**QATAR ELECTRICITY & WATER COMPANY Q.S.C.**

**CONSOLIDATED FINANCIAL STATEMENTS**
**AND INDEPENDENT AUDITORS' REPORT**
**FOR THE YEAR ENDED**
**31 DECEMBER 2014**

**QATAR ELECTRICITY & WATER COMPANY Q.S.C.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 December 2014**

**INDEX** **Page(s)**

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# INDEPENDENT AUDITORS' REPORT

# TO THE SHAREHOLDERS OF QATAR ELECTRICITY & WATER COMPANY Q.S.C.

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 2014, 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.

## 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 2014, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

## Other matter

The Company's consolidated financial statements for the year ended 31 December 2013 were audited by another auditor who expressed an unmodified audit opinion on those consolidated financial statements on 5 February 2014.

**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 the 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. 5 of 2002 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 2014.

25 January 2015
*Doha*
*State of Qatar*

Gopal Balasubramaniam
*KPMG*
*Qatar Auditor's Registry No.251*

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**As at 31 December 2014** *In thousands of Qatari Riyals*

| | Note | 31 December 2014 | 31 December 2013 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 5 | 5,328,387 | 5,054,542 |
| Intangible assets and goodwill | 6 | 120,365 | 126,335 |
| Investments in associates | 7 | 279,678 | 115,487 |
| Investments in joint ventures | 8 | 2,567,039 | 703,845 |
| Available-for-sale financial assets | 9 | 485,368 | 454,146 |
| Finance lease receivables | 10 | 1,637,081 | 1,775,050 |
| Other non-current assets | 11 | 23,731 | 42,152 |
| Asset held for sale | 12 | -- | 29,846 |
| | | 10,441,649 | 8,301,403 |
| **Current assets** | | | |
| Inventories | 13 | 194,988 | 275,656 |
| Trade and other receivables | 14 | 551,946 | 585,434 |
| Finance lease receivables | 10 | 137,969 | 137,884 |
| Cash and cash equivalents | 15 | 1,622,315 | 1,725,570 |
| | | 2,507,218 | 2,724,544 |
| **Total assets** | | **12,948,867** | 11,025,947 |

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

The notes on pages 10 to 49 are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**

**As at 31 December 2014** *In thousands of Qatari Riyals*

| | Note | 31 December 2014 | 31 December 2013 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| **Capital and reserves** | | | |
| Share capital | 16 | 1,100,000 | 1,000,000 |
| Legal reserve | 17 | 550,000 | 500,000 |
| General reserve | 18 | 3,241,834 | 3,241,834 |
| Hedging reserve | | (1,825,125) | (1,687,525) |
| Fair value reserve | | 316,177 | 284,955 |
| Retained earnings | | 3,398,727 | 2,771,540 |
| **Equity attributable to owners of the Company** | | 6,781,613 | 6,110,804 |
| **Non-controlling interests** | | 242,923 | 229,746 |
| **Total equity** | | **7,024,536** | 6,340,550 |
| **Non-current liabilities** | | | |
| Bank loans | 19 | 3,674,236 | 3,360,923 |
| Deferred income | 20 | 6,791 | 13,583 |
| Employees' end of service benefits | 21 | 44,250 | 39,320 |
| | | 3,725,277 | 3,413,826 |
| **Current liabilities** | | | |
| Bank loans | 19 | 1,425,358 | 313,192 |
| Loan from a related party | 22 | -- | 100,000 |
| Trade and other payables | 23 | 596,138 | 682,680 |
| Interest rate swaps for hedging | 24 | 170,766 | 168,907 |
| Deferred income | 20 | 6,792 | 6,792 |
| | | 2,199,054 | 1,271,571 |
| **Total liabilities** | | **5,924,331** | 4,685,397 |
| **Total equity and liabilities** | | **12,948,867** | 11,025,947 |

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Dr. Mohamed Bin Saleh Al-Sada
Chairman

Mr. Issa Bin Shahin Al-Ghanim
Vice Chairman

The notes on pages 10 to 49 are an integral part of these consolidated financial statements.

**QATAR ELECTRICITY & WATER COMPANY Q.S.C.**

**CONSOLIDATED INCOME STATEMENT**

**As at 31 December 2014** *In thousands of Qatari Riyals*

| | **Note** | **2014** | 2013 |
|---|---|---|---|
| Revenue | 25 | 2,988,706 | 2,903,563 |
| Cost of sales | 26 | (1,678,580) | (1,597,671) |
| **Gross profit** | | 1,310,126 | 1,305,892 |
| Other income | 27 | 161,977 | 82,583 |
| General and administrative expenses | 28 | (234,108) | (223,676) |
| **Operating profit** | | 1,237,995 | 1,164,799 |
| Finance costs, net | 29 | (92,093) | (151,127) |
| Share of profit of associates | 7 | 28,015 | 18,993 |
| Share of profit of joint ventures | 8 | 392,593 | 378,844 |
| **Profit** | | **1,566,510** | 1,411,509 |
| **Attributable to:** | | | |
| Owners of the Company | | 1,530,003 | 1,384,043 |
| Non-controlling interests | | 36,507 | 27,466 |
| **Total** | | **1,566,510** | 1,411,509 |
| **Earnings per share** | | | |
| Basic and diluted earnings per share (expressed in QR) | 30 | 13.91 | 12.58 |

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

**For the year ended 31 December 2014** *In thousands of Qatari Riyals*

| | Note | 2014 | 2013 |
|---|---|---|---|
| **Profit** | | **1,566,510** | 1,411,509 |
| **Other comprehensive income:** | | | |
| ***Items that are or may be reclassified to profit or loss*** | | | |
| Share of loss from associates | 7 | (54,006) | (3,890) |
| Share of (loss)/profit from joint ventures | 8 | (81,735) | 167,137 |
| Net change in fair value on available-for-sale financial assets | 9 | 31,222 | 51,141 |
| Effective portion of changes in fair value on interest rate swaps for hedging | 24 | (1,859) | 120,560 |
| Other comprehensive income | | (106,378) | 334,948 |
| **Total comprehensive income** | | **1,460,132** | 1,746,457 |
| **Attributable to:** | | | |
| Owners of the Company | | 1,423,625 | 1,708,785 |
| Non-controlling interests | | 36,507 | 37,672 |
| | | **1,460,132** | 1,746,457 |

The notes on pages 10 to 49 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 2014**

*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** | **Fair value reserve** | **Retained earnings** | **Total** | **Non-controlling interests** | **Total equity** |
| **Balance at 1 January 2013** | 1,000,000 | 500,000 | 3,241,834 | (1,961,126) | 233,814 | 2,152,247 | 5,166,769 | 215,402 | 5,382,171 |
| ***Total comprehensive income:*** | | | | | | | | | |
| Profit | -- | -- | -- | -- | -- | 1,384,043 | 1,384,043 | 27,466 | 1,411,509 |
| Other comprehensive income | -- | -- | -- | 273,601 | 51,141 | -- | 324,742 | 10,206 | 334,948 |
| | -- | -- | -- | 273,601 | 51,141 | 1,384,043 | 1,708,785 | 37,672 | 1,746,457 |
| ***Transactions with owners of the Company:*** | | | | | | | | | |
| Dividends relating to year 2012 (Note 31) | -- | -- | -- | -- | -- | (730,000) | (730,000) | (23,328) | (753,328) |
| Contribution to social and sports support fund for 2013 (Note 32) | -- | -- | -- | -- | -- | (34,750) | (34,750) | -- | (34,750) |
| **Balance at 31December 2013/ 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 the year 2013 (Note 31) | -- | -- | -- | -- | -- | (750,000) | (750,000) | (23,330) | (773,330) |
| | 100,000 | -- | -- | -- | -- | (850,000) | (750,000) | (23,330) | (773,330) |
| Contribution to social and sports support fund for 2013 (Note 32) | -- | -- | -- | -- | -- | (2,816) | (2,816) | -- | (2,816) |
| Transfer to legal reserve | -- | 50,000 | -- | -- | -- | (50,000) | -- | -- | -- |
| **Balance at 31 December 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 49 are an integral part of these consolidated financial statements.

**QATAR ELECTRICITY & WATER COMPANY Q.S.C.**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**For the year ended 31 December 2014** *In thousands of Qatari Riyals*

| | Note | 2014 | 2013 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit | | 1,566,510 | 1,411,509 |
| *Adjustments for:* | | | |
| Depreciation of property, plant and equipment | 5 | 453,065 | 451,535 |
| Share of profits of associates | 7 | (28,015) | (18,993) |
| Share of profits of joint ventures | 8 | (392,593) | (378,844) |
| Provision for employees' end of service benefits | 21 | 5,776 | 6,349 |
| Deferred income | 27 | (6,792) | (6,792) |
| Dividend income from available-for-sale financial assets | 27 | (24,756) | (21,495) |
| Profit on disposal of property, plant and equipment | 27 | (316) | (15) |
| Profit on disposal of available-for-sale financial assets | 27 | -- | (43,675) |
| Amortization of intangible asset | 28 | 5,970 | 5,970 |
| Provision for slow moving inventories | 28 | 18,998 | 20,867 |
| Provision for impairment of asset held for sale | 28 | 29,846 | -- |
| Amortization of non-current assets | 28 | 1,710 | 1,304 |
| Provision for impairment of trade receivables | 28 | 181 | -- |
| Interest income | 29 | (16,162) | (20,433) |
| Interest expense | 29 | 105,200 | 175,029 |
| Bank charges | 29 | 3,251 | 3,166 |
| | | 1,721,873 | 1,585,482 |
| *Changes in:* | | | |
| Trade and other receivables | | 33,307 | (12,986) |
| Inventories | | 61,670 | 72,233 |
| Finance lease receivables | | 137,884 | 96,648 |
| Trade and other payables | | (89,361) | (219,529) |
| Cash generated from operating activities | | 1,865,373 | 1,527,188 |
| Employees' end of service benefits paid | 21 | (846) | (2,474) |
| **Net cash from operating activities** | | 1,864,527 | 1,524,714 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchase of property, plant and equipment | 5 | (727,042) | (763,166) |
| Proceeds from disposal of property, plant and equipment | 5 | 445 | 20 |
| Acquisition of associates | 7 | (207,262) | -- |
| Dividends received from associates | 7 | 17,084 | 14,211 |
| Dividends received from joint ventures | 8 | 418,665 | 308,332 |
| Addition to investment in a joint venture | 8 | (1,971,000) | (219,000) |
| Proceeds from sale of available-for-sale financial assets | 9 | -- | 65,028 |
| Net movement in other non-current asset | 11 | -- | (10,935) |
| Dividends from available-for-sale financial assets | 27 | 24,756 | 21,495 |
| Interest received | | 16,162 | 20,433 |
| **Net cash used in investing activities** | | **(2,428,192)** | (563,582) |

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**For the year ended 31 December 2014** *In thousands of Qatari Riyals*

| | Note | 2014 | 2013 |
|---|---|---|---|
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Dividends paid to the Company's shareholders | 31 | (750,000) | (730,000) |
| Dividends paid to non-controlling interests | | (23,329) | (23,328) |
| Repayment of subordinated loan from joint venture | 11 | 16,711 | 181,713 |
| Repayment of loan to related party | 22 | (100,000) | (125,972) |
| Net movements in interest bearing loans and borrowings | 19 | 1,425,479 | (1,049,295) |
| Interest paid | | (105,200) | (175,029) |
| Bank charges | | (3,251) | (3,166) |
| **Net cash from /(used in) financing activities** | | **460,410** | (1,925,077) |
| | | | |
| **Net (decrease) in cash and cash equivalents** | | **(103,255)** | (963,945) |
| Cash and cash equivalents at 1 January | | 1,725,570 | 2,689,515 |
| **Cash and cash equivalents at 31 December** | 15 | **1,622,315** | 1,725,570 |

The notes on pages 10 to 49 are an integral part of these consolidated financial statements.

**For the year ended 31 December 2014** *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. 5 of 2002 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's registered office is at QIMCO Building, West Bay Corniche Road, Doha, State of Qatar. 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 activity of the Group, which has not changed from the previous year, is the generation of electricity and production of desalinated water.

The structure of the Group is as follows:

**Subsidiaries**

| *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% |

**Joint ventures**

| *Name* | *Principal activity* | *Country of incorporation* | *Percentage of holding* |
|---|---|---|---|
| Q Power Q.S.C. (5) | Generation of electricity & production of desalinated water | Qatar | 55% |
| Mesaieed Power Company Limited (7) | Generation of electricity & production of desalinated water | Qatar | 40% |
| Ras Girtas Power Company Q.S.C. (9) | Generation of electricity & production of desalinated water | Qatar | 45% |
| Nebras Power Q.S.C. (10) | Invest in electricity and desalinated water projects outside the State of Qatar | Qatar | 60% |

**Associates**

| *Name* | *Principal activity* | *Country of incorporati on* | *Percentage of holding* |
|---|---|---|---|
| AES Oasis Limited | Generation of electricity & production of desalinated water | Caymen Island | 38.89% |
| Phoenix Power Company | Generation of electricity & production of desalinated water | Oman | 15% |
| Phoenix Operating Company | Generation of electricity & production of desalinated water | Oman | 15% |

The Company's consolidated financial statements for the year ended 31 December 2014 were authorised for issue by the Board of Directors on 25 January 2015.

## 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 power 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

Article 6 of the PWPA 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. Article 6.2 of the PWPA also states that in the event the Emiri decree is not granted by 1 June 2003 the parties shall meet to discuss and agree a solution and to the extent necessary, the said agreement shall be amended to reflect any such solution needed. As at the reporting period, the Emiri decree was not issued. The revenues from the above stations accounted for 20.4% of the total revenue of the Group for the year ended 31 December 2014 (2013: 20.61%). This percentage excludes revenue from Al Wajbah station because this station is held for sale as stated in Note 12. No amendments have been made to the PWPA since both parties are in continuing discussions. The Company is confident that the Emiri decree will be issued in the foreseeable future.

(4) In January 2003 the Company purchased from Qatar Petroleum the Dukhan Desalination Plant for QR 71.66 million. Subsequent to concluding this purchase agreement, the Company also concluded the following agreements with Qatar Petroleum relating to the Dukhan Desalination Plant:

- Land Lease Agreement
- Water Purchase Agreement
- Fuel Supply Agreement

(5) In year 2004 the Company entered into a joint venture with International Power Plc and Chubu Electric Power Company for the Ras Laffan B Integrated Water and Power Plant project. A jointly controlled entity named Q Power Q.S.C. was incorporated in January 2005 for executing this project. The joint venture ownership is as follows:

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

(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. Subsequently to this PWPA, the Company entered into an engineering, procurement and construction contract with General Electric International, a company incorporated under the laws of Delaware, and Fisia Italimpianti S.P.A, a company incorporated in Italy, for the construction of the RAF B2 project.

## 2. MAJOR TRANSACTIONS AND AGREEMENTS OF THE GROUP

(7) In December 2006 the Company entered into a joint venture with Marubeni Corporation and Qatar Petroleum for the Mesaieed power project. A jointly controlled entity named Mesaieed Power Company Q.S.C. was incorporated on 15 January 2007 for executing this project. The agreement was amended in May 2009 following the addition of Chubu Electric Power Company to the joint venture. The current owners of the joint venture are 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). Subsequently to this agreement, the Company also entered into an engineering procurement and construction contract agreement with Fisia Italimpianti S.P.A, a company incorporated in Italy, for the construction of the RAF A1 project.

(9) In March 2008 the Company entered into a joint venture with RLC Power Holding Company and Qatar Petroleum for the Ras Laffan C Project. A jointly controlled entity named Ras Girtas Power Company Q.S.C. was incorporated on 25 March 2008 for executing this project. The joint venture ownership is as follows:

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

(10) In year 2013 the Company entered into an agreement with Qatar Petroleum International Limited Q.S.C. and Qatar Holding L.L.C. to establish a joint venture under the name of Nebras Power Q.S.C. to develop and acquire power and water projects and related fuel sourcing and loading and unloading facilities outside Qatar. The percentage shareholding in Nebras Power Q.S.C. are as follows;

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

## 3. BASIS OF PREPARATION

### a) Statement of compliance

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

### b) Basis of measurement

These consolidated financial statements have been prepared under the historical cost conversion, as modified by 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.

## 3. BASIS OF PREPARATION (CONTINUED)

### d) Use of estimates and judgments

In preparing these consolidated financial statements, the management has made judgements, 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. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are described as follows:

*Impairment of trade and other receivables*
Management establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

*Useful lives, residual values and related depreciation charges of property, plant and equipment*
Management determines the estimated useful lives of its property, plant and equipment to calculate depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually. Future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

*Impairment of inventories*
Inventories are held at the lower of cost or net realizable value. 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 applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

*Impairment of available-for-sale 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.

### e) Standards, amendments and interpretations effective on or after 1 January 2014

During the current year, the Group adopted all the below new and revised International Financial Reporting Standards that are relevant to its operations and are effective as of 1 January 2014. There was no material effect on the accounting policies of the Group as a result of their adoption and their was no significant impact on the financial statements of the Group.

*Amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities"*
The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realization and settlement". The amendments have been applied retrospectively.

## 3. BASIS OF PREPARATION (CONTINUED)

### e) Standards, amendments and interpretations effective on or after 1 January 2014 (continued)

*Amendments to IFRS 10, IFRS 12 and IAS 27 on "investment entities"*
The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

*Amendments to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"*
The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 "Fair Value Measurements.

*IFRIC 21 "Levies"*
IFRIC 21 (amendments to IAS 32) provide guidance on the accounting for levies in the financial statements of the entity that is paying the levy.

### f) Standards, amendments and interpretations issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2015. None of these has been applied in preparing these consolidated financial statements. Those which are relevant to the Group are set out below. The Group does not expect any significant impact on its accounting policies from their adoption and does not plan to early adopt these standards.

IFRS 9 "Financial Instruments"
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 beginning on or after 1 January 2018, with early adoption permitted.

IFRS 15 "Revenue from Contracts with Customers"
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.

## 3. BASIS OF PREPARATION (CONTINUED)

### f) Standards, amendments and interpretations issued but not yet effective

*Amendments to IAS 16 and IAS 38 clarification of acceptable methods of depreciation and amortization*
The amendments to IAS 16 prohibits entities from using a revenue based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted if the intangible asset is expressed as a measure of revenue or when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated. The amendments apply prospectively for annual periods beginning on or after 1 January 2016.

*Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"*
The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties to define benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee. For contributions that are independent of the number of years of service, the entity may either recognize the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees periods of service using the project unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees periods of service.

Annual improvements to IFRSs 2010-2012 cycle and 2011-2013 cycle
The annual improvements to IFRSs to 2010-2012 and 2011-2013 cycles include a number of amendments to various IFRSs. Most amendments will apply prospectively for annual periods beginning on or after 1 July 2014; earlier application is permitted (along with the special transitional requirement in each case) in which case the related consequential amendments to other IFRSs would also apply.

## 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.

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 remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

## 4. SIGNIFICANT ACCOUNTING POLICIES

### a) Basis of consolidation (continued)

***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.

***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.

**For the year ended 31 December 2014** *In thousands of Qatari Riyals*

## 4. SIGNIFICANT ACCOUNTING POLICIES

### b) Property, plant and equipment (continued)

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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Profit on disposal of an item of property, plant and equipment are determined by comparing the proceeds from its disposal with its carrying amount, and recognised net within profit or loss.

***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 lives, 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 |
| Al Wajbah (1) | 12 years |
| Al Saliyah | 12 years |
| Doha South Super | 12 years |
| 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 |

(1) The Company discontinued the operations of its Al-Wajbah power production during 2010 following instructions received from the government of the State of Qatar.

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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### c) 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.

### d) Financial instruments

The Group classified its non-derivative financial assets into the following categories: loans and receivables and available-for-sale financial assets. The Group classifies its non-derivative financial liabilities into the other financial liabilities category.

***Non-derivative financial assets and financial liabilities – recognition and derecognition***

The Group initially recognizes loans and receivables (loan receivable and trade and other receivables) on the date when they are originated. All other financial assets (bank balances, available-for-sale financial assets) and financial liabilities (loans payables and trade and other payables) 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.

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

**d) Financial instruments (continued)**

***Non-derivative financial assets and financial liabilities – recognition and derecognition (continued)***

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.

*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 OCI 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.

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

**e) 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.

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)

### e) 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 recognised 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.

### f) Leases

***Determining whether an arrangement contains a lease***

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognized using the Group's incremental borrowing rate.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### f) Leases (continued)

***Leased assets***
Assets held by the Group under leases that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognized in the Group's statement of financial position.

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

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

### g) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-fordistribution and subsequent gains and losses on remeasurement are recognized in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

### h) Inventories

Inventories are measured at the lower of cost and net realisable value.  The costs comprises those expenses incurred in bringing each inventory item to its present location and condition, and for spare parts, chemicals and consumables it is based on the weighted average cost principle.

Net realisable value represents the estimated selling price for inventories less any costs necessary to dispose them.

### i) Provisions

Provisions are 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

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### j) Employees' end of service benefits

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

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

### k) Pension and Provident Fund plan-Defined contribution plan

Under the Qatar Law No. 24 of 2002 on Retirement and Pension, the Group is required to make contributions to a fund scheme set by the government of the State of Qatar for Qatari employees. The contribution is calculated as a percentage of the Qatari employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

### l) 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.

### m) Revenue recognition

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for the sale of goods and services in the ordinary course of the Group's activities, net of returns and discounts. The Group recognises 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. Revenues earned by the Group are recognised on the following bases:

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### m) Revenue recognition

*Sale of electricity and desalinated water*
Sales of electricity and water are recognised as revenue as per the terms of the respective agreements, described 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.
- 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.

*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) Share capital

Ordinary shares are classified as equity.

### 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 2014 *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 2013 | 8,035,159 | 24,794 | 6,524 | 258,107 | 50,487 | 186,519 | 8,561,590 |
| Additions | 3,819 | 754 | 88 | 84,612 | -- | 673,893 | 763,166 |
| Transfers/reclassifications | (5,340) | -- | -- | -- | -- | -- | (5,340) |
| Disposals | (2,260) | (7) | (57) | (50,354) | -- | -- | (52,678) |
| At 31 December 2013 / 1January 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 | 8,032,024 | 26,450 | 6,805 | 312,869 | 50,487 | 1,488,732 | 9,917,367 |
| **Accumulated depreciation** | | | | | | | |
| At 1 January 2013 | 3,593,542 | 20,401 | 3,522 | 182,403 | 13,466 | -- | 3,813,334 |
| Depreciation (3) | 400,374 | 1,769 | 1,316 | 45,725 | 2,351 | -- | 451,535 |
| Disposals | (2,260) | (3) | (57) | (50,353) | -- | -- | (52,673) |
| At 31 December 2013 / 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 | 4,386,641 | 23,762 | 5,282 | 154,950 | 18,345 | -- | 4,588,980 |
| **Carrying amounts** | | | | | | | |
| At 31 December 2013 | 4,039,722 | 3,374 | 1,774 | 114,590 | 34,670 | 860,412 | 5,054,542 |
| **At 31 December 2014** | **3,645,383** | **2,688** | **1,523** | **157,919** | **32,142** | **1,488,732** | **5,328,387** |

For the year ended 31 December 2014 *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 an 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)** The annual depreciation charge has been allocated in the consolidated statement of profit or loss as follows:

| | **2014** | 2013 |
|---|---|---|
| Cost of sales (Note 26) | 451,516 | 449,761 |
| General and administrative expenses (Note 28) | 1,549 | 1,774 |
| | **453,065** | 451,535 |

**(4)** In the consolidated cash flow statement , proceeds from disposal of property, plant and equipment comprise;

| | **2014** | 2013 |
|---|---|---|
| Carrying amount | 129 | 5 |
| Profit on disposal of property, plant and equipment | 316 | 15 |
| Proceeds from disposal of property, plant and equipment | 445 | 20 |

**(5)** Capital work in progress mainly comprises a project under progress in relation to the construction of new offices for the Company in Lusail, Doha, Qatar.

## 6. INTANGIBLE ASSETS AND GOODWILL

As a result of the Transaction, mentioned in Note 6.2, the Company identified and recorded the following intangible assets with definite useful lives.

| | **2014** | 2013 |
|---|---|---|
| Intangible assets (1) | 89,552 | 95,522 |
| Goodwill (2) | 30,813 | 30,813 |
| **Balance at end of the year** | 120,365 | 126,335 |

**For the year ended 31 December 2014** *In thousands of Qatari Riyals*

## 6. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

### (1) Intangible assets

| | **2014** | 2013 |
|---|---|---|
| At 1 January | 95,522 | 101,492 |
| Amortisation (Note 28) | (5,970) | (5,970) |
| At 31 December | 89,552 | 95,522 |

This represents the Power and Water Purchase Agreement entered into between Ras Laffan Power Company Q.S.C., a wholly owned 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

**a) Acquisitions in 2010 -** ***Acquisition of Ras Laffan Power Company Limited Q.S.C.***
On 20 October 2010 the Company (acquirer) acquired an additional 55% of the voting shares of 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 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.
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** | |

**For the year ended 31 December 2014** *In thousands of Qatari Riyals*

## 6. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

### a) *Acquisition of Ras Laffan Power Company Limited Q.S.C (Continued)*

| | |
|---|---|
| Less : Fair value of identifiable net assets previously recognized by acquiree | 1,071,121 |
| Intangible assets not previously recognized by acquiree | 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** |

From the date of acquisition, Ras Laffan Power Company Q.S.C. contributed QR 544 million (2013: QR 362 million) to the profit of the Group.

### b) *Acquisition of Ras Laffan Operating Company W.L.L.*

On 20 October 2010 the Company (acquirer) acquired an additional 70% of the voting shares of Ras Laffan Operating Company W.L.L. (acquiree) that resulted to 100% ownership. Ras Laffan Operating Company W.L.L. is engaged in the management, operation, maintenance and development of electricity and water desalination plants in Qatar. The acquisition has been accounted for using the acquisition method of accounting.

The fair values and carrying amounts of the identifiable assets and liabilities of Ras Laffan Operating Company W.L.L. at the date of acquisition were as follows:

| | At fair values | At carrying amounts |
|---|---|---|
| **Assets** | | |
| Plant and equipment | 2,800 | 2,800 |
| Inventories | 31,709 | 31,709 |
| Accounts receivable and prepayments | 34,630 | 34,630 |
| Cash and cash equivalents | 117,657 | 117,657 |
| | 186,796 | 186,796 |
| **Liabilities** | | |
| Employee benefits | 6,541 | 6,541 |
| Accounts payable and accruals | 34,972 | 34,972 |
| | 41,513 | 41,513 |
| Total identifiable net assets | 145,283 | 145,283 |
| Fair value of consideration given for controlling interest | 101,698 | |
| Fair value of previously held interest | 43,585 | |
| *Total consideration* | **145,283** | |

## 6. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

**b)** ***Acquisition of AES Ras Laffan Operating Company W.L.L.(continued)***

| | |
|---|---|
| ***LESS:*** | |
| Fair value of identifiable net assets previously recognized by acquire | 145,283 |
| *Total identifiable net assets* | **145,283** |
| ***Goodwill arising on acquisition*** | **--** |
| *Net cash inflow on acquisition:* | |
| Net cash acquired with subsidiary | 117,657 |
| Cash paid | (101,698) |
| | 15,959 |

**For the year ended 31 December 2014** *In thousands of Qatari Riyals*

## 7. INVESTMENTS IN ASSOCIATES

The Company has the following investments in associates:

| | *Country of incorporation* | *Ownership* | **2014** | 2013 |
|---|---|---|---|---|
| Phoenix Power Company S.A.O.C. (1) | Oman | 15% | 166,603 | -- |
| Phoenix Operation and Maintenance Company L.L.C. (2) | Oman | 15% | 852 | 475 |
| AES Oasis Ltd (3) | Cayman Islands | 38.89% | 112,223 | 115,012 |
| | | | **279,678** | 115,487 |

The movements of the Group's investments in the associates were as follows;

| | **2014** | 2013 |
|---|---|---|
| At 1 January | 115,487 | 114,596 |
| Investments made | 207,262 | -- |
| Share of loss in other comprehensive income | (54,006) | (3,890) |
| Share of profit and net of dividend received | 10,935 | 4,781 |
| **At 31 December** | **279,678** | 115,487 |

(1) The business of the Company is to design, construct, own, operate and maintain a high efficiency gas fired power generation facility with a minimum capacity of 2,000 MW to be located at Sur in the Sultanate of Oman.

(2) The business of the Company is to provide operation and maintenance service to the project company pursuant to the operation and maintenance contract.

(3) On 8 February 2012 The Company entered into an agreement with IDB Infrastructure Fund L.P, a company incorporated in the Kingdom of Bahrain, to purchase 38.89% of shares of AES Oasis Ltd, a Company incorporated in Cayman Islands. AES Oasis Ltd. is 60% owner of AES Jordan Holding Co., a Company incorporated in Cayman Islands, which is a joint venture with Mitsui & Co Ltd of Japan which owns and operates a 370MW combined cycle gas fired power in Almanakher of Jordan.

Summarized financial information in respect of the Group's associates is set out below:

| | **2014** | 2013 |
|---|---|---|
| Total assets | 7,012,299 | 6,474,521 |
| Total liabilities | 5,751,383 | (6,456,416) |
| **Net assets** | 1,260,916 | 18,105 |
| **Company's share of net assets of associates** | 223,678 | 60,151 |
| Total revenue | 47,990 | 101,814 |
| Total profit for the year | 133,850 | 95,385 |
| **Company's share of profits of associates** | 28,015 | 18,993 |
| **Company's share of other comprehensive income** | (54,006) | (3,890) |

**For the year ended 31 December 2014** *In thousands of Qatari Riyals*

## 8. INVESTMENTS IN JOINT VENTURES

The Group has the following investments in joint ventures:

| | *Country of incorporation* | *Ownership* | **2014** | 2013 |
|---|---|---|---|---|
| Q Power Q.S.C. | Qatar | 55% | 367,287 | 358,332 |
| Mesaieed Power Company Limited (1) | Qatar | 40% | -- | -- |
| Ras Girtas Power Company Limited (1) | Qatar | 45% | -- | 126,513 |
| Nebras Power Q.S.C. | Qatar | 60% | 2,199,752 | 219,000 |
| | | | **2,567,039** | 703,845 |

Except for Nebras Power Q.S.C, other joint venture companies are engaged in the genaration of electricity and production of desalinated water. Nebras Power Q.S.C is established to invest in power and water projects outside the State of Qatar.

(1) The carrying values of the investments have been reduced to zero due to the recognition of losses in the joint ventures.

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

| | **2014** | 2013 |
|---|---|---|
| At 1 January | 703,845 | 247,196 |
| Investments made | 1,971,000 | 219,000 |
| Share of (loss) in other comprehensive income | (81,735) | 167,137 |
| Share of (loss)/profit, net of dividend received | (26,071) | 70,512 |
| **At 31 December** | **2,567,039** | 703,845 |

The summarized financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IRFS's:

| | **2014** | 2013 |
|---|---|---|
| Current assets | 8,197,267 | 2,832,547 |
| Non-current assets | 29,966,295 | 22,073,206 |
| Current liabilities | (9,900,711) | (4,276,503) |
| Non-current liabilities | (26,936,834) | (20,038,708) |
| | 1,326,017 | 590,542 |
| **Company's share of net assets of joint ventures** | 1,128,297 | 348,002 |

| | **2014** | 2013 |
|---|---|---|
| Revenues | 3,921,173 | 3,759,109 |
| Cost of sales | (1,929,691) | (1,721,735) |
| Other income | 72,289 | 55,189 |
| Administrative expenses | (63,458) | (71,548) |
| Finance costs | (1,145,729) | (1,184,201) |
| Profit for the year | 854,584 | 836,814 |
| **Company's share of profits of joint ventures** | 392,593 | 378,844 |
| **Company's share of other comprehensive income** | 81,735 | 167,137 |

**For the year ended 31 December 2014** *In thousands of Qatari Riyals*

## 9. AVAILABLE-FOR- SALE-FINANCIAL ASSETS

| | **2014** | 2013 |
|---|---|---|
| At 1 January | 454,146 | 424,358 |
| Disposals (1) | **--** | (21,353) |
| Net change in fair value transferred to the other comprehensive income | 31,222 | 51,141 |
| **At 31 December** | **485,368** | 454,146 |

(1) In the cash flow statement, proceeds from disposal of available-for-sale financial assets comprise:

| | **2014** | 2013 |
|---|---|---|
| Disposals | **--** | 21,353 |
| Profit on disposal of available-for-sale financial assets | **--** | 43,675 |
| Proceeds from sale of available-for-sale financial assets | **--** | 65,028 |

During the year, there was a dividend income of QR 24,756 thousand (2013: QR 21,495 thousands) from available-for-sale financial assets, which is included in “Other income” in profit or loss (Note 27).

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 published price quotations in an active market.

## 10. FINANCE LEASE RECEIVABLES

Finance lease receivables represent the share of lease receivables from Ras Laffan Power Company Limited 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 ranged between 7.50% to 9.99% per annum. The finance lease receivables at the end of the reporting period are neither past due nor impaired.

| | **2014** | 2013 |
|---|---|---|
| Finance leases - gross receivable | 2,954,356 | 3,263,567 |
| Unearned finance income | (1,179,306) | (1,350,633) |
| Present value of minimum lease payments receivable | **1,775,050** | 1,912,934 |

Classified in the consolidated statement of financial position as follows:

| | | |
|---|---|---|
| Current portion | 137,969 | 137,884 |
| Non-current portion | 1,637,081 | 1,775,050 |

**For the year ended 31 December 2014** *In thousands of Qatari Riyals*

## 11. OTHER NON-CURRENT ASSETS

| | **2014** | 2013 |
|---|---|---|
| Subordinated loan receivable from a joint venture | **--** | 16,711 |
| Other non-current assets (1) | 23,731 | 25,441 |
| | **23,731** | 42,152 |

(1) 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 movement in the account were as follows:

| | **2014** | 2013 |
|---|---|---|
| At 1 January | 25,441 | 15,810 |
| Additions | **--** | 10,935 |
| Amortization (Note 28) | (1,710) | (1,304) |
| At 31 December | **23,731** | 25,441 |

## 12. ASSET HELD FOR SALE

The Company intends to dispose within 2015 Al Wajbah Station. The Company discontinued the operations of its Al-Wajbah electricty production during 2010 following instructions received from the government of the State of Qatar. At that time the carrying value of the Al-Wajbah Station was QR 29.8 million. The Company decided to fully impair this value during the year (Note 28).

## 13. INVENTORIES

| | **2014** | **2013** |
|---|---|---|
| Spare parts | 435,931 | 496,359 |
| Allowance for slow-moving inventories (1) | (246,961) | (227,963) |
| | **188,970** | 268,396 |
| Chemicals | 2,847 | 4,011 |
| Consumables | 3,171 | 3,249 |
| | **194,988** | 275,656 |

**For the year ended 31 December 2014** *In thousands of Qatari Riyals*

## 13. INVENTORIES (CONTINUED)

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

| | **2014** | 2013 |
|---|---|---|
| At 1 January | 227,963 | 207,096 |
| Provision made (Note 28) | 18,998 | 20,867 |
| At 31 December | 246,961 | 227,963 |

## 14. TRADE AND OTHER RECEIVABLES

| | **2014** | **2013** |
|---|---|---|
| Trade receivables (1) | 642,744 | 614,549 |
| Less: Provision for impairment of trade receivables (2) | (153,927) | (153,746) |
| | 488,817 | 460,803 |
| Prepayments | 63,129 | 124,631 |
| **Total** | **551,946** | 585,434 |

(1) As at 31 December 2014 the aging of trade receivables was as follows:

***Aging of neither past due nor impaired:***

| | **2014** | 2013 |
|---|---|---|
| Less than 60 days | 488,817 | 459,959 |

***Aging of past due but not impaired:***

| | **2014** | 2013 |
|---|---|---|
| 61-120 days | **--** | -- |
| 121-180 days | **--** | 844 |
| 181-365 days | **--** | -- |
| **Total** | **--** | 844 |

***Aging of past due and impaired trade receivables:***

| | **2014** | 2013 |
|---|---|---|
| More than 365 days | 153,927 | 153,746 |

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

| | **2014** | 2013 |
|---|---|---|
| At 1 January | 153,746 | 153,746 |
| Provision made (Note 28) | 181 | -- |
| At 31 December | 153,927 | 153,746 |

For the year ended 31 December 2014 — *In thousands of Qatari Riyals*

## 15. CASH AND CASH EQUIVALENTS

| | 2014 | 2013 |
|---|---|---|
| Deposits with banks in local currency | 1,401,779 | 1,348,468 |
| Deposits with banks in foreign currencies | 164,317 | 377,077 |
| Cash in hand | 56,219 | 25 |
| **Total** | **1,622,315** | 1,725,570 |

The effective rate of interest on above deposits ranges from 0.12% to 1.75% per annum (2013: 0.12% to 1.75% per annum).

## 16. SHARE CAPITAL

| | 2014 | 2013 |
|---|---|---|
| *Authorised, issued and fully paid:* | | |
| 110,000,000 (31 December 2013: 100,000,000) shares of QR 10 each | **1,100,000** | 1,000,000 |

| | 31 December 2014 | | 31 December 2013 | |
|---|---|---|---|---|
| | ***Number of shares in '000'*** | ***QR '000'*** | *Number of shares in '000'* | *QR '000'* |
| At 1 January | 100,000 | 1,000,000 | 100,000 | 1,000,000 |
| Issue of bonus shares (1) | 10,000 | 100,000 | -- | -- |
| At the 31 December | **110,000** | **1,100,000** | 100,000 | 1,000,000 |

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

## 17. LEGAL RESERVE

As required by the Qatar Commercial Companies Law No. 5 of 2002 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 share capital. The Company has resolved to discontinue annual transfer to the legal reserve as the reserve reached 50% of its paid up 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.

**For the year ended 31 December 2014** *In thousands of Qatari Riyals*

## 19. BANK LOANS

| | **2014** | 2013 |
|---|---|---|
| Loan (i) | 1,349,689 | 1,396,239 |
| Loan (ii) | 730,336 | 771,916 |
| Loan (iii) | 364,377 | 385,122 |
| Loan (iv) | 635,108 | 831,667 |
| Loan (v) | 125,753 | 56,498 |
| Loan (vi) | 838,260 | 272,039 |
| Loan (vii) | 1,093,500 | -- |
| | 5,137,023 | 3,713,481 |
| Less: Financing arrangement costs | (37,429) | (39,366) |
| | **5,099,594** | 3,674,115 |

(i) 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 2014 amounted to USD 370 million or QR 1,350 million (2013: USD 383 million or QR 1,396 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.

(ii) 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 2014 amounted to USD 200 million or QR 730 million (2013: USD 212 million or QR 772 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.

(iii) 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 2014 amounted to USD 100 million or QR 364 million (2013: USD 106 million or QR 385 million).

(iv) 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.

(v) 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 2014 amounted to to USD 34.5 million or QR 126 million (2013: USD 15.5 million or QR 56 million). The loan will be repayable in quarterly installments starting from earlier of six months after the actual facility date and June 2016.

(vi) 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 USD 230 million or QR 838 million (2013: USD 75 million or QR 272 million).

**For the year ended 31 December 2014** *In thousands of Qatari Riyals*

## 19. BANK LOANS (CONTINUED)

(vii) 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 Co. 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 is repayable on or before the termination date which is one year from 15 December 2014.

Classified in the consolidated statement of financial position as follows:

| | **2014** | 2013 |
|---|---|---|
| Current portion | 1,425,358 | 313,192 |
| Non-current portion | 3,674,236 | 3,360,923 |
| | **5,099,594** | 3,674,115 |

## 20. DEFERRED INCOME

| | **2014** | 2013 |
|---|---|---|
| At 1 January | 20,375 | 27,167 |
| Income recognised (Note 27) | (6,792) | (6,792) |
| At 31 December | **13,583** | 20,375 |

Presented in consolidated statement of financial position as follows:

| | | |
|---|---|---|
| Current portion | 6,792 | 6,792 |
| Non-current portion | 6,791 | 13,583 |
| | 13,583 | 20,375 |

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.

## 21. EMPLOYEES' END OF SERVICES BENEFITS

| | **2014** | 2013 |
|---|---|---|
| At 1 January | 39,320 | 35,445 |
| Provision made (1) | 5,776 | 6,349 |
| Provision used | (846) | (2,474) |
| At 31 December | **44,250** | 39,320 |

(1) The provision is included within staff costs in the consolidated income statement.

## 22. LOAN FROM RELATED PARTY

| | **2014** | 2013 |
|---|---|---|
| KAHRAMAA (1) | **--** | 100,000 |

Classified in the consolidated statement of financial position as follows:

| | | |
|---|---|---|
| Current portion | **--** | 100,000 |

(1) This liability represents an amount due to KAHRAMAA in relation to the purchase consideration for the RAFASAT stations. The liability which was fully settled during the year.

For the year ended 31 December 2014 *In thousands of Qatari Riyals*

## 23. TRADE AND OTHER PAYABLES

| | **2014** | 2013 |
|---|---|---|
| Trade accounts payable | 168,213 | 118,717 |
| Other payables and accrued expenses | 368,155 | 486,594 |
| Provision for social and sports support fund | 26,188 | 47,639 |
| Payable to shareholders | 28,418 | 25,648 |
| Pension contributions for Qatari employees | 5,164 | 4,082 |
| | **596,138** | 682,680 |

## 24. INTEREST RATE SWAPS FOR HEDGING

| | **2014** | 2013 |
|---|---|---|
| At 1 January | 168,907 | 48,347 |
| Change in fair value transferred to other comprehensive income | 1,859 | 120,560 |
| At 31 December | **170,766** | 168,907 |

(1) As at 31 December 2014 the Company had ten interest rate swap contracts replacing its floating interest rate for fixed interest, designated as hedges for the period to 23 September 2023 on a maximum notional amount of QR 2,120 million. The terms of the interest rate swap contracts have been negotiated to match the terms of the commitments.

(2) Ras Laffan Power Company Q.S.C., a subsidiary, has an interest rate swap contract designated to hedge the exposure of upward movements of interest rates on loan drawdowns. The contracts consist of five separate swap deals and are matched with a substantial portion of the outstanding floating rate debt obligations of the Company and cover the period from 17 December 2001 to 30 November 2013 with maximum notional amount of QR 1,072 million. As a result, at 31 December 2014 the value of the cash flow hedge was QR Nil (2013: QR Nil).

## 25. REVENUE

| | **2014** | 2013 |
|---|---|---|
| *Sales represent the revenue generated from the supply of:* | | |
| Electricity | 1,594,400 | 1,553,741 |
| Desalinated water | 1,211,209 | 1,164,793 |
| *Lease income from plant lease:* | | |
| Ras Laffan Power Company Limited Q.S.C. | 183,097 | 185,029 |
| | **2,988,706** | 2,903,563 |

## 26. COST OF SALES

| | **2014** | 2013 |
|---|---|---|
| Cost of gas consumed | 834,489 | 766,981 |
| Depreciation of property, plant and equipment (Note 5) | 451,516 | 449,761 |
| Spare parts, chemicals and consumables | 83,928 | 82,865 |
| Staff costs | 194,545 | 189,627 |
| Others | 114,102 | 108,437 |
| | 1,678,580 | 1,597,671 |

**For the year ended 31 December 2014** *In thousands of Qatari Riyals*

## 27. OTHER INCOME

| | **2014** | 2013 |
|---|---|---|
| Profit on disposal of available-for-sale financial assets (Note 9) | -- | 43,675 |
| Profit / (loss) on disposal of property, plant and equipment (Note 5) | 316 | 15 |
| Dividend income from available-for-sale financial assets (Note 9) | 24,756 | 21,495 |
| Deferred income (Note 20) | 6,792 | 6,792 |
| Miscellaneous income (1) | 130,113 | 10,606 |
| | 161,977 | 82,583 |

(1) This includes funds received on an insurance claim filed by the Company of QR 41.9 million in respect of the fire accident at the Saliya Station, and the repayment made to the Company from KAHRAMA for liquidity damages pertaining to the Raf B2 project of QR 55 million.

## 28. GENERAL AND ADMINISTRATION EXPENSES

| | **2014** | 2013 |
|---|---|---|
| Staff costs | 94,053 | 91,273 |
| Provision for slow moving inventories (Note 12) | 18,998 | 20,867 |
| Depreciation of property, plant and equipment (Note 5) | 1,549 | 1,774 |
| Amortization of intangible assets (Note 6) | 5,970 | 5,970 |
| Amortization of non-current assets (Note 11) | 1,710 | 1,304 |
| Advertisement and public relation expenses | 11,144 | 9,607 |
| Arbitration expenses | | 17,838 |
| Rent | 2,792 | 2,791 |
| Insurance | 15,527 | 16,959 |
| Donations | 3,920 | 2,316 |
| Recruitment and training expenses | 5,584 | 5,255 |
| Professional fees | 12,120 | 4,993 |
| Telephone postage and couriers | 1,943 | 1,925 |
| Repairs and Maintenance | 1,646 | 2,612 |
| Office expenses | 1,071 | 1,084 |
| Subscription and licenses | 728 | 665 |
| Board of Directors' remuneration | 11,750 | 27,700 |
| Provision for impairment of asset held for sale (Note 12) | 29,846 | -- |
| Provision for impairment of trade receivables ( Note 14) | 1,458 | -- |
| Others | 12,299 | 8,743 |
| | **234,108** | 223,676 |

**For the year ended 31 December 2014** *In thousands of Qatari Riyals*

## 29. FINANCE COSTS, NET

| | **2014** | 2013 |
|---|---|---|
| *Interest expense:* | | |
| Banks loans | 98,425 | 158,103 |
| Other loans | 6,775 | 16,926 |
| | 105,200 | 175,029 |
| Interest income | (16,162) | (20,433) |
| Share of interest income from joint ventures | (196) | (6,635) |
| | 88,842 | 147,961 |
| Bank charges | 3,251 | 3,166 |
| | **92,093** | 151,127 |

## 30. 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.

| | **2014** | 2013 |
|---|---|---|
| Profit for the year attributable to the owners of the Company | 1,530,003 | 1,384,043 |
| Weighted average number of shares outstanding during the year (1) | 110,000 | 110,000 |
| Basic and diluted earnings per share (expressed in QR per share) | **13.91** | 12.58 |

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

| | **2014** | 2013 |
|---|---|---|
| Issued ordinary shares at 1 January | 100,000 | 100,000 |
| Effect of bonus shares issued (Note 15) | 10,000 | 100,00 |
| Weighted average number of shares at 31 December | **110,000** | 110,000 |

As the number of ordinary shares outstanding increased during the year as a result of a bonus issue, the calculation of basic earnings per share is adjusted retrospectively.

**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.

## 31. DIVIDENDS

The Board of Directors has proposed a final dividend distribution in 2014 of QR 7.5 per share (2013: QR 7.5 per share and a 10% bonus share of QR 100 million).

The dividend for 2013 of QR 750 million was approved at the Annual General Meeting held on 25 February 2013 and was subsequently paid in 2014.

The proposed final dividend for 2014 will be submitted for formal approval at the Annual General Assembly Meeting.

For the year ended 31 December 2014 *In thousands of Qatari Riyals*

## 32. 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 2.8 million to the Social and Sports Development Fund of Qatar.

During the year, an amount equal to QR 24.2 million for the 2013 appropriation was remitted to the Public Revenues and Taxes Department of the State of Qatar.

## 33. 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.

## 34. COMMITMENTS AND CONTINGENT LIABILITIES

| | **2014** | 2013 |
|---|---|---|
| *Commitments:* | | |
| Capital commitments (1) | **272,586** | 845,098 |
| Operating lease commitment (2) | **--** | 554,217 |
| Contingent liabilities: | | |
| Bank guarantees, corporate guarantees and documentary credits | **275,811** | 631,596 |

(1) Capital commitments include the commitment of the Company for the construction of the RAFA2 project.

(2) Operating lease commitment relates to the share in Ras Laffan Power Company Q.S.C. in respect of the DSRA letter of credit of USD Nil (2013: USD 190 Million), which was issued in favour of Standard Chartered (the Facility Agent) as per the Credit Facility Agreement dated 20 November 2001 in the ordinary course of business. Management believes that no material liabilities will arise out of this transaction.

The future lease commitments are as follows:

| | **2014** | 2013 |
|---|---|---|
| Due within one year | **--** | 482 |
| Due between 2- 5 years | **--** | 2,050 |
| Due more than 5 years | **--** | 6,414 |
| Total | **--** | 8,946 |

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## 35. 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

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

| | *Related parties* | **2014** | 2013 |
|---|---|---|---|
| *Sales:* | | | |
| Revenue from sale of electricity | KAHRAMAA | **1,594,400** | 1,553,741 |
| Revenue from sale of desalinated water | KAHRAMAA | **1,197,383** | 1,152,218 |
| | Qatar Petroleum | **13,826** | 12,575 |
| Lease income from plant lease | KAHRAMAA | **183,097** | 185,029 |
| *Cost of sales:* | | | |
| Cost of gas consumed/take or pay gas | Qatar Petroleum | **834,489** | 766,981 |
| *Other income:* | | | |
| Interest on bank deposits | Qatar National Bank | **7,368** | 11,065 |

### Year-end balances arising from transaction with related parties

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

| | **2014** | | 2013 | |
|---|---|---|---|---|
| | **Trade receivables** | **Trade payables and accrued expenses** | Trade receivables | Trade payables and accrued expenses |
| KAHRAMAA | 437,102 | 3,393 | 585,597 | 5,047 |
| Qatar Petroleum | 2,668 | 123,241 | 2,837 | 117,972 |
| | **439,770** | **126,634** | 588,434 | 123,019 |

### Compensation of key management personnel

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

| | **2014** | 2013 |
|---|---|---|
| Management remuneration | **5,411** | 4,866 |
| Directors' fees | **11,750** | 27,700 |

## 36. FINANCIAL RISK MANAGEMENT

### 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.

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:

| | **2014** | 2013 |
|---|---|---|
| Bank balances | **1,622,315** | 1,725,570 |

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.

**For the year ended 31 December 2014** *In thousands of Qatari Riyals*

## 36.FINANCIAL RISK MANAGEMENT (CONTINUED)

### 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.

The following are the contractual maturities of financial liabilities:

| **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** |

| 31 December 2013 | Carrying amounts | Contractual cash flows | Less than 1 year | 1 – 2 years | More than 2 years |
|---|---|---|---|---|---|
| Non-derivative financial liabilities | | | | | |
| Trade payables | 118,717 | 118,717 | 118,717 | -- | -- |
| Bank loan | 3,674,115 | 3,674,115 | 313,192 | 331,858 | 3,029,065 |
| | 3,792,832 | 3,792,832 | 431,909 | 331,858 | 3,029,065 |

### 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.

**For the year ended 31 December 2014** *In thousands of Qatari Riyals*

## 36. FINANCIAL RISK MANAGEMENT (CONTINUED)

***Interest rate risk***

The Group is exposed to interest rate risk on its interest bearing assets and liabilities (bank balances and interest bearing loans and borrowings). To manage this, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. These swaps are designed to hedge underlying debt obligations.

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

| | **2014** | 2013 |
|---|---|---|
| *Fixed interest rate instruments:* | | |
| Financial assets | **1,566,096** | 1,725,545 |
| *Floating interest rate instruments:* | | |
| Financial liabilities | **(5,099,594)** | (3,843,022) |

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 2014. 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 |
|---|---|---|
| **2014** | | |
| **Floating interest rate instruments** | **+/-25** | **+/- 12,749** |
| 2013 | | |
| Floating interest rate instruments | +/-25 | +/- 9,608 |

***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 2014** | **Effect on equity 2014** | Change in equity price 2013 | Effect on equity 2013 |
|---|---|---|---|---|
| Quoted shares | **20%** | **97,073** | 20% | 90,829 |

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## 36. FINANCIAL RISK MANAGEMENT (CONTINUED)

***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.

### 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 2014.

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.

| | **2014** | 2013 |
|---|---|---|
| Total borrowings | 5,099,594 | 3,774,115 |
| Less: Cash and cash equivalents | (1,622,315) | (1,725,570) |
| Net debt | 3,477,279 | 2,048,545 |
| Total equity | 6,781,613 | 6,110,804 |
| Total equity and net debt | 10,258,892 | 8,159,349 |
| Gearing ratio | **34%** | 25% |

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## 37. 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. It does not include fair value information for financial assets and financial liabilities not measured at fair value if 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 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** | -- | -- | -- | |

For the year ended 31 December 2014 *In thousands of Qatari Riyals*

**37.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 2013** | | | | | | | | | |
| ***Financial assets measured at fair value*** | | | | | | | | | |
| Equity securities | -- | -- | 454,146 | | 454,146 | 454,146 | -- | -- | 454,146 |
| ***Financial assets not measured at fair value*** | | | | | | | | | |
| Trade and other receivables | -- | 585,434 | -- | | 585,434 | -- | -- | -- | -- |
| Cash and cash equivalents | -- | 1,725,570 | -- | | 1,725,570 | -- | -- | -- | -- |
| | -- | 2,311,004 | -- | | 2,311,004 | -- | -- | -- | -- |
| ***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 | -- | -- | -- | 3,674,115 | 3,674,115 | -- | -- | -- | |
| Trade payables | -- | -- | -- | 118,717 | 118,717 | -- | -- | -- | |
| | -- | -- | -- | 3,792,832 | 3,792,832 | -- | -- | -- | |

## 38. 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.

## 39. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation in the current year's consolidated financial statements. However, such reclassification does not have any effect on the net income, net assets and equity of the previous year.

## 40. SUBSEQUENT EVENTS

Effective from 1 January 2015, the Company intends to dispose Al Saliyah and Doha South Super as the contracts with KAHRAMAA for these two stations expired on 31 December 2014. The revenues from these stations accounted for 3% of the total revenues of the Group for the year ended 31 December 2014 (2013: 3%).

Except for the above, there were no other significant events after the reporting date which have a bearing on the understanding of the consolidated financial statements.

**Independent Auditor's report on page 1 and 2.**