

Qatar Electricity & Water Company Q.S.C.

**UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS**

31 MARCH 2010

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

Introduction

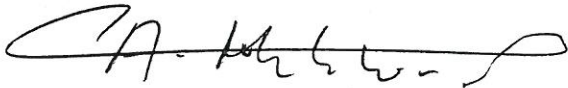
We have reviewed the accompanying interim condensed financial statements of Qatar Electricity & Water Company Q.S.C. (the "Company") and its jointly controlled entities (together referred as the "Group") as at 31 March 2010, comprising of the interim statement of financial position as at 31 March 2010 and the related interim statements of income, comprehensive income, cash flows and changes in equity for the three-month period then ended and related explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

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

Conclusion

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



A. Mekhael, F.C.C.A.
of Ernst & Young
Auditor's Registration No. 59

Date: 19 April 2010
Doha



Qatar Electricity & Water Company Q.S.C.

INTERIM STATEMENT OF INCOME

For the three months ended 31 March 2010

	Notes	<i>Three months ended 31 March</i>	
		<i>2010</i>	<i>2009</i>
		<i>QR '000</i>	<i>QR '000</i>
		<i>(Reviewed)</i>	<i>(Reviewed)</i>
Sales	4	592,679	516,004
Cost of sales		<u>(357,705)</u>	<u>(332,508)</u>
GROSS PROFIT		234,974	183,496
Deferred income		1,698	1,698
Other operating income		2,606	-
General and administration expenses		(31,150)	(34,273)
Finance costs		(69,093)	(43,394)
Liquidated damages to KAHRAMAA	5	(44,460)	(10,228)
Interest income		27,480	18,266
Dividend income		1,160	3,926
Share of interest income of joint venture companies		11,020	11,900
Share of profits of associates	8	8,451	2,906
Share of liquidated damages of Mesaieed Power Company Limited		9,185	10,235
Miscellaneous income (expenses)		<u>3,079</u>	<u>(1,276)</u>
PROFIT FOR THE PERIOD		<u>154,950</u>	<u>143,256</u>
BASIC EARNINGS PER SHARE			
(Expressed in QR per share)	6	<u>1.55</u>	<u>1.43</u>

The attached notes 1 to 17 form part of these interim condensed financial statements.

Qatar Electricity & Water Company Q.S.C.

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2010

	<i>Three months ended 31 March</i>	
	<i>2010</i>	<i>2009</i>
	<i>QR '000</i>	<i>QR '000</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>
Profit for the period	154,950	143,256
Other comprehensive income (loss):		
(Losses) gains from cash flow hedges of the Company	(17,767)	42,969
Share of comprehensive (loss) income of associates and joint venture companies ((Notes 8 (iii) and 11))	(64,553)	458,631
Unrealised gain (loss) on available-for-sale investments	12,010	(54,615)
Other comprehensive (loss) income for the period	(70,310)	446,985
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	84,640	590,241

The attached notes 1 to 17 form part of these interim condensed financial statements.

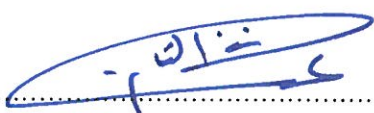
Qatar Electricity & Water Company Q.S.C.

INTERIM STATEMENT OF FINANCIAL POSITION

At 31 March 2010

		31 March 2010 QR'000 (Reviewed)	31 December 2009 QR'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	7	11,197,919	10,663,624
Investments in associates	8	255,789	247,338
Available-for-sale investments		287,244	275,234
Finance lease receivables	9	<u>3,866,191</u>	<u>3,820,652</u>
		<u>15,607,143</u>	<u>15,006,848</u>
Current assets			
Finance lease receivables		28,457	27,400
Inventories		254,052	274,416
Accounts receivable and prepayments		420,240	432,376
Bank balances and cash		<u>1,954,847</u>	<u>2,306,962</u>
		<u>2,657,596</u>	<u>3,041,154</u>
TOTAL ASSETS		<u><u>18,264,739</u></u>	<u><u>18,048,002</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital		1,000,000	1,000,000
Legal reserve		500,000	500,000
General reserve		2,707,888	2,707,888
Retained earnings		154,950	500,000
Other components of equity		<u>(1,188,508)</u>	<u>(1,118,198)</u>
Total equity		<u>3,174,330</u>	<u>3,589,690</u>
Non-current liabilities			
Interest-bearing loans and borrowings	10	11,324,543	10,822,674
Other term loans		457,913	457,913
Deferred income	12	39,053	40,751
Employees' end of service benefits		<u>54,590</u>	<u>51,200</u>
		<u>11,876,099</u>	<u>11,372,538</u>
Current liabilities			
Accounts payable and accruals		1,148,842	1,102,646
Interest-bearing loans and borrowings	10	668,215	668,195
Other term loans		105,972	105,972
Derivatives	11	1,284,489	1,202,169
Deferred income	12	<u>6,792</u>	<u>6,792</u>
		<u>3,214,310</u>	<u>3,085,774</u>
Total liabilities		<u>15,090,409</u>	<u>14,458,312</u>
TOTAL EQUITY AND LIABILITIES		<u><u>18,264,739</u></u>	<u><u>18,048,002</u></u>

.....
Abdulla Bin Hamad Al- Attiyah
Chairman


.....
Issa Shahin Al-Ghanim
Vice Chairman

The attached notes 1 to 17 form part of these interim condensed financial statements.

Qatar Electricity & Water Company Q.S.C.

INTERIM STATEMENT OF CASH FLOWS

For the three months ended 31 March 2010

	<i>Three months ended 31 March</i>	
	<i>2010</i>	<i>2009</i>
	<i>QR'000</i>	<i>QR'000</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>
OPERATING ACTIVITIES		
Profit for the period	154,950	143,256
Adjustments for:		
Depreciation	104,945	101,334
Provision for employees' end of service benefits	3,609	3,875
Provision for slow-moving stocks	4,542	4,490
Finance costs	69,093	43,394
Deferred income recognised	(1,698)	(1,698)
Interest income	(27,480)	(18,266)
Dividend income	(1,160)	(3,926)
Share of profit from associate companies	(8,451)	(2,906)
	<u>298,350</u>	<u>269,553</u>
Working capital changes:		
Inventories	15,822	21,158
Accounts receivable and prepayments	12,136	21,890
Finance lease receivable	(29,571)	(10,128)
Accounts payable and accruals	46,196	3,842
	<u>342,933</u>	<u>306,315</u>
Cash from operations	342,933	306,315
Finance costs paid	(69,093)	(43,394)
Employees' end of service benefits paid	(219)	(116)
	<u>273,621</u>	<u>262,805</u>
Net cash from operating activities	<u>273,621</u>	<u>262,805</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(656,265)	(936,209)
Interest received	27,480	18,266
Dividends received	1,160	3,926
	<u>(627,625)</u>	<u>(914,017)</u>
Net cash used in investing activities	<u>(627,625)</u>	<u>(914,017)</u>
FINANCING ACTIVITIES		
Dividends paid	(500,000)	(450,000)
Drawdown of bank borrowings	501,889	1,014,229
Repayment of bank borrowings	-	(344,620)
	<u>1,889</u>	<u>219,609</u>
Net cash from financing activities	<u>1,889</u>	<u>219,609</u>
DECREASE IN BANK BALANCES AND CASH	(352,115)	(431,603)
Bank balances and cash at 1 January	<u>2,306,962</u>	<u>1,614,917</u>
BANK BALANCES AND CASH AT 31 MARCH	<u>1,954,847</u>	<u>1,183,314</u>

The attached notes 1 to 17 form part of these interim condensed financial statements.

Qatar Electricity & Water Company Q.S.C.

INTERIM STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2010

	<i>Share capital QR '000</i>	<i>Legal reserve QR '000</i>	<i>General reserve QR '000</i>	<i>Retained earnings QR '000</i>	<i>Cash flow hedge reserve QR '000</i>	<i>Available- for-sale reserve QR '000</i>	<i>Total QR '000</i>
Balance at 1 January 2010 (Audited)	1,000,000	500,000	2,707,888	500,000	(1,238,808)	120,610	3,589,690
Profit for the period	-	-	-	154,950	-	-	154,950
Other comprehensive (loss) gain	-	-	-	-	(82,320)	12,010	(70,310)
Total comprehensive income	-	-	-	154,950	(82,320)	12,010	84,640
Dividends paid for 2009	-	-	-	(500,000)	-	-	(500,000)
Balance at 31 March 2010 (Reviewed)	1,000,000	500,000	2,707,888	154,950	(1,321,128)	132,620	3,174,330
	<i>Share capital QR '000</i>	<i>Legal reserve QR '000</i>	<i>General reserve QR '000</i>	<i>Retained earnings QR '000</i>	<i>Cash flow hedge reserve QR '000</i>	<i>Available- for-sale reserve QR '000</i>	<i>Total QR '000</i>
Balance at 1 January 2009 (Audited)	1,000,000	500,000	2,286,203	450,000	(3,022,811)	94,210	1,307,602
Profit for the period	-	-	-	143,256	-	-	143,256
Other comprehensive gain (loss)	-	-	-	-	501,600	(54,615)	446,985
Total comprehensive income	-	-	-	143,256	501,600	(54,615)	590,241
Dividends paid for 2008	-	-	-	(450,000)	-	-	(450,000)
Balance at 31 March 2009 (Reviewed)	1,000,000	500,000	2,286,203	143,256	(2,521,211)	39,595	1,447,843

The attached notes 1 to 17 form part of these interim condensed financial statements.

Qatar Electricity & Water Company Q.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2010

1 CORPORATE INFORMATION

Qatar Electricity & Water Company Q.S.C. (the "Company") is a public shareholding company incorporated in Qatar on 16 March 1992. The Company's registered office is at QIMCO building, West Bay Corniche Road, P.O. Box 22046, Doha, State of Qatar. The interim condensed financial statements of the Company for the three-month period ended 31 March 2010 comprise the Company and its interest in associates and jointly controlled entities (together referred as the "Group"). The Group is primarily involved in the production of electricity and water. The Company's shares are listed on Qatar Exchange.

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

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

The interim condensed financial statements of the Group for the three months ended 31 March 2010 were authorised for issue by the Board of Directors on 19 April 2010.

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

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

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

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

As at the end of the reporting period, the Emiri decree has not been obtained by the Company. The revenues from these stations accounted for 18% of the total revenues of the Company for the period ended 31 March 2010 (31 March 2009: 27%). No amendments have been made to the above agreement since both parties are continuing the discussions and are confident of obtaining the Emiri decree in due course.

3 BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

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

3 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

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

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

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

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

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

The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

Improvements to International Financial Reporting Standards

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

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

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

Sales from RAF A, Al Wajbah, Al Saliyah and Doha South Super are accounted for as per the terms of the Power and Water purchase agreement with KAHRAMAA. An adjustment is made to the annual financial statements to reflect the guaranteed revenue. However, the interim condensed financial statements are not subject to such adjustments, as the agreement requires that adjustments be made only to the annual figures.

Sales from Dukhan desalination plant are accounted for in accordance with the Water Purchase Agreement signed with Qatar Petroleum. As per the agreement an adjustment is to be made to the annual revenue in the annual financial statements to reflect the guaranteed revenue. However an adjustment has been made to revenue as on 31 March 2010 to reflect the guaranteed revenue after making such prorated annual adjustment.

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

Qatar Electricity & Water Company Q.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2010

4 SALES

	<i>Three months ended 31 March</i>	
	<i>2010</i>	<i>2009</i>
	<i>QR'000</i>	<i>QR'000</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>
Sales represent revenue generated from the supply of:		
Electricity	284,842	269,093
Water	222,192	212,774
Lease income from plant leases	85,645	34,137
	<u>592,679</u>	<u>516,004</u>

5 LIQUIDATED DAMAGES TO KAHRAMAA

	<i>Three months ended 31 March</i>	
	<i>2010</i>	<i>2009</i>
	<i>QR'000</i>	<i>QR'000</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>
Liquidated damages payable to KAHRAMAA (i)	35,235	-
Share of liquidated damages of Mesaieed Power Company Limited (ii)	9,225	10,228
	<u>44,460</u>	<u>10,228</u>

Notes:

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

6 BASIC EARNINGS PER SHARE

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

	<i>Three months ended 31 March</i>	
	<i>2010</i>	<i>2009</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>
Profit for the period (in QR'000)	<u>154,950</u>	<u>143,256</u>
Weighted average number of shares outstanding during the period (in shares)	<u>100,000,000</u>	<u>100,000,000</u>
Basic earnings per share (expressed in QR per share)	<u>1.55</u>	<u>1.43</u>

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

Qatar Electricity & Water Company Q.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2010

7 PROPERTY, PLANT AND EQUIPMENT

	<i>Production facilities</i> <i>QR'000</i>	<i>Furniture, fixtures and office equipment</i> <i>QR'000</i>	<i>Motor vehicles</i> <i>QR'000</i>	<i>"C" inspection costs</i> <i>QR'000</i>	<i>Capital spares</i> <i>QR'000</i>	<i>Capital work in progress</i> <i>QR'000</i>	<i>Total</i> <i>QR'000</i>
Cost:							
At 1 January 2010	6,314,950	19,276	5,194	206,884	120,218	6,623,388	13,289,910
Additions	688	1,284	221	-	17,025	637,047	656,265
Reclassifications	-	686	-	55,453	-	(56,139)	-
Transfer to finance lease receivable	-	-	-	-	-	(17,025)	(17,025)
Retirements/disposals	-	-	-	(12,162)	-	-	(12,162)
At 31 March 2010	<u>6,315,638</u>	<u>21,246</u>	<u>5,415</u>	<u>250,175</u>	<u>137,243</u>	<u>7,187,271</u>	<u>13,916,988</u>
Depreciation:							
At 1 January 2010	2,501,449	13,946	2,330	85,580	22,981	-	2,626,286
Charge for the period	84,321	563	277	18,024	1,760	-	104,945
Relating to retirements/disposals	-	-	-	(12,162)	-	-	(12,162)
At 31 March 2010	<u>2,585,770</u>	<u>14,509</u>	<u>2,607</u>	<u>91,442</u>	<u>24,741</u>	<u>-</u>	<u>2,719,069</u>
Net carrying amounts:							
At 31 March 2010 (Reviewed)	<u>3,729,868</u>	<u>6,737</u>	<u>2,808</u>	<u>158,733</u>	<u>112,502</u>	<u>7,187,271</u>	<u>11,197,919</u>
At 31 December 2009 (Audited)	<u>3,813,501</u>	<u>5,330</u>	<u>2,864</u>	<u>121,304</u>	<u>97,237</u>	<u>6,623,388</u>	<u>10,663,624</u>

Note:

- (i) The Company has discontinued the operations of its Al Wajba power production facility during the period as per instructions received from the government of the State of Qatar. Negotiations for compensation have not formally started. Management believes it can recover the full carrying value of the facility and thus no impairment loss has been provided in these financial statements.

Qatar Electricity & Water Company Q.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2010

8 INVESTMENTS IN ASSOCIATES

The Company has the following investments in associates:

		<i>31 March 2010 QR'000 (Reviewed)</i>	<i>31 December 2009 QR'000 (Audited)</i>
	<i>Ownership</i>		
AES Ras Laffan Operating Company W.L.L.	30%	36,815	34,886
Ras Laffan Power Company Limited Q.S.C.	25%	218,974	212,452
		255,789	247,338

Notes:

- (i) AES Ras Laffan Operating Company W.L.L. is engaged in the management, operation, maintenance and development of electricity and water desalination plants in Qatar. Ras Laffan Power Company Limited Q.S.C. is engaged to develop, own, operate and maintain an electricity and water desalination plant in Qatar.
- (ii) The Company has accounted for its share of profits from associate companies amounting to QR 8.45 million for the three months period ended 31 March 2010 (31 March 2009: QR 2.91 million).
- (iii) The Company has also accounted for its share in the cumulative changes in the fair values of the derivative financial instruments (interest rate swaps) of Ras Laffan Power Company Limited Q.S.C.

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

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

	<i>31 March 2010 QR'000 (Reviewed)</i>	<i>31 December 2009 QR'000 (Audited)</i>
<i>Share of the associates' financial position:</i>		
Current assets	113,007	91,975
Non-current assets	560,964	574,094
Current liabilities	(71,147)	(71,857)
Non-current liabilities	(347,035)	(346,874)
Net assets	255,789	247,338
<i>Share of the associates' revenue and profits:</i>		
Revenue	48,837	153,369
Profits	8,451	46,619
Carrying amounts of the investments	255,789	247,338

Qatar Electricity & Water Company Q.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2010

9 FINANCE LEASE RECEIVABLES

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

10 INTEREST-BEARING LOANS AND BORROWINGS

	<i>31 March 2010 QR'000 (Reviewed)</i>	<i>31 December 2009 QR'000 (Audited)</i>
Loan 1 (Note (i))	1,581,163	1,581,163
Loan 2 (Note (ii))	546,750	546,750
Loan 3 (Note (iii))	1,234,500	1,234,103
Loan 4 (Note (iv))	2,223,111	2,163,843
Loan 5 (Note (v))	708,952	708,952
Loan 6 (Note (vi))	423,195	423,195
Loan 7 (Note (vii))	1,093,500	1,093,500
Loan 8 (Note (viii))	<u>4,237,524</u>	<u>3,794,612</u>
	12,048,695	11,546,118
Less: financing arrangement costs	<u>(55,937)</u>	<u>(55,249)</u>
	<u>11,992,758</u>	<u>11,490,869</u>
Classified in the statement of financial position as follows:		
Current portion	668,215	668,195
Non-current portion	<u>11,324,543</u>	<u>10,822,674</u>
	<u>11,992,758</u>	<u>11,490,869</u>

Notes:

- (i) The Company has entered into credit agreement with The Bank of Tokyo Mitsubishi UFJ Ltd. which acts as a facility agent and offshore security trustee for a credit facility amounting to US\$ 485.5 million (QR 1,769 million) to finance the construction of RAF B2. The total drawn amount as at 31 March 2010 amounted to US\$ 433 million (QR 1,581 million) ((31 December 2009: US\$ 433 million (QR 1,581million)). Interest is charged at an interest rate of LIBOR + 0.55 to 1.65 per annum as specified in the credit agreement. The loan is repayable semi-annually commencing from actual facility date i.e. six months from actual facility date or ten months after scheduled completion date.
- (ii) The Company has entered into a Revolving Bridge Facility agreement with The Bank of Tokyo Mitsubishi UFJ Ltd. which acts as a mandated lead arranger for a facility amounting to US\$ 150 million to finance the construction of RAF A expansion projects. The total drawn amount as at 31 March 2010 amounted to US\$ 150 million (QR 546.75 million) ((31 December 2009: US\$ 150 million (QR 546.75 million)). Interest is charged at a rate of LIBOR + 1.50 per annum as specified in the facility agreement. The termination date of the facility is on 31 October 2010.

Qatar Electricity & Water Company Q.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2010

10 INTEREST-BEARING LOANS AND BORROWINGS (continued)

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

11 DERIVATIVES

	<i>31 March 2010 QR'000 (Reviewed)</i>	<i>31 December 2009 QR'000 (Audited)</i>
Share in fair value of cash flow hedge (i)	1,126,140	1,061,587
Cash flow hedge (ii)	158,349	140,582
	<u>1,284,489</u>	<u>1,202,169</u>

Notes:

- (i) Q Power Q.S.C., Mesaieed Power Company Limited Q.S.C. and Ras Girtas Power Company Limited Q.S.C. have entered into various interest rate swap contracts replacing its floating interest rate bearing loans for fixed interest bearing loans. The Company accounted for its proportionate share of the fair value of the derivatives which amounts to QR 1,126.14 million as at 31 March 2010 (31 December 2009: QR 1,061.59 million).
- (ii) As at 31 March 2010, the Company has six interest rate swap contracts replacing its floating interest rate bearing loans for fixed interest bearing loans, designated as hedges of expected future LIBOR interest rate payments during the period up to 30 July 2018 on a maximum notional amount of QR 1,120 million. The terms of the interest rate swap contracts have been negotiated to match the terms of the commitments. As at 31 March 2010, the measurement of the fair values of the hedges resulted in a negative amount of QR 158.35 million (31 December 2009: QR 140.58 million) which has been recognized in the equity as cash flow hedge reserve and as a derivative liability in the current liabilities.

Qatar Electricity & Water Company Q.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2010

12 DEFERRED INCOME

	<i>31 March 2010 QR'000 (Reviewed)</i>	<i>31 December 2009 QR'000 (Audited)</i>
Balance at beginning of period/year	47,543	54,335
Income recognised during the period/year	<u>(1,698)</u>	<u>(6,792)</u>
Balance at end of period/year	<u>45,845</u>	<u>47,543</u>
Presented in the statement of financial position as follows:		
Current portion	6,792	6,792
Non-current portion	<u>39,053</u>	<u>40,751</u>
	<u>45,845</u>	<u>47,543</u>

Note:

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

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

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

	<i>31 March 2010 QR'000 (Reviewed)</i>	<i>31 December 2009 QR'000 (Audited)</i>
Current assets	298,953	588,927
Non-current assets	7,971,710	7,133,397
Current liabilities	(1,570,745)	(1,493,422)
Non-current liabilities	<u>(7,613,982)</u>	<u>(7,110,628)</u>
	<u>(914,064)</u>	<u>(881,726)</u>
Revenues	165,565	484,944
Cost of sales	(73,635)	(249,928)
Administrative expenses	(9,055)	(60,249)
Finance costs	<u>(50,660)</u>	<u>(114,245)</u>
Profit for the period/year	<u>32,215</u>	<u>60,522</u>

Qatar Electricity & Water Company Q.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2010

14 SEGMENT INFORMATION

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

15 COMMITMENTS AND CONTINGENT LIABILITIES

	<i>31 March 2010 QR'000 (Reviewed)</i>	<i>31 December 2009 QR'000 (Audited)</i>
<i>Commitments:</i>		
Capital commitments (i)	<u>1,210,292</u>	<u>1,762,254</u>
Operating lease commitment (ii)	<u>14,952</u>	<u>15,048</u>
<i>Contingent liabilities:</i>		
Bank guarantees and documentary credits (iii)	<u>190,418</u>	<u>192,925</u>

Notes:

- (i) Capital commitments include the following:
- (a) The amounts payable to EPC contractors for RAF A1 project amounting to QR 339.15 million as at 31 March 2010 (31 December 2009: QR 277.72 million).
 - (b) The proportionate commitment of the Company in Mesaieed Power Company Limited Q.S.C. as at 31 March 2010 which amounts to QR 0.57 million (31 December 2009: QR 263.06 million).
 - (c) The proportionate commitment of the Company in Ras Girtas Power Company Limited Q.S.C. as at 31 March 2010 which amounts to QR 870.57 million (31 December 2009: QR 870.57 million).
- (ii) Operating lease commitment includes:

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

	<i>31 March 2010 QR'000 (Reviewed)</i>	<i>31 December 2009 QR'000 (Audited)</i>
Due in one year	382	382
Due in 2-5 years	2,290	2,290
Due in more than 5 years	<u>12,280</u>	<u>12,376</u>
	<u>14,952</u>	<u>15,048</u>

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

Qatar Electricity & Water Company Q.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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16 RELATED PARTY DISCLOSURES

Related party transactions

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

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

	<i>Related Party</i>	<i>Three months ended 31 March</i>	
		<i>2010</i>	<i>2009</i>
		<i>QR'000</i>	<i>QR'000</i>
		<i>(Reviewed)</i>	<i>(Reviewed)</i>
<i>Sales:</i>			
Revenue from sale of electricity	KAHRAMAA	284,842	269,093
Revenue from sale of water	KAHRAMAA	218,770	210,110
	Qatar Petroleum	3,422	2,664
Lease income from plant leases	KAHRAMAA	85,645	34,137
<i>Cost of sales:</i>			
Cost of gas consumed	Qatar Petroleum	140,396	133,739
<i>Other income:</i>			
Interest on bank deposits	Qatar National Bank	16,980	13,544

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

	<i>31 March 2010</i>		<i>31 December 2009</i>	
	<i>Trade receivables</i>	<i>Trade and other payables</i>	<i>Trade receivables</i>	<i>Trade and other payables</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Audited)</i>	<i>(Audited)</i>
KAHRAMAA	356,989	62,367	371,354	28,091
Qatar Petroleum	3,242	110,841	2,272	141,053
	<u>360,231</u>	<u>173,208</u>	<u>373,626</u>	<u>169,144</u>

Compensation of key management personnel

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

	<i>Three months ended 31 March</i>	
	<i>2010</i>	<i>2009</i>
	<i>QR'000</i>	<i>QR'000</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>
Management remuneration	<u>6,136</u>	<u>5,427</u>
Directors' sitting fees	<u>2,925</u>	<u>2,925</u>

17 COMPARATIVE AMOUNTS

Certain amounts in the 2009 interim condensed financial statements and supporting note disclosures have been reclassified to conform to the current period's presentation. Such reclassifications do not have an impact on the previously reported profit for the period or retained earnings.