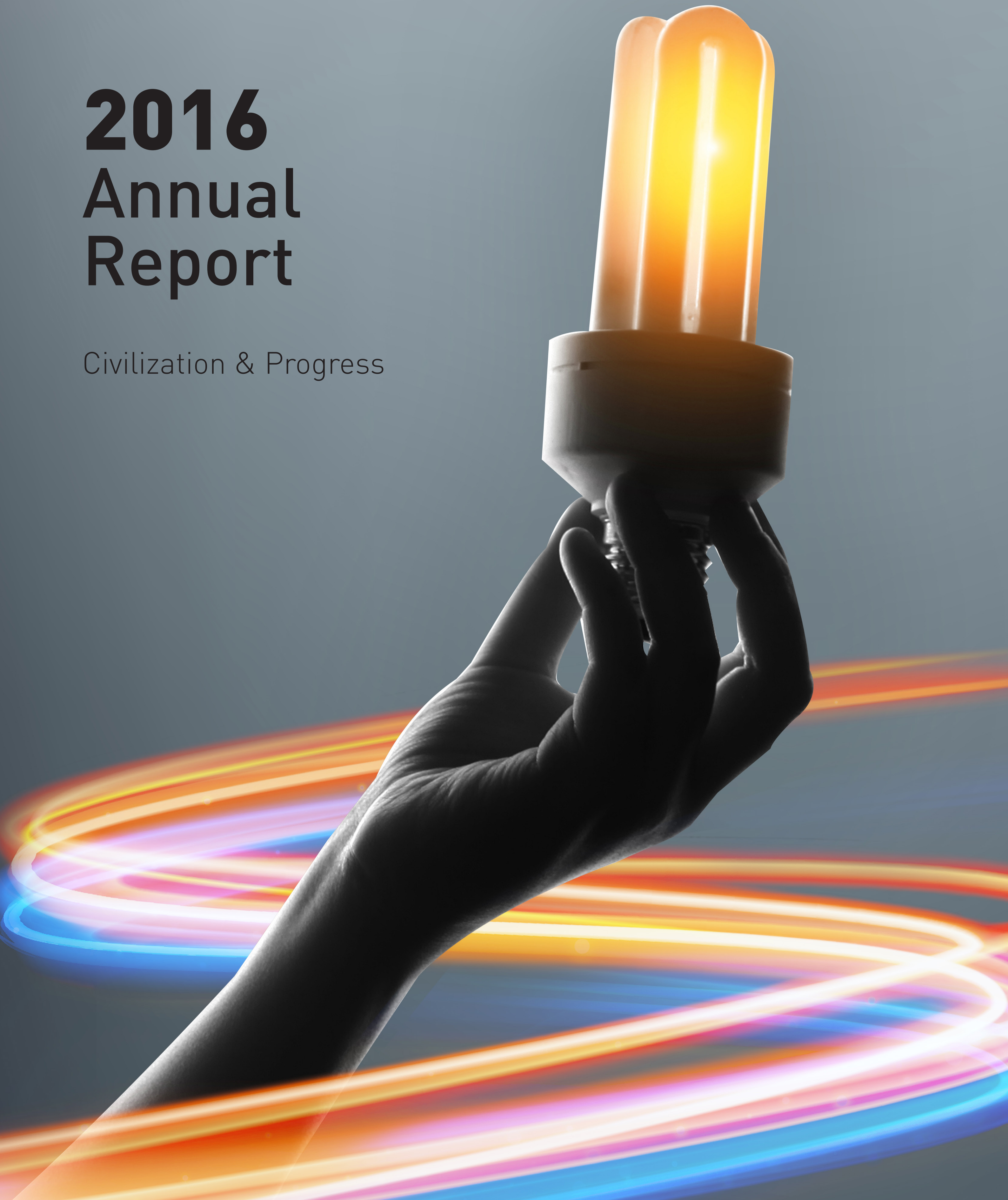
شركة الكهرباء والماء القطرية ش.م.ق

QATAR ELECTRICITY & WATER CO. Q.S.C.

2016 Annual Report

Civilization & Progress



Qatar Electricity and Water Company

2016 Annual Report

His Highness

Sheikh Hamad Bin Khalifa Al-Thani

The Father Emir

His Highness

Sheikh Tamim Bin Hamad Al-Thani

The Emir of the State of Qatar

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BOARD OF DIRECTORS

H.E. Dr. Mohamed Bin Saleh Al-Sada
Minister of Energy & Industry
Chairman

Mr. Issa Bin Shahin Al-Ghanim
Vice Chairman

H.E. Sh. Saud Bin Khalid Bin Hamad Al-Thani
Member

H.E. Sh. Hamad Bin Jassem Al-Thani
Member

H.E. Sh. Hamad Bin Jabor Bin Jassim Al-Thani
Member

H.E. Sh. Faisel Bin Saud Al-Thani
Member

Mr. Adel Ali Bin Ali
Member

H.E. Mr. Nasser Bin Khaleel Al-Jaidah
Member

H.E. Mr. Abdullah Bin Abdul Aziz Al Attiyah
Member

Mr. Salman Bin Abdullah Abdul Ghani
Member

Mr. Fahad Bin Hamad Al-Mohannadi
Managing Director

H.E. Dr. Mohammed Bin Saleh Al-Sada
Minister of Energy and Industry
Chairman of Qatar Electricity and Water Company

Dear shareholders, Representatives of commercial companies control department, Members of the board of Qatar Electricity and Water Company,

As-salamu Aleikum Wa Rahmatullahi Wa Barakatu

On behalf of myself, my fellow members of the board of directors and the employees of the company, let me welcome you to the ordinary and extraordinary general assembly meeting of Qatar Electricity and Water Company. I am glad to be present here with you today to discuss the performance, activities and results of the company for the fiscal year ending on 31st December 2016.

Dear Shareholders,

Qatar Electricity & Water Company was able to continue its march to distinctive achievements in the past years, through the implementation of various vital projects of economic importance and introduction of most sophisticated and advanced technologies in electricity generation and water desalination sector. The company is committed to its mission and to perform its responsibilities efficiently with high professional competence depending on its capabilities and expertise, thus contributing to achieve the aspirations, accomplishments and goals set out by the plans.

The company has developed a long-term plan for 10 years until year 2026, which takes into account the annual increase in the requirement for electricity and water in the country, especially with regard to Football World Cup (World Cup 2022) and diversification of sources of revenue and rationalization of expenditures through raising the level of performance and efficiency. During the year 2016, the company have focused on diversification of its investments, engaged in new projects through direct investments and focused on the best available investments opportunities in energy projects outside the country through Nebras Power Company, wherein QEWC owns 60% share.

With regard to the local projects, Ras Abu Fontas A3 water desalination project, which is built on Reverse Osmosis technology, has reached a completion of 99.96%, will help to cover the increasing demand for water. The first phase of the project is completed in September 2016 and final phase of the project with a capacity of 36 MIGD of water is expected to be completed during the first quarter of 2017 at a total cost of approximately QR 1,750 million.

The Ras Abu Fontas A3 project is vital to the state of Qatar and it is the first project in Qatar, where Reverse Osmosis technology has been used for water desalination.

Umm Al Houl power project, which is one among the biggest projects in the region representing almost 25% of the total power and water requirement of the state of Qatar, has reached a completion of more than 75%. A major portion of the plant is expected to be completed in 2017 itself and final completion, with a capacity of 2,520 MW of Electricity and 136.50 MIGD of water, is expected by 2nd July 2018.

Keeping pace with the overall national strategic plan (Qatar Vision 2030), QEWC wishes to contribute to the efforts to promote renewable energy projects. A memorandum of understanding has been signed between QEWC and Qatar Petroleum on 23rd December 2015 for establishment of a company, Siraj Power, specialized in electricity generation using solar power. The capital of the company will be USD 500 million shared by QEWC 60% and Qatar Petroleum 40%.

Joint Venture agreement for establishment of the company was signed by the partners on 29th November 2016 and the establishment of the company is expected by 31st March 2017 and the project is expected to start implementation by 30th June 2017.

The plant is expected to start power generation by 30th April 2020 and initial production capacity will be 200 MW with an option to increase the same up to 500 MW in phases.

With regard to overseas projects carried out through the company's foreign investment arm Nebras Power, the company has completed acquisition of 35% share in Shams Ma'an power project which is engaged in production of electricity using solar power in Jordan. The construction of the plant is fully completed and it reached commercial operation on 22nd September 2016 with a capacity of 52.5 MW. The plant was officially inaugurated on 10th October 2016 in the presence of His Excellency the Prime Minister of Jordan.

Nebras has also acquired 35.51% stake in IPM Indonesia B.V. and 35% of the shares of IPM Asia PTE LTD. which owns and operates Paiton Power Plant in Indonesia. This is the first acquisition by Nebras Power in Indonesian Energy market, a move to strengthen its position in the global market.

Dear Shareholders,

Despite the decline in oil prices globally, company's activities are not adversely affected. While annual global growth rate in power and water demand is around 3%, the growth rate in Qatar is estimated at 6%. This has a positive impact on company's revenues and annual profits. During the year the company has achieved a total revenue of QR 3,580 million compared to QR 3,499 million in 2015, an increase of 2%. The company achieved a net profit of QR 1,542 million compared to QR 1,501 million in 2015, an increase of 3%. The Annual report gives full details of the financial performance.

The company is committed to its social responsibility and community development through its support for activities that contribute to the development of civil society by supporting conferences and seminars for educating the society on the danger of drugs, community awareness on disease prevention etc. The company has applied high standards of safety and security to provide healthy and appropriate working environment for its employees. The safety and security report indicates that there were no deaths or serious injuries during the year. The company is committed to adhere to the highest environmental protection standards through use of the technologies and environmentally-friendly means of production

It is our strong determination that we add to the achievements of the company and raise its efficiency and reach excellence. The company is targeting sustained growth and development of human resources, through training programs and courses and to keep up with all that is new to enhance human capabilities, skills and expertise to sustain success, accomplishments and professional standards. This will help to achieve the company's vision by lifting performance to world-class level, so that the company ranks among the best electricity and water companies at the regional and international levels.

Dear Shareholders,

The continued support and wise policy of His Highness Sheikh Tamim bin Hamad bin Khalifa Al Thani, may Allah bless Him, and his cabinet headed by Sheikh Abdullah bin Nasser bin Khalifa Al Thani, Prime Minister and Minister of Interior, to the private sector, were the main reasons for the good achievements of the company. The confidence reposed by the customers and shareholders, the general policy making and following up for its implementation by the Board Members, dedication and loyalty of the management and high levels of professionalism by employees also contributed to the success of the company in achieving good results. Allow me to thank and appreciate every one, asking Allah Almighty to guide us in preserving the company's achievements and realize more development and progress in coming years with the help of Allah Almighty.

COMPANY OBJECTIVES

OUR VISION

To be the leading power generation and water desalination company in the Middle East.

OUR MISSION

- Motivate our employees to work congenially towards positive growth.
- Partnering with our customers to ensure success.
- Operate in a clean and safe environment.
- Create wealth for our shareholders.

OUR VALUES

Social Value
We value the safety and quality of the life of our employees and respect the environment of the surrounding community where we operate.

Integrity
We are responsible for our decisions and actions. We honour our commitments. We are trustful and ethical. We treat others as we would like to be treated ourselves.

Innovation
We create innovative processes and solutions to boost our productivity and meet our customers' requirements.

Teamwork
We value our employees' multicultural thinking and experience.

QEWC IN BRIEF

Qatar Electricity and Water Company (QEWC) is one among the first private sector companies in the region that operate in the field of electricity generation and water desalination. The company was established in 1990 as a public shareholding company, in accordance with the provisions of the Commercial Companies Law, for the purpose of owning and operating power and water plants, and to sell its products.

The company's original paid up capital was QR 1 billion, divided into one hundred million shares QR 10 each. At the Ordinary General Assembly meeting held on 25th February 2014, a resolution was passed to distribute to shareholders ten million shares as bonus shares at the rate of one share for every ten shares held. With that company's paid up capital became QR 1.1 Billion, divided into one hundred and ten million shares of QR 10 each. The Government of the State of Qatar and its affiliates own approximately 60% of the share capital and the remaining 40% is held by private companies and individuals. The company is managed by the Board of Directors consisting of 11 members headed by H.E. Dr. Mohammed Bin Saleh Al-Sada, Minister of Energy and Industry.

QEWC is one among the largest companies in the field of electricity generation and water desalination in the Middle East and North Africa region. QEWC is the main supplier of electricity and desalinated water in Qatar. The company and its joint venture companies together have a capacity of 11,087 MW of electricity and 536 MIGD of desalinated water (including projects under construction). The company has experienced remarkable growth over the past decade in line with the steady growth of the country's economy and the corresponding increase in demand for electricity and water.

The company owns and operates a number of key electricity generation and water desalination plants. They are as follows:

- **Ras Abu Fontas A** Production capacity of 497 MW of electricity and 55 MIGD of water
- **Ras Abu Fontas A1:** Production capacity of 45 MIGD of water.
- **Ras Abu Fontas A2:** Production capacity of 36 MIGD of water.
- **Ras Abu Fontas A3:** Production capacity of 36 MIGD of water (Under Construction).
- **Ras Abu Fontas B:** Production capacity of 609 MW of electricity and 33 MIGD of water.
- **Ras Abu Fontas B1:** Production Capacity of 376.5 MW of electricity.

QEWC IN BRIEF

- **Ras Abu Fontas B2:** Production capacity of 567 MW of electricity and 30 MIGD of water.
- **Dukhan Plant:** Production capacity of 2 MIGD of water.

Furthermore, the company holds share in all domestic electricity generation and water desalination companies as follows:

- 80% in Ras Laffan Power Company Limited, which has a capacity of 756 MW of electricity and 40 MIGD of water. In addition, QEWC has full ownership of Ras Laffan Operating Company.
- 55% in Qatar Power Company, which has a capacity of 1,025 MW of electricity and 60 MIGD of water.
- 40% in Mesaieed Power Company, which has a capacity of 2,007 MW of electricity.
- 45% in Ras Girtas Power Company, which is the largest power generation project in the region with a capacity of 2,730 MW of electricity and 63 MIGD of water
- 60% in Nebras Power Company.
- 60% in Umm Al Houl Power Company , which has a capacity of 2,520 MW of electricity and 136.50 MIGD of water (Under construction).
- 60% of Siraj Power Company (under formation), which is expected to have an initial production capacity of 200 MW of electricity from Solar power.

Investments of the company and Future plans:

The total volume of investments by the company during the year 2016 was approximately USD 3 billion. Umm Al Houl Power project, which is expected to have a capacity of 2,520 MW of electricity and 136.50 MIGD of water and Ras Abu Fontas A3, which has a capacity of 36 MIGD of water are the major investments made by the company during the year. Nebras Power Company, which was established with a paid up capital of USD One billion, with the participation of QEWC (60%), Qatar Petroleum (20%) and Qatar Holding (20%) for the purpose of investment in new or existing power and water related projects outside Qatar will enhance the presence of the company in the international arena. With the support of Qatar Holding and Qatar Petroleum, Nebras wishes to expand to the power generation industry in the world and support the economic development of the country through achievement of good return on investments. As a starting point, Nebras acquired 35% of the shares of the Shams Ma'an power company in the Kingdom of Jordan in 2014. In 2016, it completed acquisition of 35.51% shares of IPM Indonesia BV And 35% shares of IPM Asia PTE LTD which owns and operates Paiton power plant in Indonesia with production capacity of 2,045 MW at a cost of USD 1,257 million.

Keeping abreast with the technological developments in electricity and water sector, the company signed an agreement with Qatar Petroleum for formation of Siraj Power Company to generate electricity from solar power as an alternative source of energy. The formation of the company and construction plan is expected to be finalized during the first quarter of year 2017.

Main Features and Attractions:

The company is characterized by stability and low risk due to its investment in the infrastructure and utilities sector of Qatar. Company's shares are stable, with the possibility of potential increase in market value, especially due to the noticeable improvements in the local economy and the completion of projects outside Qatar. The stable dividend distribution is also one of the positive contributing factors to make the company shares attractive. The factors contributing to company's success are:

- QEWC provides guaranteed flow of revenue through the Power and Water Purchase Agreements with Qatar General Electricity and Water Corporation.

- The company maintains long term contracts for the supply of fuel to all stations based on the agreements signed

QEWC IN BRIEF

with Qatar Petroleum, which ensures stability of the fuel cost, being the largest component of the variable operating cost. Qatar Petroleum is one among the primary and certified source to supply natural gas either in gaseous or liquefied gas form to many countries in the world. This ensures high reliability to the power and water plants of the company for the supply of gas and high thermal efficiency to meet international environmental standards.

- With the experience and reputation accumulated since its foundation in 1990, QEWC has expanded outside Qatar, North Africa and the Middle East as well as East Asian markets. With implementation of successful projects outside Qatar, company's status may rise further.

- Company policy on distribution of dividends, which shows a gradual upward trend in line with annual profits and long term plan for ten years, which is updated regularly.

Fiscal policy:

The company adopts a long-term policy to raise operating revenue, which is confirmed by the results achieved, thanks to good operating efficiency and optimal control production costs so that the company could achieve a steady increase in its financial results over the years. This enabled the company to pay higher dividends and it has reflected positively on the share price of the company in the local market, by showing stability in price and was not affected by market fluctuations. The company adopted a balanced policy on distribution of dividends, which takes into account the financial obligations of the company and requirement to finance new projects.

Social responsibility:

QEWC is fully aware of its responsibility towards society and the citizens of the State of Qatar, and believes that there is a strong correlation between the success of the company and its responsibility towards society. The Company has continued to perform its responsibilities to the community. The company has signed an agreement with the Ministry of the Interior as a major sponsor and supporter to the project to combat drugs with a financial support of QR 5 million over a period of five years from 2013. The company also provides support and donates to a number of health centers and educational and cultural institutions, technical, social, humanitarian, environmental and sports institutions, in addition to the care and support of some intellectual and scientific conferences and symposiums aimed at serving and developing civil society institutions with various activities and objectives.

The company's credit rating:

Moody's reaffirmed company's overall credit rating as A1/ Stable during the year.

The company has succeeded in maintaining the rating and is planning to take action that will help to bring higher ratings in the coming years.

Conclusion:

The electricity and water is one of the most important support sector for the development of national economy. The company is committed to working on the development of its activities and projects in accordance with the highest international standards and practices to continue to abide by the principles of disclosure and transparency to the public and shareholders and also to achieve higher profit to the shareholders of the company. The company has achieved high levels of performance and it has helped to continue its participation role in supporting the comprehensive development of the country effectively, which is reflected positively on the profits and dividends.

REPORT OF THE BOARD OF DIRECTORS

On the activities of Qatar Electricity and Water Company for the fiscal year ended on 31st December 2016

The Board of Directors of Qatar Electricity and Water Company (QEWC) is pleased to submit to our esteemed shareholders the annual report on company's financial results and activities for the year ended December 31, 2016, accompanied by the audited financial statements, notes and corporate governance report for the same year, prepared in accordance with the requirements of corporate governance code, the Listing Rules and the provisions of the commercial company's law.

QEWC is playing a pivotal role in supporting economic development and overall growth of the State of Qatar, thanks to the wise leadership of His Highness Sheikh Tamim bin Hamad bin Khalifa Al-Thani, Emir of Qatar, may Allah protect him, and to the support and guidance of HE The Prime Minister and Minister of Interior Sheikh Abdullah bin Nasser Bin Khalifa Al-Thani. The company was able to keep pace with the growing demand in the electricity and water sector and ensure that the needs of the state of Qatar are met for the two strategic supplies efficiently and with quality. The company will continue, Insha Allah, to meet its obligations by continuing the cooperation between public and private sector in collaboration with the Qatar General Electricity and Water Corporation (KAHRAMAA) for the establishment of electricity generation and water desalination projects, to meet the country's requirements for economic development and keep up with the growing demand for electricity and water resulting from the rapid growth of the economy of our beloved country Qatar.

During the year 2016 the company has continued to strive for the implementation of the objectives and programs contained in its strategic plan which focused on the implementation of generation and desalination projects using eco-friendly alternative energy such as solar power and the use of the latest available technologies globally to produce water using reverse osmosis technology for seawater desalination.

The company is pleased to submit the following statistical report of the results for the fiscal year ended on 31st December 2016 to document the activities and achievements of the company and its subsidiaries and joint ventures and to show the vision for the future to ensure the sustainable supply of electricity and water to all facilities in the country, public and private.

First - The Financial Results:

Operating revenues for 2016 amounted to QR 3,103 million compared to QR 2,983 million for 2015, an increase of 4%. Income from joint venture companies amounted to

QR 372 million compared to QR 409 million for 2015, a decrease of 9%. Investment and other income for the year is QR105 million compared to QR 106 million for 2015. Thus the total revenue for 2016 amounted to QR 3,580 million compared to QR 3,499 million for 2015, an increase of 2%.

The total operating expenses for the year 2016 amounted to QR 1,701 million compared to QR 1,679 million for 2015, an increase of 1%. General and administrative expenses for the year amounted to QR 201 million compared to QR 183 million in 2015, an increase of 10%. Financing expenses for the year is QR 106 million compared to QR 100 million for 2015, an increase of 6%.

The net profit attributable to minority shareholders amounted to QR 31 million compared to QR 35 million for 2015.

Based on the above, net profit of Qatar Electricity and Water Company for the year 2016 reached an amount of QR 1,542 million compared to QR 1,501 million for 2015, an increase of 3%.

(Shareholders can view the details of the financial report from the financial statements approved by the Board of Directors and the external auditor of the company).

Based on the company's business performance and achievements outlined in the final accounts and the good financial results for the year 2016, the Board of Directors recommends to the General Assembly of the company a cash dividend of 75% of the nominal value per share to the shareholders for the fiscal year 2016.

Second- The Company's Projects and Future Plans:

The company focused its activities during the year 2016 to pursue the development of its investments and to enter into new projects individually or in partnership with local, regional and international players in the field to add to the available financial resources and to employ them in viable investments and to explore promising new opportunities. The company is committed to take investment decisions after elaborate study in coordination with its partners and in line with the objectives contained in company's long-term strategic plans to take advantage of the best emerging investment opportunities in energy projects outside the country through Nebras Power Company, in which the company owns 60% share.

The following statement shows the company's projects and future plans at the local and international levels:

Current projects:

- Ras Abu Fontas A3 Expansion Project (RAF A3):

Based on the request of KAHRAMAA, QEWC submitted its proposal on 7th December 2014 for establishment of RAF A3 water plant in Ras Abu Fontas Area using Reverse Osmosis (RO) technology for water desalination. The plant intends to meet the increase in demand for water and it has 36 MIGD of water desalination capacity. The Financial closure of the project was achieved on 11th October 2016 and the project has reached a completion of 99.96%. The first phase of the project, with a capacity 22 MIGD of water was successfully completed on 26th September 2016. The final completion of the project is expected in the first quarter of 2017 and the final capacity will be 36 MIGD at a total cost of approximately QR 1,750 million with financing from local banks.

- Electricity and Water Plant at Qatar Economic Zone (Umm Al Houl Power Company):

At the request of KAHRAMAA, with the participation of QEWC (60%), Qatar Petroleum (5%), Qatar Foundation (5%) and a consortium of Japanese Companies Mitsubishi Corporation and TEPCO, (30%), an agreement was signed for the establishment of a power and water plant in Qatar Economic Zone with a capacity of 2,520 MW of electricity and 136.50 MIGD of water.

The project has been named 'Umm Al Houl Power Company' and its construction was awarded to the Japanese company 'Mitsubishi'. The project is now 75.4% complete. The expected completion of phase 1 (water) is on April 13, 2017 with production capacity of 40 MIGD of desalinated water and phase 2 (water) on May 31, 2017 with production capacity of 60 MIGD of desalinated water. Phase 1 (Electricity) is expected to be completed on July 1, 2017 with production capacity of 1,612 MW of power followed by the last phase with total capacity of 2,520 MW of power and 136.5 MIGD of desalinated water on July 2, 2018, which is equivalent to almost 25% of the total electricity and water capacity in Qatar.

Future Projects:

Local Projects:

- Project for Electricity Generation using Solar Power:

A memorandum of understanding was signed between QEWC and Qatar Petroleum on 23rd December 2015 to establish a company that specializes in generation of electricity using solar energy (Siraj Power) with a capital of US $ 500 million, shared by QEWC 60% and Qatar Petroleum 40%, upon getting approval of the Supreme Council for Economic Affairs and Investment.

The Joint Venture Agreement was signed by the partners on 29th November 2016. Initial agreement with KAHRAMAA and selection of project advisers are expected in the first quarter of 2017. Establishment of the company is expected by 31st March 2017 and other works for implementation of the project is expected to start by 30th June 2017.

It is expected that the project will start production by 30th April 2020 with an initial production capacity of 200 MW of electricity, with an expansion plan to increase the capacity up to 500 MW.

- The Extension of the Operation of Ras Abu Fontas A (RAF A):

The Power and Water Purchase Agreement for Ras Abu Fontas A (RAF A) between QEWC and KAHRAMAA expired on 31st December 2016. It has been agreed with KAHRAMAA to extend the operation of the plant until 31st December 2017 on the same terms and conditions and further extension to be discussed by July 2017.

- The Extension of the Operation of Ras Abu Fontas B (RAF B):

The Power and Water Purchase Agreement for Ras Abu Fontas B (RAF B) between QEWC and KAHRAMAA is expiring on 10th October 2017 and the company has proposed the extension of the agreement for 12 years until the end of 2029. The company is expected to start negotiations for extension with the intention of completing the same by 30th April 2017.

- Lusail Tower:

The project aims to establish Administrative Office of the company and consider the remaining part as an investment, which will diversify the sources of income. A technical committee of board members has been formed to study the appropriate designs of the building, its shape and suitability to the nature of the company's activities and how to customize the space, cost and other aspects to achieve the targeted return on investment of the building. The design consultancy services were re-tendered and 18 proposals were received. The technical committee shortlisted two designs for the implementation of one design. The project management consultant contract has been awarded to M/s Hill International on 2nd October 2016.

It is expected that tender for construction of building will be floated by 15th August 2017, and expect the designs completion and approvals by 15th October 2017. The award of the construction contract is expected by 15th December 2017 and project completion and handing over are expected by 15th August 2020 and 15th December 2020 respectively.

Global Projects:

The foreign projects in which the company participates through Nebras Power Company, wherein the company owns 60% of the shares, are presented below:

- Development of Solar Power Plant-Shams Ma'an, Jordan:

Nebras Power Company owns 35% share in the project. The construction of the plant has been completed in full and started commercial operation on 22nd September 2016 with a capacity of 52.5 MW. The plant was officially inaugurated on 10th October 2016 in the presence of His Excellency the Prime Minister of Jordan. Nebras Power investment in the project is approximately USD 15 million and the expected return on investment is 15%.

- Paiton Power Project in Indonesia:

Nebras Power entered into an agreement to acquire 35.51% shares of PT Paiton Energy and 35% share in IPM Asia Pte on 25th February 2016. This is for the share of Paiton power plant in Indonesia, which has a capacity of 2045 MW of Power. Part of the cost of this acquisition is financed from the banks and the remaining amount was met from own funds. The deal is completed and the final contracts were signed on 22nd December 2016.

- Taweelah Station Abu Dhabi and Rades 2 Station in Tunisia:

Nebras Power Company submitted a binding offer on August 24, 2014 to acquire BTU stake in Taweelah Plant in Abu Dhabi (10%) and the Carthage plant in Tunisia (60%). The agreement was signed in December 2015 and the acquisition is expected to be completed during the first quarter of 2017.

Third- Commitment to Corporate Governance:

The company applied corporate governance procedures provided for the governance by the Qatar Financial Markets Authority. QEWC disclosed and published all reports and the requirements set forth by the statutes of the company, corporate governance code and Commercial Company's Law. Annual

corporate governance report for the year 2016 is available in the Annual Report for ratification by the General Assembly of the company.

Fourth- Corporate Social Responsibility:

The company is keen to play a major role in the social life in terms of its commitment to social responsibility. Company utilised a fixed rate (2.5% under the law) of the annual net profits to support activities that contribute to the development of civil society and to provide contributions to social programs, conferences, scientific, cultural, and economic seminars and various sports activities. The company's donations for charity purposes during the year amounted to QR 3.7 million. The Company was the main supporter of the program to fight against drugs and is committed to support the activity by contributing QR 5 million over a period of five years in collaboration with the Ministry of the Interior.

The company is committed to professional safety standards in order to provide a healthy and appropriate working environment for its employees and to enable them to complete the work smoothly with outstanding performance. Also the company is keen to adhere to the highest standards of environmental preservation by using the latest production techniques and methods known and used worldwide.

Fifth- Administration, Development and Qatarization:

QEWC aims to keep pace with the strategy of the State of Qatar and Qatar Petroleum to increase the employment of Qataris in the company and its affiliates. Despite the strong competition arising from the increased career opportunities offered by large national corporations and Government institutions, which prompts employees to switch jobs, the company was able to keep Qatarisation percentage of almost 20%.

The company is working to increase this percentage to target levels. With this purpose a committee was formed for the Qatarisation of QEWC and its five joint venture companies. The company intends to restructure employment programs, including preference to candidates born in Qatar, and cooperate with universities and other institutions for programs with the aim of scholarship, training and development. The committee has developed a Qatarisation Plan, which seeks to increase the employment rates of citizens over the next decade, particularly in the operational functions and senior management positions.

Number of Qatari employees under development has reached 14. The number of employees provided with scholarship for postgraduate studies in Qatar reached 8 and outside Qatar reached 4. As of the end of 2016, number of Qatari employees is 183, compared to the total number of 920 employees in the company.

To conclude this report, the Board of Directors affirms its commitment to harness all energies, to achieve better growth rate for the company and its shareholders and complete the march towards development and prosperity and to strengthen the confidence of the shareholders to cooperate for the benefit of the company and its shareholders in particular and to the benefit of the national economy in general.

Dr. Mohamed Bin Saleh Al-Sada
Chairman of the Board

Mr. Issa Bin Shaheen Al-Ghanim
Vice Chairman of the Board

QATAR ELECTRICITY AND WATER COMPANY CORPORATE GOVERNANCE REPORT 2016

Based on the Corporate Governance Code
of the Qatar Financial Markets Authority

GOVERNANCE REPORT

Non-compliance justification	Appli-cation	Com-pli-ance	Clause	Article
3.Company's Obligation to Comply with Corporate Governance Principles	3/1	√	The company applies corporate governance measures stipulated in the Corporate Governance Code by the Qatar Financial Markets Authority (QFMA). These measures provide guarantees to the Board's monitoring of the company's practices.	
	3/2	√	The Board believes in the need of continued development for corporate governance practices to suit the changing needs, as well as the commitment to review the governance practices on a permanent basis with the addition of the necessary adjustments from time to time. This report aims at presenting the company's governance practices.	
	3/3	√	The Board annually reviews, updates and develops professional conduct rules, such as the Board Charter, company regulations, related party transactions policy and insider trading rules, in order to meet the company's needs.	
4. Board Charter		√	The Board Charter details the Board's functions and responsibilities as well as the Board members' duties which shall be fulfilled by all Board members. The Board Charter is available for shareholders on the company's website.	
5. Board Mission and Responsibilities	5/1	√	The Board of Directors shall have extensive authorities for the company's management. The Board authority shall not be limited unless as provided in the law, the Articles of Association or the resolutions of the general assembly meeting in this respect. (Article 32 of the Articles of Association)	
	5/2	√	**The Board is responsible for:** • Setting the company's general policy, drawing its strategy and supervise their implantation. • Discussing and approving the company's tri-monthly and annual financial statements. (Copies are sent to QFMA and Qatar Stock Exchange). • Appointing and replacing management. • Ensuring the company's compliance with related laws and regulations, articles of association and by– laws as well as the corporate governance code.	

GOVERNANCE REPORT

	5/3	√	The Board of Directors discusses key issues. In line with Article 24 of the Board Charter, the Board delegated temporary committees to assume with responsibility helping the board to carry out its functions and enhancing its efficiency. These committees meet when the need arises.	
6. Board Members' Fiduciary Duties	6/1	√	According to **Article 26** of the Articles of association, the management of the company shall be undertaken by the Board of Directors of 11 members, four of whom shall be appointed by the government of the State of Qatar as representatives thereof and representatives of companies wherein the government owns more than 50% of the capital thereof. The remaining seven members shall be elected where the category of other Qatari Shareholding Companies shall elect three members, and the remaining four members shall be elected by the category of other shareholders. Each category shall conduct the election process independently through secret ballot in an ordinary general assembly meeting or through the general assembly which shall elect the first Board of Directors. No Board member shall represent more than one of the three aforesaid categories	
	6/2	√	Board members may at any time obtain all the information, documents and files from secretariat of the Board.	
	6/3	√	Board members act effectively to fulfill their responsibilities towards the company and comply with all decisions approved by the Board. Board members discuss issues on the agenda of every meeting, and voice their opinions. Board members carry out tasks agreed by the Board and within limits set by the board.	
7. Separation of Positions of Chairman and CEO	7/1	√	The division of responsibilities between the chairman and CEO is clear. H.E. Dr. Mohammed bin Saleh Al Sada, Minister of Energy and Industry is the chairman, carrying out his duties and exercising authority stipulated in the articles of association and enforced laws. Mr. Fahad bin Hamad Al Mohannadi is the Managing Director. He was entrusted with this task starting from January 26,1999.	

GOVERNANCE REPORT

	7/2	√	All Board members participate in the Board's periodical meetings, casting their opinions and suggestions in drawing the company's general policies. The resolutions of the Board shall be issued by the majority votes of attending members. In case of a tie, the chairman or his representative shall have a casting vote. Any dissenting director may enter this objection in the minutes of the meeting. In all circumstances, no one person in the company should have unfettered powers to take decisions (Article 34 of the Articles of Association).	
8. Duties of the Chairman of the Board	8/1	√	The chairman of the Board shall be the chairman of the company. He shall represent the company in front of judiciary and third parties, in line with his authority approved by the law or stipulated in the Articles of Association. (Article 30 of the Articles of Association)	
	8/2	√	The chairman may not be a member of any of the Board committees (As prescribed in this Code)	
	8/3	√	Based on **Article 6** of the Board Charter and **Article 8** of the Corporate Governance Code, the duties and responsibilities of the chairman of the Board of Directors include: • Calling for meetings of the Board. • Approving agendas for every Board meeting. • Chairing and manage sessions. • Representing the Board before the judiciary and before third parties. • Supervising the work of the Board as well as the implementation of its decisions. • Chairing ordinary and extraordinary general assembly meetings: • Ensuring the work of the Board and that its members have complete and accurate information in an efficient and timely manner via email. • The chairman may not be a member of any of the Board committees prescribed in this Code. • Ensuring effective communication with Shareholders, delivering their opinions to the Board of Directors through the company's website and discussion of these opinions at the annual general assembly meeting.	

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			• Conducting an annual evaluation and discussion of the Board's decisions and measures. • Encouraging all Board members to effectively participate in dealing with the Board affairs by tasking those members with specific duties related to the work and committees of the Board.	
9. Board Composition	9/1	√	According to Article 26 of the Articles of association, the management of the company shall be undertaken by the Board of Directors of 11 members, four of whom shall be appointed by the government of the State of Qatar as representatives thereof and representatives of companies wherein the government owns more than 50% of the capital thereof. The remaining seven members shall be elected where the category of other Qatari Shareholding Companies shall elect three members, and the remaining four members shall be elected by the category of other shareholders. Each category shall conduct the election process independently through secret ballot in an ordinary general assembly meeting or through the general assembly which shall elect the first Board of Directors. No Board member shall represent more than one of the three aforesaid categories	
	9/2	X	The Board includes independent members, only two members meets the conditions set out in the governance system. (A detailed statement is attached of current Board members ' names and the entities they represent as an independent or Executive). All non-Executive Board members except one member take over as Director General and CEO.	Council members were elected in 2014 in accordance with the Statute of the company
	9/3	√	All Board members hold higher education qualifications and enjoy adequate expertise and knowledge in the field which qualify them to effectively perform their functions. (CVs of Board members attached to this report)	

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	9/4	√	According to Article 27, paragraph 3 of the Articles of Association, it is provided that the Board member shall be an owner of at least 0.2% of the capital of the company. Such number of shares shall be assigned in order to secure the rights of the company, shareholders, creditors and third parties against the liability to be borne by the members of the Board. Clause 21.1 details the shares of members or the bodies they represent	
10. Non-Executive Board Members	10/1	√	• Board members shall attend the six periodical meetings. A Board member who cannot attend must provide written notification, including absence justification. Board members took part in ordinary general assembly meeting on February 17, 2015. • Board members shall discuss topics on the agenda of every meeting, providing their opinions. • Regulations of the Board Charter do not exclude any member from participating in discussions and voting. • Board members shall carry out tasks agreed by the Board and within limits set by the Board. In case of conflict of interests, the Board must be notified to take necessary measures. • Board members shall become members of Board committees, as explained in clauses 16.1, 17.1 and 18.1. • All reports and procedural regulations shall be discussed and approved by the Board.	
	10/2	√	The Board may seek independent opinions from external advisors on any issue related to the company, at the company's expense (Article 24 of the Board Charter).	
11. Board Meetings	11/1	√	The Board held six meetings in 2016: **February 2, 2016** **April 19, 2016** **July 13, 2016** **September 21, 2016** **October 26, 2016** **December 14, 2016**	

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	11/2	√	According to **Article 34** of the Articles of Association and **Article 16** of the Board Charter, the Board of Directors shall convene upon invitation by the Chainman or a written request by at least two members. The invitation, including meeting agenda, should be sent to members two weeks in advance. Members have the right to suggest updating the agenda with more items (Article 15 of the Board Charter).	
12. Board Secretary	12/1	√	The legal advisor at the company, holding a 1973 Bachelor of Laws with more than 30 years' experience, handles the tasks of Board Secretary, in line with a Board decision. His duties include recording the minutes of all the Board meetings and safekeeping records, books and reports submitted by or to the Board, as stipulated in Article 12 of the Board Charter.	
	12/2	√	The Board Secretary shall ensure that Board members have full and timely access to the minutes of all Board meetings, information, documents, and records through a shared electronic file.	
	12/3	√	All Board members shall have round-the-clock access to the services and advice of the Board Secretary, who is reachable via telephone or email.	
	12/4	√	The Board Secretary may only be appointed or removed by a Board resolution. The Board took decision no. 15 on July 14, 2014 to reappoint the legal advisor at the company as Board Secretary under the direct supervision of the chairman (Articles 7 and 8 of the Board Charter).	
	12/5	√	The legal advisor at the company, enjoying more than 30 years' experience, handles the tasks of Board Secretary.	
13. Conflict of Interests and Insider Trading	13/1	√	The company approved and published online general rules and procedures governing conflict of interests to ensure that its employees and Board members adhere to international rules and standards in order to enhance the company's integrity and trustworthiness. The company formed a special committee to follow up on the implementation of these regulations.	

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	13/2	√	According to Article 28 of Board Charter, the chairman or any Board Member may not have any direct or indirect interest in transactions or trading concluded with or for the company.	
	13/3	√	According to Article 40 of the company's Articles of Association, whenever an issue involving conflict of interests or any commercial transaction between the company and any of its Board members or any Party related to said Board Member, the Board shall disclose the issue at a Board meeting and annually provide shareholders with details on all transactions, benefits and remunerations obtained by the chairman or Board member during the fiscal year. Board members shall be informed of halting any trading in their shares ahead.	
	13/4	√	In 2016, no direct or indirect transactions were concluded between the chairman or a Board member and the company. Board members shall be informed of halting any trading in their shares ahead of Board meetings on periodical financial statements, and 15 days ahead of the general assembly meeting. The Qatar Stock Exchange shall also be informed.	
14. Other Board Practices and Duties	14/1	√	Board members shall at any time have full and immediate access to information, documents, and records pertaining to the company from the Secretariat of the Board.	
	14/2	√	Internal and external auditors as well as committee members were invited to attend the annual general assembly meeting on February 17, 2015. They all took part of the meeting, and attend all previous meetings.	
	14/3	√	The Board shall put in place an induction program for newly appointed Board members. Necessary training programs will be provided if required.	
	14/4	√	All Board members hold higher education qualifications and enjoy adequate expertise and knowledge in the field which qualify them to effectively perform their functions. This report includes the CVs of Board members.	
	14/5	√	The Board of Directors, through the Secretariat, shall at all times keep its members updated about the latest developments in the area of corporate governance and best practices relating thereto.	

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	14/6		Article 36 of the Articles of Association stipulates that if a member of the Board becomes absent in three consecutive meetings of the Board or five alternative meetings without any reason, he shall be deemed as resigned. According to Article 35 of the Articles of Association, the general assembly may dismiss the chairman or any member of the Board based on suggestion by the Board of Directors with absolute majority mentioned in the foregoing article or based on a request signed by a number of shareholders who hold no less than quarter of the shares underwritten therein. None of these cases occurred in 2016.	
15. Board Committees		√	Important matters are discussed in the Board room. In line with Article 24 of the Board Charter, the Board delegated some of its functions and constituted special committees, for the purpose of undertaking specific operations on its behalf and enhancing its efficiency. These committees meet when the need arises.	
16. Board members Appointment The Nomination Committee	16/1	√	In addition to the conditions of Board member nomination stipulated in the company's Articles of Association, the Board carefully reviews list of candidates. The Board notifies managements of companies of the final list, including copies of nomination applications, information of candidates, the bodies they represent and dates of applications. The final list is sent at the same time to QFMA and Qatar Stock Exchange. All these measures were taken ahead of the general assembly meeting on February 24, 2014 as well as the Board election voting. There was no election in 2016.	
	16/2	X	A nomination committee of three non-executive members was formed to suggest appointing Board members and re-nominating them for election. The panel groups: **H.E. Sheikh Hamad bin Jassim Al Thani** president (independent) **Mr. Issa bin Shahin Al Ghanim** member **Mr. Nasser bin Khalil Al Jaidah** member	Lack of sufficient independent Board members
	16/3	√	The nomination committee's guidelines are based on QFMA's Corporate Governance Code.	

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	16/4	√	The nomination committee was formed in accordance with Board decision no. 16 for the year 2014, which includes the committee's framework and functions, based on **Article 16** of the Corporate Governance Code.	
	16/5	√	The nomination committee's formation decision includes conducting an annual self-evaluation of the Board's performance.	
	16/6	Not Appli-cable	Related to banks only.	
17. Board Members' Remuneration. Remuneration Committee	17/1	X	A remuneration committee of three non-executive members was formed, grouping: **Mr. Nasser bin Khalil Al Jaidah** president **H.E. Sheikh Faisal bin Saud Al Thani –** member **Mr. Adel Ali bin Ali** member (independent)	Lack of sufficient independent members
	17/2	√	The remuneration committee was formed in accordance with Board decision no. 16 for the year 2014, which includes the committee's framework and functions, based on Article 17 of the Corporate Governance Code.	
	17/3	√	According to Article 39 of the Articles of Association, a percentage not exceeding five percent (5%) of net profit, excluding depreciation, reserve and distributed profits based on the foregoing article, shall be allotted towards the remuneration of Board members. Remunerations have not exceeded that percentage since the establishment of the company, as shown in the annual financial report.	
	17/4	√	The Board's report and annual financial report presented to the general assembly detail the remuneration policy and principles, which can be examined in the annual report submitted to QFMA for the year 2016.	
	17/5	√	Remunerations are determined in line with annual performance evaluation, duties, responsibilities and tasks as well as mechanisms set by the chairman of the Board every year.	

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18.Audit Committee	18/1	X	An audit committee of three non-executive members was formed, including the internal auditor, who has financial and auditing experience. The committee may consult independent experts. The panel groups: **Mr. Issa bin Shahin Al Ghanim** president **H.E. Sheikh Hamad bin Jaber Al Thani** member **Mr. Nasser bin Khalil Al Jaidah** member	Lack of sufficient independent members
	18/2	√	The committee does not include any person who is or has been employed by the company's external auditors.	
	18/3	√	The audit committee sometimes consult independent expert to examine a specific issue and provide advice and opinion.	
	18/4	√	The audit committee shall meet as needed and regularly at least once every three months and shall keep minutes of its meetings. It shall submit its report to the chairman of the Board.	
	18/5	√	No conflict was reported between the panel and the Board in 2016.	
	18/6	√	The committee was in accordance with Board decision no. 16 for the year 2014, which includes the committee's framework and functions, based on Article 18 of the Corporate Governance Code The Audit Committee's responsibilities include reviewing company financial and internal control systems, risk management and corporate commitment to professional conduct with the necessary investigations into irregularities if any particular responsibilities include as follows: To adopt a policy for appointing the External Auditors; and to report to the Board of Directors any matters that, in the opinion of the committee, necessitate action and to provide recommendations on the necessary procedures or required action.	

GOVERNANCE REPORT

			• To oversee and follow up the independence and objectivity of the external auditor and to discuss with the external auditor the nature, scope and efficiency of the audit in accordance with International Standards on Auditing and International Financial Reporting Standards. • To oversee, the accuracy and validity of the financial statements and the yearly, half-yearly and quarterly reports, and to review such statements and reports. In this regard particularly focus on: • Any changes to the accounting policies and practices. • Matters subject to the discretion of Senior Executive Management. • The major amendments resulting from the audit. • Continuation of the company as a viable going concern. • Compliance with the accounting standards designated by QFMA. • Compliance with the applicable listing rules in the market. • Compliance with disclosure rules and any other requirements relating to the preparation of financial reports. • To coordinate with the Board of Directors, Senior Executive Management and the company's chief financial officer or the person undertaking the latter's tasks, and to meet with the external auditors at least once a year. • To consider any significant and unusual matters contained or to be contained in such financial reports and accounts. And to give due consideration to any issues raised by the company's chief financial officer or the person undertaking the latter's tasks, or the company's compliance officer or external auditors. • To review the financial and Internal Control and risk management systems to discuss the Internal Control systems with the management. • To ensure management's performance of its duties towards the development of efficient Internal Control systems. • To consider the findings of principal investigations in Internal Control matters requested by the Board of Directors or carried out by the committee on its own initiative with the Board's approval.	

GOVERNANCE REPORT

			• To ensure the timely reply by the Board of Directors to the queries and matters contained in the External Auditors, letters or reports to develop rules, through which employees of the company can confidentially report any concerns about matters in the financial reports or Internal Controls or any other matters that raise suspicions. • And to ensure that proper arrangements are available to allow independent and fair Investigation of such matters whilst ensuring that the aforementioned employee is afforded confidentiality and protected from reprisal. • Such rules should be submitted to the Board of Directors for adoption.(Conflicts of interests list is published on the company's website) • To oversee the company's adherence to professional conduct rules to ensure that the rules of procedure related to the powers assigned to the Board of Directors are properly applied. • To submit a report to the Board of Directors on the matters contained in this Article. • To consider other issues as determined by the Board of Director	
19.Compliance, Internal Controls and the Internal Auditor	19/1	√	The Board is completely responsible for the company's internal controls. The company's policies, grisliness and controls define limits of responsibility, evaluate performance and set monitoring mechanisms. The management is responsible for the general monitoring of these controls, along with heads of departments and sections. The internal and external auditors shall evaluate work.	
	19/2	√	Developing work management in well structured and organized manner is a matter of paramount importance for the company in order to identify, assess, manage and minimize risks. The technical advisor at the company is in charge of assessing operational risks, while the internal auditor handles the assessment of financial risks, in coronation with the financial department. These assessments are included in the company's annual report. Copies of this report are sent to shareholders.	

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	19/3	√	The company has an independent audit section headed by experienced and qualified accountant who directly reports to the chairman of the Board and submits tri-monthly reports to the chairman, including any irregularities as well as appropriate measures to address them. The internal audit section continuously cooperates and coordinates with the audit committee and the two sides hold tri-monthly meetings. In particular, the internal audit function shall: • Audit the Internal Control Systems and oversee their implementation. • Be carried out by operationally independent, appropriately trained and competent staff. Submit its reports to the Board of Directors either directly or through the Board's audit committee; and is responsible to the Board. • Has access to all company's activities. • Be independent including the day-to-day company functioning. In addition to determining compensation of its staff directly from the Board.	
	19/4	√	The internal auditor was appointed in line with a Board decision and the auditor reports directly to the chairman	
	19/5	√	The internal auditor submits tri-monthly reports to the chairman, including any irregularities as well as appropriate measures to address them. The scope of the internal audit reports shall include particularly the following: • Control and oversight procedures of financial affairs, investments, and risk management. • Comparative evaluation of the development of risk factors and the systems in place to respond to drastic or unexpected market changes. • Assessment of the performance of the Board and senior management in implementing the Internal Control Systems, including the number of times the Board was notified of control issues, including risk management, and the manner in which such issues were handled by the Board.	

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			• Internal Control failure, weaknesses or contingencies that have affected or may affect the company's financial performance and the procedure followed by the company in addressing Internal Control failures, especially such problems as disclosed in the company's annual reports and financial statements. • The company's compliance with applicable market listing and disclosure rules and requirements. • The company's compliance with Internal Control systems in determining and managing risk. • All relevant information describing the company's risk management operations.	
	19/6	√	The internal auditor prepares tri-monthly reports, on March 31, June 30, September 30 and December 31 every year	
20. Disclosure	20/1	√	At the general assembly meeting, shareholders appoint company external auditor. KPMG financial consulting firm was reappointed as auditor of the company at the ordinary general assembly meeting on February 21, 2016. KPMG conducted quarterly, semi- annual and annual audit of the company's financial statement for the year 2016, which was published in newspapers and the company's website in accordance with the law.	
	20/2	√	The external auditor shall comply with the highest international professional standards. There is no conflict of interests in the relation between the auditor and the company. The external auditor, who is independent, and qualified, shall undertake an annual, semi-annual and quarter-annual independent audit. The company shall comply with regulations of external auditors stipulated in the Corporate Governance Code. The external auditor must be completely independent from the company and its Board members and shall not have any conflict of interests in his relation to the company.	

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	20/3	√	The external auditor shall be invited to attend the general assembly meeting at the same time invitations are sent to shareholders. The external auditor attended the general assembly meeting on February 21, 2016. The auditor will be invited to attend the general assembly meeting slated for February 22, 2017. This report was prepared before the general assembly meeting.	
	20/4	√	The external auditor is accountable to the shareholders and owes a duty of submitting his report for adoption. The auditor's 2015 report has already been submitted and approved. The 2016 report will be submitted at the next general assembly meeting.	
	20/5	√	The external auditor shall be changed every three years. Article 59 of the company's Articles of Association however puts that period at five years.	
21. Disclosure	21/1	√	The company disclosed its quarterly and half-yearly financial statements for 2016 as scheduled, including all information, and published them on the websites of the company and Qatar Stock Exchange as well as in newspapers. Preparation of the 2016 financial reports is underway. Shares of Board members, excluding the four representatives of the Government of the State of Qatar (until the reporting date), are as follows: • **Qatar National bank, represented by H.E. Sheikh Hamad bin Jaber Al Thani:** 941717 shares • **Qatar Insurance Co. represented by H.E. Sheikh Saud bin Khalid Al Thani:** 648298 shares • **Qatar Navigation, represented by Mr.Salman bin Abdullah Al Abdulghani:** 5044012 shares • **H.E. Sheikh Hamad bin Jassim Al Thani**:220000 shares • **Mr. Adel Ali bin Ali:** 220000 shares • **Mr. Nasser Khalil Al Jaidah:** 522500 shares • **H.E. Mr. Abdullah bin Abdulaziz Al Attiyah (Al Majida company):** 228635 shares **Key shareholders:** • **The Government of the State of Qatar (Qatar Holding LLC):** 30894875 shares • **General Retirement and Social Insurance Authority:** 13738665 shares	

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			• **Qatar Petroleum:** 11816644 shares • **Shares of committee members** are mentioned above, excluding H.E. Sheikh Faisal bin Saud Al Thani, member of the remuneration committee, who was part of representatives of the Government of the State of Qatar. CVs of Board members are attached.	
	21/2	√	The external auditor's report clearly states that the auditor obtained all necessary and accurate information and that the company complies with international standards. (Shown in the auditor's report)	
	21/3	√	The company's financial statements and reports are prepared in line with the IAS, IFRS and ISA international auditing standards. The external auditor's report states that the auditor obtained all necessary information. The external auditor's report also clearly states that the audit was carried out in accordance with these international auditing standards(IFRS and ISA) and the audit was conducted in accordance with international auditing standards.	
	21/4	√	Copies of the company's annual report, including the audited financial statement, are distributed to shareholders. The report is also published in newspapers, 15 days ahead the general assembly meeting. It is also posted on the company's website.	
22. General Rights of Shareholders and Key Ownership Elements		√	• **Article 11** of the company's Articles of Association states that the shareholder shall not be obliged except for the value of the shares owned by him. His obligations cannot be increased. • **Article 19** of the company's Articles of Association states that every stake entitles its owner such share that equals the shares of others without any discrimination in the ownership of the net assets of the company and the profits distributed as per the method stipulated in this Statute. • **Article 44** of the company's Articles of Association states that every shareholder is entitled to attend the general assembly by himself or by representation. Shareholders my send representatives to the general assembly. The Board annually prepares the agenda, the company's budget, and the profit	

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			• and loss statement, ratified by the auditor, as well as a report on the company's activities. These are presented to the shareholders 15 days before the general assembly and are discussed with the shareholders during the assembly. • Every shareholder has a number of votes equal to the number of his shares. But the company makes sure that no shareholder shall have votes exceeding 25% of the votes prescribed for the shares represented in the meeting. • The Board monitors and ensures respect for all shareholders' rights. There were no relevant complaints or observations against the company in 2016.	
23.Ownership Records	23/1	√	The company keeps accurate and up to date ownership records, which it obtains annually from the listing company immediately before the general assembly and at specific times as per the regulations of the QFMA and the Qatar Stock Exchange.	
	23/2	√	**Article 9** of the company's Articles of Association states that each shareholder may view the shareholders' register free of charge anytime.	
	23/3	√	Shareholders do not currently pay any fees for obtaining any documents from the company.	
24. Access to Information	24/1	√	**Article 9** of the company's Articles of Association ensures the right of the shareholder to access the company's records and request information. **Article 40** of the company's Articles of Association makes it obligatory for the Board to put a financial statement at the disposal of the shareholders prior to the general assembly. **Article 47** of the Articles of Association gives shareholders the right to obtain the general assembly agenda, full financial statements, and the reports of the Board and the external auditor before the general assembly.	

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	24/2	√	The company has an electronic website on which it posts all disclosures and information that must be announced in accordance with the QFMA's laws and regulations. The latest updates of the Statute, governance charter and reports, and regular financial reports were posted in 2016.	
25.Shareholders Right with Regard to Shareholders' Meetings		√	Articles 49, 51, 54, and 56 of the Articles of Association ensure shareholders' right to call for ordinary and extraordinary general assemblies as well as the right to place items on the agenda discuss agenda items, ask questions, and receive, answers from the Board, as stated under Chapter Two of the company's governance charter.	
26.Equitable Treatment of Shareholders and Exercise of Voting Rights	26/1	√	According to Article 19 of the Articles of Association, every stake entitles its owner such share that equals the shares of others without any discrimination in the ownership of the net assets of the company and the profits.	
	26/2	√	Article 44 of the Articles of Association allows voting by proxy. Representation is registered in the general assembly's minutes.	
27.Shareholders' Rights Concerning Board Members' Election	27/1	√	Information about candidates for the Board was posted on the Stock Exchange's website and the company's website before the voting in the general assembly on 25 February 2014. The list of candidates was also posted in the meeting hall before the general assembly and during the registration of the attendees.	

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	27/2	X	Shareholders shall have the right to cast their votes for Board Member's election by Cumulative Voting.	Article 26 of the Articles of Association will be amended, to conform to the provisions of the commercial companies law number 11 for the year at the extraordinary general meeting on February 22, 2017
28.Sharehoolders' Rights Concerning Dividend Distribution		√	Articles 67, 68, 69 of the company's Articles of Association clearly determine the policy of dividend distribution. This policy is accurately followed when dividends are annually distributed, and this is reflected in the company's annual financial statement that is presented to the shareholders in the general assembly.	
29.Capital Structures, Shareholders' Rights, Major Transactions	29/1	√	Capital structures are listed in the annual financial statements that are audited by the external auditor and published in newspapers, the company's website, and Qatar Stock Exchange website.	
	29/2	√	According to Articles 56, 57, and 62 of the company's Articles of Association, every shareholder has the right to discuss with the Board or the auditor all statements and transactions mentioned in reports presented to the general assembly, and to receive answers and turn to the general assembly if not convinced. Shareholders also have the right to register their objections to any issue in the general assembly minutes.	
	29/3	√	Article 14 of the Articles of Association ensures every shareholder's right to sell, mortgage, or grant his shares in accordance with specific rules. Articles 19 and 21 also include provisions ensuring the rights of all shareholders.	

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30.Stakeholders' Rights	30/1	√	The company respects stakeholders' rights by providing all the necessary documents about all its transactions either by publication or by direct contact.	
	30/2	√	Company employees of all nationalities are governed by a unified employee system ensuring fairness to all and including remunerations, incentives, and other benefits (posted on the company's website)	
	30/3	√	The company adopted a unified remuneration package based on general performance appraisals. This is in addition to special remunerations for outstanding efforts that help develop the company's work or that enable the company to make gains or evade major losses.	
	30/4	√	As reflected in Articles 9, 10, 11, 12, and 13 of the conflict of interests system posted on the company's website. Also, the employee relations committee, which meets weekly, examines any complaints, suggestions, or grievances by employees and makes the appropriate decisions. An employee can directly address the chairman or a member of the Board, if all available channels to address his complaint are exhausted and the management failed to respond as per the company's regulations.	
31. The Corporate Governance Report	31/1	√	The corporate governance report is prepared annually by the Board and signed by the chairman. The latest were the 2015 report and this report.	
	31/2	√	The company submits the Board's report, the financial report, and the corporate governance report to QFMA at least 15 days before the ordinary general assembly. The latest were the 2015 report and this report.	
	31/3	√	The general assembly's agenda includes an item on the corporate governance report and a copy of the report is distributed to the shareholders. The report is discussed and adopted by the general assembly. The latest was the 2014 report. The item was listed on the agenda of the 2016 ordinary general assembly which will be held on February 22, 2017.	

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	31/4	√	The governance report is prepared against the form provided in QFMA's Corporate Governance Code for the listed companies. It includes the following information: • Procedures followed by the company in this respect. • Disclosure of any violations committed during the financial year, their reasons and the remedial measures taken and measures to avoid the same in the future. (The company sent a disagreement under the number 5/2016 on breach disclosure procedures applicable in Qatar stock exchange. Reconciliation with QFMA came to terms) • Disclosure of members of the Board of Directors and its committees and their responsibilities and activities during the year, according to the categories and terms of office of said members along with the method of determining the directors and senior executive managers' remuneration. • Disclosure of internal control procedures including particularly the company's oversight of financial affairs, investments, and risk management. • Disclosure of the procedure followed by the company in determining, evaluating and managing significant risks, a comparative analysis of the company's risk factors and discussion of the systems in place to confront drastic or unexpected market changes. • Disclosure of the performance assessment of the Board and senior management in implementing the internal control systems, including identification of the number of times when the Board was notified of control issues (including risk management) and the way such issues were handled by the Board. • Disclosure of the internal control failures or weaknesses or contingencies that have affected or may affect the company's financial performance and the procedures followed by the company in addressing internal control failures (especially such problems as disclosed in the company's annual reports and financial statements). • Disclosure of the company's compliance with applicable market listing and disclosure rules and requirements.	

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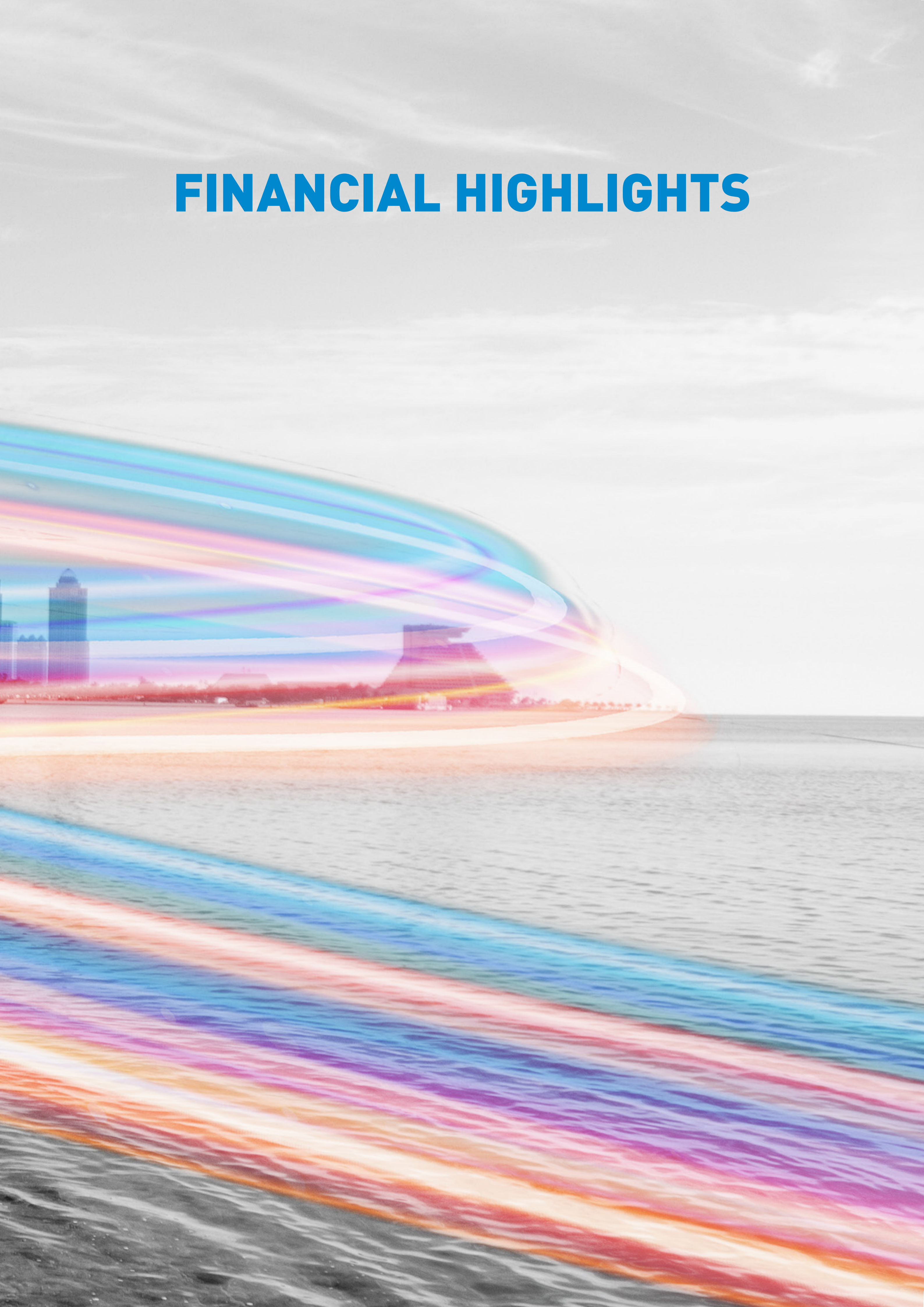
			• Disclosure of the company's compliance with internal control systems in determining and managing risks. • All relevant information describing the company's risk management operations and internal control procedures.	

Approved

Dr. Mohammed Bin Saleh Al Sada
Chairman of the Board of Directors

FINANCIAL HIGHLIGHTS

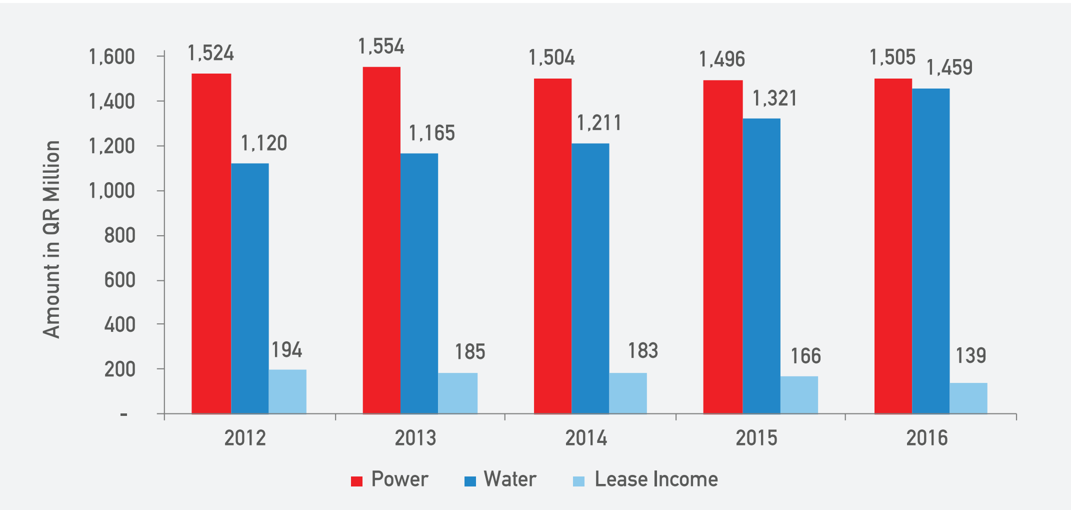


FINANCIAL HIGHLIGHTS

For the Year (amount in QR million)	2016	2015	2014	2013	2012
Sales Revenue	3,103	2,983	2,898	2,904	2,838
Gross Profit	1,403	1,303	1,276	1,306	1,292
Net Profit	1,542	1,501	1,530	1,384	1,432
At Year end (amount in QR million)					
Total Assets	15,226	13,450	12,949	11,026	11,551
Total Shareholders' equity	8,275	7,346	6,782	6,111	5,167
Long Term Debt	4,736	3,860	3,793	3,414	3,550
QR per Share					
Cash Dividends	7.5	7.5	7.5	7.5	7.3
Earnings per Share	14.02	13.64	13.91	12.58	13.02
Ratios					
Return on Equity (%)*	19.74	21.25	23.73	24.54	29.67
Return on Capital Employed (%)**	13.61	14.70	16.14	16.83	17.40
Debt Equity(Times)	0.57	0.53	0.56	0.56	0.69

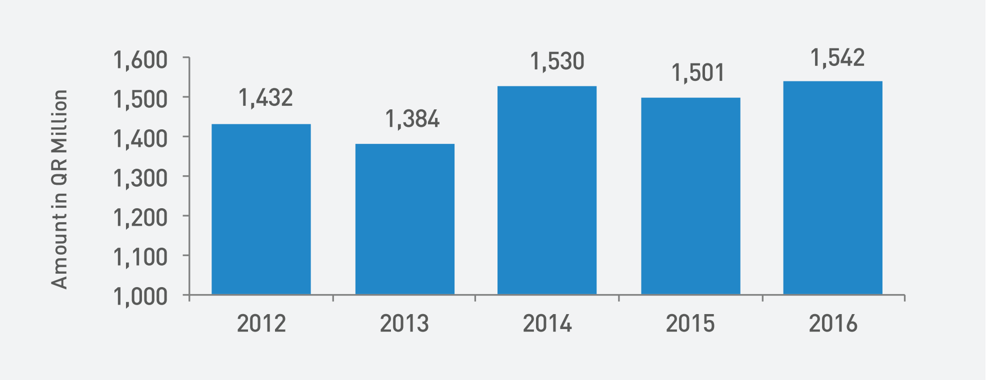
*Net Profit/Average Equity
**(Net Profit plus finance cost)/Average capital Employed

SALES BY PRODUCT

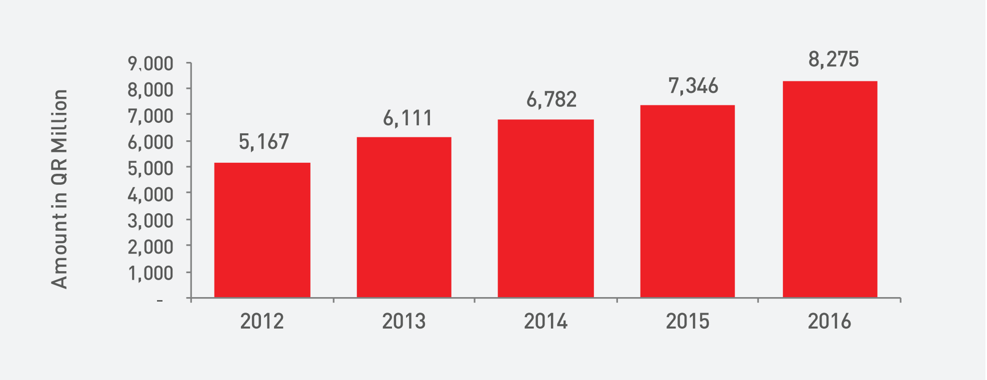


FINANCIAL HIGHLIGHTS (CNTD)

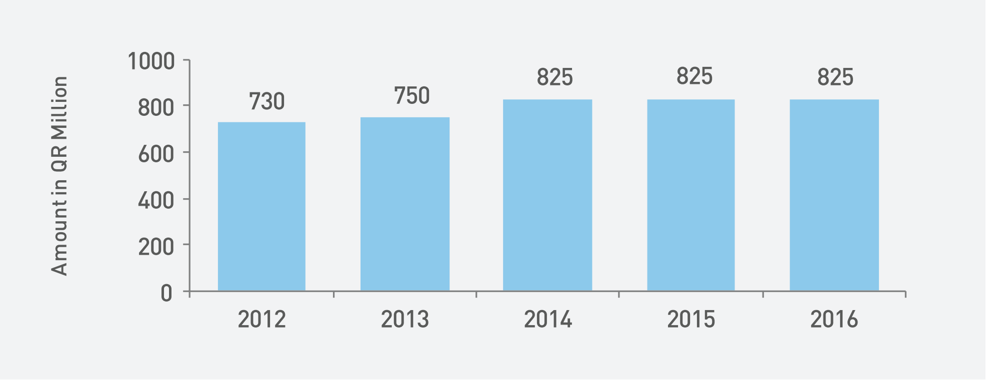
NET PROFIT



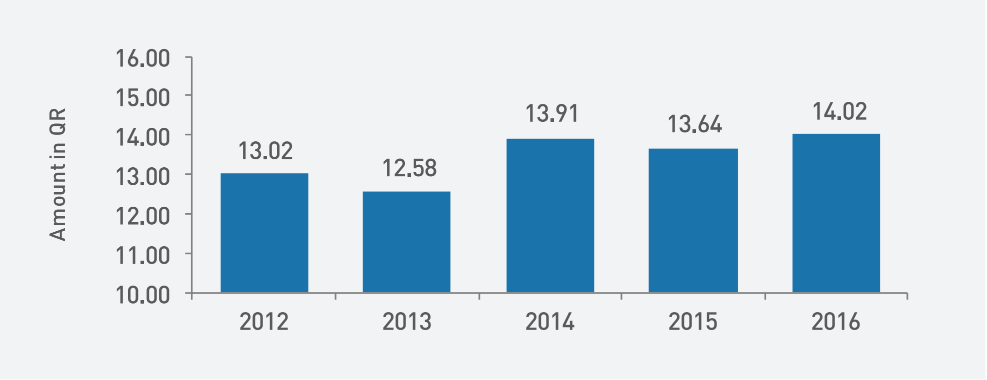
EQUITY GROWTH



DIVIDEND GROWTH



EARNINGS PER SHARE



CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED
31 DECEMBER 2016

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Qatar Electricity and Water Company Q.S.C.
Doha, State of Qatar

Report on the Audit of the Consolidated Financial Statements

OPINION

We have audited the accompanying consolidated financial statements of Qatar Electricity and Water Company Q.S.C. (the "Company") and its subsidiaries (together with the Company, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditors Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Qatar, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying values of Property, Plant and Equipment (PPE)

(See note 5, 26, 28 to the consolidated financial statements)

Description	How the matter was addressed in our audit?
We focused on this area because items of PPE on the consolidated statement of financial position represent 40% of the	Our audit procedures, among others, included:

INDEPENDENT AUDITOR'S REPORT (CNTD)

Group's total assets and, consequently, their depreciation charge for the year represents 21% of the Group's total expenses. There are a number of areas where management judgement impacts the carrying value of PPE. These include: • the decision to capitalise or expense costs; • the annual asset life review including the impact on changes in the Company's strategy; and • assessing indicators of impairment and determining recoverable amounts	• evaluating the key controls around the PPE processes, including controls over recording of assets in the PPE register, asset classification and useful life of assets; • evaluating the recognition criteria applied to the costs incurred and capitalised during the financial year against the requirements of the relevant accounting standards; • comparing the useful life estimated for each production facilities for consistency with tenure of Power and Water Purchase Agreement (PWPA) between the Company and KAHRAMMA (the production facilities represent 90% of the Group's PPE); • recalculating the depreciation charge, on a test basis, for significant asset classes and comparing it with the depreciation charge reported in the consolidated financial statements; • critically challenging the Group's assessment of possible internal and external indicators of impairment in relation to the production facilities, such as obsolescence, decline in market value, operating losses etc., based on our knowledge and experience of the industry and understanding of the PWPA; and • assessing the adequacy of the Group's disclosures in relation to the PPE by reference to the requirements of the relevant accounting standards.

Investments in joint ventures

(See note 8 to the consolidated financial statements)

Description	How the matter was addressed in our audit?
We focused on this area because the Group has investments in joint ventures whose operations are spread across Qatar. Due to the size of the joint ventures (representing 19% of the total assets) and their impact on the Group results (representing 24% of profits), we considered this as key focus area.	Our audit procedures in this area, among others, included: • assessed the financial information submitted by the joint ventures for consistency with accounting policies of the Group; • obtaining the Group's joint venture accounting schedule to confirm whether the Group's interests in the profits, other comprehensive income and net assets were accounted in accordance with the

INDEPENDENT AUDITOR'S REPORT (CNTD)

	• the Group's participatory interests in the joint venture; and • assessing the adequacy of the Group's disclosures in relation to the investments in joint ventures by reference to the requirements of the relevant accounting standards.

OTHER INFORMATION

The Board of Directors is responsible for the other information. The other information comprises the information included in the Company's Annual Report for the year 2016 (the "Annual Report"), but does not include the consolidated financial statements and our auditor's report thereon. Prior to the date of our auditor's report, we obtained the report of the Board of Directors, which forms part of the Annual Report. The remaining sections of the Annual Report are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether this other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the report of the Board of Directors that we have obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial

INDEPENDENT AUDITOR'S REPORT (CNTD)

statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

INDEPENDENT AUDITOR'S REPORT (CNTD)

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

We have obtained all the information and explanations we considered necessary for the purposes of our audit. The Company has maintained proper accounting records and its consolidated financial statements are in agreement therewith. Furthermore, the physical count of inventories was carried out in accordance with established principles. We have read the report of the Board of Directors to be included in the Annual Report and the financial information contained therein is in agreement with the books and records of the Company. We are not aware of any violations of the Qatar Commercial Companies Law No. 11 of 2015 or the terms of the Company's Articles of Association and any amendments thereto having occurred during the year which might have had a material adverse effect on the Company's consolidated financial position or performance as at and for the year ended 31 December 2016.

1 February 2017
Doha
State of Qatar

Gopal Balasubramaniam
KPMG
Auditor's Registration No.251

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

In thousands of Qatari Riyals

	Note	31 December 2016	31 December 2015
ASSETS			
Non-current assets			
Property, plant and equipment	5	6,130,389	5,713,911
Investment property	6	174,901	174,901
Intangible assets and goodwill	7	108,425	114,395
Investments in joint ventures	8	2,824,638	2,626,834
Available-for-sale financial assets	9	511,144	344,435
Finance lease receivables	10	1,366,332	1,490,605
Other assets	11	19,858	21,871
		11,135,687	10,486,952
Current assets			
Inventories	12	280,994	177,895
Trade and other receivables	13	674,013	887,988
Finance lease receivables	10	124,273	146,477
Cash and cash equivalents	14	3,011,031	1,750,798
		4,090,311	2,963,158
Total assets		**15,225,998**	13,450,110

The consolidated statement of financial position continues on the next page.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CNTD)

As at 31 December 2016

In thousands of Qatari Riyals

	Note	2016	2015
Equity			
Share capital	15	1,100,000	1,100,000
Legal reserve	16	550,000	550,000
General reserve	17	3,241,834	3,241,834
Hedge reserve	18	(1,557,002)	(1,759,479)
Fair value reserve	19	219,328	175,244
Retained earnings		4,720,969	4,038,710
Equity attributable to owners of the Company		8,275,129	7,346,309
Non-controlling interests		253,871	256,048
Total equity		**8,529,000**	7,602,357
Liabilities			
Non-current liabilities	20	4,674,587	3,790,797
Bank loans	21	8,282	20,010
Interest rate swaps for hedging	23	52,803	48,931
Provision for employees' end of service benefits		4,735,672	3,859,738
Current liabilities			
Bank loans	20	1,237,363	1,124,412
Interest rate swaps for hedging	21	20,277	107,329
Deferred income	22	-	6,792
Trade and other payables	24	703,686	749,482
		1,961,326	1,988,015
Total liabilities		**6,696,998**	5,847,753
Total equity and liabilities		**15,225,998**	13,450,110

These consolidated financial statements were approved by the Board of Directors and were signed on its behalf by the following on 1 February 2017:

Dr. Mohamed Bin Saleh Al-Sada
Chairman

Mr. Issa Bin Shahin Al-Ghanim
Vice Chairman

The notes on pages 68 to 111 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016 *In thousands of Qatari Riyals*

	Note	2016	2015
Revenue	25	3,103,149	2,982,598
Cost of sales	26	(1,700,590)	(1,679,152)
Gross profit		**1,402,559**	1,303,446
Other income	27	105,045	90,637
General and administrative expenses	28	(200,976)	(182,667)
Operating profit		**1,306,628**	1,211,416
Net finance costs	29	(105,595)	(100,254)
Share of profit of associates		-	15,869
Share of profit of joint ventures	8	372,312	408,514
Profit		**1,573,345**	1,535,545
Other comprehensive income:			
Items that are or may be reclassified to profit or loss:			
- Associates - Share of other comprehensive income		-	58,541
- Joint ventures - Share of other comprehensive income	8	103,697	(36,322)
- Cash flow hedges - effective portion of changes in fair value	21	98,780	43,427
- Available-for-sale financial assets – net change in fair value	9	44,084	(140,933)
Other comprehensive income		**246,561**	(75,287)
Total comprehensive income		**1,819,906**	1,460,258
Profit attributable to:			
Owners of the Company		1,541,988	1,500,550
Non-controlling interests		31,357	34,995
		1,573,345	1,535,545
Total comprehensive income attributable to:			
Owners of the Company		1,788,549	1,425,263
Non-controlling interests		31,357	34,995
		1,819,906	1,460,258
Earnings per share:			
Basic and diluted earnings per share (Qatari Riyals)	30	**14.02**	13.64
Earnings per share – continuing operations			
Basic and diluted earnings per share (Qatari Riyals)	30	**14.02**	13.64

The notes on pages 68 to 111 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

In thousands of Qatari Riyals

	Attributable to owners of the Company								
	Share capital (Note 15)	Legal reserve (Note 16)	General reserve (Note 17)	Hedging reserve (Note 18)	Fair value reserve (Note 19)	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2016	1,100,000	550,000	3,241,834	(1,759,479)	175,244	4,038,710	7,346,309	256,048	7,602,357
Total comprehensive income:									
Profit	-	-	-	-	-	1,541,988	1,541,988	31,357	1,573,345
Other comprehensive income	-	-	-	202,477	44,084	-	246,561	-	246,561
	-	-	-	202,477	44,084	1,541,988	1,788,549	31,357	1,819,906
Transactions with owners of theCompany:									
Dividends relating to year 2015 (Note 31)	-	-	-	-	-	(825,000)	(825,000)	(33,534)	(858,534)
Other movement:									
Contribution to social and sports support fund for 2016 (Note 32)	-	-	-	-	-	(34,729)	(34,729)	-	(34,729)
Balance at 31 December 2016	**1,100,000**	**550,000**	**3,241,834**	**(1,557,002)**	**219,328**	**4,720,969**	**8,275,129**	**253,871**	**8,529,000**

The consolidated statement of equity continues on the next page.

The notes on pages 68 to 111 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

In thousands of Qatari Riyals

	Attributable to owners of the Company								
	Share capital (Note 15)	Legal reserve (Note 16)	General reserve (Note 17)	Hedging reserve (Note 18)	Fair value reserve (Note 19)	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2015	1,100,000	550,000	3,241,834	(1,825,125)	316,177	3,398,727	6,781,613	242,923	7,024,536
Total comprehensive income:									
Profit	-	-	-	-	-	1,500,550	1,500,550	34,995	1,535,545
Other comprehensive income	-	-	-	65,646	(140,933)	-	(75,287)	-	(75,287)
	-	-	-	65,646	(140,933)	1,500,550	1,425,263	34,995	1,460,258
Transactions with owners of theCompany:									
Dividends relating to year 2014 (Note 31)	-	-	-	-	-	(825,000)	(825,000)	(21,870)	(846,870)
Other movement:									
Contribution to social and sports support fund for 2015 (Note 32)	-	-	-	-	-	(35,567)	(35,567)	-	(35,567)
Balance at 31 December 2015	1,100,000	550,000	3,241,834	(1,759,479)	175,244	4,038,710	7,346,309	256,048	7,602,357

The notes on pages 68 to 111 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016 *In thousands of Qatari Riyals*

	Note	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit		**1,573,345**	1,535,545
Adjustments for:			
Depreciation of property, plant and equipment	5	418,922	455,152
Share of profits of associates		-	(15,869)
Share of profits of joint ventures	8	(372,312)	(408,514)
Provision for employees' end of service benefits	23	6,249	5,103
Deferred income	27	(6,792)	(6,791)
Dividend income on available-for-sale financial assets	27	(11,940)	(18,377)
Profit from available-for-sale financial assets	27	(2,676)	-
Profit on disposal of property, plant and equipment	27	(14,398)	(125)
Amortization of intangible assets	28	5,970	5,970
Provision for slow moving inventories	28	33,035	18,968
Amortization of non-current assets	28	2,013	1,860
Provision for liquidity damages	28	-	5,508
Loss on disposal of associate		-	10,033
Interest income	29	(42,769)	(20,274)
Interest expense	29	144,306	118,512
		1,732,953	1,686,701
Changes in:			
- Inventories		(136,134)	(1,875)
- Trade and other receivables		213,975	(336,042)
- Finance lease receivables		146,477	137,968
- Trade and other payables		(80,526)	112,269
Cash generated from operating activities		1,876,745	1,599,021
Employees' end of service benefits paid	23	(2,377)	(422)
Net cash from operating activities		**1,874,368**	1,598,599
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	5	(835,400)	(1,015,577)

The consolidated statement of cash flows continues on the next page.

The notes on pages 68 to 111 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016 *In thousands of Qatari Riyals*

	Note	2016	2015
Proceeds from disposal of property, plant and equipment	5 (D)	14,398	125
Movement in associates, net of loss on disposal		-	330,862
Dividends received on available-for-sale financial assets	27	11,940	18,377
Dividends received from associates		-	13,193
Dividends received from joint ventures	8	278,205	328,232
Investments in a joint venture	8	-	(2,187)
Net movement in joint ventures	8	-	(13,648)
Purchase of available-for-sale financial assets	9	(139,956)	-
Proceeds from disposal of available-for sale financial assets	9	20,007	-
Interest received	29	42,769	20,274
Net cash used in investing activities		**(608,037)**	(320,349)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net movements in interest bearing loans and borrowings	20	996,742	(184,385)
Dividends paid to the Company's shareholders	31	(825,000)	(825,000)
Dividends paid to non-controlling interests		(33,534)	(21,870)
Interest paid		(144,306)	(118,512)
Net cash used in financing activities		**(6,098)**	(1,149,767)
Net increase in cash and cash equivalents		1,260,233	128,483
Cash and cash equivalents at 1 January		1,750,798	1,622,315
Cash and cash equivalents at 31 December	14	**3,011,031**	1,750,798

The notes on pages 68 to 111 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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 consolidated financial statements comprise the Company and its subsidiaries (collectively referred as the "Group" and individually as the "Group entities").

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

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

Name	Principal activity	Country of incorporation	Shareholding
Ras Laffan Operating Company W.L.L.	Generation of electricity & production of desalinated water	Qatar	100%
Ras Laffan Power Company Q.S.C.	Generation of electricity & production of desalinated water	Qatar	80%

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

Name	Principal activity	Country of incorporation	Shareholding
Qatar Power Q.S.C.	Generation of electricity & production of desalinated water	Qatar	55%
Mesaieed Power Company Q.S.C.	Generation of electricity	Qatar	40%
Ras Girtas Power Company Q.S.C.	Generation of electricity & production of desalinated water	Qatar	45%
Nebras Power Q.S.C.	Investment in Electricity and desalination water projects outside the state of Qatar	Qatar	60%
Umm Al Houl Power Q.S.C.	Generation of electricity & production of desalinated water	Qatar	60%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. REPORTING ENTITY (CNTD.)

The Group's consolidated financial statements for the year ended 31 December 2016 were authorised for issue by the Board of Directors on 1 February 2017.

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 consolidated financial statements.

2. MAJOR TRANSACTIONS AND AGREEMENTS OF THE GROUP

Below are the major transactions and agreements of the Group in chronological order:

(1) On 10 February 1999 the Company entered into an agreement with the State of Qatar for the purchase of the power plant at Ras Abu Fontas B ("RAF B"). Based on the agreement the Company was assigned the operation and management of the power plant.

(2) In April 2001, the Company entered into a Power Purchase Agreement with the Qatar General Electricity & Water Corporation (hereafter the "KAHRAMAA") for the supply of electricity from the Company's Ras Abu Fontas B1 ("RAF B1") station, which commenced commercial operations on 29 August 2002.

(3) In January 2003, the Company purchased the four stations set out below from KAHRAMAA for a total consideration of QR 600 million. A Power and Water Purchase Agreement (hereafter "PWPA") was also signed with KAHRAMAA for its supply of electricity and desalinated water from these stations:

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

The Company discontinued the operations of the Al-Wajbah station during 2010 following instructions received from the State of Qatar. Also, the operations in Al Saliyah and Doha South Super facilities were discontinued as the relevant contracts with KAHRAMAA expired on 31 December 2014.

The PWPA Article 6 stipulates that the agreement is conditional and shall not become effective, unless an Emiri decree granting the Company a concession to use the land on which the plants are located is promulgated and is in full force and effect. The PWPA Article 6.2 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. The Management is confident that the Emiri decree will be issued in the foreseeable future or amendments to the agreement will be agreed with KAHRAMMA. As at the date of these consolidated financial statements, the Emiri decree was not issued and no amendments have been made to the PWPA.

(4) In January 2003, the Company acquired from Qatar Petroleum the Dukhan Desalination Plant for QR 71.66 million. Subsequent to the conclusion of this purchase agreement, the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2. MAJOR TRANSACTIONS AND AGREEMENTS OF THE GROUP (CNTD.)

Company also concluded a Land Lease Agreement, a Water Purchase Agreement, and a Fuel Supply Agreement with Qatar Petroleum relating to the Dukhan Desalination Plant.

(5) On 27 January 2005 Qatar Power Q.S.C. was incorporated as a joint venture for the production of electricity and desalinated water from the Ras Laffan B Integrated Water and Power Plant. The percentage shareholdings in Qatar Power Q.S.C. as at the current and the comparative reporting dates were as follows:
- Qatar Electricity & Water Company Q.S.C. (55%)
- International Power Plc (40%)
- Chubu Electric Power Company (5%)

(6) In October 2005, the Company entered into a PWPA with KAHRAMAA for the supply of electricity and desalinated water from the Company's Ras Abu Fontas B2 ("RAF B2") station.

(7) On 15 January 2007, Mesaieed Power Company Q.S.C. was incorporated as a joint venture between the Company, Marubeni Corporation and Qatar Petroleum for the production of electricity from the Mesaieed power plant. In May 2009, Chubu Electric Power Company joined the joint venture. The shareholdings in Mesaieed Power Company Q.S.C. as at the current and the comparitive reporting date were as follows:
- Qatar Electricity & Water Company Q.S.C. (40%)
- Marubeni Corporation (30%)
- Qatar Petroleum (20%)
- Chubu Electric Power Company (10%)

(8) In May 2007, the Company entered into a Water Purchase Agreement with KAHRAMAA for the supply of desalinated water from the Company's Ras Abu Fontas A1 ("RAF A1") station (an extension of ("RAF A").

(9) On 25 March 2008, Ras Girtas Power Company Q.S.C. was incorporated as a joint venture for the production of electricity and desalinated water from the Ras Laffan C plant. The percentage shareholdings in Ras Girtas Power Company Q.S.C. as at the current and the comparitive reporting date were as follows:
- Qatar Electricity & Water Company Q.S.C (45%)
- RLC Power Holding Company (40%)
- Qatar Petroleum (15%)

(10) On 20 May 2013, Nebras Power Q.S.C. was incorporated as a joint venture for the purpose of acquiring electricity and water production projects outside the State of Qatar. The percentage shareholdings in Nebras Power Q.S.C. as at the current and the comparitive reporting date were as follows:
- Qatar Electricity & Water Company Q.S.C. (60%)
- Qatar Petroleum International Limited Q.S.C. (20%)
- Qatar Holding L.L.C. (20%)

(11) On 13 May 2015, Umm Al Houl Power Q.S.C. was incorporated as a joint venture for the purpose of the production of electricity and desalinated water from the Facility D plant. The percentage shareholdings in Umm Al Houl Power Q.S.C. as at the current and the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2. MAJOR TRANSACTIONS AND AGREEMENTS OF THE GROUP (CNTD.)

comparitive reporting date were as follows:

• Qatar Electricity & Water Company Q.S.C	(60%)
• Qatar Petroleum	(5%)
• Qatar Foundation for Education, Science & Community Development	(5%)
• K1 Energy Limited, incorporated in the U.K.	(30%)

(12) On 13 October 2015, the Company entered into a Water Purchase Agreement for the Ras Abu Fontas A3 Water project with KHARAMAA.

3. BASIS OF PREPARATION

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

b) Basis of measurement

The consolidated financial statements are prepared under the historical cost convention, as modified by the revaluation of the available-for-sale financial assets and the interest rate swaps for hedging.

c) Functional and presentation currency

These consolidated financial statements have been presented in Qatari Riyals (QR), which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

d) Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about significant areas that involve a higher degree of judgment or complexity, or areas where assumptions or estimates have a significant risk of resulting in a material adjustment to the amounts recognised in the financial statements are as follows:

Going concern
Management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. BASIS OF PREPARATION (CNTD.)

the foreseeable future. The Group has been profitable, and it had positive net assets, working capital, and cash flow positions at the year end. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Group's consolidated financial statements continue to be prepared on a going concern basis.

Depreciation of property, plant and equipment
Items of property, plant and equipment are depreciated over their estimated individual useful lives. The determination of useful lives is based on the expected usage of the asset, which is generally based on the tenure of the PWPA signed with KAHRAMAA, physical wear and tear, technological or commercial obsolescence, and impacts the annual depreciation charge recognized in the consolidated financial statements. Management reviews annually the useful lives of these assets. Management does not assign residual values to items of property, plant and equipment as is concluded based on precedence that such amounts are not significant. Future depreciation charge could be materially adjusted where management believes the useful lives differ from previous estimates.

Impairment of non-financial assets (other than inventories)
The carrying amounts of the Company's non-financial assets (Property and equipment, and strategic spare parts) are reviewed at each reporting date to determine whether there is any indication of impairment. The determination of what can be considered impaired requires judgement. As at the reporting date, management did not identify any evidence from internal reporting indicating impairment of an asset or class of assets and there were no significant adverse changes in the market that could have an adverse effect of its assets. If such indication exists, then an impairment test is performed by the management. The determination of recoverable amounts require management to make significant judgments, estimations and assumptions.

Impairment of inventories
When inventories become old or obsolete, an estimate is made of their net realizable 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 is applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices. The necessity and setting up of a provision for slow moving and obsolete inventories requires considerable degree of judgment.

Fair value of cash flow hedges
The Group uses derivative financial instruments to manage its exposure to the variability of its bank loans due to fluctuations in interest rates. All such derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value and recognized in other comprehensive income. Their fair values are estimated using models and valuation methods due to the absence of quoted prices or other observable, market-corroborated data. These contracts are valued using models with inputs that include price curves for each of the different products that are built up from active market pricing data and extrapolated to the expiry of the contracts using the maximum available external pricing information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. BASIS OF PREPARATION (CNTD.)

e) Newly effective standard and amendments to standards

During the current year, the Group adopted the below new International Financial Reporting Standards (standards) and amendments to standards that are relevant to its operations and are effective for the first time for financial years ending 31 December 2016:

- IFRS 14 "Regulatory Deferral Accounts"
- Amendments to IFRS 11 on accounting for acquisitions of interests in Joint Ventures
- Amendments to IAS 16 and IAS 38 on clarification of acceptable methods of depreciation and amortization
- Amendments to IAS 16 and IAS 41 on Agriculture: Bearer plants
- Amendments to IAS 27 on equity method in Separate Financial Statements
- Annual improvements to IFRSs 2012-2014 cycle
- Amendments to IFRS 10, IFRS 12 and IAS 28 on investment entities applying the consolidation exception
- Amendments to IAS 1 on Disclosure Initiative

The adoption of the above standard and amendments had no significant impact on the Group's consolidated financial statements.

f) New and amended standards not yet effective, but available for early adoption

The below International Financial Reporting Standards (standards) and amendments to standards that are available for early adoption for financial years ending 31 December 2016 are not effective until a later period, and they have not been applied in preparing these consolidated financial statements.

Adoption expected to impact the Group's consolidated financial statements:
IFRS 9 "Financial Instruments" (Effective for year ending 31 December 2018)
IFRS 9 published in July 2014, replaces the existing IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.

IFRS 15 "Revenue from Contracts with Customers" (Effective for year ending 31 December 2018)
IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 "Revenue", IAS 11 "Construction Contracts" and IFRIC 13 "Customer Loyalty Programs". IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. BASIS OF PREPARATION (CNTD.)

IFRS 16 "Leases" (Effective for year ending 31 December 2019)
IFRS 16 requires most leases to present right-of-use assets and liabilities on the statement of financial position. IFRS 16 also eliminates the current dual accounting model for leases, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 introduces a single on-balance sheet accounting model that is similar to the current accounting for finance leases. The lessor accounting will remain similar to the current practice, i.e. the lessors will continue to classify leases as finance and operating leases. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16. Early adoption is permitted only if IFRS 15 is also adopted.

Adoption not expected to impact the Group's consolidated financial statements:

Effective for year ending 31 December 2017	• Amendments to IAS 7 "Disclosure Initiative" • Amendments to IAS 12 on recognition of deferred tax assets for unrealised losses
Effective for year ending 31 December 2018	• Amendments to IFRS 2 on classification and measurement of share based payment transactions
Effective date to be determined	• Amendments to IFRS 10 and IAS 28 on sale or contribution of assets between an investor and its associate or joint venture

4. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been applied consistently to both years presented in these consolidated financial statements.

a) Basis of consolidation

Business combinations
The Group accounts for business combinations using the acquisition method when control is transferred to the Group (see "Subsidiaries" below). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

Subsidiaries
Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CNTD.)

Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Interest in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and joint ventures. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint ventures are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, until the date on which significant influence or joint control ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

b) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition or construction of an asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The costs of initial spare parts included under capital spares received for the maintenance of the three gas turbine-generators at RAF B2 are capitalised.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent expenditure

The cost of renovations or replacement of a component of an item of property, plant and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CNTD.)

equipment is included in the carrying amount of the asset or recognised as a separate asset, as appropriate only when it is possible that the future economic benefits associated with the asset will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit or loss.

The estimated useful lives of the property, plant and equipment in the current year and comparative year are as follows:

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
- Ras Abu Fontas A1 (RAF A1)	25 years
- Ras Abu Fontas A2 (RAF A2)	25 years
- Dukhan Desalination Plant	25 years
- Ras Abu Fontas B2 (RAF B2)	25 years
- Ras Abu Fontas A3 (RAF A3)	25 years
Furniture, fixtures and office equipment	3-7 years
Motor vehicles	4 years
"C" inspection costs	3-5 years

Capital work in progress is not depreciated. Once completed these assets are re-classified to the appropriate category of property, plant and equipment and depreciated accordingly. Land is not depreciated.

Depreciation methods, residual values and useful lives are reviewed at each reporting date and adjusted if appropriate.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Profits and losses on disposals of items of property, plant and equipment are determined by comparing the proceeds from their disposals with their respective carrying amounts, and are recognised net within profit or loss.

c) Investment property

Investment property is property which is held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Recognition and measurement

An investment property is recognized initially at cost of acquisition including any

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CNTD.)

transaction costs. Land is not depreciated and other investment property is subsequently measured at cost less accumulated depreciation and impairment losses, if any.

Property that is being constructed for future use as investment property is accounted for as capital work-in-progress within investment property until construction or development is complete, at which time it is reclassified as investment property at the carried cost.

Subsequent expenditure
Subsequent expenditure is capitalized only if it is probable that future economic benefits associated with the expenditure will flow to the Group.

Derecognition
An item of investment property is derecognised upon disposal or when no future economic benefits are expected from its use. Profits and losses on disposals of items of investment property are determined by comparing the proceeds from their disposals with their respective carrying amounts, and are recognised net within profit or loss.

d) Intangible assets and goodwill

Recognition and measurement
Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Other intangible assets comprise the Power and Water Purchase Agreements (PWPA) that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

Subsequent expenditure
Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

Amortization
Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is recognized in profit or loss. Goodwill is not amortized.

The estimated useful life of the PWPA is 25 years.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

e) Finance lease receivable

Subsequent to the application of IFRIC 4 "Determining whether an arrangement contains a lease", the Group has determined that its Power and Water Purchase Agreement (PWPA)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CNTD.)

with KAHRAMAA contains a lease and, accordingly, the Group has accounted for the cost of the plant as a finance lease receivable in line with the provisions in IAS 17 "Leases".

Initial recognition
The Group presented the plant held under a finance lease in its statement of financial position as a "Finance lease receivable" at an amount equal to the lower of its fair value (cost of construction) and the present value of the minimum lease payments to be made by KAHRAMAA over the 25 years of the PWPA.

Subsequent measurement
The Group aims to allocate the lease payments made by KAHRAMMA to the Group over the lease term (25 years) on a systematic and rational basis. This income allocation is based on a pattern reflecting a constant periodic return on the Group's investment in the finance lease. Lease payments relating to the year are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.

f) Inventories

Inventories comprise spare parts, chemicals and consumables, which are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average method, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business and the estimated costs necessary to make the sale.

g) Financial instruments

The Group classified its non-derivative financial assets into the following categories: loans and receivables (trade receivables, and cash at bank) and available-for-sale financial assets. The Group classifies its non-derivative financial liabilities (borrowings, and trade payables) into the other financial liabilities category. The Group classifies its derivative financial liabilities (Interest rate swaps for hedging) into cash flow hedges category.

Non-derivative financial assets and financial liabilities – recognition and de-recognition
The Group initially recognizes loans and receivables on the date when they are originated. All other financial assets and financial liabilities are initially recognized on the trade date.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Group is recognized as a separate asset or liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4. SIGNIFICANT ACCOUNTING POLICIES (CNTD.)

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Non-derivative financial assets – measurement

Loans and receivables
These assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using effective interest method.

Available-for-sale financial assets
These assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognized in Other Comprehensive Income and accumulated in the available-for-sale financial asset fair value reserve. When these assets are derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

Non-derivative financial liabilities – measurement
Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

Borrowing
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Derivative financial instruments and hedge accounting
The Group holds derivative financial instruments to hedge its interest rate risk exposures.

Derivatives are recognized initially at fair value; any directly attributable transaction costs are recognized in profit or loss as they are incurred. Subsequent to initial recognition, derivatives are measured at fair value.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CNTD.)

The amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or periods during which the hedged item affects profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

h) Impairment

Non-derivative financial assets

Financial assets, including an interest in an equity accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- the disappearance of an active market for a security; or
- observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost.

Financial assets measured at amortized cost

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CNTD.)

loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss.

Available-for-sale financial assets
Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss previously recognized in profit or loss. If the fair value of an impaired available-for-sale financial asset subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed through profit or loss; otherwise, it is reversed through other comprehensive income.

Equity-accounted investees
An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognized in profit or loss, and is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

Non-financial assets
At each reporting date, the Group reviews the carrying amounts of its non-financial assets other than inventories to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CNTD.)

loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

i) Cash and cash equivalents

Cash and cash equivalents in the statement of consolidated financial position comprise cash at banks and in hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of any outstanding bank overdrafts.

j) Share capital

Ordinary shares are classified as equity.

k) Provision for employees' end of service benefits

With respect to the expatriate employees, the Group provides end of service benefits to its expatriate employees in accordance with employment contracts and the Qatar Labour Law No. 14 of 2004. 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, and are payable to the employees on termination of their employment. The expected costs of these benefits are accrued over the period of employment.

With respect to the Qatari nationals, the Group makes contributions to Qatar Retirement and Pension Authority as a percentage of the employees' salaries in accordance with the requirements of respective local laws pertaining to retirement and pensions. The Group's share of contributions to these schemes, which are defined contribution schemes under IAS 19 "Employee Benefits" are charged to profit or loss in the year to which they relate.

l) Provisions

A provision is recognised when:

- the Group has a present obligation (legal or constructive) as a result of a past event;
- it is probable that the Group will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amount of a provision is the present value, of the best estimate, of the amount required to settle the obligation. The amount of the provision is discounted using a pre-tax discount rate when the effect of the expected future cash outflow related to the provision is not expected to occur soon after the reporting date and the effect of discounting is material. Provisions are reviewed annually to reflect current best estimates of the expenditure required to settle the obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CNTD.)

m) Revenue recognition

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for the sale services in the ordinary course of the Group's activities. The Group recognizes revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below:

Sale of electricity and desalinated water

Sales of electricity and water are recognised as revenue as per the terms of the respective agreements 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.
- 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 are accounted for as per the terms of the Power and Water Purchase Agreement with KAHRAMAA.
- Sales from RAF A1 are accounted for as per the terms of the 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.
- Sales from RAF A2 are accounted for as per the terms of the Power and Water Purchase Agreement with KAHRAMAA.
- Sales from RAF A3 are accounted for as per the terms of the Water Purchase Agreement with KAHRAMAA.

Dividend income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

n) Expenses recognition

Expenses, including cost of sales, general administrative expenses, depreciation, interest payable and foreign exchange losses on transactions, are recognized in profit or loss when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen and can be measured reliably.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CNTD.)

An expense is recognized immediately in profit or loss when an expenditure produces no future economic benefits, or when, and to the extent that, future economic benefits do not qualify or cease to qualify for recognition in the statement of financial position as an asset, such as in the case of asset impairments.

o) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight line basis over the period of the lease.

p) Borrowing costs

Borrowing costs are recognised in the statement of profit or loss in the period in which they are incurred.

q) Foreign currency transactions and balances

Transactions in foreign currencies during the year are translated into the functional currency of the Company at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the year are translated into the functional currency at the exchange rate at the reporting date. Foreign currency differences are recognized in profit or loss.

r) Dividend distribution to the Company's shareholders

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's consolidated financial statements in the year in which the dividends are approved by the Company's shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

In thousands of Qatari Riyals

5. PROPERTY, PLANT AND EQUIPMENT

	Production facilities (A)	Furniture, fixtures and office equipment	Motor vehicles	"C" inspection costs (B)	Capital spares	Capital work in progress (E)	Total
Cost							
At 1 January 2015	8,032,024	26,450	6,805	312,869	50,487	1,488,732	9,917,367
Additions	-	7,169	612	56,605	-	951,191	1,015,577
Reclassification	1,585,942	-	-	-	-	(1,585,942)	-
Disposals	-	-	(497)	(85,223)	-	-	(85,720)
Transfer to investment property (Note 6)	-	-	-	-	-	(174,901)	(174,901)
At 31 December 2015 / 1 January 2016	9,617,966	33,619	6,920	284,251	50,487	679,080	10,672,323
Additions	-	461	181	-	-	834,758	835,400
Reclassification (A(v))	1,096,505	-	-	-	-	(1,096,505)	-
Disposals (D)	(27,983)	-	(399)	-	-	-	(28,382)
At 31 December 2016	10,686,488	34,080	6,702	284,251	50,487	417,333	11,479,341
Accumulated depreciation							
At 1 January 2015	4,386,641	23,762	5,282	154,950	18,345	-	4,588,980
Depreciation (C)	390,617	4,602	782	56,128	3,023	-	455,152
Disposals	-	-	(497)	(85,223)	-	-	(85,720)
At 31 December 2015 / 1 January 2016	4,777,258	28,364	5,567	125,855	21,368	-	4,958,412
Depreciation (C)	355,102	1,995	717	57,582	3,526	-	418,922
Disposals (D)	(27,983)	-	(399)	-	-	-	(28,382)
At 31 December 2016	5,104,377	30,359	5,885	183,437	24,894	-	5,348,952
Carrying amounts							
At 31 December 2015	4,840,708	5,255	1,353	158,396	29,119	679,080	5,713,911
At 31 December 2016	**5,582,111**	**3,721**	**817**	**100,814**	**25,593**	**417,333**	**6,130,389**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

5. PROPERTY, PLANT AND EQUIPMENT (CNTD.)

(A) Production facilities

(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.

(ii) The land on which the RAF B plant was constructed has been leased to the Company by the State of Qatar free of rent for a period of 50 years commencing on 5 July 1990 under the Emiri Decree No. 24 of 2001.

(iii) The Emiri Decree granting the Company a concession to use the land on which the RAF A plant and the satellite stations were constructed is still outstanding (Note 2(3)).

(iv) The land on which the 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.

(v) Ras Abu Fontas A3 (RAF A3) plant construction was partially completed in year 2016 and started generating revenue while partially completed. Therefore, the during the year the facility was reclassified from capital work in progress to production facilities.

(B) "C" Inspection costs

Costs incurred for the production facilities under an Inspection and Maintenance program have been capitalized under "C" inspection costs. These costs are accounted for as separate assets because they have an estimated useful life of 3-5 years. Costs incurred on "C" inspections in progress are included under capital work in progress. On completion of these inspections, their cost will be capitalized under the "C" inspection costs category.

(C) Depreciation

The annual depreciation charge has been allocated to profit or loss as follows:

	2016	2015
Cost of sales (Note 26)	417,499	453,693
General and administrative expenses (Note 28)	1,423	1,459
	418,922	455,152

(D) Proceeds from disposals

In the consolidated cash flow statement, proceeds from disposal of property, plant and equipment comprise:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

5. PROPERTY, PLANT AND EQUIPMENT (CNTD.)

	2016	2015
Carrying amounts	-	-
Profit on disposal of property, plant and equipment	14,398	125
Proceeds from disposal of property, plant and equipment	**14,398**	125

(E) Capital work in progress

Capital work in progress relates to RAF A3 plant, which is partially completed and expected to be fully completed in year 2017.

6. INVESTMENT PROPERTY

	2016	2015
At 1 January	174,901	-
Transfer from property, plant and equipment (1)	-	174,901
Total	**174,901**	174,901

(1) Investment property comprises a plot of land in Lusail purchased from a Company. Based on an internal valuation exercise, the fair value of this investment property as at 31 December 2016 was QR 457 million (2015: QR 457 million).

7. INTANGIBLE ASSETS AND GOODWILL

The Group identified and recorded the following intangible assets with definite useful lives.

	2016	2015
Intangible assets (1)	77,612	83,582
Goodwill (2)	30,813	30,813
Total	**108,425**	114,395

(1) Intangible assets

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

7. INTANGIBLE ASSETS AND GOODWILL (CNTD.)

	2016	2015
At 1 January	83,582	89,552
Amortisation (Note 28)	(5,970)	(5,970)
At 31 December	**77,612**	83,582

This represents the Power and Water Purchase Agreement entered into between Ras Laffan Power Company Q.S.C., a subsidiary of the Company, and KAHRAMAA for the supply of electricity and desalinated water by the subsidiary of the Company to KAHRAMAA for a period of 25 years.

(2) Goodwill

The goodwill arose on the step-up acquisition by the Company of 55% additional shareholding in Ras Laffan Power Company Q.S.C. (Note 1) on 20 October 2010. There was no impairment of the goodwill since this transaction, because Ras Laffan Power Company Q.S.C. contributed QR 1,098 million (2015: QR 832 million) to the profit of the Group from the date of acquisition.

8. INVESTMENTS IN JOINT VENTURES

The carrying amounts of the Company's joint ventures are as follows:

	Country of incorporation	Ownership	**2016**	2015
Qatar Power Q.S.C.	Qatar	55%	387,649	376,343
Mesaieed Power Company Q.S.C.(1)	Qatar	40%	-	-
Ras Girtas Power Company Q.S.C. (1)	Qatar	45%	-	-
Nebras Power Q.S.C.	Qatar	60%	2,319,847	2,248,304
Umm Al Houl Power Q.S.C. (2)	Qatar	60%	117,142	2,187
			2,824,638	2,626,834

(1) 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.
(2) Umm Al Houl Power Q.S.C. is expected to be operational during year 2018.

The movements of the Group's investments in the joint ventures were as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

8. INVESTMENTS IN JOINT VENTURES (CNTD.)

	2016	2015
At 1 January	2,626,834	2,567,039
Investments made	-	2,187
Share of profit	372,312	408,514
Share of profit/(loss) in other comprehensive income	103,697	(36,322)
Dividend received	(278,205)	(328,232)
Share of loss on disposal of associates	-	13,648
At 31 December	**2,824,638**	2,626,834

The following table summarizes the financial information of the Group's joint ventures as included in their own financial statements, and reconciles the summarised information to the carrying amount of the Group's interest in the joint ventures.

	2016	2015
Current assets	3,343,436	5,956,540
Non-current assets	33,096,785	21,597,121
Current liabilities	(6,807,822)	(6,707,393)
Non-current liabilities	(25,479,707)	(17,764,791)
Net assets (100%)	**4,152,692**	3,081,477
Group's share of net assets	**2,567,302**	2,054,681
Revenues	4,078,934	4,188,888
Cost of sales	(2,233,776)	(2,115,077)
Other income	75,035	44,792
Administrative expenses	(113,592)	(120,368)
Finance costs	(1,016,039)	(1,123,105)
Profit for the year (100%)	790,562	875,463
Group's share of profits	**372,312**	408,514
Group's share of other comprehensive income/(loss)	**103,697**	(36,322)
Group's share of total comprehensive income	**476,009**	372,192

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

9. AVAILABLE-FOR- SALE-FINANCIAL ASSETS

	2016	2015
At 1 January	344,435	485,368
Additions	139,956	-
Disposals	(20,007)	-
Profit reclassified to statement of profit or loss on account of disposal	2,676	-
Net change in fair value transferred to the other comprehensive income	44,084	(140,933)
At 31 December	**511,144**	344,435

During the year, there was a dividend income of QR 11,940 thousand (2015: QR 18,377 thousands) from available-for-sale financial assets, which is included in "Other income" in profit or loss (Note 27).

All available-for-sale financial assets comprise listed equity securities listed on the Qatar Stock Exchange. The fair value of the quoted equity shares is determined by reference to the published price quotations.

10. FINANCE LEASE RECEIVABLES

A reconciliation between the gross investment in the lease (minimum remaining lease payments) and the present value of the minimum lease payments receivable (Finance lease receivable) as at the reporting date is as follows:

	2016	2015
Gross investment in the lease	2,365,223	2,657,612
Unearned finance income	(874,618)	(1,020,530)
Present value of minimum lease payments receivable	**1,490,605**	1,637,082

The discount rate used by the subsidiary was 9.32% per annum (2015: 9.32% per annum) as agreed in the agreement between Ras Laffan Power Company Q.S.C. (lessor), which is a subsidiary of the Company and KHARAMAA (lessee). The finance lease receivables at the end of the reporting period were neither past due nor impaired.

The finance lease receivable is presented in the consolidated statement of financial position as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

10. FINANCE LEASE RECEIVABLES (CNTD.)

	2016	2015
Current portion	124,273	146,477
Non-current portion	1,366,332	1,490,605
	1,490,605	1,637,082

The non-current portion is further analysed as follows:

	2016	2015
Later than one year and not later than five years	543,026	516,992
Later than five years	823,306	973,613
	1,366,332	1,490,605

11. OTHER NON-CURRENT ASSETS

In October 2010 Ras Laffan Operating Company W.L.L. (RLOC), one of the Company's subsidiaries, paid QR 23.815 million to Ras Laffan Services Company, a third party, for the acquisition of the rights, benefits, and obligations under a Technical Service Agreement. During 2011 RLOC received an amount of QR 5,887 million. The remaining amount of QR 17.928 million is amortized over a period of 19 years.

Also, on 21 October 2006, the Company signed a Contractual Service Agreement with the Consortium of General Electric International Inc. and GE Energy Parts Inc. for maintenance of specified equipment (covered units) of RAF B2 Power and Water Plant. An amendment was signed between the parties on 24 April 2013 and by the same agreement the Company received a reduction in the variable hourly charges in return for a payment (milestone adder payment) of USD 3 million (QR 10.9 million). The milestone payment is amortized over the period of the benefit, i.e. until the expiry of Contractual Service Agreement.

The movements in the above accounts were as follows:

	2016	2015
At 1 January	21,871	23,731
Amortization (Note 28)	(2,013)	(1,860)
At 31 December	**19,858**	21,871

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

12. INVENTORIES

	2016	2015
Spare parts	550,775	437,646
Less: Provision for slow-moving inventories (1)	(275,427)	(265,929)
	275,348	171,717
Chemicals	3,035	3,328
Consumables	2,611	2,850
Total	**280,994**	177,895

(1) The movements in the provision for slow-moving inventories were as follows:

	2016	2015
At 1 January	265,929	246,961
Provision made (Note 28)	33,035	18,968
Provision used	(23,537)	-
At 31 December	**275,427**	265,929

13. TRADE AND OTHER RECEIVABLES

	2016	2015
Trade receivables (1)	775,604	779,946
Less: Provision for impairment of trade receivables (2)	(173,259)	(192,098)
	602,345	587,848
Prepayments and advances	71,668	300,140
Total	**674,013**	887,988

(1) As at 31 December 2016 the aging of trade receivables was as follows:

Aging of neither past due nor impaired:

	2016	2015
Less than 60 days	**622,036**	605,169

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

13. TRADE AND OTHER RECEIVABLES (CNTD.)

Aging of past due but not impaired:

	2016	2015
61-90 days	1,912	5,299
91-180 days	5,592	14,172
181-365 days	15,501	4,135
Total	**23,005**	23,606

Aging of past due and impaired trade receivables, which have been fully provided (2);

	2016	2015
More than 365 days	**130,563**	151,171

(2) The movements in the provision for the impairment of trade receivables were as follows:

	2016	2015
At 1 January	192,098	151,922
Provision made	23,625	40,323
Provision reversed	(42,464)	(147)
At 31 December	**173,259**	192,098

14. CASH AND CASH EQUIVALENTS

	2016	2015
Cash at bank – current and call deposit accounts (1) & (2)	3,010,964	1,750,364
Cash in hand	67	434
Total	**3,011,031**	1,750,798

(1) Cash held in bank current accounts earn no interest.
(2) Cash held in short term bank deposits accounts earn interest ranging between 0.35% to 3.00% per annum (2015: ranging between 0.35% to 2.60% per annum). During the year, the Company earned interest income of QR 42,769 (2015: QR 20,274). Call deposit accounts are for a period of less than three months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

14. CASH AND CASH EQUIVALENTS (CNTD.)

Cash and cash equivalents are denominated in the following currencies:

	2016	2015
Qatari Riyal - functional and presentation currency	2,798,840	1,488,094
US Dollar	212,124	262,270
	3,010,964	1,750,364

15. SHARE CAPITAL

	2016	2015
Authorized, issued, and fully paid:		
110,000,000 shares with nominal value of QR 10 each	**1,100,000**	1,100,000

All shares bear equal rights.

16. LEGAL RESERVE

In accordance with the provisions of the Qatar Commercial Companies Law No. 11 of 2015, a minimum amount of 10% of the profit in each year is required to be transferred to a legal reserve until the balance in this legal reserve becomes equal to 50% of a company's paid-up share capital. This reserve is not available for distribution, except in circumstances specified in the above mentioned Law. The Company made no transfers to its legal reserve in the current year and the comparative year as its legal reserve reached 50% of its paid-up share capital in an earlier year.

17. GENERAL RESERVE

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

18. HEDGE RESERVE

The hedge reserve comprises the effective portion of the cumulative net change in the fair value of the interest rate swaps used for hedging (Note 21).

19. FAIR VALUE RESERVE

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the assets are derecognised or impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

20. BANK LOANS

	2016	2015
Loan (1)	1,247,792	1,300,260
Loan (2)	636,087	684,135
Loan (3)	317,355	341,327
Loan (4)	292,019	429,527
Loan (5)	548,552	351,743
Loan (6)	912,972	932,461
Loan (7)	911,250	911,250
Loan (8)	792,788	-
Loan (9)	315,327	-
Bank loan total	**5,974,142**	4,950,703
Less: Financing arrangement costs	(62,192)	(35,494)
	5,911,950	4,915,209

(1) The Company has entered into a 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 USD 485.5 million (QR 1,769 million) to finance the construction of RAF B2. The total amount payable as at 31 December 2016 amounted to USD 342 million or QR 1,248 million (2015: USD 357 million or QR 1,300 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 in semi-annual installments commencing from actual facility date i.e. six months from actual facility date or ten months after scheduled completion date.

(2) The Company has entered into a facility agreement with a consortium of banks to finance its RAF A1 plant facilities. This term loan facility of USD 288.2 million carries interest at LIBOR plus a margin ranging from 0.60% to 1.05%. The total amount payable as at 31 December 2016 amounted to USD 175 million or QR 636 million (2015: USD 188 million or QR 684 million). The loan is repayable in semi-annual installments started from 30 June 2010 at a pre-determined repayment percentage multiplied against the principle amount outstanding as at the end of the availability period.

(3) The Company has availed a USD 144.1 million Islamic credit facility 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 amount payable as at 31 December 2016 amounted to USD 87 million or QR 317 million (2015: USD 94 million or QR 341 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

20. BANK LOANS (CNTD.)

(4) This represents the loan of the acquired subsidiary, Ras Laffan Power Company Limited Q.S.C. This facility represents a credit agreement with a consortium of banks obtained on 20 November 2001 for a long-term loan of USD 545 million and a stand-by facility of USD 27.25 million. The loan carries interest at commercial rates and is repayable in accordance with a specific repayment schedule starting on November 2004 with the last installments due in May 2019. The term loan is secured by a mortgage in the plant facilities built by Ras Laffan Power Company Q.S.C. on a land leased from Qatar Petroleum.

(5) The Company entered into a credit facility agreement with Qatar National Bank to finance the construction of its RAF A2 plant facilities. This term loan facility of USD 180 million carries interest at LIBOR plus a margin of 1.75% per annum. The total drawn amount as at 31 December 2016 amounted to USD 150 million or QR 549 million (2015: USD 97 million or QR 352 million). The loan will be repayable in quarterly installments starting from earlier of six months after the actual facility date.

(6) The Company has availed a USD 270 million Islamic credit facility with Qatar Islamic Bank in the form of Istisnaa' for the construction of RAF A2 plant facilities. The total drawn amount as at 31 December 2016 amounted to USD 250 million or QR 913 million (2015: USD 256 million or QR 932 million).

(7) The Company entered into a corporate revolving credit facility with a consortium of banks with Mizuho Bank Ltd acting as Facility Agent, mainly to partly finance the repayment of an existing USD 300 million revolving facility. This term loan facility of USD 250 million carries interest at LIBOR plus a margin of 0.25%. The loan was initially repayable on or before the termination date, which was on 8 December 2016. On 5 December 2016, the Company has entered into an amendment agreement with the lenders to extend the term of the loan for one year with an interest of LIBOR plus 0.35%.

(8) On 4 July 2016, the Company entered into a credit facility with a consortium of banks to finance its RAF A3 plant facilities on 4 July 2016. This term loan facility of USD 294 million carries interest at LIBOR plus 1.75%. As at 31 December 2016, the Company drawn down USD 219 million or QR 793 million from the facility.

(9) On 4 July 2016, the Company availed a USD 96 million Islamic credit facility in the form of Istisnaa' to finance the construction of RAF A3 plant As at 31 December 2016, the Company drawn down USD 87 million or QR 315 million from the facility.

The bank loans are classified in the consolidated statement of financial position as follows:

	2016	2015
Current portion	1,237,363	1,124,412
Non-current portion	4,674,587	3,790,797
	5,911,950	4,915,209

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

21. INTEREST RATE SWAPS FOR HEDGING

	2016	2015
At 1 January	127,339	170,766
Change in fair value transferred to other comprehensive income	(98,780)	(43,427)
At 31 December	**28,559**	127,339

The interest rates swaps for hedging are presented in the consolidated statement of financial position as follows:

	2016	2015
Current portion	20,277	107,329
Non-current portion	8,282	20,010
	28,559	127,339

The Group has three interest rate swap contracts outstanding as at 31 December 2016 designated as hedges of expected future LIBOR interest rate payments payable during the period up to 9 July 2026 on a maximum notional amount of US$ 596 million (2015: US$ 2,025 million). Under the terms of the interest rate swap contracts, the Group pays a fixed weighted average rate ranging from 1.5% - 4.19% and receives floating LIBOR rates. The terms of the interest rate swap contracts have been negotiated to match the terms of the Group's commitments towards bank loans.

22. DEFERRED INCOME

	2016	2015
At 1 January	6,792	13,583
Income recognised (Note 27)	(6,792)	(6,791)
At 31 December	**-**	6,792

The deferred income represents the fair value of spare parts received from Alstom Power in respect of the settlement agreement regarding RAF B contract between KAHRAMAA and Alstom Power. This deferred income is amortized and credited to the consolidated statement of profit or loss on a straight-line basis over the estimated useful life of the RAF B plant. The initial amount was QR 91 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

23. PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

	2016	2015
At 1 January	48,931	44,250
Provision made (1)	6,249	5,103
Payments made during the year	(2,377)	(422)
At 31 December	**52,803**	48,931

(1) The provision is included within staff costs in the consolidated profit or loss.

24. TRADE AND OTHER PAYABLES

	2016	2015
Trade payables	200,935	300,135
Other payables and accrued expenses	425,909	369,370
Provision for social and sports support fund	34,593	35,567
Payable to shareholders	35,588	38,301
Pension contributions for Qatari employees	6,661	6,109
	703,686	749,482

25. REVENUE

	2016	2015
Sales of electricity	1,505,023	1,495,856
Sales of desalinated water	1,459,333	1,320,982
Share of lease receivable from Ras Laffan Power Company Q,S,C,	138,793	165,760
	3,103,149	2,982,598

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

26. COST OF SALES

	2016	2015
Cost of gas consumed	871,566	843,454
Depreciation of property, plant and equipment (Note 5)	417,499	453,693
Spare parts, chemicals and consumables	96,014	89,435
Staff costs	180,050	194,740
Others	135,461	97,830
	1,700,590	1,679,152

27. OTHER INCOME

	2016	2015
Profit on disposal of property, plant and equipment (Note 5(D))	14,398	125
Dividend income from available-for-sale financial assets (Note 9)	11,940	18,377
Deferred income (Note 22)	6,792	6,791
Profit on sale of available- for- sale financial assets (Note 9)	2,676	-
Miscellaneous income (1)	69,239	65,344
	105,045	90,637

(1) This includes liquidity damages pertaining to the RAF A1 project amounting to QR 42 million received from KHARAMMA.

28. GENERAL AND ADMINISTRATION EXPENSES

	2016	2015
Staff costs	95,884	84,872
Provision for slow moving inventories (Note 12)	33,035	18,968
Depreciation of property, plant and equipment (Note 5)	1,423	1,459
Amortization of intangible assets (Note 7)	5,970	5,970
Amortization of non-current assets (Note 11)	2,013	1,860

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

28. GENERAL AND ADMINISTRATION EXPENSES (CNTD.)

	2016	2015
Advertisement and public relation expenses	876	1,071
Rent expense	3,600	3,586
Insurance	12,749	14,437
Donations	3,658	1,090
Recruitment and training expenses	6,595	2,052
Professional fees	3,742	584
Telephone postage and couriers	1,653	1,939
Repairs and maintenance	2,230	3,055
Office expenses	454	1,088
Subscription and licenses	683	738
Board of Directors' remuneration	11,750	11,750
Provision for liquidity damages	-	5,508
Miscellaneous expenses	14,661	22,640
Total	**200,976**	182,667

29. NET FINANCE COSTS

	2016	2015
Interest expense:		
Banks loans	144,306	118,512
Other loans	-	-
	144,306	118,512
Interest income	(42,769)	(20,274)
	101,537	98,238
Bank charges	4,058	2,016
Total	**105,595**	100,254

30. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share is arrived by dividing the profit attributable to the owners of the Company for the year by the weighted average number of ordinary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

30. EARNINGS PER SHARE (CNTD.)

shares outstanding during the year.

	2016	2015
Profit for the year attributable to owners of the Company	**1,541,988**	1,500,550
Weighted average number of shares outstanding during the year (number of shares in thousand)	**110,000**	110,000
Basic and diluted earnings per share (expressed in QR per share)	**14.02**	13.64

31. DIVIDENDS

During the year, the Company declared and paid a cash dividend of QR 7.5 per share totalling to QR 825,000 thousand (2015: QR 7.5 per share totalling to QR 825,000 thousand).

The proposed final dividend amounting to QR 825 million for year 2016 will be submitted for formal approval at the next Annual General Meeting of the Company.

32. CONTRIBUTION TO SOCIAL AND SPORTS SUPPORT FUND

In compliance with Qatar Law No. 13 of 2008, the Company made an appropriation from its retained earnings of QR 34.9 million (2015: QR 35.5 million) to the Social and Sports Development Fund of Qatar.

33. SEGMENTAL INFORMATION

The Group primarily operates integrated plants for the generation of electricity and production of desalination of water in the State of Qatar. The water desalination process is completely dependent upon electricity generation. The electricity and desalinated water processes are interrelated and are subject to similar risks and returns. The Group also sells both its products to only two customers, KAHRAMA and Qatar Petroleum, in the State of Qatar. Consequently, the Group is considered to have a single business and single geographical segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

34. COMMITMENTS AND CONTINGENT LIABILITIES

	2016	2015
Commitments:		
Capital commitments (1)	**118,883**	908,949
Contingent liabilities:		
Bank guarantees, corporate guarantees and documentary credits	**190,317**	213,174

(1) *Capital commitments include the commitment of the Group for the construction of the RAFA3 plant.*

35. RELATED PARTY DISCLOSURES

Related parties represent associated companies, major shareholders, directors and key management personnel of the Group, 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.

Related party transactions

The transactions with significant related parties were as follows:

	Related parties	**2016**	2015
Sale of electricity	KAHRAMAA	**1,505,023**	1,495,856
Sale of desalinated water	KAHRAMAA	**1,445,078**	1,307,340
	Qatar Petroleum	**14,255**	13,642
Lease income from plant	KAHRAMAA	**138,793**	165,760
Cost of gas consumed/take or pay gas	Qatar Petroleum	**871,566**	843,454
Interest on bank deposits	Qatar National Bank	**38,467**	17,703

Year-end balances arising from transaction with related parties

The balances with related parties included in the consolidated statement of financial position are as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

35. RELATED PARTY DISCLOSURES (CNTD.)

	2016		2015	
	Trade & other receivables	**Trade payables and accrued expenses**	Trade & other receivables	Trade payables and accrued expenses
KAHRAMAA	806,696	3,152	576,478	1,792
Qatar Petroleum	3,420	144,369	4,577	142,633
Nebras Power Q.S.C.	-	5,008	245,586	-
Mesaieed Power Company Q.S.C.	645	-	645	-
Ras Gitras Power Company Q.S.C.	2,797	-	2,717	-
Qatar Power Q.S.C.	959	-	989	-
Umm Al Houl Power Q.S.C.	6,831	-	14,900	-
	821,348	**152,529**	845,892	144,425

Compensation of key management personnel

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

	2016	2015
Management remuneration	**4,570**	4,111
Directors' fees	**11,750**	11,750

36. FINANCIAL RISK AND CAPITAL MANAGEMENT

(a) Financial risk management

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

36. FINANCIAL RISK AND CAPITAL MANAGEMENT (CNTD.)

reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The Group has exposure to the following risks arising from its financial instruments:

- Credit risk;
- Liquidity risk: and
- Market risk.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty. Receivables are stated at the original invoice amount less a provision for any uncollectible amounts. The carrying amount of financial assets represents the maximum credit exposure.

Trade receivables

The total exposure to credit risk for trade receivables as at the reporting date is limited to Qatar. Moreover, the Group's receivables consist mainly of amounts due from KAHRAMAA, who is the sole distributor of power in the State of Qatar. As 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.

Trade receivables do not bear interest.

The Group does not require collateral as security in respect of its trade and other receivables.

Bank balances

The Group has balances with credit worthy and reputable banks in Qatar with high credit ratings. Therefore, management believes that credit risk in respect of these balances is minimal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

36. FINANCIAL RISK AND CAPITAL MANAGEMENT (CNTD.)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following are the contractual maturities of financial liabilities:

31 December 2016	**Carrying amounts**	**Contractual cash flows**	**Less than 1 year**	**1 – 2 years**	**More than 2 years**
Non-derivative financial liabilities					
Trade payables (excluding accrual and provisions)	200,935	(200,935)	(200,935)	-	-
Bank loans	5,911,950	(5,911,950)	(1,180,150)	(1,106,772)	(3,625,028)
Derivatives	28,559	(39,469)	(20,277)	(18,468)	(724)
	6,141,444	**(6,152,354)**	**(1,401,362)**	**(1,125,240)**	**(3,625,752)**

31 December 2015	Carrying amounts	Contractual cash flows	Less than 1 year	1 – 2 years	More than 2 years
Non-derivative financial liabilities					
Trade payables (excluding accrual and provisions)	300,135	(300,135)	(300,135)	-	-
Bank loans	4,915,209	(4,915,209)	(1,089,705)	(69,727)	(3,755,777)
Derivatives	127,339	(160,396)	(107,330)	(35,586)	(17,480)
	5,342,683	(5,375,740)	(1,497,170)	(105,313)	(3,773,257)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

36. FINANCIAL RISK AND CAPITAL MANAGEMENT (CNTD.)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity price risk will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group uses derivatives to its interest rate risk. All such transactions are carried out within the guidelines set by the Risk Management Committee. Generally, the Group seeks to apply hedge accounting to manage volatility in profit or loss.

Interest rate risk

The Group's interest rate risk arises from bank deposits and borrowings. Bank deposits are issued at fixed rates, which expose the Group to fair value interest rate risk, but management believes that this type of risk is not significant. Borrowings are issued at variable rates which expose the Group to cash flow interest rate risk. The Group has minimised the cash flow interest rate risk using interest rate swap contracts.

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

	2016	2015
Fixed rate instruments:		
Financial assets	**3,010,964**	1,750,364
Floating interest rate instruments:		
Bank loans	**(5,911,950)**	(4,915,209)
Effect of interest rate swaps	**1,848,650**	1,548,539
	(4,063,300)	(3,366,670)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets or financial liabilities at fair value through profit or loss, and Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

36. FINANCIAL RISK AND CAPITAL MANAGEMENT (CNTD.)

The following table demonstrates the sensitivity of the consolidated income statement to reasonably possible changes in interest rates by 25 basis points, with all other variables held constant. The sensitivity of the consolidated 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 2016. 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 Group's equity.

	Change in basis points	Effect on profit	Effect on equity
2016			
Floating interest rate instruments			
Bank loans	**+/- 25**	**14,780**	**-**
Interest rate swaps	**+/- 25**	**(4,622)**	**4,622**
		10,158	**10,158**
2015			
Floating interest rate instruments			
Bank loans	+/- 25	12,288	-
Interest rate swaps	+/- 25	(3,871)	3,871
		8,417	3,871

Equity price risk

All the Group's equity investments are listed on the Qatar Stock 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	**Effect on equity**	Change in equity price	Effect on equity
	2016	**2016**	2015	2015
Quoted shares	**20%**	**102,229**	20%	68,887

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

36. FINANCIAL RISK AND CAPITAL MANAGEMENT (CNTD.)

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The deposits of the Group are in QR and USD. As the QR is pegged to the USD, balances in USD are not considered to represent a significant currency risk. Management believes that the Group's exposure to currency risk is minimal.

(b) Capital management

The primary objective of the Group'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 Group manages its capital structure and makes adjustments to it, in light of economic conditions. The Board of Directors monitors the return on capital. No changes were made in the objectives, policies or processes during the year ended 31 December 2016.

The Group monitors capital using a gearing ratio, which is calculated as net debt divided by total equity and net debt. The Group's policy is to keep the gearing ratio between 40% and 80%, but the Group managed to kept its gearing at lower levels as shown below. The debt is calculated as total borrowings (including current and non-current loans as shown on the consolidated statement of financial position) less cash and cash equivalents. Total equity is the equity attributable to the equity holders of the Group.

	2016	2015
Total borrowings	5,911,950	4,915,209
Less: Cash and cash equivalents	(3,011,031)	(1,750,798)
Net debt	2,900,919	3,164,411
Total equity to owners of the Company	8,275,129	7,346,309
Total equity and net debt	**11,176,048**	10,510,720
Gearing ratio	**26%**	30%

37. FAIR VALUES OF FINANCIAL INSTRUMENTS

The following table shows the carrying amounts and 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

In thousands of Qatari Riyals

31 December 2016	Carrying amount					Fair value			
	Fair value hedging instruments	Loans and receivables	Available-for- sale financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value									
Equity securities	-	-	511,144	-	511,144	511,144	-	-	511,144
Financial assets not measured at fair value									
Trade and other receivables (excluding prepayments)	-	672,409	-	-	672,409	-	-	-	-
Cash and cash equivalents	-	3,011,031	-	-	3,011,031	-	-	-	-
	-	**3,683,440**	**-**	**-**	**3,683,440**	**-**	**-**	**-**	**-**
Derivatives measured at fair value									
Interest rate swaps used for hedging	28,559	-	-	-	28,559	-	28,559	-	28,559
Financial liabilities/derivatives not measured at fair value									
Interest bearing loans and borrowings	-	5,911,950	-	-	5,911,950	-	-	-	-
Trade payables	-	-	-	200,935	200,935	-	-	-	-
	-	**5,911,950**	**-**	**200,935**	**6,112,885**	**-**	**-**	**-**	**-**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

In thousands of Qatari Riyals

31 December 2015	Carrying amount					Fair value			
	Fair value hedging instruments	Loans and receivables	Available-for-sale financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value									
Equity securities	-	-	344,435	-	344,435	344,435	-	-	344,435
Financial assets not measured at fair value									
Trade and other receivables (excluding prepayments)	-	884,644	-	-	884,644	-	-	-	-
Cash and cash equivalents	-	1,750,798	-	-	1,750,798	-	-	-	-
	-	2,635,442	-	-	2,635,442	-	-	-	-
Derivatives measured at fair value									
Interest rate swaps used for hedging	127,339	-	-	-	127,339	-	127,339	-	127,339
Financial liabilities/derivatives not measured at fair value									
Interest bearing loans and borrowings	-	-	-	4,915,209	4,915,209	-	-	-	-
Trade payables	-	-	-	300,135	300,135	-	-	-	-
	-	-	-	5,215,344	5,215,344	-	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

37. FAIR VALUES OF FINANCIAL INSTRUMENTS (CNTD.)

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are based on unobservable market data.

38. SUBSEQUENT EVENTS

On 17 January 2017, it was publicly announced that the Company and Nebras Power Q.S.C, which is a joint venture in which the Company participated with a 60% shareholding (Note 1), signed a Cooperation Agreement with Masdar, an Abu Dhabi renewable energy company, to develop together renewable and energy sustainable projects.

Other than the above, there were no significant events after the reporting date which have a bearing on the understanding of these consolidated financial statements.

Independent Auditor's report on pages 56 to 60.