

Qatar Electricity & Water Company Q.S.C.

**UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS**

31 MARCH 2009

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

Introduction

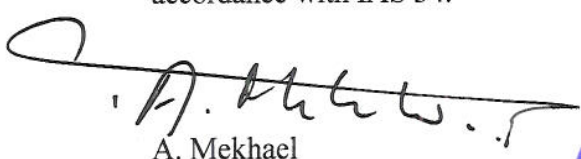
We have reviewed the accompanying interim condensed financial statements of Qatar Electricity & Water Company Q.S.C. (the "Company") and its jointly controlled entities (together referred as the "Group") as at 31 March 2009, comprising of the interim statement of financial position as at 31 March 2009 and the related interim statements of income, comprehensive income, cash flows and changes in equity for the three months 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 this 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 and consequently 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
of Ernst & Young
Auditor's Registration No. 59

Date: 15 April 2009
Doha



Qatar Electricity & Water Company Q.S.C.

INTERIM STATEMENT OF INCOME

For the three months ended 31 March 2009

		<i>Three months ended 31 March</i>	
		<i>2009</i>	<i>2008</i>
		<i>QR '000</i>	<i>QR '000</i>
	<i>Notes</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>
Sales	4	516,004	413,514
Cost of sales		<u>(332,508)</u>	<u>(261,466)</u>
GROSS PROFIT		183,496	152,048
Deferred income		1,698	6,605
General and administration expenses		(34,273)	(41,298)
Finance costs		(43,394)	(17,907)
Liquidated damages to KAHRAMAA	5	(10,228)	(242)
Interest income		18,266	5,352
Dividend income		3,926	8,012
Share of interest income of joint venture companies		11,900	5,086
Share of profits of associates	8	2,906	9,629
Share of liquidated damages of Mesaieed Power Company Limited		10,235	-
Profit on sale of property, plant and equipment		-	12
Miscellaneous (expenses) income		<u>(1,276)</u>	<u>4,651</u>
PROFIT FOR THE PERIOD		<u>143,256</u>	<u>131,948</u>
BASIC EARNINGS PER SHARE			
(Expressed in QR per share)	6	<u>1.43</u>	<u>1.32</u>

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

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2009

	<i>Three months ended 31 March</i>	
	<i>2009</i>	<i>2008</i>
	<i>QR '000</i>	<i>QR '000</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>
Profit for the period	<u>143,256</u>	<u>131,948</u>
Other comprehensive income (loss):		
Gains (losses) from cash flow hedges of the Company	42,969	(53,508)
Share of comprehensive income (loss) of associates and joint venture companies ((Notes 8 (iii) and 11))	458,631	(73,386)
Unrealised losses on available-for-sale investments	<u>(54,615)</u>	<u>(43,359)</u>
Other comprehensive income (loss) for the period	<u>446,985</u>	<u>(170,253)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	<u>590,241</u>	<u>(38,305)</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 FINANCIAL POSITION

At 31 March 2009

		31 March 2009 QR'000 (Reviewed)	31 December 2008 QR'000 (Audited)
	Notes		
ASSETS			
Non-current assets			
Property, plant and equipment	7	10,129,879	9,334,064
Investments in associates	8	213,159	205,178
Available-for-sale investments		176,888	231,503
Finance lease receivable	9	1,527,165	1,478,533
		<u>12,047,091</u>	<u>11,249,278</u>
Current assets			
Finance lease receivable	9	25,362	24,806
Inventories		259,930	285,578
Accounts receivable and prepayments		391,110	413,000
Bank balances and cash		1,183,314	1,614,917
		<u>1,859,716</u>	<u>2,338,301</u>
TOTAL ASSETS		<u>13,906,807</u>	<u>13,587,579</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		1,000,000	1,000,000
Legal reserve		500,000	500,000
General reserve		2,286,203	2,286,203
Retained earnings		143,256	450,000
Cumulative changes in fair values		(2,481,616)	(2,928,601)
Total equity		<u>1,447,843</u>	<u>1,307,602</u>
Non-current liabilities			
Interest bearing loans and borrowings	10	7,588,700	6,920,490
Other term loans		563,885	563,885
Deferred income	12	45,845	47,543
Employees' end of service benefits		47,453	43,694
		<u>8,245,883</u>	<u>7,575,612</u>
Current liabilities			
Accounts payable and accruals		928,544	924,702
Interest bearing loans and borrowings	10	740,903	739,504
Other term loans		65,973	65,973
Derivatives	11	2,470,869	2,967,394
Deferred income	12	6,792	6,792
		<u>4,213,081</u>	<u>4,704,365</u>
Total liabilities		<u>12,458,964</u>	<u>12,279,977</u>
TOTAL EQUITY AND LIABILITIES		<u>13,906,807</u>	<u>13,587,579</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.

INTERIM STATEMENT OF CASH FLOWS

For the three months ended 31 March 2009

	<i>Three months ended 31 March</i>	
	<i>2009</i>	<i>2008</i>
	<i>QR'000</i>	<i>QR'000</i>
<i>Note</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>
OPERATING ACTIVITIES		
Profit for the period	143,256	131,948
Adjustments for:		
Depreciation	101,334	80,905
Gain on retirement of property, plant and equipment	-	(12)
Provision for employees' end of service benefits	3,875	2,515
Provision for slow-moving stocks	4,490	5,449
Finance costs	43,394	17,907
Deferred income recognised	(1,698)	(6,605)
Interest income	(18,266)	(5,352)
Dividend income	(3,926)	(8,012)
Share of profit from associate companies	(2,906)	(9,629)
	<u>269,553</u>	<u>209,114</u>
Working capital changes:		
Inventories	21,158	52,931
Accounts receivable and prepayments	21,890	995
Lease receivable	(10,128)	(49,243)
Accounts payable and accruals	<u>3,842</u>	<u>27,033</u>
Cash from operations	306,315	240,830
Finance costs paid	(43,394)	(17,907)
Employees' end of service benefits paid	<u>(116)</u>	<u>(837)</u>
Net cash from operating activities	<u>262,805</u>	<u>222,086</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	7 (936,209)	(783,987)
Proceeds from sale of property, plant and equipment	-	12
Interest received	18,266	5,352
Dividends received	<u>3,926</u>	<u>8,012</u>
Net cash used in investing activities	<u>(914,017)</u>	<u>(770,611)</u>
FINANCING ACTIVITIES		
Dividends paid	(450,000)	(400,000)
Drawdown of bank borrowings	1,014,229	1,220,534
Repayment of bank borrowings	<u>(344,620)</u>	<u>(430,110)</u>
Net cash from financing activities	<u>219,609</u>	<u>390,424</u>
DECREASE IN BANK BALANCES AND CASH	(431,603)	(158,101)
Bank balances and cash at 1 January	<u>1,614,917</u>	<u>654,294</u>
BANK BALANCES AND CASH AT 31 MARCH	<u>1,183,314</u>	<u>496,193</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

At 31 March 2009

	Share capital QR '000	Legal reserve QR '000	General reserve QR '000	Retained earnings QR '000	Cumulative changes in fair values QR '000	Total QR '000
Balance at 1 January 2009 (Audited)	1,000,000	500,000	2,286,203	450,000	(2,928,601)	1,307,602
Total comprehensive income for the period	-	-	-	143,256	446,985	590,241
Dividends paid for 2008	-	-	-	(450,000)	-	(450,000)
Balance at 31 March 2009 (Reviewed)	<u>1,000,000</u>	<u>500,000</u>	<u>2,286,203</u>	<u>143,256</u>	<u>(2,481,616)</u>	<u>1,447,843</u>

	Share capital QR '000	Legal reserve QR '000	General reserve QR '000	Retained earnings QR '000	Cumulative changes in fair values QR '000	Total QR '000
Balance at 1 January 2008 (Audited)	1,000,000	462,428	2,017,099	400,000	(170,271)	3,709,256
Total comprehensive income (loss) for the period	-	-	-	131,948	(170,253)	(38,305)
Dividends paid for 2007	-	-	-	(400,000)	-	(400,000)
Balance at 31 March 2008 (Reviewed)	<u>1,000,000</u>	<u>462,428</u>	<u>2,017,099</u>	<u>131,948</u>	<u>(340,524)</u>	<u>3,270,951</u>

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

1 CORPORATE INFORMATION

Qatar Electricity & Water Company Q.S.C. (the "Company") is a public shareholding company incorporated in the State of Qatar on 16 March 1992. The Company is primarily involved in the production of electricity and water. The Company's shares are listed in the Doha Securities Market. The Company's registered office is situated in Doha, State of Qatar.

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 2009 were authorised for issue by the Chairman and the Vice Chairman on 15 April 2009.

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

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

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

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

As at the date of the interim condensed statement of financial position, the Emiri decree has not been obtained by the Company. The revenues from these stations accounted for 27% of the total revenues of the Company for the period ended 31 March 2009 (31 March 2008: 40%). 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 2008. In addition, results for the three months ended 31 March 2009 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2009.

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 2008, except as noted below:

During the period, the Group has adopted the following standards effective for the annual periods beginning on or after 1 January 2009.

IAS 1 Presentation of Financial Statements (Revised)

The revised standard requires changes in equity arising from transactions with owners in their capacity as owners (i.e. owner changes in income) to be presented in the statement of changes in equity. All other changes in equity (i.e. non-owner changes in equity) are required to be presented separately in a performance statement (statement of comprehensive income). The components of comprehensive income are not permitted to be presented in the statement of changes in equity.

IFRS 8 Operating Segments

The new standard which replaced IAS 14 *Segment Reporting* requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes and the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. Management has determined that the Group is considered to have a single business and geographical segment and the adoption of IFRS 8 has no impact on the financial position or financial 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 2009 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.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2009

4 SALES

	<i>Three months ended 31 March</i>	
	<i>2009</i>	<i>2008</i>
	<i>QR'000</i>	<i>QR'000</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>
Sales represent revenue generated from the supply of:		
Electricity	269,093	220,425
Water	212,774	163,250
Lease income from plant lease - Q Power sales	34,137	29,839
	<u>516,004</u>	<u>413,514</u>

5 LIQUIDATED DAMAGES TO KAHRAMAA

	<i>Three months ended 31 March</i>	
	<i>2009</i>	<i>2008</i>
	<i>QR'000</i>	<i>QR'000</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>
Share of liquidated damages of Mesaieed Power Company Limited	10,228	-
Liquidated damages payable to KAHRAMAA	-	242
	<u>10,228</u>	<u>242</u>

The liquidated damages of Mesaieed Power Company Limited payable to KAHRAMAA arise from failure of the joint venture company to achieve the target first power date 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>2009</i>	<i>2008</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>
Profit for the period (in QR'000)	<u>143,256</u>	<u>131,948</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>1.43</u>	<u>1.32</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 2009

7 PROPERTY, PLANT AND EQUIPMENT

	Production facilities QR'000	Furniture, fixtures and office equipment QR'000	Motor vehicles QR'000	"C" inspection costs QR'000	Capital spares QR'000	Capital work in progress QR'000	Total QR'000
Cost:							
At 1 January 2009	6,275,099	17,234	3,288	153,946	109,635	5,040,131	11,599,333
Additions	-	513	150	-	-	935,546	936,209
Reclassification	25,897	-	-	9,195	466	(35,558)	-
Transfer (to) from finance lease receivable	-	-	-	-	(48,506)	9,446	(39,060)
Retirements/disposals	-	-	-	(6,020)	-	-	(6,020)
At 31 March 2009	6,300,996	17,747	3,438	157,121	61,595	5,949,565	12,490,462
Depreciation:							
At 1 January 2009	2,170,301	12,014	1,520	60,985	20,449	-	2,265,269
Charge for the period	83,811	412	196	13,971	2,944	-	101,334
Relating to retirements/disposals	-	-	-	(6,020)	-	-	(6,020)
At 31 March 2009	2,254,112	12,426	1,716	68,936	23,393	-	2,360,583
Net carrying amounts:							
At 31 March 2009 (Reviewed)	4,046,884	5,321	1,722	88,185	38,202	5,949,565	10,129,879
At 31 December 2008 (Audited)	4,104,798	5,220	1,768	92,961	89,186	5,040,131	9,334,064

8 INVESTMENTS IN ASSOCIATES

The Company has the following investments in associates:

		31 March 2009 QR'000 (Reviewed)	31 December 2008 QR'000 (Audited)
	<i>Ownership</i>		
AES Ras Laffan Operating Company W.L.L.	30%	21,120	21,711
Ras Laffan Power Company Limited Q.S.C.	25%	192,039	183,467
		<u>213,159</u>	<u>205,178</u>

Notes:

- (i) AES Ras Laffan Operating Company W.L.L. is engaged in the management, operation, maintenance and development of electricity and water desalination plants in Qatar. Ras Laffan Power Company Limited Q.S.C. is engaged to develop, own, operate and maintain an electricity and water desalination plant in Qatar.
- (ii) The Company have accounted for its share of profits from associate companies amounting to QR 2.91 million for the three months period ended 31 March 2009 (31 March 2008: QR 9.63 million).
- (iii) The Company have also accounted for its share in the cumulative changes in the fair values of derivative financial instruments (interest rate swaps) of Ras Laffan Power Company Limited Q.S.C. amounting to QR 5.07 million as at 31 March 2009 (31 December 2008: QR 28.44 million).

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

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

	31 March 2009 QR'000 (Reviewed)	31 December 2008 QR'000 (Audited)
<i>Share of the associates' financial position:</i>		
Current assets	93,439	80,291
Non-current assets	585,384	585,342
Current liabilities	(75,713)	(65,533)
Non-current liabilities	(389,951)	(394,922)
Net assets	<u>213,159</u>	<u>205,178</u>
<i>Share of the associates' revenue and profits:</i>		
Revenue	<u>41,327</u>	<u>156,286</u>
Profits	<u>2,906</u>	<u>9,629</u>
Carrying amounts of the investments	<u>213,159</u>	<u>205,178</u>

9 FINANCE LEASE RECEIVABLE

Finance lease receivable represents the proportionate share of lease receivable from Q Power Q.S.C. The entity adopted IFRIC 4 *Determining Whether an Arrangement Contains a Lease* which became effective from 1 January 2006 in accounting for its self-constructed production facilities.

10 INTEREST BEARING LOANS AND BORROWINGS

	<i>31 March 2009 QR'000 (Reviewed)</i>	<i>31 December 2008 QR'000 (Audited)</i>
Loan 1 (Note (i))	1,616,206	1,616,206
Loan 2 (Note (ii))	-	344,625
Loan 3 (Note (iii))	359,032	335,340
Loan 4 (Note (iv))	1,283,473	1,283,072
Loan 5 (Note (v))	1,705,735	1,624,958
Loan 6 (Note (vi))	626,940	594,135
Loan 7 (Note (vii))	396,876	362,196
Loan 8 (Note (viii))	1,093,500	967,748
Loan 9 (Note (ix))	1,350,674	608,688
	<u>8,432,436</u>	<u>7,736,968</u>
Less: financing arrangement costs	<u>(102,833)</u>	<u>(76,974)</u>
	<u>8,329,603</u>	<u>7,659,994</u>
Classified in the statement of financial position as follows:		
Current portion	740,903	739,504
Non-current portion	<u>7,588,700</u>	<u>6,920,490</u>
	<u>8,329,603</u>	<u>7,659,994</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 2009 amounted to US \$ 443 million (QR 1,616 million) ((31 December 2008: US \$ 443 million (QR 1,616 million)). 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 credit agreement with Commercial Bank of Qatar and Qatar National Bank, which act as mandated lead arrangers for a credit facility amounting to US \$ 100 million to finance its commitment in the investment in Mesaieed Power Company Limited. The total drawn amount as at 31 December 2008 amounted to US\$ 94.547 million (QR 344.62 million). Interest is charged at an interest rate of LIBOR + 0.45 per annum as specified in the credit agreement. The loan was fully paid in March 2009.
- (iii) 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 2009 amounted to US\$ 98.5 million (QR 359.03 million) ((31 December 2008: US\$ 92 million (QR 335.34 million)). Interest is charged at a rate of LIBOR +0.175 per annum as specified in the facility agreement. The termination date of the facility is 31 October 2009.

10 INTEREST BEARING LOANS AND BORROWINGS (continued)

- (iv) This represents the share of Q Power Q.S.C. bank borrowings.
- (v) This represents the share of Mesaieed Power Company Limited bank borrowings.
- (vi) 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 2009 amounted to US\$ 172 million (QR 626.94 million) ((31 December 2008: US\$ 163.00 million (QR 594.13 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.
- (vii) 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 2009 amounted to US\$ 108.88 million (QR 396.87 million) ((31 December 2008: US\$ 99.38 million (QR 362.19 million)).
- (viii) 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 March 2009 (31 December 2008: US\$ 265.50 million (QR 967.74 million)). The loan is repayable in installments on or before the termination date which is on the third year from 21 April 2008.
- (ix) This represents the Company's share of Ras Girtas Power Company Limited bank borrowings.

11 DERIVATIVES

	<i>31 March 2009 QR'000 (Reviewed)</i>	<i>31 December 2008 QR'000 (Audited)</i>
Share in fair value of cash flow hedge (i)	2,238,481	2,692,037
Cash flow hedge (ii)	<u>232,388</u>	<u>275,357</u>
	<u><u>2,470,869</u></u>	<u><u>2,967,394</u></u>

Notes:

- (i) Q Power Q.S.C., Mesaieed Power Company Limited and Ras Girtas Power Company Limited have entered into various interest rate swap contracts 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 2,238.48 million as at 31 March 2009 (31 December 2008: QR 2,692.04 million).
- (ii) As at 31 March 2009, 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 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 2009, the measurement of the fair values of the hedges resulted in a negative amount of QR 232.39 million (31 December 2008: QR 275.36 million) which has been recognized in the equity as changes in fair values of cash flow hedges 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 2009

12 DEFERRED INCOME

	Deferred income I		Deferred income II		Total	
	31 March 2009	31 December 2008	31 March 2009	31 December 2008	31 March 2009	31 December 2008
	QR'000 (Reviewed)	QR'000 (Audited)	QR'000 (Reviewed)	QR'000 (Audited)	QR'000 (Reviewed)	QR'000 (Audited)
Balance at 1 January	-	19,630	54,335	61,127	54,335	80,757
Income recognised during the period/year	-	(19,630)	(1,698)	(6,792)	(1,698)	(26,422)
Balance at 31 March/31 December	-	-	52,637	54,335	52,637	54,335
Presented in the statement of financial position as follows:						
Current portion	-	-	6,792	6,792	6,792	6,792
Non-current portion	-	-	45,845	47,543	45,845	47,543
	-	-	52,637	54,335	52,637	54,335

Notes:

- (i) Deferred income I represents the fair value of the spare parts granted by the Government of the State of Qatar for the maintenance of the RAF B power plant. This deferred income is gradually amortised and credited to the income statement on a straight line basis over a period of 10 years starting from the year 1999 in accordance with the terms of the agreement with the Government. This was fully amortised in 2008.
- (ii) Deferred income II 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 income statement on a straight-line basis over the remaining estimated useful life of RAF B plant.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2009

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

The Company's share of the assets, liabilities, income and expenses of the jointly controlled entities, on a combined basis after inter company adjustments at 31 March 2009 and 31 December 2008 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 2009 QR'000 (Reviewed)</i>	<i>31 December 2008 QR'000 (Audited)</i>
Current assets	217,472	242,079
Non-current assets	4,344,375	3,497,479
Current liabilities	(2,449,081)	(2,879,287)
Non-current liabilities	(4,228,513)	(3,432,970)
	<u>(2,115,747)</u>	<u>(2,572,699)</u>
Revenues	93,778	359,213
Cost of sales	(49,931)	(173,465)
Administrative expenses	(20,777)	(68,161)
Finance costs	(19,671)	(69,622)
Profit for the period/year	<u>3,399</u>	<u>47,965</u>

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 2009 QR'000 (Reviewed)</i>	<i>31 December 2008 QR'000 (Audited)</i>
<i>Commitments:</i>		
Capital commitments (i)	<u>4,121,486</u>	<u>5,041,925</u>
<i>Contingent liabilities:</i>		
Bank guarantees and documentary credits (ii)	<u>74,286</u>	<u>100,163</u>

Notes:

(i) Capital commitments include the following:

- (a) The amounts payable to the EPC contractors for the RAF A1 project amounting to QR 352.97 million as at 31 March 2009 (31 December 2008: QR 541.17 million).
- (b) The proportionate commitment of the Company in Q Power Q.S.C. as at 31 March 2009 which amounts to nil (31 December 2008: QR 5.01 million).

15 CAPITAL COMMITMENT AND CONTINGENT LIABILITIES (continued)

- (c) The proportionate commitment of the Company in Mesaieed Power Company Limited as at 31 March 2009 which amounts to QR 529.73 million (31 December 2008: QR 581.62 million).
- (d) The proportionate commitment of the Company in Ras Girtas Power Company Limited as at 31 March 2009 which amounts to QR 3,160.07 million (31 December 2008: QR 3,813.43 million).
- (ii) Bank guarantees and documentary credits includes the proportionate share of bank guarantee as at 31 March 2009 given to lenders and Ras Laffan Power Company by Q Power Q.S.C. amounting to QR 47.97 million (31 December 2008: QR 60.14 million).

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>Three months ended 31 March</i>	
		<i>2009</i>	<i>2008</i>
		<i>QR'000</i>	<i>QR'000</i>
	<i>Related Party</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>
<i>Sales:</i>			
Revenue from sale of electricity	KAHRAMAA	269,094	220,425
Revenue from sale of water	KAHRAMAA	210,110	160,319
	Qatar Petroleum	2,664	2,931
<i>Cost of sales:</i>			
Cost of gas consumed	Qatar Petroleum	133,739	110,304
<i>Other income:</i>			
Interest on bank deposits	Qatar National Bank	13,544	5,769

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

	31 March 2009		31 December 2008	
	Trade receivables QR'000 (Reviewed)	Trade and other payables QR'000 (Reviewed)	Trade receivables QR'000 (Audited)	Trade and other payables QR'000 (Audited)
KAHRAMAA	345,219	14,022	332,325	26,605
Qatar Petroleum	<u>2,599</u>	<u>116,293</u>	<u>3,031</u>	<u>113,710</u>
	347,818	130,315	335,356	140,315

16 RELATED PARTY DISCLOSURES (continued)

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>2009</i>	<i>2008</i>
	<i>QR'000</i>	<i>QR'000</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>
Management remuneration	<u>4,202</u>	<u>3,908</u>
Directors' sitting fees	<u>2,935</u>	<u>-</u>

17 COMPARATIVE AMOUNTS

Certain amounts in the 2008 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 net profit for the period or retained earnings.