

Qatar Electricity & Water Company Q.S.C.

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

**FOR THE THREE-MONTH PERIOD ENDED
31 MARCH 2017**

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements Qatar Electricity & Water Company Q.S.C. (the "Company") and its subsidiaries (the "Group") as at 31 March 2017, comprising of the interim condensed consolidated statement of financial position as at 31 March 2017 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, interim consolidated statement of changes in equity and the interim consolidated statement of cash flows for the three month period then ended, and the related explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

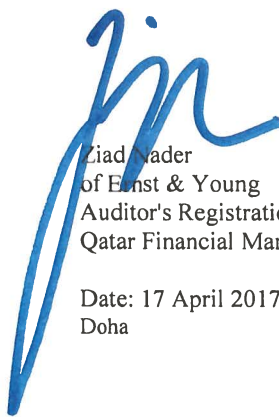
We conducted our review in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial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

Conclusion

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

Other matter

The interim condensed consolidated financial statements of the Group as at 31 March 2016 were reviewed and the consolidated financial statements as at 31 December 2016 were audited by another auditor, whose reports dated 19 April 2016 and 1 February 2017, respectively, expressed unmodified review and audit opinions on those consolidated financial statements.



Ziad Wader
of Ernst & Young
Auditor's Registration No. 258
Qatar Financial Markets Authority Registration No. 120154

Date: 17 April 2017
Doha



Qatar Electricity & Water Company Q.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	<i>Notes</i>	31 March 2017 QAR'000 (Reviewed)	31 December 2016 QAR'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	6	6,035,657	6,130,389
Investment property	7	174,901	174,901
Intangible assets and goodwill		106,932	108,425
Investments in joint ventures	8	2,885,770	2,824,638
Available-for-sale financial assets		535,592	511,144
Finance lease receivables	9	1,338,406	1,366,332
Positive fair value of interest rate swaps for hedging	12	83,835	-
Other assets		19,379	19,858
		<u>11,180,472</u>	<u>11,135,687</u>
Current assets			
Inventories		286,801	280,994
Trade and other receivables		763,563	674,013
Finance lease receivables	9	122,790	124,273
Cash and cash equivalents		2,740,342	3,011,031
		<u>3,913,496</u>	<u>4,090,311</u>
Total assets		<u><u>15,093,968</u></u>	<u><u>15,225,998</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital	10	1,100,000	1,100,000
Legal reserve		550,000	550,000
General reserve		3,241,834	3,241,834
Cash flow hedge reserve	12	(1,382,521)	(1,557,002)
Fair value reserve		192,487	219,328
Retained earnings		4,246,207	4,720,969
Equity attributable to equity holders of the parent		<u>7,948,007</u>	8,275,129
Non-controlling interests		<u>259,702</u>	253,871
Total equity		<u><u>8,207,709</u></u>	<u>8,529,000</u>

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

Qatar Electricity & Water Company Q.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 March 2017

	<i>Notes</i>	31 March 2017 QAR'000 (Reviewed)	31 December 2016 QAR'000 (Audited)
Non-current liabilities			
Interest bearing loans and borrowings	11	4,730,647	4,674,587
Negative fair value of interest rate swaps for hedging	12	19,702	8,282
Employees' end of service benefits		<u>55,084</u>	<u>52,803</u>
		4,805,433	4,735,672
Current liabilities			
Interest bearing loans and borrowings	11	1,421,358	1,237,363
Negative fair value of interest rate swaps for hedging	12	-	20,277
Trade and other payables		<u>659,468</u>	<u>703,686</u>
		2,080,826	1,961,326
Total liabilities		<u>6,886,259</u>	<u>6,696,998</u>
TOTAL EQUITY AND LIABILITIES		<u>15,093,968</u>	<u>15,225,998</u>

These interim condensed consolidated financial statements were approved by the Parent Company's Board of Directors and signed on its behalf by the following on 17 April 2017.



Dr. Mohamed Bin Saleh Al-Sada
Chairman



Mr. Khalid Bin Said Ali Al-Rumaihi
Vice Chairman

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

Qatar Electricity & Water Company Q.S.C.

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME

For the three month period ended 31 March 2017

	Notes	<i>For the three month period ended 31 March</i>	
		2017	2016
		QAR'000 (Reviewed)	QAR'000 (Reviewed)
Revenue	13	720,197	717,970
Cost of sales		(444,245)	(394,624)
Gross profit		275,952	323,346
Other income		41,757	40,919
General and administrative expenses		(51,723)	(49,262)
Operating profit		265,986	315,003
Finance costs		(38,341)	(40,170)
Share of profit of joint ventures		128,424	81,232
Profit for the period		356,069	356,065
Other comprehensive income:			
<i>Items that may be reclassified to statement of income in subsequent periods</i>			
Share of other comprehensive income from joint ventures	12	81,789	8,349
Effective portion of changes in fair value on interest rate swaps for hedging		92,692	(14,756)
Net change in fair value on available-for-sale financial assets		(26,841)	(3,461)
Other comprehensive income (loss) for the period		147,640	(9,868)
Total comprehensive income		503,709	346,197
Profit attributable to:			
Equity holders of the parent		350,238	347,442
Non-controlling interests		5,831	8,623
		356,069	356,065
Total comprehensive income attributable to:			
Equity holders of the parent		497,878	337,574
Non-controlling interests		5,831	8,623
		503,709	346,197
Earnings per share:			
Basic and diluted earnings per share (Qatari Riyals)	14	3.18	3.16

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

Qatar Electricity & Water Company Q.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three month period ended 31 March 2017

	<i>Attributable to the equity holders of the parent</i>							<i>Non-controlling interests</i> QAR'000	<i>Total equity</i> QAR'000
	<i>Share capital</i> QAR'000	<i>Legal reserve</i> QAR'000	<i>General reserve</i> QAR'000	<i>Cash flow hedge reserve</i> QAR'000	<i>Fair value reserve</i> QAR'000	<i>Retained earnings</i> QAR'000	<i>Total</i> QAR'000		
Balance at 1 January 2017 (Audited)	1,100,000	550,000	3,241,834	(1,557,002)	219,328	4,720,969	8,275,129	253,871	8,529,000
Profit for the period	-	-	-	-	-	350,238	350,238	5,831	356,069
Other comprehensive income	-	-	-	174,481	(26,841)	-	147,640	-	147,640
Total comprehensive income for the period	-	-	-	174,481	(26,841)	350,238	497,878	5,831	503,709
Dividends relating to year 2016 (Note 10)	-	-	-	-	-	(825,000)	(825,000)	-	(825,000)
Balance at 31 March 2017 (Reviewed)	1,100,000	550,000	3,241,834	(1,382,521)	192,487	4,246,207	7,948,007	259,702	8,207,709
Balance at 1 January 2016 (Audited)	1,100,000	550,000	3,241,834	(1,759,479)	175,244	4,038,710	7,346,309	256,048	7,602,357
Profit for the period	-	-	-	-	-	347,442	347,442	8,623	356,065
Other comprehensive loss	-	-	-	(6,407)	(3,461)	-	(9,868)	-	(9,868)
Total comprehensive income for the period	-	-	-	(6,407)	(3,461)	347,442	337,574	8,623	346,197
Dividends relating to year 2015 (Note 10)	-	-	-	-	-	(825,000)	(825,000)	-	(825,000)
Contribution to social and sports support fund for 2015	-	-	-	-	-	(135)	(135)	-	(135)
Balance at 31 March 2016 (Reviewed)	1,100,000	550,000	3,241,834	(1,765,886)	171,783	3,561,017	6,858,748	264,671	7,123,419

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

Qatar Electricity & Water Company Q.S.C.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the three month period ended 31 March 2017

		<i>For the three month period ended 31 March</i>	
		<i>2017</i>	<i>2016</i>
<i>Notes</i>		<i>QAR'000 (Reviewed)</i>	<i>QAR'000 (Reviewed)</i>
OPERATING ACTIVITIES			
	Profit for the period	356,069	356,065
	<i>Adjustments for:</i>		
	Depreciation of property, plant and equipment	118,020	103,387
	Profit on sale of property, plant and equipment	(187)	(14,268)
	Share of profits of joint ventures	(128,424)	(81,232)
	Provision for employees' end of service benefits	3,241	3,117
	Deferred income	-	(1,698)
	Dividend income from available-for-sale financial assets	(16,051)	(11,940)
	Amortization of intangible asset	1,493	1,493
	Provision for slow moving inventories	6,202	4,763
	Amortization of non-current assets	479	481
	Interest income	(22,113)	(7,859)
	Interest expense	36,536	38,154
	Operating profit before working capital changes	355,265	390,463
	<i>Working capital adjustments:</i>		
	- Trade and other receivables	(89,550)	124,991
	- Inventories	(12,009)	(102,825)
	- Finance lease receivables	29,409	35,159
	- Trade and other payables	(44,218)	(14,121)
	Cash flows from operating activities	238,897	433,667
	Employees' end of service benefits paid	(960)	-
	Net cash flows from operating activities	237,937	433,667
INVESTING ACTIVITIES			
	Acquisition of property, plant and equipment	(23,288)	(245,644)
6	Dividends received from joint ventures	149,081	160,517
	Investments in available for sale assets	(51,289)	-
	Proceeds from disposal of property, plant and equipment	187	14,268
	Dividends from available-for-sale financial assets	16,051	11,940
	Interest received	22,113	7,859
	Net cash flows from (used in) investing activities	112,855	(51,060)
FINANCING ACTIVITIES			
	Dividends paid	(825,000)	(825,000)
10	Net movements in interest bearing loans and borrowings	240,055	200,619
	Interest paid	(36,536)	(38,154)
	Net cash flows used in financing activities	(621,481)	(662,535)
	NET DECREASE IN CASH AND CASH EQUIVALENTS	(270,689)	(279,928)
	Cash and cash equivalents at beginning of period	3,011,031	1,750,798
	CASH AND CASH EQUIVALENTS AT END OF PERIOD	2,740,342	1,470,870

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

Qatar Electricity & Water Company Q.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended 31 March 2017

1 REPORTING ENTITY

Qatar Electricity & Water Company Q.S.C. (the “Company”) is incorporated in accordance with the provisions of the Qatar Commercial Companies Law No. 11 of 2015 as a Qatari Shareholding Company, and was registered at the Ministry of Economy and Commerce of the State of Qatar with Commercial Registration number 14275 dated 16 March 1992. The Company is domiciled in the State of Qatar, where it also has its principal place of business. The Company’s registered office is at Al-Markhiya Street, Madinah Khalifah North Area, Doha, State of Qatar. The Company’s shares are listed on the Qatar Stock Exchange since 3 May 1998.

The Company’s interim condensed consolidated financial statements comprises the Company and its subsidiaries (together referred to as the “Group”).

The principal activities of the Group, which have not changed from the previous period, are the production of electricity and desalinated water for supplying them to the state owned “Qatar General Electricity and Water Corporation (“KAHRAMAA”).

Details of the Company’s subsidiaries at 31 March 2017 are as follows:

<i>Name of entities</i>	<i>Principal activity</i>	<i>Country of incorporation</i>	<i>Ultimate ownership interest</i>	
			<i>2017</i>	<i>2016</i>
Ras Laffan Operating Company W.L.L.	Generation of electricity & production of desalinated water	Qatar	100%	100%
Ras Laffan Power Company Q.S.C.	Generation of electricity & production of desalinated water	Qatar	80%	80%

The Company had the following joint ventures and shareholdings as at the current and the comparative reporting dates:

<i>Name of entities</i>	<i>Principal activity</i>	<i>Country of incorporation</i>	<i>Ultimate ownership interest</i>	
			<i>2017</i>	<i>2016</i>
Qatar Power Q.S.C.	Generation of electricity & production of desalinated water	Qatar	55%	55%
Mesaieed Power Company Q.S.C.	Generation of electricity	Qatar	40%	40%
Ras Girtas Power Company Q.S.C.	Generation of electricity & production of desalinated water	Qatar	45%	45%
Nebras Power Q.S.C.	Investments in electricity and desalinated water projects outside the State of Qatar	Qatar	60%	60%
Umm Al Houl Power Q.S.C.	Generation of electricity & production of desalinated water	Qatar	60%	60%

2 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the three months ended 31 March 2017 have been prepared in accordance with International Financial Reporting Standard IAS 34 “Interim Financial Reporting” (“IAS 34”).

The interim condensed consolidated financial statements have been presented in Qatar Riyals (“QR”), which is the functional and presentation currency of the Group.

The interim condensed consolidated financial statements do not include 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 2016. In addition, the results for the three months ended 31 March 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

These condensed consolidated interim financial statements were authorised for issue by the Board of Directors on 17 April 2017.

2 BASIS OF PREPARATION (CONTINUED)

The Qatar Commercial Companies Law No. 11 of 2015 requires a “Qatari Shareholding Company” to change its legal status into a “Qatari Public Shareholding Company”. Management is in the process of changing the legal status of the Company, however the conversion has not yet been effected as at the date of these interim condensed consolidated financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2016, except for the adoption of new standards and interpretations effective as of 1 January 2017.

The following amended accounting standards became effective in 2017 and have been adopted by the Company in preparation of these interim condensed consolidated financial statements as applicable. Whilst they did not have any material impact on these interim condensed consolidated financial statements, they may require additional disclosures in the annual financial statements for the year ending 31 December 2017:

New and amended standards and interpretations adopted by the Group

During the current period, the Group adopted the below amendments and improvements to the International Financial Reporting Standards that are effective for annual periods beginning on 1 January 2017:

- *Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative*
- *Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses*
- *Annual Improvements Cycle - 2014-2016*
- *Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12*

The adoption of the above amendments and improvements had no significant impact on the condensed consolidated interim financial statements.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group’s interim condensed financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

<i>Topic</i>	<i>Effective date</i>
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2	1 January 2018
IFRS 16 Leases	1 January 2019
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

4 USE OF JUDGMENTS AND ESTIMATES

In preparing the interim condensed consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2016.

4 USE OF JUDGMENTS AND ESTIMATES (CONTINUED)

Measurement of fair values

When measuring the fair value of an asset or liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: Quoted market price (unadjusted) in active markets for an identical assets or liabilities
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the assets or liability, either directly(i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs)

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumption made in measuring fair values is included in Note 17 - Fair values of financial instruments.

5 SEGMENTAL INFORMATION

The Group 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. The electricity generation and water desalination processes are interrelated and are subject to similar risks and returns. Consequently, the Group presents both generation of electricity and production of desalinated water as a single operating segment.

6 PROPERTY, PLANT AND EQUIPMENT

Acquisitions

During the three months ended 31 March 2017, the Group acquired assets with a cost of QR 23,288 thousands (three months ended 31 March 2016: QR 245,644 thousands).

Disposals

During the three months ended 31 March 2017, the Group disposed assets with a cost of QR 476 thousands for a total amount of QR 187 thousands of which the net carrying value at the disposal date was Nil. (three months ended 31 March 2016: the disposed assets with a cost of QR 27,983 thousands for a total amount of QR 14,268 thousands of which the net carrying value at the disposal date was Nil).

7 INVESTMENT PROPERTY

	<i>31 March 2017 QAR'000 (Reviewed)</i>	<i>31 December 2016 QAR'000 (Audited)</i>
Balance at end of the period/year	<u>174,901</u>	<u>174,901</u>

Investment property comprises a land in Lusail purchased from Qatari Diar Real Estate Company Q.S.C. Based on an internal valuation exercise, the fair value of the investment property as at 31 December 2016 was QR 457 million and the Management is of the view that the fair value as at 31 March 2017 did not materially deviate from the fair value determined as at 31 December 2016.

Qatar Electricity & Water Company Q.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended 31 March 2017

8 INVESTMENTS IN JOINT VENTURES

The Group has the following investments in joint ventures:

	Country of incorporation	Group effective ownership %	31 March 2017 QAR'000 (Reviewed)	31 December 2016 QAR'000 (Audited)
Qatar Power Q.S.C.	Qatar	55%	354,776	387,649
Mesaieed Power Company Q.S.C. (Note i)	Qatar	40%	-	-
Ras Girtas Power Company Q.S.C. (Note i)	Qatar	45%	-	-
Nebras Power Q.S.C.	Qatar	60%	2,375,424	2,319,847
Umm Al Houl Power Q.S.C. (Note ii)	Qatar	60%	155,570	117,142
			<u>2,885,770</u>	<u>2,824,638</u>

Notes:

(i) The carrying values of these investments have been reduced to zero as a result of the share of the Group's losses in these joint ventures recognised in previous years.

(ii) Umm Al Houl Power Q.S.C. is expected to be operational during the year 2018.

9 FINANCE LEASE RECEIVABLES

Finance lease receivables represent the share of lease receivables from Ras Laffan Power Company Q.S.C. The subsidiary adopted IFRIC 4: *Determining whether an arrangement contains a lease* which became effective from 1 January 2006 in accounting for their self-constructed production facilities. The discount rate used by the subsidiary was 9.32 % per annum (2016: 9.32% per annum). The finance lease receivables at the end of the reporting period are neither past due nor impaired.

	31 March 2017 QAR'000 (Reviewed)	31 December 2016 QAR'000 (Audited)
Gross finance lease receivables	2,301,871	2,365,223
Unearned finance income	<u>(840,675)</u>	<u>(874,618)</u>
Present value of minimum lease payments receivable	<u>1,461,196</u>	<u>1,490,605</u>

The finance lease receivables are presented in the interim consolidated statement of financial position as follows:

	31 March 2017 QAR'000 (Reviewed)	31 December 2016 QAR'000 (Audited)
Current portion	122,790	124,273
Non-current portion	<u>1,338,406</u>	<u>1,366,332</u>
	<u>1,461,196</u>	<u>1,490,605</u>

Qatar Electricity & Water Company Q.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended 31 March 2017

10 SHARE CAPITAL

	<i>31 March 2017 QAR'000 (Reviewed)</i>	<i>31 December 2016 QAR'000 (Audited)</i>
<i>Authorized, issued and fully paid:</i>		
110,000,000 ordinary shares with nominal value of QR 10 each	<u>1,100,000</u>	<u>1,100,000</u>

(i) Cash dividend paid

During the period, the Company declared and paid a cash dividend of QR 7.5 per share totalling to QR 825,000 thousands (2016 - QR 7.5 per share totalling to QR 825,000 thousands).

11 INTEREST BEARING LOANS AND BORROWINGS

	<i>31 March 2017 QAR'000 (Reviewed)</i>	<i>31 December 2016 QAR'000 (Audited)</i>
Loan (1)	1,247,792	1,247,792
Loan (2)	636,087	636,087
Loan (3)	317,355	317,355
Loan (4)	292,019	292,019
Loan (5)	543,902	548,552
Loan (6)	905,233	912,972
Loan (7)	911,250	911,250
Loan (8)	831,060	792,788
Loan (9)	345,772	315,327
Loan (10)	<u>182,250</u>	<u>-</u>
Total Interest bearing loans and borrowings	6,212,720	5,974,142
Less: Financing arrangement costs	<u>(60,715)</u>	<u>(62,192)</u>
	<u>6,152,005</u>	<u>5,911,950</u>

Interest bearing loans and borrowings are presented in the interim consolidated statement of financial position as follows:

	<i>31 March 2017 QAR'000 (Reviewed)</i>	<i>31 December 2016 QAR'000 (Audited)</i>
Current portion	1,421,358	1,237,363
Non-current portion	<u>4,730,647</u>	<u>4,674,587</u>
	<u>6,152,005</u>	<u>5,911,950</u>

Qatar Electricity & Water Company Q.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended 31 March 2017

12 INTEREST RATE SWAPS FOR HEDGING

(a) Cash flow hedge reserve

Movement in cash flow hedge reserve for the period is as follow:

	<i>31 March 2017 QAR'000 (Reviewed)</i>	<i>31 December 2016 QAR'000 (Audited)</i>
Balance at 1 January	(1,557,002)	(1,759,479)
Share of other comprehensive income from joint ventures	81,789	103,697
Net changes in fair value on interest rate swaps of parent	<u>92,692</u>	<u>98,780</u>
Balance at 31 March/31 December	<u>(1,382,521)</u>	<u>(1,557,002)</u>

(b) Interest rate swaps for hedging

Fair value of interest rate swaps for hedging are presented in the interim condensed consolidated statement of financial position as follows:

	<i>31 March 2017 QAR'000 (Reviewed)</i>	<i>31 December 2016 QAR'000 (Audited)</i>
<i>Assets</i>		
Non-current portion	<u>83,835</u>	<u>-</u>
<i>Liabilities</i>		
Current portion	-	20,277
Non-current portion	<u>19,702</u>	<u>8,282</u>
	<u>19,702</u>	<u>28,559</u>

13 REVENUE

	<i>For the three month period ended 31 March</i>	
	<i>2017 QAR'000 (Reviewed)</i>	<i>2016 QAR'000 (Reviewed)</i>
Sales of desalinated water	357,528	359,305
Sales of electricity	332,503	328,331
Share of lease receivable from Ras Laffan Power Company Q.S.C.	<u>30,166</u>	<u>30,334</u>
	<u>720,197</u>	<u>717,970</u>

14 EARNINGS PER SHARE

The calculation of basic earnings per share ('EPS') is arrived by dividing the profit attributable to the owners of the parent Company for the period by the weighted average number of ordinary shares outstanding during the period.

	<i>For the three month period ended 31 March</i>	
	<u>2017</u> <i>QAR'000</i> <i>(Reviewed)</i>	<u>2016</u> <i>QAR'000</i> <i>(Reviewed)</i>
Profit for the period attributable to equity holder of the parent	350,238	347,442
Weighted average number of shares outstanding during the period (number of shares in thousands)	<u>110,000</u>	<u>110,000</u>
Basic and diluted earnings per share (expressed in QR per share)	<u><u>3.18</u></u>	<u><u>3.16</u></u>

Diluted earnings per share

As the parent has no potential dilutive shares, the diluted EPS equals to the basic EPS.

15 COMMITMENTS AND CONTINGENT LIABILITIES

	<i>31 March 2017 QAR'000 (Reviewed)</i>	<i>31 December 2016 QAR'000 (Audited)</i>
<i>(a) Commitments:</i>		
Capital commitments	<u>-</u>	<u>118,883</u>
<i>(b) Contingent liabilities:</i>		
Bank guarantees, corporate guarantees and documentary credits	<u>315,900</u>	<u>190,317</u>
<i>(c) Other commitments:</i>		
<i>Derivative financial instruments:</i>		
Interest rate swaps (notional amount)	<u><u>1,898,126</u></u>	<u><u>1,842,202</u></u>

Qatar Electricity & Water Company Q.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended 31 March 2017

16 RELATED PARTY DISCLOSURES

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

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

	<i>Nature of the relationship</i>	<i>Nature of the transactions</i>	<i>For the three month period ended 31 March</i>	
			<i>2017</i> <i>QAR'000</i> <i>(Reviewed)</i>	<i>2016</i> <i>QAR'000</i> <i>(Reviewed)</i>
KAHRAMAA	Shareholder	Sale of electricity	332,503	328,331
		Sale of desalinated water	354,295	355,861
		Lease income from plant	30,166	30,334
			716,964	714,526
Qatar Petroleum	Affiliate	Sale of desalinated water	3,233	3,444
Qatar Petroleum	Affiliate	Cost of gas consumed/take or pay gas	200,401	193,329
Qatar National Bank	Affiliate	Interest on bank deposits	21,064	7,028

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

	<i>Nature of the relationship</i>	<i>31 March 2017</i>		<i>31 December 2016</i>	
		<i>Trade and other receivables</i> <i>QAR'000</i>	<i>Trade payables and accrued expenses</i> <i>QAR'000</i>	<i>Trade and other receivables</i> <i>QAR'000</i>	<i>Trade payables and accrued expenses</i> <i>QAR'000</i>
KAHRAMAA	Shareholder	616,009	1,640	806,696	3,152
Umm Al Houl Power Q.S.C.	Joint venture	6,835	-	6,831	-
Ras Gitras Power Company Q.S.C.	Joint venture	3,287	-	2,797	-
Qatar Power Q.S.C.	Joint venture	982	-	959	-
Mesaieed Power Company Q.S.C.	Joint venture	645	-	645	-
Nebras Power Q.S.C.	Joint venture	-	2,586	-	5,008
Qatar Petroleum	Affiliate	3,027	67,253	3,420	144,369
		630,785	71,479	821,348	152,529

Compensation of key management personnel

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

	<i>For the three month period ended 31 March</i>	
	<i>2017</i> <i>QAR'000</i> <i>(Reviewed)</i>	<i>2016</i> <i>QAR'000</i> <i>(Reviewed)</i>
Management remuneration	2,185	2,055
Directors' fees	2,938	2,938
	5,123	4,993

17 FAIR VALUES OF FINANCIAL INSTRUMENTS

The following table shows fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments carried at fair value. It does not include fair value hierarchy information for financial assets and financial liabilities not measured at fair value as the carrying amount is a reasonable approximation of fair value.

As at 31 March 2017, the Group held the following classes of financial instruments measured at fair value:

<i>At 31 March 2017</i>	<i>Level 1 QAR'000</i>	<i>Level 2 QAR'000</i>	<i>Level 3 QAR'000</i>	<i>Total QAR'000</i>
Financial assets measured at fair value:				
Available-for-sale investment securities	535,592	-	-	535,592
Positive fair value of interest rate swaps	-	83,835	-	83,835
	<u>535,592</u>	<u>83,835</u>	<u>-</u>	<u>619,427</u>
Financial liabilities measured at fair value:				
<i>Derivative instruments:</i>				
Negative fair value of interest rate swaps	-	19,702	-	19,702
	<u>-</u>	<u>19,702</u>	<u>-</u>	<u>19,702</u>

As at 31 December 2016, the Group held the following classes of financial instruments measured at fair value:

<i>At 31 December 2016</i>	<i>Level 1 QAR'000</i>	<i>Level 2 QAR'000</i>	<i>Level 3 QAR'000</i>	<i>Total QAR'000</i>
Financial assets measured at fair value:				
Available-for-sale investment securities	511,144	-	-	511,144
	<u>511,144</u>	<u>-</u>	<u>-</u>	<u>511,144</u>
Financial liabilities measured at fair value:				
<i>Derivative instruments:</i>				
Negative fair value of interest rate swaps	-	28,559	-	28,559
	<u>-</u>	<u>28,559</u>	<u>-</u>	<u>28,559</u>

During the reporting period/year ended 31 March 2017 and 31 December 2016, there were no transfers between Level 1 and Level 3 fair value measurements.

Valuation techniques

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premium used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.