

**Qatar Electricity & Water Company Q.S.C.**

**UNAUDITED INTERIM CONDENSED  
FINANCIAL STATEMENTS**

**30 SEPTEMBER 2009**

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

### Introduction

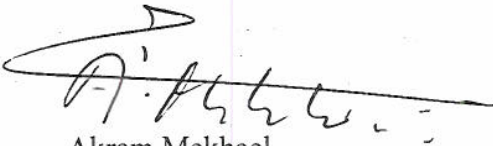
We have reviewed the accompanying interim condensed financial statements of Qatar Electricity & Water Company Q.S.C. (the "Company") and its jointly controlled entities (together referred as the "Group") as at 30 September 2009, comprising of the interim statement of financial position as at 30 September 2009 and the related interim statements of income and comprehensive income for the three-month and nine-month periods ended 30 September 2009, the related interim statement of cash flows and changes in equity for the nine-month period then ended, and the related explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

### Scope of review

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

### Conclusion

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



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

Date: 13 October 2009  
Doha



# Qatar Electricity & Water Company Q.S.C.

## INTERIM STATEMENT OF INCOME

For the nine months ended 30 September 2009

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2009 QR '000 (Reviewed)	2008 QR '000 (Reviewed)	2009 QR '000 (Reviewed)	2008 QR '000 (Reviewed)
Sales	4	746,296	688,210	1,955,491	1,698,208
Cost of sales		(404,359)	(404,975)	(1,137,593)	(1,010,965)
<b>GROSS PROFIT</b>		<b>341,937</b>	<b>283,235</b>	<b>817,898</b>	<b>687,243</b>
Deferred income		1,698	6,605	5,094	19,816
General and administration expenses		(46,331)	(30,798)	(117,216)	(103,141)
Finance costs		(37,636)	(42,775)	(124,295)	(85,453)
Liquidated damages to KAHRAMAA	5	(18,867)	(8,751)	(48,786)	(8,994)
Share of profits of associates	8	13,669	9,850	32,700	23,745
Interest income		17,455	5,640	49,370	14,079
Dividend income		-	-	17,302	8,012
Share of interest income of joint venture companies		11,808	17,409	35,584	27,643
Share of liquidated damages of Mesaieed Power Company Limited		19,852	8,757	49,724	8,757
Loss on sale of property, plant and equipment		-	(2,323)	-	(2,311)
Miscellaneous income		536	378	1,827	6,793
<b>PROFIT FOR THE PERIOD</b>		<b>304,121</b>	<b>247,227</b>	<b>719,202</b>	<b>596,189</b>
<b>BASIC EARNINGS PER SHARE</b>	6	<b>3.04</b>	<b>2.47</b>	<b>7.19</b>	<b>5.96</b>
(Expressed in QR per share)					

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

**INTERIM STATEMENT OF COMPREHENSIVE INCOME**

For the nine months ended 30 September 2009

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>QR '000</i>	<i>QR '000</i>	<i>QR '000</i>	<i>QR '000</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>
<b>Profit for the period</b>	<b>304,121</b>	<b>247,227</b>	<b>719,202</b>	<b>596,189</b>
<b>Other comprehensive income (loss):</b>				
(Losses) gains from cash flow hedges of the Company	(29,926)	37,445	94,839	(13,389)
Share of comprehensive (loss) income of associates and joint venture companies (Notes 8 (iii) and 11)	(367,640)	(495,476)	1,091,038	(484,433)
Unrealised gains (losses) on available-for-sale investments	23,042	(80,651)	31,077	(1,261)
<b>Other comprehensive income (loss) for the period</b>	<b>(374,524)</b>	<b>(538,682)</b>	<b>1,216,954</b>	<b>(499,083)</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>	<b>(70,403)</b>	<b>(291,455)</b>	<b>1,936,156</b>	<b>97,106</b>

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 30 September 2009

		30 September 2009 QR'000 (Reviewed)	31 December 2008 QR'000 (Audited)
	Notes		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	9,701,268	9,334,064
Investments in associates	8	245,459	205,178
Available-for-sale investments		279,911	231,503
Finance lease receivables	9	3,765,905	1,478,533
		<u>13,992,543</u>	<u>11,249,278</u>
<b>Current assets</b>			
Finance lease receivables	9	26,755	24,806
Inventories		271,351	285,578
Accounts receivable and prepayments		486,810	413,000
Bank balances and cash		1,773,198	1,614,917
		<u>2,558,114</u>	<u>2,338,301</u>
<b>TOTAL ASSETS</b>		<u>16,550,657</u>	<u>13,587,579</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		1,000,000	1,000,000
Legal reserve		500,000	500,000
General reserve		2,286,203	2,286,203
Retained earnings		719,202	450,000
Cumulative changes in fair value		(1,711,647)	(2,928,601)
<b>Total equity</b>		<u>2,793,758</u>	<u>1,307,602</u>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	10	10,050,061	6,920,490
Other term loans		463,885	563,885
Deferred income	12	42,449	47,543
Employees' end of service benefits		50,007	43,694
		<u>10,606,402</u>	<u>7,575,612</u>
<b>Current liabilities</b>			
Accounts payable and accruals		782,170	924,702
Interest bearing loans and borrowings	10	456,896	739,504
Other term loans		105,973	65,973
Derivatives	11	1,798,666	2,967,394
Deferred income	12	6,792	6,792
		<u>3,150,497</u>	<u>4,704,365</u>
<b>Total liabilities</b>		<u>13,756,899</u>	<u>12,279,977</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>16,550,657</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.

# Qatar Electricity & Water Company Q.S.C.

## INTERIM STATEMENT OF CASH FLOWS

For the nine months ended 30 September 2009

		<i>Nine months ended 30 September</i>	
		<i>2009</i>	<i>2008</i>
		<i>QR'000</i>	<i>QR'000</i>
	<i>Notes</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>
<b>OPERATING ACTIVITIES</b>			
Profit for the period		719,202	596,189
Adjustments for:			
Depreciation	7	371,557	261,204
Finance costs		124,295	85,453
Provision for slow-moving stocks		13,471	16,347
Provision for employees' end of service benefits		7,287	8,535
Interest income		(49,370)	(14,079)
Dividend income		(17,302)	(8,012)
Share of profit of associates	8	(32,700)	(23,745)
Deferred income recognised		(5,094)	(19,816)
Loss on retirement of property, plant and equipment		-	2,311
		<u>1,131,346</u>	<u>904,387</u>
Working capital changes:			
Lease receivables		17,659	(69,469)
Inventories		756	20,602
Accounts receivable and prepayments		(73,810)	(293,468)
Accounts payable and accruals		<u>(142,532)</u>	<u>446,230</u>
Cash from operations		933,419	1,008,282
Finance costs paid		(124,295)	(85,453)
Employees' end of service benefits paid		<u>(974)</u>	<u>(1,854)</u>
Net cash from operating activities		<u>808,150</u>	<u>920,975</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	7	(3,045,741)	(2,886,388)
Proceeds from sale of property, plant and equipment		-	11
Dividends received from associates	8	9,568	12,758
Interest received		49,370	14,079
Dividends from other shares		17,302	8,012
Purchase of available-for-sale investments		<u>(17,331)</u>	<u>(8,398)</u>
Net cash used in investing activities		<u>(2,986,832)</u>	<u>(2,859,926)</u>
<b>FINANCING ACTIVITIES</b>			
Dividends paid		(450,000)	(400,000)
Drawdown of interest bearing loans and borrowings		3,208,849	3,034,246
Repayment of interest bearing loans and borrowings		(361,886)	(430,112)
Repayment of other term loans		<u>(60,000)</u>	<u>-</u>
Net cash from financing activities		<u>2,336,963</u>	<u>2,204,134</u>
<b>INCREASE IN BANK BALANCES AND CASH</b>		<b>158,281</b>	<b>265,183</b>
Bank balances and cash at 1 January		<u>1,614,917</u>	<u>654,294</u>
<b>BANK BALANCES AND CASH AT 30 SEPTEMBER</b>		<u><u>1,773,198</u></u>	<u><u>919,477</u></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 nine months ended 30 September 2009

	Share capital QR '000	Legal reserve QR '000	General reserve QR '000	Retained earnings QR '000	Cumulative changes in fair value 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	-	-	-	719,202	1,216,954	1,936,156
Dividends paid for 2008	-	-	-	(450,000)	-	(450,000)
Balance at 30 September 2009 (Reviewed)	1,000,000	500,000	2,286,203	719,202	(1,711,647)	2,793,758

	Share capital QR '000	Legal reserve QR '000	General reserve QR '000	Retained earnings QR '000	Cumulative changes in fair value 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	-	-	-	596,189	(499,083)	97,106
Dividends paid for 2007	-	-	-	(400,000)	-	(400,000)
Balance at 30 September 2008 (Reviewed)	1,000,000	462,428	2,017,099	596,189	(669,354)	3,406,362

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 nine months ended 30 September 2009 were authorised for issue by the Board of Directors on 13 October 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 end of the reporting period, the Emiri decree has not been obtained by the Company. The revenues from these stations accounted for 30% of the total revenues of the Company for the period ended 30 September 2009 (30 September 2008: 37%). 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 nine months ended 30 September 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.

*IFRS 8 Operating Segments*

This Standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. Adoption of this Standard did not have any effect on the financial position or performance of the Group. Management has determined that the Group is considered to have a single operating segment as previously identified under IAS 14 Segment Reporting.

*IAS 1 Revised Presentation of Financial Statements*

The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

*IAS 23 Borrowing Costs (Revised)*

The Standard has been revised to require capitalisation of borrowing costs on qualifying assets. There is no change in the accounting policy of the Group as previously borrowing costs have been capitalised on qualifying assets based on the alternative treatment allowed by IAS 23 Borrowing Costs.

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 30 September 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 30 September 2009

## 4 SALES

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>
Sales represent revenues generated from the supply of:				
Electricity	465,229	434,391	1,156,648	1,020,460
Water	242,202	221,116	685,030	580,515
Lease income from plant lease - Q Power sales	38,865	32,703	113,813	97,233
	<u>746,296</u>	<u>688,210</u>	<u>1,955,491</u>	<u>1,698,208</u>

## 5 LIQUIDATED DAMAGES TO KAHRAMAA

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>
Share of liquidated damages of Mesaieed Power Company Limited	18,867	8,751	48,786	8,751
Other liquidated damages	-	-	-	243
	<u>18,867</u>	<u>8,751</u>	<u>48,786</u>	<u>8,994</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 AND DILUTED EARNINGS PER SHARE

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

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>
Profit for the period (in QR'000)	<u>304,121</u>	<u>247,227</u>	<u>719,202</u>	<u>596,189</u>
Weighted average number of shares outstanding during the period (in shares)	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>
Basic earnings per share (expressed in QR per share)	<u>3.04</u>	<u>2.47</u>	<u>7.19</u>	<u>5.96</u>

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



# Qatar Electricity & Water Company Q.S.C.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS At 30 September 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
<b>Cost:</b>							
At 1 January 2009	6,275,099	17,234	3,288	153,946	109,635	5,040,131	11,599,333
Additions	79,435	1,819	1,083	-	-	2,963,404	3,045,741
Reclassifications	25,897	-	-	98,833	-	(124,730)	-
Transfer to finance lease receivable	-	-	-	-	-	(2,306,980)	(2,306,980)
Retirements/disposals	-	-	-	(30,275)	-	-	(30,275)
At 30 September 2009	6,380,431	19,053	4,371	222,504	109,635	5,571,825	12,307,819
<b>Depreciation:</b>							
At 1 January 2009	2,170,301	12,014	1,520	60,985	20,449	-	2,265,269
Charge for the period	266,609	1,349	654	52,338	50,607	-	371,557
Retirements/disposals	-	-	-	(30,275)	-	-	(30,275)
At 30 September 2009	2,436,910	13,363	2,174	83,048	71,056	-	2,606,551
<b>Net carrying amounts:</b>							
At 30 September 2009 (Reviewed)	3,943,521	5,690	2,197	139,456	38,579	5,571,825	9,701,268
At 31 December 2008 (Audited)	4,104,798	5,220	1,768	92,961	89,186	5,040,131	9,334,064



**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

At 30 September 2009

**8 INVESTMENTS IN ASSOCIATES**

The Company has the following investments in associates:

	<i>Country of incorporation</i>	<i>Ownership</i>	<b>30 September 2009 QR'000 (Reviewed)</b>	<b>31 December 2008 QR'000 (Audited)</b>
AES Ras Laffan Operating Company W.L.L.	Qatar	30%	30,883	21,711
Ras Laffan Power Company Limited Q.S.C.	Qatar	25%	214,576	183,467
			<b>245,459</b>	<b>205,178</b>

*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 32.70 million for the nine-month period ended 30 September 2009 (30 September 2008: QR 23.75 million) and dividend received amounting to QR 9.57 million for the period ended 30 September 2009 (30 September 2008: QR 12.76 million).
- (iii) The Company has also accounted for its share in the cumulative changes in the fair value of derivative financial instruments (interest rate swaps) of Ras Laffan Power Company Limited Q.S.C. amounting to QR 17.15 million as at 30 September 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:

	<b>30 September 2009 QR'000 (Reviewed)</b>	<b>31 December 2008 QR'000 (Audited)</b>
<i>Share of the associates' financial position:</i>		
Current assets	116,141	80,291
Non-current assets	574,171	585,342
Current liabilities	(81,123)	(65,533)
Non-current liabilities	(363,730)	(394,922)
Net assets	<b>245,459</b>	<b>205,178</b>
<i>Share of the associates' revenue and profits:</i>		
Revenue	<b>141,631</b>	<b>156,286</b>
Profits	<b>32,700</b>	<b>30,556</b>
Carrying amounts of the investments	<b>245,459</b>	<b>205,178</b>

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2009

## 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. The entities adopted IFRIC 4 *Determining Whether an Arrangement Contains a Lease* which became effective from 1 January 2006 in accounting for their self-constructed production facilities.

## 10 INTEREST BEARING LOANS AND BORROWINGS

	30 September 2009 QR'000 (Reviewed)	31 December 2008 QR'000 (Audited)
Loan 1 (Note (i))	1,598,945	1,616,206
Loan 2 (Note (ii))	-	344,625
Loan 3 (Note (iii))	461,093	335,340
Loan 4 (Note (iv))	1,246,641	1,283,072
Loan 5 (Note (v))	1,919,351	1,624,958
Loan 6 (Note (vi))	708,953	594,135
Loan 7 (Note (vii))	423,196	362,196
Loan 8 (Note (viii))	1,093,500	967,748
Loan 9 (Note (ix))	3,110,386	608,688
	<u>10,562,065</u>	<u>7,736,968</u>
Less: financing arrangement costs	<u>(55,108)</u>	<u>(76,974)</u>
	<u>10,506,957</u>	<u>7,659,994</u>
Classified in the statement of financial position as follows:		
Current portion	456,896	739,504
Non-current portion	<u>10,050,061</u>	<u>6,920,490</u>
	<u>10,506,957</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 30 September 2009 amounted to US\$ 443 million (QR 1,616 million) (31 December 2008: US \$ 443 million (QR 1,616 million)). Interest is charged at a rate of LIBOR + 0.55 to 1.65 per annum as specified in the credit agreement. The loan is repayable semi annually commencing from actual facility date i.e. six months from actual facility date or ten months after scheduled completion date. Repayments during the period amounted to US\$ 4.7 million (QR 17.26 million) (31 December 2008: Nil).
- (ii) The Company has entered into credit agreement with the Commercial Bank of Qatar and Qatar National Bank, which acts 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. Interest is charged at a rate of LIBOR + 0.45 per annum as specified in the credit agreement. The loan was fully paid in March 2009.



**10 INTEREST BEARING LOANS AND BORROWINGS (continued)**

- (iii) The Company has entered into Revolving Bridge Facility agreement with The Bank of Tokyo Mitsubishi UFJ. Ltd., which acts as a mandated lead arranger for a facility amounting to US \$ 150 million to finance the construction of RAF A expansion projects. Interest is charged at a rate of LIBOR + 0.175 per annum as specified in the facility agreement. The total drawn amount as at 30 September 2009 amounted to US \$ 126.5 million (QR 461.09 million) (31 December 2008: US \$ 92 million (QR 335.34 million)). The termination date of the facility is 31 October 2009.
- (iv) This represents the Company's share of Q-Power Q.S.C. bank borrowings.
- (v) This represents the Company's share of Mesaieed Power Company Limited bank borrowings.
- (vi) The Company entered in a facility agreement with a consortium of banks to finance its RAF A1 plant facilities. This term loan facility of USD 288,200,000 carries interest at LIBOR plus a margin ranging from 0.60% to 1.05%. The total drawn amount as at 30 September 2009 amounts to US \$ 194.5 million (QR 708.95 million) (31 December 2008: US\$ 163 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 principle 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 30 September 2009 amounted to US\$ 116.10 million (QR 423.19 million) (31 December 2008: US\$ 99.37 million (QR 362.19 million)).
- (viii) The Company entered into a revolving credit facility agreement with a consortium of banks to finance several projects. The Company has drawn the full amount as at 30 September 2009 (31 December 2008 : US\$ 265.50 million (QR 967.75 million)). This term loan facility of USD 300,000,000 carries interest at LIBOR plus a margin of 0.40%. The loan is repayable 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.



**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

At 30 September 2009

**11 DERIVATIVES**

	<i>30 September 2009 QR'000 (Reviewed)</i>	<i>31 December 2008 QR'000 (Audited)</i>
Share in fair value of cash flow hedge (i)	1,618,149	2,692,037
Cash flow hedge (ii)	<u>180,517</u>	<u>275,357</u>
	<u><u>1,798,666</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 to hedge their floating interest rate bearing loans. The Company accounted for its proportionate share of the fair value of the derivatives which amounted to QR 1,618.15 million as of 30 September 2009 (31 December 2008: QR 2,692.04 million).
- (ii) As at 30 September 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 30 September 2009, the measurement of the fair values of the hedges resulted in a negative amount of QR 180.52 million (31 December 2008: QR 275.36 million) which has been recognised in 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 30 September 2009

### 12 DEFERRED INCOME

	Deferred income I		Deferred income II		Total	
	30 September 2009	31 December 2008	30 September 2009	31 December 2008	30 September 2009	31 December 2008
	QR '000	QR '000	QR '000	QR '000	QR '000	QR '000
	(Reviewed)	(Audited)	(Reviewed)	(Audited)	(Reviewed)	(Audited)
Balance at beginning of period/year	-	19,630	54,335	61,127	54,335	80,757
Income recognised during the period/year	-	(19,630)	(5,094)	(6,792)	(5,094)	(26,422)
Balance at end of period/year	-	-	49,241	54,335	49,241	54,335
Presented in the statement of financial position as follows:						
Current portion	-	-	6,792	6,792	6,792	6,792
Non-current portion	-	-	42,449	47,543	42,449	47,543
	-	-	49,241	54,335	49,241	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.
- (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 30 September 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 30 September 2009 and 31 December 2008 and for the nine-month period and the year then ended, respectively, which are included in the financial statements are as follows:

	<i>30 September 2009 QR'000 (Reviewed)</i>	<i>31 December 2008 QR'000 (Audited)</i>
Current assets	236,915	242,079
Non-current assets	6,266,008	3,497,479
Current liabilities	(1,757,175)	(2,879,287)
Non-current liabilities	(6,205,015)	(3,432,970)
	<u>(1,459,267)</u>	<u>(2,572,699)</u>
Revenues	305,313	359,213
Cost of sales	(155,236)	(173,465)
Administrative expenses	(48,514)	(68,161)
Finance costs	(62,016)	(69,622)
Profit for the period/year	<u>39,547</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>30 September 2009 QR'000 (Reviewed)</i>	<i>31 December 2008 QR'000 (Audited)</i>
<i>Commitments:</i>		
Capital commitments (i)	<u>1,814,787</u>	<u>5,041,925</u>
<i>Contingent liabilities:</i>		
Bank guarantees and documentary credits (ii)	<u>226,650</u>	<u>100,163</u>

*Notes:*

(i) Capital commitments include the following:

- a) The amounts payable to the EPC contractors of RAF A1 project amounting to QR 293.07 million as at 30 September 2009 (31 December 2008: QR 541.17 million).
- b) The proportionate commitment of the Company in Q Power Q.S.C. as at 30 September 2009 which amounts to nil (31 December 2008: QR 5.01 million).
- c) The proportionate commitment of the Company in Mesaieed Power Company Limited as at 30 September 2009 which amounts to QR 265.10 million (31 December 2008: QR 581.62 million).
- d) The proportionate commitment of the Company in Ras Girtas Power Company Limited as at 30 September 2009 which amounts to QR 1,470.98 million (31 December 2008: QR 3,813.43 million).

(ii) Bank guarantees and documentary credits include the Company's proportionate share of bank guarantees given to lenders and Ras Laffan Power Company by Q Power Q.S.C. amounting to QR 213.87 million as at 30 September 2009 (31 December 2008: QR 60.14 million).

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

At 30 September 2009

**16 RELATED PARTY DISCLOSURES**

**Related party transactions**

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

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

	<i>Related Party</i>	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
		<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
		<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
		<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>
<i>Sales:</i>					
Revenue from sale of electricity	KAHRAMAA	465,229	434,391	1,156,648	1,020,460
Revenue from sale of water	KAHRAMAA	234,741	218,254	676,004	571,524
	Qatar Petroleum	7,461	2,862	9,026	8,991
<i>Cost of sales:</i>					
Cost of gas consumed	Qatar Petroleum	220,853	211,732	556,924	504,202
<i>Other income:</i>					
Interest on bank deposits	Qatar National Bank	14,755	3,919	40,648	6,864

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

	<i>30 September 2009</i>		<i>31 December 2008</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	645,329	11,655	332,325	26,605
Qatar Petroleum	2,329	101,302	3,031	113,710
	<u>647,658</u>	<u>112,957</u>	<u>335,356</u>	<u>140,315</u>

**Compensation of key management personnel**

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

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>
Management remuneration	<u>1,747</u>	<u>1,740</u>	<u>7,340</u>	<u>6,803</u>
Directors' sitting fees	<u>2,925</u>	<u>-</u>	<u>8,775</u>	<u>11,700</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.