Qatar Electricity & Water Company Q.S.C.

FINANCIAL STATEMENTS

31 DECEMBER 2009

ERNST & YOUNG

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF QATAR ELECTRICITY & WATER COMPANY Q.S.C.

Report on the financial statements

We have audited the accompanying financial statements of Qatar Electricity & Water Company Q.S.C. ("the Company") and its jointly controlled entities (together referred as "the Group") which comprise the statement of financial position as at 31 December 2009, and the income statement, statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

Furthermore, in our opinion, proper books of account have been kept by the Company, an inventory count has been conducted in accordance with established principles, and the financial statements comply with the Qatar Commercial Companies' Law No. 5 of 2002 and the Company's Articles of Association. We have obtained all the information and explanations we required for the purpose of our audit, and are not aware of any violations of the above mentioned law or the Articles of Association having occurred during the year which might have had a material effect on the business of the Company or on its financial position. We further confirm that the financial information included in the Annual Report of the Board of Directors is in agreement with the books and records of the Company.

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

ERNST & YOUNG
Doha
ارنست ويونغ
الدوحة

Date: 3 February 2010
Doha

INCOME STATEMENT

For the year ended 31 December 2009

	Notes	***2009*** ***QR'000***	*2008* *QR'000*
Sales	4	**2,650,868**	2,272,902
Cost of sales	5	**(1,535,409)**	(1,346,355)
GROSS PROFIT		**1,115,459**	926,547
Deferred income	28	**6,792**	26,422
General and administration expenses	6	**(162,504)**	(168,398)
Gain (loss) on sale/retirement of property, plant and equipment		**11**	(2,364)
Liquidated damages to KAHRAMAA	7	**(80,857)**	(20,706)
Finance costs	8	**(194,466)**	(137,940)
Interest income		**73,146**	25,501
Dividend income		**17,302**	7,812
Miscellaneous income	9	**15,045**	10,080
Share of interest income of joint venture companies	10	**50,237**	39,947
Share of profits of associates	11	**46,619**	30,556
Share of liquidated damages from EPC contractor		**58,090**	19,219
PROFIT FOR THE YEAR BEFORE PROVISION FOR SOCIAL AND SPORTS ACTIVITIES CONTRIBUTION		**944,874**	756,676
Provision for social and sports activities contribution		**(23,189)**	-
PROFIT FOR THE YEAR	12	**921,685**	756,676
BASIC AND DILUTED EARNINGS PER SHARE (Expressed in QR per share)	13	**9.22**	7.57

The attached notes 1 to 38 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	2009 ***QR '000***	*2008* *QR '000*
Profit for the year	**921,685**	756,676
Other comprehensive income (loss):		
Gains (losses) from cash flow hedges of the Company	**134,775**	(219,740)
Share of comprehensive income (loss) of associates and joint venture companies (Notes 16 (iv) and 31)	**1,649,228**	(2,454,173)
Unrealised gains (losses) on available-for-sale investments	**26,400**	(84,417)
Other comprehensive income (loss) for the year	**1,810,403**	(2,758,330)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	**2,732,088**	(2,001,654)

The attached notes 1 to 38 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2009

	Notes	2009 QR'000	2008 QR'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**10,663,624**	9,334,064
Investments in associates	16	**247,338**	205,178
Available-for-sale investments	17	**275,234**	231,503
Finance lease receivable	18	**3,820,652**	1,478,533
		15,006,848	11,249,278
Current assets			
Finance lease receivable	18	**27,400**	24,806
Inventories	19	**274,416**	285,578
Accounts receivable and prepayments	20	**432,376**	413,000
Bank balances and cash	21	**2,306,962**	1,614,917
		3,041,154	2,338,301
TOTAL ASSETS		**18,048,002**	13,587,579
EQUITY AND LIABILITIES			
Equity			
Share capital	22	**1,000,000**	1,000,000
Legal reserve	23	**500,000**	500,000
General reserve	24	**2,707,888**	2,286,203
Retained earnings		**500,000**	450,000
Other components of equity		**(1,118,198)**	(2,928,601)
Total equity		**3,589,690**	1,307,602
Non-current liabilities			
Interest bearing loans and borrowings	26	**10,822,674**	6,920,490
Other term loans	27	**457,913**	563,885
Deferred income	28	**40,751**	47,543
Employees' end of service benefits	29	**51,200**	43,694
		11,372,538	7,575,612
Current liabilities			
Accounts payable and accruals	30	**1,102,646**	924,702
Interest bearing loans and borrowings	26	**668,195**	739,504
Other term loans	27	**105,972**	65,973
Derivatives	31	**1,202,169**	2,967,394
Deferred income	28	**6,792**	6,792
		3,085,774	4,704,365
Total liabilities		**14,458,312**	12,279,977
TOTAL EQUITY AND LIABILITIES		**18,048,002**	13,587,579

Abdulla Bin Hamad Al-Attiyah
Chairman

Issa Shahin Al-Ghanim
Vice Chairman

The attached notes 1 to 38 form part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	Notes	**2009 QR'000**	2008 QR'000
OPERATING ACTIVITIES			
Profit for the year		**921,685**	756,676
Adjustments for:			
Share of profits of associates	11	**(46,619)**	(30,556)
Depreciation	14	**408,656**	371,024
Provision for employees' end of service benefits		**8,788**	10,472
Provision for slow moving inventories		**23,633**	18,228
Provision for social and sports activities contribution		**23,189**	-
Dividend income		**(17,302)**	(7,812)
Finance costs	8	**194,466**	137,940
Deferred income recognized	28	**(6,792)**	(26,422)
Interest income		**(73,146)**	(25,501)
Reversal of excess provisions	9	**(12,309)**	-
(Gain) loss on sale of property, plant and equipment		**(11)**	2,364
Operating profit before working capital changes		**1,424,238**	1,206,413
Inventories		**(12,471)**	113,823
Accounts receivable and prepayments		**(19,376)**	(90,329)
Finance lease receivable		**(32,584)**	(90,690)
Accounts payable and accruals		**167,064**	420,869
Cash from operations		**1,526,871**	1,560,086
Finance costs paid	8	**(194,466)**	(137,940)
Employees' end of service benefits paid		**(1,432)**	(1,976)
Directors' remuneration paid		**-**	(11,700)
Net cash from operating activities		**1,330,973**	1,408,470
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	14	**(4,050,214)**	(3,863,553)
Proceeds from sale of property, plant and equipment		**30**	37
Dividends from other investments		**17,302**	7,812
Dividends received from associates	16	**23,237**	27,338
Purchase of available-for-sale investments	17	**(17,331)**	(8,398)
Interest received		**73,146**	25,501
Net cash used in investing activities		**(3,953,830)**	(3,811,263)
FINANCING ACTIVITIES			
Dividends paid		**(450,000)**	(400,000)
Drawdown of interest bearing loans and borrowings		**4,192,760**	4,199,498
Repayment of interest bearing loans and borrowings		**(427,858)**	(436,082)
Net cash from financing activities		**3,314,902**	3,363,416
INCREASE IN BANK BALANCES AND CASH		**692,045**	960,623
Bank balances and cash at 1 January		**1,614,917**	654,294
BANK BALANCES AND CASH AT 31 DECEMBER	21	**2,306,962**	1,614,917

The attached notes 1 to 38 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2009

	Share capital QR'000	*Legal reserve QR'000*	*General reserve QR'000*	*Retained earnings QR'000*	*Cash flow hedge reserve QR'000*	*Available-for-sale reserve QR'000*	*Total QR'000*
Balance at 1 January 2009	1,000,000	500,000	2,286,203	450,000	(3,022,811)	94,210	1,307,602
Profit for the year	-	-	-	921,685	-	-	921,685
Other comprehensive income	-	-	-	-	1,784,003	26,400	1,810,403
Total comprehensive income	-	-	-	921,685	1,784,003	26,400	2,732,088
Dividends paid for 2008	-	-	-	(450,000)	-	-	(450,000)
Transfer to general reserve	-	-	421,685	(421,685)	-	-	-
Balance at 31 December 2009	**1,000,000**	**500,000**	**2,707,888**	**500,000**	**(1,238,808)**	**120,610**	**3,589,690**

STATEMENT OF CHANGES IN EQUITY (CONTINUED)
For the year ended 31 December 2009

	Share capital QR'000	*Legal reserve QR'000*	*General reserve QR'000*	*Retained earnings QR'000*	*Cash flow hedge reserve QR'000*	*Available-for-sale reserve QR'000*	*Total QR'000*
Balance at 1 January 2008	1,000,000	462,428	2,017,099	400,000	(348,898)	178,627	3,709,256
Profit for the year	-	-	-	756,676	-	-	756,676
Other comprehensive loss	-	-	-	-	(2,673,913)	(84,417)	(2,758,330)
Total comprehensive income (loss)	-	-	-	756,676	(2,673,913)	(84,417)	(2,001,654)
Dividends paid for 2007	-	-	-	(400,000)	-	-	(400,000)
Transfer to legal reserve	-	37,572	-	(37,572)	-	-	-
Transfer to general reserve	-	-	269,104	(269,104)	-	-	-
Balance at 31 December 2008	1,000,000	500,000	2,286,203	450,000	(3,022,811)	94,210	1,307,602

The attached notes 1 to 38 form part of these financial statements.

1 REPORTING ENTITY AND ITS ACTIVITIES

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 financial statements of the Company as at and for the year ended 31 December 2009 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 Doha Securities Market.

The structure of the Group, included in these financial statements of Qatar Electricity & Water Company Q.S.C., is as follows:

		Country of incorporation	*Percentage of holding*
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 financial statements of the Qatar Electricity & Water Company Q.S.C. as at and for the year ended 31 December 2009 were authorised for issue by the Board of Directors on 3 February 2010.

During February 1998, the Company concluded an agreement with the Government of the State of Qatar (the Government) for the purchase of the power plant at Ras Abu Fontas B (RAF B). The agreement was signed by both parties on 10 October 1999. However, its implementation commenced in April 1999 being the date in which the Company was assigned the operation and management of the power plant as stipulated in the agreement.

During April 2001, the Company entered into a Power Purchase Agreement with KAHRAMAA for the supply of power from the Company's Ras Abu Fontas B1 (RAF B1) station, which commenced commercial operations on 29 August 2002.

During January 2003, the Company purchased the following stations from KAHRAMAA for a purchase consideration of QR 600 million and a Power and Water Purchase Agreement was signed with KAHRAMAA for the supply of power and water from these stations:

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

Also during January 2003, the Company purchased Qatar Petroleum's Dukhan Desalination Plant for a lump sum purchase consideration of QR 71.66 million. Subsequent to concluding the purchase agreement, the Company also concluded the following agreements with Qatar Petroleum relating to the Dukhan Desalination Plant:

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

The Company has also entered into an agreement with KAHRAMAA for the operation and maintenance of its Ras Abu Aboud power and water desalination plants for the year 2003. This agreement was renewed up to 2007 and subsequently terminated with effect from 1 January 2008.

1 REPORTING ENTITY AND ITS ACTIVITIES (continued)

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

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

During October 2005, the Company entered into a Power and Water Purchase Agreement with KAHRAMAA for the supply of power and water from the Company's Ras Abu Fontas B2 (RAF B2) station. Subsequent to concluding the purchase agreement, the Company entered into an engineering, procurement and construction contract with General Electric International, a company incorporated under the laws of Delaware and Fisia Italimpianti S.P.A, a company incorporated in Italy for the construction of the RAF B2 project.

During December 2006, the Company entered into a joint venture with Marubeni Corporation and Qatar Petroleum for the Mesaieed power project. A jointly controlled entity named Mesaieed Power Company Limited was incorporated on 15 January 2007 for executing this project. The agreement was amended in May 2008 following the acceptance of Chubu Electric Power Company as a shareholder. The joint venture ownership percentage is as follows:

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

During May 2007, the Company entered into a Water Purchase Agreement with KAHRAMAA for the supply of water from the Company's Ras Abu Fontas A1 (RAF A1) station (an extension of RAF A). Subsequent to concluding the purchase agreement, the Company also entered into an engineering procurement and construction contract with Fisia Italimpianti S.P.A, a company incorporated in Italy for the construction of the RAF A1 project.

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

- Qatar Electricity & Water Company 45%
- RLC Power Holding Company 40%
- Qatar Petroleum 15%

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

During 2003, the Company entered into an agreement with KAHRAMAA for the acquisition of the following stations:

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

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

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 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 year ended 31 December 2009 (2008: 36%). No amendments have been made to the above agreement since both the parties are in continued discussions and are confident of obtaining the Emiri decree in due course.

3 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation
The financial statements have been prepared on a historical cost basis, except for derivative financial instruments and available-for-sale financial assets that have been measured at fair value. The financial statements are presented in Qatari Riyals and all values are rounded to the nearest thousand (QR'000) except when otherwise indicated.

Statement of compliance
The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and applicable requirements of Qatar Commercial Companies' Law No. 5 of 2002.

Changes in accounting policy and disclosures
The accounting policies adopted are consistent with those used of the previous financial year except as follows:

The Group has adopted the following new and amended IFRS and IFRIC interpretations effective 1 January 2009:

- IFRS 2 *Share-based Payment: Vesting Conditions and Cancellations*
- IFRS 7 *Financial Instruments: Disclosures*
- IFRS 8 *Operating Segments*
- IAS 1 *Presentation of Financial Statements*
- IAS 23 *Borrowing Costs (Revised)*
- IAS 32 *Financial Instruments: Presentation* and IAS 1 *Puttable Financial Instruments and Obligations Arising on Liquidation*
- IFRIC 13 *Customer Loyalty Programmes*
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*
- Improvements to IFRSs

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 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.

3 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

IFRS 7 Financial Instruments: Disclosures
The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in Notes 17 and 35. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 35.

IFRS 8 Operating Segments
IFRS 8 replaced IAS 14 Segment Reporting upon its effective date. The Group concluded that the operating segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14 (see Note 32).

Improvements to IFRS
In May 2008 and April 2009, the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The following amendments to the standards are applicable to the Company:

IFRS 8 *Operating Segment Information:* Clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

IAS 1 Presentation of Financial Statements: Assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the statement of financial position. This did not have any impact to the Company as there are no assets and liabilities classified as held for trading as at 31 December 2009.

IAS 16 Property, Plant and Equipment: Replaces the term “net selling price” with “fair value less costs to sell”. This did not have any impact on the Company’s accounting policy as this has already been adopted in the prior years.

IAS 23 Borrowing Costs: The definition of borrowing costs is revised to consolidate the two types of items that are considered components of “borrowing costs” into one - the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39. The Group has amended its accounting policy accordingly which did not result in any changes in its financial position.

IAS 36 Impairment of Assets: When discounted cash flows are used to estimate the ‘fair value less cost to sell’, additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate ‘value in use’. This amendment has no immediate impact on the financial statements of the Company because the recoverable amount of its cash generating units is currently estimated using ‘value in use’.

Standard issued but not yet effective
Standard issued but not yet effective up to the date of issuance of the Company’s financial statements are listed below.

- *IFRIC 17- Distributions of Non-Cash Assets* to Owners effective for financial periods beginning on or after 1 July 2009
- Improvements to International Financial Reporting Standards (issued in 2009) effective for financial periods beginning on or after 1 January 2010
- *IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items* effective 1 July 2009
- *IFRS 9 Financial Instruments* effective for financial periods beginning on or after 2013
- *IAS 24 Related Party Disclosures (Revised) effective for financial periods beginning on or after 2011*

3 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Standard issued but not yet effective (continued)

- *IAS 32 Classification of Rights Issues (Amendments)* effective for financial periods beginning on or after 1 February 2010
- *IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments* effective for financial periods beginning on or after 1 July 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
- *IFRIC 9 Remeasurement of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement* effective for periods ending on or after 30 June 2009
- *IFRIC 18 Transfers of Assets from Customers* effective 1 July 2009

The application of the above standards and interpretations is not expected to have a material impact on the financial position or performance of the Group, except IFRS 9, which will result in changes to the accounting policies regarding financial instruments. The management does not intend to early adopt the standard. It has not been practical to reliably assess the effect of such changes at this stage.

Revenue recognition
Revenue is recognised to the extent that is it probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is recognised at the fair value of the consideration received, excluding discounts, rebates and sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

Sale of electricity and water
Sales of electricity and water are recognised as revenues in terms of the respective agreements, described as follows:

- Sales from RAF B are accounted for based on the mechanism agreed between KAHRAMAA and the Company in respect of the agreement approved on 1 June 2000 for the sale of RAF B Station.
- Sales from RAF B1 are accounted for on the basis of the tariff formula set out in the Power Purchase Agreement with KAHRAMAA.
- Sales from RAF A, Al Wajbah, Al Saliyah and Doha South Super are accounted for as per the terms of the Power and Water Purchase Agreement with KAHRAMAA.
- Sales from Dukhan Desalination Plant are accounted for in accordance with the Water Purchase Agreement signed with Qatar Petroleum.
- Sales from RAF B2 are accounted for as per the terms of the Power and Water Purchase Agreement with KAHRAMAA.

Interest income
Interest income from banks and joint venture companies are recognised as the interest accrues.

Dividends
Dividend income is recognised when the right to receive the dividend is established.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. Capitalisation of interest costs cease, once the asset is transferred from capital work in progress and is put to economic use. All other borrowing costs are recognised as expenses.

3 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Property, plant and equipment
Property, plant and equipment is stated at cost less depreciation and any impairment in value. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self constructed assets includes the cost of materials and direct labour and other costs directly attributable to bringing the asset to a working condition for its intended use.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the following assets:

Production facilities	
Ras Abu Fontas B (RAF B)	17.75 years
Ras Abu Fontas B1 (RAF B1)	20 years
Ras Abu Fontas A (RAF A)	12 years
Al Wajbah	12 years
Al Saliyah	12 years
Doha South Super	12 years
Dukhan Desalination Plant	25 years
Ras Abu Fontas B2 (RAF B2)	25 years
Furniture, fixtures and office equipment	3-7 years
Motor vehicles	4 years
"C" inspection costs	3-4 years

The cost of initial spare parts included under capital spares received for the maintenance of three gas turbine-generators at RAF B2 is capitalised and depreciated over the factored fire hours of the asset. On the other hand, strategic spare parts received by Q Power Q.S.C. under a long term maintenance contract are depreciated over the life of the contract.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the income statement as the expense is incurred.

3 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Interests in joint ventures
The Company has interests in joint ventures which are jointly controlled entities, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entities. The Company recognises its interest in the joint ventures using proportionate consolidation. The Company combines its share of each of the assets, liabilities, income and expenses of the joint ventures with similar items, line by line, in its financials statements. The financial statements of the joint ventures are prepared for the same reporting period as the parent company. Adjustments are made where necessary to bring the accounting policies in line with those of the Company.

Adjustments are made in the financial statements to eliminate the Company's share of intragroup balances, income and expenses and unrealised gains and losses on transactions between the Company and its jointly controlled entities. Losses on transactions are recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss. The joint ventures are proportionately consolidated until the date in which the Company ceases to have joint control over the joint ventures.

Investments in associates
The Company's investments in its associates are accounted for using the equity method of accounting. An associate is an entity in which the Company has significant influence.

Under the equity method, investments in associates are carried in the statement of financial position at cost plus post acquisition changes in the Company's share in net assets of the associates. The income statement reflects the share of the results of operations of these associates. Where there has been a change recognised directly in the equity of the associates, the Company recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Company and the associates are eliminated to the extent of the interest in the associates.

The share of profit of associates is shown on the face of the income statement. This is the profit attributable to equity holders of the associate and therefore is profit after tax.

The financial statements of the associate are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each financial position date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the income statement.

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific assets or assets of the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
c) There is a changes in the determination of whether the fulfilment is dependent on a specified asset; or
d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a), c) or d) and at the date of renewal or extension period for scenario b).

3 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Leases (continued)
Company as a lessee
Operating lease payments are recognised as an expense in the income statement on a straight line basis over the leased term.

Company as a lessor
Leases where the Company transfer substantially all the risks and benefits and ownership of the assets are classified as finance leases and are presented as receivables at an amount equal to the net investment in the lease. Net investment in the lease is the gross investment in the lease discounted at the interest rate implicit in the lease. Income finance leases in which the Company is a lessor is recognised based on a pattern reflecting a constant periodic rate of return on the Company's net investment in the finance lease. Contingent rents are recognised as revenue in the period in which they are earned.

Impairment and uncollectibility of financial assets
An assessment is made at each financial position date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the income statement. Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the income statement;
(b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
(c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Available-for-sale investments
Available-for-sale investments are recognised and derecognised, on a trade date basis, when the Group becomes, or ceases to be, a party to the contractual provisions of the instrument.

Investments designated as available-for-sale investments are initially recorded at cost and subsequently measured at fair value, unless this cannot be reliably measured. Changes in fair value are reported as a separate component of equity. Upon impairment any loss, or upon derecognition any gain or loss, previously reported as "cumulative changes in fair value" within equity is included in the income statement for the period.

Inventories
Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition, as follows:

Spare parts, chemicals and consumables - purchase cost, on a weighted average costs basis

Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

Accounts receivable
Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Bank balances and cash
Bank balances and cash consist of cash in hand, bank balances, and short-term deposits with an original maturity of three month or less.

Accounts payable and accruals
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

3 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Provisions
Provisions are recognised when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

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

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

Provision for social and sports activities contribution
Under Qatar Law No. 13 of 2008, all Qatari shareholding companies with publicly traded shares are required to pay 2.5% of their annual profits to a State social and sports activities fund. Such contribution is recognised as an expense in the consolidated income statement.

Foreign currencies
The Group's financial statements are presented in Qatari Riyals, which is the Group's functional currency. That is the currency of the primary economic environment in which Qatar Electricity & Water Company Q.S.C. operates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange ruling at the financial position date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value is determined.

Derivative financial instruments
The Group uses interest rate swaps to hedge its risk associated primarily with interest rate fluctuations relating to the interest payments on the Group's selected interest bearing loans and borrowings. Such derivative financial instruments are initially recognised at fair value on the date in which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting and the ineffective portion of an ineffective hedge, are taken directly to the income statement.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to the changes in the hedged item's cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

3 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Derivative financial instruments (continued)
For cash flow hedges which meet the strict criteria for hedge accounting, the effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while any ineffective portion is recognised immediately in the income statement.

The Group has interest rate swaps that is used to hedge for the exposure in interest rate fluctuations relating to the interest payments on the Group's selected interest bearing loans and borrowings.

Fair values
The fair value of financial investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices for assets at the close of business on the financial position date.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 36.

4 SALES

	2009 ***QR'000***	*2008* *QR'000*
Sales represent revenues generated from the supply of:		
Electricity	**1,515,516**	1,360,924
Water	**931,294**	788,336
Lease income from plant lease (Note 18)	**204,058**	123,642
	2,650,868	2,272,902

5 COST OF SALES

	2009 ***QR'000***	*2008* *QR'000*
Cost of gas consumed	**726,751**	654,636
Cost of take or pay gas	**18,954**	-
Depreciation (Note 14)	**406,791**	359,389
Employee costs (Note 12)	**169,244**	157,520
Spare parts, chemicals and consumables	**175,876**	145,756
Other expenses	**37,793**	29,054
	1,535,409	1,346,355

6 GENERAL AND ADMINISTRATION EXPENSES

	2009	*2008*
	QR'000	*QR'000*
Employee costs (Note 12)	**63,932**	61,515
Provision for slow moving spare parts	**23,633**	18,228
Recruitment and training expenses	**13,181**	16,637
Insurance	**12,665**	11,680
Rent	**3,131**	2,791
Provision for disputed revenue and doubtful debts	**3,074**	3,300
Advertisement and public relation expenses	**2,655**	2,710
Depreciation (Note 14)	**1,865**	11,635
Donations	**1,339**	1,794
Other expenses	**37,029**	38,108
	162,504	168,398

7 LIQUIDATED DAMAGES TO KAHRAMAA

	2009	*2008*
	QR'000	*QR'000*
Share of liquidated damages of Mesaieed Power Company Limited (i)	**58,216**	19,206
Liquidated damages payable to KAHRAMAA (ii)	**22,641**	1,500
	80,857	20,706

Note:

(i) The share of liquidated damages of Mesaieed Power Company Limited payable to KAHRAMAA arose from failure of the joint venture company to achieve the target power dates, resulting in the delay of supply and electricity.

(ii) The liquidated damages payable to KAHRAMAA includes QR 22.0 million (2008: nil) on RAF A1 for failing to commence the production on scheduled commencement date, which resulted in delaying the supply of electricity and water. It also includes QR 0.64 million against RAF A SATS for not achieving the required level of production in electricity during the year.

8 FINANCE COSTS

	2009	*2008*
	QR'000	*QR'000*
Interest paid to banks	**182,682**	132,402
Interest paid to others	**7,845**	-
Bank charges	**3,939**	5,538
	194,466	137,940

9 MISCELLANEOUS INCOME

	2009	*2008*
	QR'000	*QR'000*
Fair value of spare parts (i)	**-**	3,887
Reversal of excess provision (ii)	**12,309**	-
Other income	**2,736**	6,193
	15,045	10,080

Note:

(i) In accordance with an arrangement to upgrade its spare parts, the Company exchanged some of its used spare parts for higher versions or more advanced items of the same with Alstom Power (Switzerland) Limited. There were no spare parts exchanged transactions during the year (2008: QR 3.89 million).

(ii) The Company had reversed excess provisions relating to staff training, electricity, interest charge and liquidated damages accrued in prior years.

10 SHARE OF INTEREST INCOME OF JOINT VENTURE COMPANIES

	2009	*2008*
	QR'000	*QR'000*
Interest earned on subordinated debt less inter-company adjustments	**50,237**	39,947

11 SHARE OF PROFITS OF ASSOCIATES

	2009	*2008*
	QR'000	*QR'000*
AES Ras Laffan Operating Company W.L.L	**13,175**	1,169
Ras Laffan Power Company Limited Q.S.C.	**33,444**	29,387
	46,619	30,556

12 PROFIT FOR THE YEAR

The profit for the year is stated after charging:

	2009	*2008*
	QR'000	*QR'000*
Employee costs:		
Salaries, wages and bonus	**205,163**	188,190
Provision for employees' end of service benefits (Note 29)	**8,938**	10,472
Provision for pension contribution for Qatari employees	**3,966**	3,380
Other benefits	**15,109**	16,993
	233,176	219,035

Employee costs have been allocated in the income statement as follows:

Cost of sales (Note 5)	**169,244**	157,520
General and administration expenses (Note 6)	**63,932**	61,515
	233,176	219,035

13 EARNINGS PER SHARE

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

	2009	*2008*
Profit for the year (in QR'000)	**921,685**	756,676
Weighted average number of shares outstanding during the year (in shares)	**100,000,000**	100,000,000
Basic and diluted earnings per share (expressed in QR per share)	**9.22**	7.57

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

14 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	15,664	1,939	1,851	-	15,717	4,015,193	4,050,364
Transfers/reclassifications	24,339	103	108	100,391	(5,134)	(119,807)	-
Transfer to finance lease receivable	-	-	-	-	-	(2,312,129)	(2,312,129)
Retirements/disposals	(152)	-	(53)	(47,453)	-	-	(47,658)
At 31 December 2009	6,314,950	19,276	5,194	206,884	120,218	6,623,388	13,289,910
Depreciation:							
At 1 January 2009	2,170,301	12,014	1,520	60,985	20,449	-	2,265,269
Charge for the year	331,300	1,925	821	72,048	2,562	-	408,656
Transfers/reclassifications	-	7	23	-	(30)		-
Retirements/disposals	(152)	-	(34)	(47,453)	-	-	(47,639)
At 31 December 2009	2,501,449	13,946	2,330	85,580	22,981	-	2,626,286
Net carrying amounts:							
At 31 December 2009	**3,813,501**	**5,330**	**2,864**	**121,304**	**97,237**	**6,623,388**	**10,663,624**

14 PROPERTY, PLANT AND EQUIPMENT (continued)

	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 2008	4,178,369	13,997	2,150	247,633	19,633	3,720,100	8,181,882
Additions	7,835	3,262	1,138	-	-	3,851,318	3,863,553
Transfers	2,089,497	-	-	87,066	90,002	(2,266,565)	-
Transfer to finance lease receivable	-	-	-	-	-	(264,716)	(264,716)
Retirements/disposals	(602)	(25)	-	(180,753)	-	(6)	(181,386)
At 31 December 2008	6,275,099	17,234	3,288	153,946	109,635	5,040,131	11,599,333
Depreciation:							
At 1 January 2008	1,874,983	10,459	1,068	179,250	7,470	-	2,073,230
Charge for the year	295,920	1,560	452	60,113	12,979	-	371,024
Retirements/disposals	(602)	(5)	-	(178,378)	-	-	(178,985)
At 31 December 2008	2,170,301	12,014	1,520	60,985	20,449	-	2,265,269
Net carrying amounts:							
At 31 December 2008	4,104,798	5,220	1,768	92,961	89,186	5,040,131	9,334,064

14 PROPERTY, PLANT AND EQUIPMENT (continued)

Notes:

(i) The legal title to the Ras Abu Fontas A (RAF A) and satellite stations (Al Wajbah, Al Saliyah and Doha South Super) passed to the Company upon signing the acquisition agreement with KAHRAMAA. As per the terms of the acquisition agreement, the Company cannot sell or otherwise dispose of any of the plants until it pays the sale price in full (see Note 27(i)).

(ii) The legal title of the facilities of Dukhan desalination plant was transferred from Qatar Petroleum to the Company on signing the acquisition agreement. As per the agreement, the Company cannot sell or otherwise dispose of the facilities until the sale price is paid in full (see Note 27(ii)).

(iii) Costs incurred for the production facilities under an Inspection and Maintenance program have been capitalised under "C" inspection costs. These costs are capitalised and are accounted for as separate assets bearing an estimated useful life of 3-4 years. Costs incurred on C-inspections in progress are included under capital work in progress. On completion of the inspection, these are capitalised under "C" inspection costs category.

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

(v) The Emiri Decree granting the Company a concession to use the land on which RAF A and satellite stations are situated is still outstanding (see Note 2).

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

(vii) The depreciation charge has been allocated in the income statement as follows:

	2009	*2008*
	QR'000	*QR'000*
Cost of sales (Note 5)	**406,791**	359,389
General and administration expenses (Note 6)	**1,865**	11,635
	408,656	371,024

15 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 December 2009 and 31 December 2008 and for the years then ended, which are included in the financial statements, are as follows:

	2009 ***QR'000***	*2008* *QR'000*
Current assets	**588,927**	242,079
Non-current assets	**7,133,397**	3,497,479
Current liabilities	**(1,493,422)**	(2,879,287)
Non-current liabilities	**(7,110,628)**	(3,432,970)
	(881,726)	(2,572,699)
Revenues	**484,944**	359,213
Cost of sales	**(249,928)**	(173,465)
Administrative expenses	**(60,249)**	(68,161)
Finance costs	**(114,245)**	(69,622)
Profit for the year	**60,522**	47,965

16 INVESTMENTS IN ASSOCIATES

The Company has the following investments in associates:

	Country of incorporation	*Ownership*	***2009*** ***QR'000***	*2008* *QR'000*
AES Ras Laffan Operating Company W.L.L	Qatar	30%	**34,886**	21,711
Ras Laffan Power Company Limited Q.S.C.	Qatar	25%	**212,452**	183,467
			247,338	205,178

Notes:

(i) The principal objectives of AES Ras Laffan Operating Company W.L.L. are the management, operation, maintenance and development of electricity and water desalination plants in Qatar.

(ii) The principal objectives of Ras Laffan Power Company Limited (Q.S.C.) are to develop, own, operate and maintain an electricity and water desalination plant in Qatar.

(iii) The Company's share in the profit of Ras Laffan Power Company Limited (Q.S.C.) amounted to QR 33.44 million for the year ended 31 December 2009 (2008: QR 29.39 million). Its share in the profit of AES Ras Laffan Operating Company amounted to QR 13.18 million for the year ended 31 December 2009 (2008: QR 1.17 million).

(iv) The Company has accounted for its share in the changes in the fair value of derivative financial instruments (interest rate swaps) of Ras Laffan Power Company (Q.S.C.) amounting to QR 18.78 million as at 31 December 2009 (2008: QR 28.44 million), through the statement of comprehensive income.

16 INVESTMENTS IN ASSOCIATES (continued)

(v) Investments in associates are stated net of Company's share of cash dividend amounting to QR 23.24 million for the year ended 31 December 2009 (2008: QR 27.34 million) from Ras Laffan Power Company Limited (Q.S.C).

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

	2009	*2008*
	QR'000	*QR'000*
Share of the associates' financial position:		
Current assets	**91,975**	80,291
Non-current assets	**574,094**	585,342
Current liabilities	**(71,857)**	(65,533)
Non-current liabilities	**(346,874)**	(394,922)
Net assets	**247,338**	205,178
Share of the associates' revenue and profits:		
Revenue	**153,369**	156,286
Profits	**46,619**	30,556
Carrying amount of the investment	**247,338**	205,178

17 AVAILABLE- FOR- SALE INVESTMENTS

	2009	*2008*
	QR'000	*QR'000*
Quoted shares	**275,234**	231,503
At cost	**137,293**	128,895
Acquired during the year	**17,331**	8,398
Net movement in fair value	**120,610**	94,210
Balance at 31 December	**275,234**	231,503

The fair value of the quoted equity shares is determined by reference to published price quotations in an active market.

18 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 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.

	2009 QR'000	*2008 QR'000*
Finance leases - gross receivable	**9,497,202**	3,212,874
Unearned finance income	**(5,649,150)**	(1,709,535)
Net investment in finance leases	**3,848,052**	1,503,339
Classified in the statement of financial position as follows:		
Current portion	**27,400**	24,806
Non-current portion	**3,820,652**	1,478,533
	3,848,052	1,503,339

19 INVENTORIES

	2009 QR'000	*2008 QR'000*
Spare parts	**422,546**	409,447
Chemicals	**3,944**	3,443
Consumables	**2,418**	3,547
	428,908	416,437
Provision for slow-moving inventories	**(154,492)**	(130,859)
	274,416	285,578

Inventories include the Company's proportionate share of inventories of Q Power Q.S.C. and Mesaieed Power Company Limited amounting to QR 49.19 million (2008: QR 38.18 million).

20 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2009 QR'000	*2008 QR'000*
Trade accounts receivable	**373,626**	335,063
Prepayments	**58,592**	77,644
Other receivables	**158**	293
	432,376	413,000

At 31 December 2009 and 2008, trade accounts receivable are neither impaired nor past due.

21 BANK BALANCES AND CASH

Bank balances and cash include bank deposits amounting to QR 2,306.91 million (2008: QR 1,614.87 million) held with banks in the State of Qatar and in the United Kingdom. These are mainly denominated in Qatari Riyals and United States Dollars. The effective rate of interest ranges from 2.00% to 6.75% per annum for the year ended 31 December 2009 (2008: 4.8% to 7.6%).

The Group's bank balances and cash also includes a Company debt service account of QR 54.675 million (2008: Nil) and the proportionate share in Q Power Q.S.C. amounting to QR 54.431million as at 31 December 2009 (2008: QR 53,514). These debt service accounts represent the balances in the banks which are restricted for use by the Company and the joint venture.

22 SHARE CAPITAL

The authorized, issued and fully paid share capital as at 31 December 2009 comprised 100,000,000 shares of QR 10 each (2008: 100,000,000 shares of QR 10 each).

23 LEGAL RESERVE

As required by Qatar Commercial Companies' Law No. 5 of 2002, and the Company's Articles of Association, a minimum of 10% of the profit for the year should be transferred to a legal reserve each year until this reserve is equal to 50% of the paid up share capital.

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

24 GENERAL RESERVE

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

25 DIVIDENDS

The Board of Directors has proposed a final dividend distribution in 2009 of QR 5.0 per share (2008: QR 4.5 per share). The dividend for 2008 amounting to QR 450 million was approved at the Annual General Meeting held on 24 March 2009 and was subsequently paid in 2009.

The proposed final dividend for 2009 will be submitted for formal approval at the Annual General Meeting.

26 INTEREST BEARING LOANS AND BORROWINGS

	2009 *QR'000*	*2008* *QR'000*
Loan 1 (Note (i))	**1,581,163**	1,616,206
Loan 2 (Note (ii))	**-**	344,625
Loan 3 (Note (iii))	**546,750**	335,340
Loan 4 (Note (iv))	**1,234,103**	1,283,072
Loan 5 (Note (v))	**2,163,843**	1,624,958
Loan 6 (Note (vi))	**708,952**	594,135
Loan 7 (Note (vii))	**423,195**	362,196
Loan 8 (Note (viii))	**1,093,500**	967,748
Loan 9 (Note (ix))	**3,794,612**	608,688
	11,546,118	7,736,968
Less: financing arrangement costs	**(55,249)**	(76,974)
	11,490,869	7,659,994
Classified in the statement of financial position as follows:		
Current portion	**668,195**	739,504
Non-current portion	**10,822,674**	6,920,490
	11,490,869	7,659,994

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 December 2009 amounted to US $ 433 million (QR 1,581 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 schedule completion date.

(ii) The Company has entered into credit agreement with 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 during the year.

(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 mainly to finance the construction of RAF A expansion projects. The drawn amount as at 31 December 2009 amounted to 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 Company has renewed the facility for another year for which the termination date is 31 October 2010.

(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 USD 288,200,000 carries interest at LIBOR plus a margin ranging from 0.60% to 1.05%. The total drawn amount as at 31 December 2009 amounted to US $ 194.50 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 principle amount outstanding as at the end of the availability period.

26 INTEREST BEARING LOANS AND BORROWINGS (continued)

Notes:

(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 December 2009 amounted to US $ 115.94 million (QR 423.19 million).

(viii) The Company entered into a revolving credit facility agreement with a consortium of banks mainly to finance the construction of Ras Laffan C plant facilities. This term loan facility of USD 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 amounting to 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.

(ix) This represents the Company's share of Ras Girtas Power Company Limited bank borrowings.

27 OTHER TERM LOANS

	2009	*2008*
	QR'000	*QR'000*
KAHRAMAA (i)	**540,000**	600,000
Qatar Petroleum (ii)	**23,885**	29,858
	563,885	629,858
Classified in the statement of financial position as follows:		
Current portion	**105,972**	65,973
Non-current portion	**457,913**	563,885
	563,885	629,858

Notes:

(i) This liability represents amount due to KAHRAMAA towards the purchase consideration of the following stations:

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

This liability is repayable in 6 annual installments starting from 2009. As stated in Note 14 (i), as per the terms of the acquisition agreement, the Company cannot sell or otherwise dispose of any of the plants until it pays the sale price in full. RAF A and satellite stations have a net book value of QR 209.89 million as at 31 December 2009 (2008: QR 301.85 million).

(ii) This liability represents the purchase price due to Qatar Petroleum for the purchase of Dukhan desalination plant and is repayable in 12 equal annual installments. As stated in Note 14 (ii), as per the agreement, the Company cannot sell or otherwise dispose of the facilities until the sale price is paid in full. The desalination plant has a net book value of QR 48.24 million as at 31 December 2009 (2008: QR 50.92 million).

28 DEFERRED INCOME

	Deferred income 1		Deferred income II		Total	
	2009	*2008*	**2009**	*2008*	**2009**	*2008*
	QR'000	*QR'000*	**QR'000**	*QR'000*	**QR'000**	*QR'000*
Balance at 1 January	-	19,630	54,335	61,127	54,335	80,757
Income recognised during the year	-	(19,630)	(6,792)	(6,792)	(6,792)	(26,422)
Balance at 31 December	-	-	47,543	54,335	47,543	54,335
Presented in statement of financial position as follows:						
Current portion	-	-	6,792	6,792	6,792	6,792
Non-current portion	-	-	40,751	47,543	40,751	47,543
	-	-	47,543	54,335	47,543	54,335

Deferred income 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 amortized 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.

Deferred income II

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

29 EMPLOYEES' END OF SERVICE BENEFITS

	2009	*2008*
	QR'000	*QR'000*
Movements in the provision recognized in the statement of financial position are as follows:		
Provision as at 1 January	**43,694**	35,198
Provided during the year	**8,938**	10,472
End of service benefits paid	**(1,432)**	(1,976)
Provision as at 31 December	**51,200**	43,694

30 ACCOUNTS PAYABLE AND ACCRUALS

	2009	*2008*
	QR'000	*QR'000*
Trade accounts payable	**644,721**	565,457
Accrued expenses	**418,435**	320,367
Provision for social and sports activities contribution	**23,189**	-
Liquidated damages to KAHRAMAA (Note 7)	**4,342**	23,548
Unpaid dividend	**11,217**	14,603
Pension contribution for Qatari employees	**742**	727
	1,102,646	924,702

31 DERIVATIVES

	2009	*2008*
	QR'000	*QR'000*
Share of fair values of cash flow hedges (i)	**1,061,587**	2,692,037
Cash flow hedges (ii)	**140,582**	275,357
	1,202,169	2,967,394

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 its proportionate share of the fair value of the derivatives which amounts to QR 1,061.59 million as at 31 December 2009 (2008: QR 2,692.04 million).

(ii) As at 31 December 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 December 2009, the cumulative change in fair values of the hedges resulted in a negative amount of QR 140.58 million (2008: QR 275.36 million) which has been recognized in the equity as cash flow hedge reserve and as a derivative liability in the current liabilities.

32 SEGMENTAL INFORMATION

The Group primarily operates integrated plants for the generation of electricity and desalination of 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. Consequently, the Group is considered to have a single business and geographical segment.

33 COMMITMENTS AND CONTINGENT LIABILITIES

	2009	*2008*
	QR'000	*QR'000*
Commitments:		
Capital commitments (i)	**1,762,254**	5,325,848
Operating lease commitment (ii)	**15,048**	15,429
Contingent liabilities:		
Bank guarantees and documentary credits (iii)	**192,925**	100,163

Notes:

(i) Capital commitments include:

(a) The amounts payable to the EPC contractors for the RAF A1 project amounting to QR 277.72 million as at 31 December 2009 (2008: QR 541.17 million).

(b) The proportionate commitment of the Company in Q Power Q.S.C. as at 31 December 2009 which amounts to nil (2008: QR 5.01 million).

(c) The proportionate commitment of the Company in Mesaieed Power Company Limited as at 31 December 2009 which amounts to QR 263.06 million (2008: QR 581.62 million).

(d) The proportionate commitment of the Company in Ras Girtas Power Company Limited as at 31 December 2009 which amounts to QR 870.57 million (2008: QR 3,813.43 million).

(ii) Operating lease commitment includes:

The proportionate share in Mesaieed Power Company Limited operating lease commitment in accordance with the land lease agreement with Qatar Petroleum, where the jointly controlled entity is contingently liable for the value of the 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 follows:

	2009	*2008*
	QR'000	*QR'000*
Due in one year	**382**	382
Due in 2- 5 years	**2,290**	1,527
Due in more than 5 years	**12,376**	13,520
Total	**15,048**	15,429

33 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

(iii) Bank guarantees and documentary credits

Bank guarantees and documentary credits includes 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 189.94 million (2008: QR 60.14 million).

34 RELATED PARTY DISCLOSURES

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

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

	Related parties	***2009 QR'000***	*2008 QR'000*
Sales:			
Revenue from sale of electricity	KAHRAMAA	**1,515,516**	1,360,924
Revenue from sale of water	KAHRAMAA	**918,044**	776,401
	Qatar Petroleum	**13,250**	11,935
Lease income from plant lease	KAHRAMAA	**204,058**	123,642
Cost of sales:			
Cost of gas consumed/take or pay gas	Qatar Petroleum	**726,751**	654,636
Other income:			
Interest on bank deposits	Qatar National Bank	**61,466**	18,677
Dividends received	Ras Laffan Power Company (Q.S.C.)	**23,236**	27,338

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

	2009		*2008*	
	Trade receivables QR'000	***Trade payables and accrued expenses QR'000***	*Trade receivables QR'000*	*Trade payables and accrued expenses QR'000*
KAHRAMAA	371,354	28,091	332,032	26,605
Qatar Petroleum	2,272	141,053	3,031	113,710
	373,626	169,144	335,063	140,315

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

	2009 QR'000	*2008 QR'000*
Management remuneration	**12,296**	8,848
Directors' sitting fees	**11,700**	11,700

35 FINANCIAL RISK MANAGEMENT

Objective and policies
The Group's principal financial liabilities comprise of trade and other payables, and interest bearing loans and borrowings. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables, bank balances and cash, which arise directly from its operations. The Group also holds available-for-sale investments and enters into derivative transactions.

The main risks arising from the Group's financial instruments are market risk, credit risk and liquidity risk. Market risk is the risk that changes in market prices, such as interest rates and foreign currency exchange rates will affect the Group's income or the value of its holdings of financial instruments. The management reviews and agrees policies for managing each of these risks which are summarised below.

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

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

	2009	*2008*
	QR'000	*QR'000*
Fixed interest rate instruments:		
Financial assets	**2,306,912**	1,614,867
Financial liabilities	**-**	-
	2,306,912	1,614,867
Floating interest rate instruments:		
Financial assets	**-**	-
Financial liabilities	**(11,490,869)**	(7,659,994)
	(11,490,869)	(7,659,994)

The following table demonstrates the sensitivity of the income statement to reasonably possible changes in interest rates by 25 basis points, with all other variables held constant. The sensitivity of the income statement is the effect of the assumed changes in interest rates for one year, based on the floating rate financial assets and financial liabilities held at 31 December 2009. The effect of decreases in interest rates is expected to be equal and opposite to the effect of the increases shown.

There is no impact on the Company's equity.

	Change in basis points	*Effect on profit QR'000*
2009		
Floating interest rate instruments	+25	**(28,727)**
2008		
Floating interest rate instruments	+25	(19,150)

35 FINANCIAL RISK MANAGEMENT (continued)

Equity price risk
All the Group's investments are listed at Qatar Exchange.

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

	Change in equity price 2009	***Effect on equity 2009 QR'000***	*Change in equity price 2008*	*Effect on equity 2008 QR'000*
Quoted shares	**20%**	**55,067**	20%	46,301

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

All the time deposits of the Company are designated in Qatari Riyals and United States Dollars. As the Qatari Riyal is pegged to the US Dollar, balances in US Dollars are not considered to represent a significant currency risk.

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

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

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

	2009 QR'000	*2008 QR'000*
Bank balances	**2,306,962**	1,614,867
Available-for-sale investments	**275,234**	231,503
	2,582,196	1,846,370

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

The Group limits its exposure to credit risk in respect of its available-for-sale investments by only investing in securities which are quoted at Qatar Exchange. There was no impairment loss recognized in respect of available for sale financial assets as there is no evidence of impairment.

35 FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk
The Company limits its liquidity risks by complying with the terms of the loan agreements and by making drawdown of the committed loans on due dates to enable the Company to settle its obligations as they fall due.

The table below summarises the maturities of the Company's undiscounted financial liabilities at 31 December 2009, based on contractual payment dates and current market interest rates.

31 December 2009	***Less than 6 months QR'000***	***6 months to 1 year QR'000***	***1 to 5 years QR'000***	***> 5 years QR'000***	***Total QR'000***
Accounts payable and accruals	1,102,646	-	-	-	1,102,646
Interest bearing loans and borrowings	58,250	762,801	8,697,486	2,456,996	11,975,533
Other term loans	-	105,972	457,913	-	563,885
Total	**1,160,896**	**868,773**	**9,155,399**	**2,456,996**	**13,642,064**

31 December 2008	*Less than 6 months QR'000*	*6 months to 1 year QR'000*	*1 to 5 years QR'000*	*> 5 years QR'000*	*Total QR'000*
Accounts payable and accruals	924,702	-	-	-	924,702
Interest bearing loans and borrowings	380,120	414,679	2,140,835	5,447,928	8,383,562
Other term loans	-	65,973	463,885	100,000	629,858
Total	1,304,822	480,652	2,604,720	5,547,928	9,938,122

Capital management
The primary objective of the Company's capital management is to ensure that it maintains a strong capital base and healthy capital ratios in order to support its business and to sustain future development of the business. The Company manages its capital structure and makes adjustments to it, in light of economic conditions. The Board of Directors monitors the return on capital, which the Company defines as net operating income divided by total shareholders' equity. No changes were made in the objectives, policies or processes during the year ended 31 December 2009.

The Company monitors capital using a gearing ratio, which is debt divided by capital plus debt. The Company's policy is to keep the gearing ratio between 40% and 80%. The Group includes within debt, interest bearing loans and borrowings, other term loans and trade and other payables less cash and cash equivalents. Capital includes equity attributable to the equity holders of the Company less any net unrealised gains reserve.

35 FINANCIAL RISK MANAGEMENT (continued)

Capital management (continued)

	2009 QR'000	*2008 QR'000*
Interest bearing loans and borrowings	**11,490,869**	7,659,994
Other term loans	**563,885**	629,858
Trade payables and accruals	**1,079,457**	924,702
Less : Bank balances and cash	**(2,306,962)**	(1,614,917)
Net debt	**10,827,249**	7,599,637
Equity	**3,612,879**	1,307,602
Net unrealised gains reserve	**1,118,198**	2,928,601
Total capital	**4,731,077**	4,236,203
Capital and net debt	**15,558,326**	11,835,840
Gearing ratio	**70%**	64%

36 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets, financial liabilities and derivatives.

Financial assets consist of bank balances and cash, receivables and available-for-sale investments. Financial liabilities consist of payables, other term loans and interest bearing loans and borrowings. Derivatives consist of interest rate swaps.

Fair value hierarchy
As at 31 December 2009, the Group held the following financial instruments measured at fair value. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	31 December 2009 QR'000	***Level 1 QR'000***	***Level 2 QR'000***	***Level 3 QR'000***
Assets measured at fair value				
Available-for-sale investments				
- equity shares	**275,234**	275,234	**-**	-
Liabilities measured at fair value				
Derivatives - interest rate swaps	**1,202,169**	1,202,169	**-**	-

36 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

During the reporting period ending 31 December 2009, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

37 SIGNIFICANT ESTIMATES AND JUDGEMENTS

Impairment of accounts receivable
An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due.

Impairment of inventories
Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated selling prices.

Useful lives of property, plant and equipment
The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

38 COMPARATIVE AMOUNTS

Certain amounts in the 2008 financial statements and supporting note disclosures have been reclassified to conform to the current year's presentation. Such reclassifications do not have an impact on the previously reported net profit or retained earnings.