**	183,097
Cost of gas consumed/take or pay gas	Qatar Petroleum	**843,454**	834,489
Interest on bank deposits	Qatar National Bank	**17,703**	13,896

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37. RELATED PARTY DISCLOSURES (CONTINUED)

Year-end balances arising from transaction with related parties

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

	2015		2014	
	Trade & other receivables	**Trade payables and accrued expenses**	Trade & other receivables	Trade payables and accrued expenses
KAHRAMAA	576,478	1,792	437,102	3,393
Qatar Petroleum	4,577	142,633	2,668	123,241
Nebras Power Q.S.C.	245,586	--	7,400	--
Umm Al Houl Power Q.S.C.	14,900	--	--	--
	841,541	**144,425**	447,170	126,634

Compensation of key management personnel

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

	2015	2014
Management remuneration	**4,111**	3,757
Directors' fees	**11,750**	11,750

38. FINANCIAL RISK AND CAPITAL MANAGEMENT

(a) Risk management framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

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 maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

38. FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

(a) Risk management framework (continued)

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

- Credit risk;
- Liquidity risk: and
- Market risk.

Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade receivables.

The total exposure to credit risk for trade receivables as at the reporting date is limited to Qatar. Moreover, the Group's receivables consist mainly of amounts due from KAHRAMAA, who is the sole distributor of power in the State of Qatar. As KAHRAMAA is contractually committed to discharge its obligation, management believes that the credit risk with respect to receivables is limited. In addition to that, these receivables are shown after review of their recoverability.

With respect to credit risk arising from the other financial assets of the Group (bank balances), the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments as follows:

	2015	2014
Bank balances	**1,750,364**	1,622,315

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

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.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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38. FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

(a) Risk management framework (continued)

Liquidity risk (continued)

The following are the contractual maturities of financial liabilities:

31 December 2015	**Carrying amounts**	**Contractual cash flows**	**Less than 1 year**	**1 – 2 years**	**More than 2 years**
Non-derivative financial liabilities					
Trade payables	300,135	300,135	300,135	**-**	**-**
Bank loan	4,915,209	4,915,209	1,089,705	69,727	3,755,777
	5,215,344	**5,215,344**	**1,424,547**	**69,727**	**3,755,777**

31 December 2014	Carrying amounts	Contractual cash flows	Less than 1 year	1 – 2 years	More than 2 years
Non-derivative financial liabilities					
Trade payables	168,213	168,213	168,213	--	--
Bank loan	5,099,016	5,099,016	1,425,358	337,668	3,335,990
	5,267,229	5,267,229	1,593,571	337,668	3,335,990

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity price risk will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group uses derivatives to its interest rate risk. All such transactions are carried out within the guidelines set by the Risk Management Committee. Generally, the Group seeks to apply hedge accounting to manage volatility in profit or loss.

Interest rate risk

The Group's interest rate risk arises from bank deposits and borrowings. Bank deposits are issued at fixed rates, which expose the Group to fair value interest rate risk, but management believes that this type of risk is not significant. Borrowings are issued at variable rates which expose the Group to cash flow interest rate risk. The Group has minimised the cash flow interest rate risk using interest rate swap contracts.

At the reporting date, the interest rate profile of the Group's interest bearing financial instruments was:

	2015	2014
Fixed interest rate instruments:		
Financial assets	**1,750,364**	1,566,096
Floating interest rate instruments:		
Financial liabilities	**(4,915,209)**	(5,099,594)

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38. FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

Market risk (continued)

Interest rate risk (continued)

The following table demonstrates the sensitivity of the consolidated income statement to reasonably possible changes in interest rates by 25 basis points, with all other variables held constant. The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates for one year, based on the floating rate financial assets and financial liabilities held at 31 December 2015. The effect of decreases in interest rates is expected to be equal and opposite to the effect of the increases shown. There is no impact on the Group's equity.

	Change in basis points	Effect on profit
2015		
Floating interest rate instruments	**+/-25**	**+/- 12,288**
2014		
Floating interest rate instruments	+/-25	+/- 12,749

Equity price risk

All the Group's equity investments are listed on the Qatar Stock Exchange.

The following table demonstrates the sensitivity of the cumulative changes in fair value to reasonably possible changes in equity prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

	Change in equity price 2015	**Effect on equity 2015**	Change in equity price 2014	Effect on equity 2014
Quoted shares	**20%**	**68,887**	20%	97,073

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. In the opinion of the management, the Group's exposure to currency risk is minimal.

The deposits of the Group are in QR and USD. As the QR is pegged to the USD, balances in USD are not considered to represent a significant currency risk.

(b) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong capital base and healthy capital ratios in order to support its business and to sustain future development of the business. The Group manages its capital structure and makes adjustments to it, in light of economic conditions. The Board of Directors monitors the return on capital. No changes were made in the objectives, policies or processes during the year ended 31 December 2015.

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38. FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

(b) Capital management (continued)

The Group monitors capital using a gearing ratio, which is calculated as net debt divided by total equity and net debt. The Group's policy is to keep the gearing ratio between 40% and 80%, but the Group managed to kept its gearing at lower levels as shown below. The debt is calculated as total borrowings (including current and non-current loans as shown on the consolidated statement of financial position) less cash and cash equivalents. Total equity is the equity attributable to the equity holders of the Group.

	2015	2014
Total borrowings	4,915,209	5,099,594
Less: Cash and cash equivalents	(1,750,798)	(1,622,315)
Net debt	3,164,411	3,477,279
Total equity to owners of the Company	7,346,309	6,781,613
Total equity and net debt	**10,510,720**	10,258,892
Gearing ratio	**30%**	34%

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39. FAIR VALUES OF FINANCIAL INSTRUMENTS

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments carried at fair value. It does not include fair value hierarchy information for financial assets and financial liabilities not measured at fair value as the carrying amount is a reasonable approximation of fair value.

	Carrying amount					Fair value			
	Fair value hedging instruments	**Loans and receivables**	**Available for sale**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
31 December 2015									
Financial assets measured at fair value									
Equity securities	-	-	344,435	-	344,435	344,435	-	-	344,435
Financial assets not measured at fair value									
Trade and other receivables	-	887,988	-	-	887,988	-	-	-	-
Cash and cash equivalents	-	1,750,798	-	-	1,750,798	-	-	-	-
	-	**2,638,786**	**-**	**-**	**2,638,786**	**-**	**-**	**-**	**-**
Financial liabilities measured at fair value									
Interest rate swaps used for hedging	127,339	-	-	-	127,339	-	127,339	-	127,339
Financial liabilities not measured at fair value									
Interest bearing loans and borrowings	-	-	-	4,915,209	4,915,209	-	-	-	-
Trade payables	-	-	-	300,135	300,135	-	-	-	-
	-	**-**	**-**	**5,215,344**	**5,215,344**	**-**	**-**	**-**	**-**

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39. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

	Carrying amount					Fair value			
	Fair value hedging instruments	Loans and receivables	Available for sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 December 2014									
Financial assets measured at fair value									
Equity securities	-	-	485,368	-	485,368	485,368	-	-	485,368
Financial assets not measured at fair value									
Trade and other receivables	-	551,946	-	-	551,946	-	-	-	-
Cash and cash equivalents	-	1,622,315	-	-	1,622,315	-	-	-	-
	-	2,174,261	-	-	2,174,261	-	-	-	-
Financial liabilities measured at fair value									
Interest rate swaps used for hedging	170,766	-	-	-	170,766	-	170,766	-	170,766
Financial liabilities not measured at fair value									
Interest bearing loans and borrowings	-	-	-	5,099,594	5,099,594	-	-	-	-
Trade payables	-	-	-	168,213	168,213	-	-	-	-
	-	-	-	5,267,807	5,267,807	-	-	-	-

39. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are based on unobservable market data.

40. SUBSEQUENT EVENTS

There were no other significant events after the reporting date which have a bearing on the understanding of these consolidated financial statements.

Independent Auditor's report on page 1 and 2.