شـركة الكهرباء والمــاء القطريــة ش.م.ع.ق
QATAR ELECTRICITY & WATER CO. Q.P.S.C.

Annual Report 2017

Civilization and Progress

Qatar Electricity and Water Company Q.P.S.C

Annual Report 2017

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. Khalid Bin Said Ali Al-Rumaihi
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./ Mohamed 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 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 ended on 31st December 2017.

Dear shareholders,

Despite the continuing fluctuations in global economic growth rates, the volatility of the regional and global financial markets, the continued uncertainty and increased geopolitical risks in the Arab region and its negative repercussions on the investment climate and despite the unjust siege imposed on our beloved country, the company continued in 2017 to realize its targets and implement its objectives and programs included in its strategic plan without being affected by these circumstances, relying on the support of its shareholders, strength and solidity of its financial position, proved its ability to confront different challenges, showed a high degree of flexibility to adapt to economic conditions according to the circumstances and demonstrated the ability to employ the available resources in its pursuit to improve efficiency in order to maintain shareholders' equity, develop and increase its value.

It is a well known fact that Qatar is one of the largest producers of natural gas in the world and reliance of country's electricity and water sector on natural gas as its fuel for electricity and water production help the company's path. In addition, many of the chemicals required by the company are available locally or manufactured locally. Hence, the siege did not affect the electricity and water sector completely, and the projects of the company are progressing in a very normal way and according to the specified schedules. The opening of Hamad Strategic Harbor and the existence of Hamad International Airport has facilitated the import of the necessary materials by aircraft or vessels, and the Company's projects have not been affected in any way. The international companies that Qatar Electricity and Water Company cooperates with have also shown keen interest in continuing to invest with the company both inside and outside the Qatar. On the contrary, the siege has contributed to the strengthening of solidarity and cooperation between producers, manufacturers and suppliers and thus raised the level of coordination reducing the negative effects of the siege.

Dears Shareholders,

Qatar Electricity and Water Company, in cooperation with the Qatar General Electricity and Water Corporation (KAHRAMAA), has been able to provide the necessary needs to cope with the rapid economic and urban development witnessed by the State of Qatar thanks to the wise leadership of His Highness Emir of Qatar, may Allah protect him. The company managed to execute all its projects in order to meet the demand for electricity and water in the State. Additionally, the company continued to renew and replace old plants such as Ras Abu Fontas A Plant, which is in phasing out stage now, and started an integrated program to build new plants after the decommissioning of old plants.

As for the local projects, the expansion project of Ras Abu Fontas (A3) desalination plant with reverse osmosis technology was inaugurated under the patronage of His Excellency the Prime Minister and Minister of the Interior on 18 April 2017 with a production capacity of 36 MIGD of desalinated water at a total cost of QR 1,750 million.

The Umm Al Houl Power project, which is considered one of the largest projects in the region and its production capacity after completion shall represent 25% of the country's electricity and water needs, has reached a completion of more than 98%. Phase 1 and Phase 2 "water" and Phase one "electricity "were completed. It is expected that the project, with a capacity of 2,520 MW of Electricity and 136.50 MIGD of Water, will be completed by 2nd July 2018 at a total cost above QR 11 Billion..

In the context of achieving the objectives of the overall national strategic plan (Qatar Vision 2030) on renewable energy projects, the company completed the procedures for establishing of Siraj Power Company, which is specialized in the production of electric power using solar energy, with a capital of US $ 500 million, shared by QEWC 60% and Qatar Petroleum 40%. It is expected to start the execution of the company's first project this year and to start production by 30th April 2020 with an electricity production capacity of 500 MW.

In order to develop the company's foreign investments, and acknowledging the need to enhance the company's external investment and generate long-term revenues from outside the State of Qatar, Nebras Power was established, in cooperation with Qatar Investment Authority, shared by QEWC 60% and Qatar Investment Authority 40%. Since its establishment three years ago, the company was actively involved in various projects. The company has six projects in three countries. The purchase of a 36% stake in the Paiton power plant in Indonesia is one of the company's largest acquisistions in 2017. The company managed to refinance its plant debts of $ 2.75 billion at attractive prices, which confirms the high confidence in the project.

The investment through Nebras Energy is of great importance and is one of the pillars of financial support for Qatar Electricity and Water Company in the future. It is expected that over the next 10-15 years, the net profit from investments in foreign projects through Nebras Power will constitute 40% of QEWC's Profits.

Dear Shareholders,

Inspite of the challenges and circumstances we have already mentioned, the company added to its track record another year of good financial results, without the impact of these conditions on its path thanks to its balanced financial policies and strong capital base, its long experience, its optimal use of its financial and human resources, its risk management and its continued commitment to the application of best practices and professional standards in its operational and investment activities.

This was shown clearly in its financial results this year, with total revenues of QR 3,795 million compared to QR 3,623 million for 2016 and a net profit of QR 1,616 million compared to QR 1,542 million for the year 2016, an increase of 5%, as described in the financial report.

Based on its belief in its role in the development and promotion of society and the protection of the environment, the company contributed effectively to the corporate social responsibility system by supporting conferences and seminars to raise the awareness of the society about the dangers of drugs and about the prevention of diseases. In order to provide a healthy working environment suitable for its employees, the company is committed to applying the highest international occupational health and safety standards, as evidenced by the absence of deaths or serious injuries during the year, in addition to the use of the latest internationally known eco-friendly technologies and means of production, adhering to the highest environmental protection standards.

And to encourage scientific research and training, QEWC signed a Memorandum of Understanding (MoU) with Qatar University to build a knowledge base for seawater desalination and to develop a water technology network such as reverse osmosis. The two institutions will also collaborate to build and develop local capacity and manpower in the field of water treatment, to develop training programs and to transform and implement water purification technology, as well as to promote and facilitate research and innovation in the water sector and related activities.

The Company signed an agreement with Marubeni to introduce training programs for Qatari engineers working with QEWC to provide them with the expertise needed to manage, operate and maintain power generation and water desalination plants and to share experiences on the latest technology on power production and water desalination in the world .

Dear Shareholders,

The achievements of the company during the year 2017 and the previous years would not have been possible without the wise policy of His Highness Sheikh Tamim bin Hamad bin Khalifa Al-Thani, Emir of Qatar, may Allah protect him, and the support of his wise government headed by His Excellency The Prime Minister and Minister of Interior Sheikh Abdullah bin Nasser Bin Khalifa Al-Thani for the private sector to enable it to play its role in promoting the national economy. We thank them very much and we thank you, dear brothers, for your support and trust in the Board of Directors and your keenness to share your constructive views and suggestions to support the company's march. I would also like to thank the Board members for their sincere efforts in managing the company, for the benefit of the company and its shareholders. I also wish to salute the company administration and its employees for their efforts to implement the company's policies and the directives of the board of directors in order to achieve the desired objectives.

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.

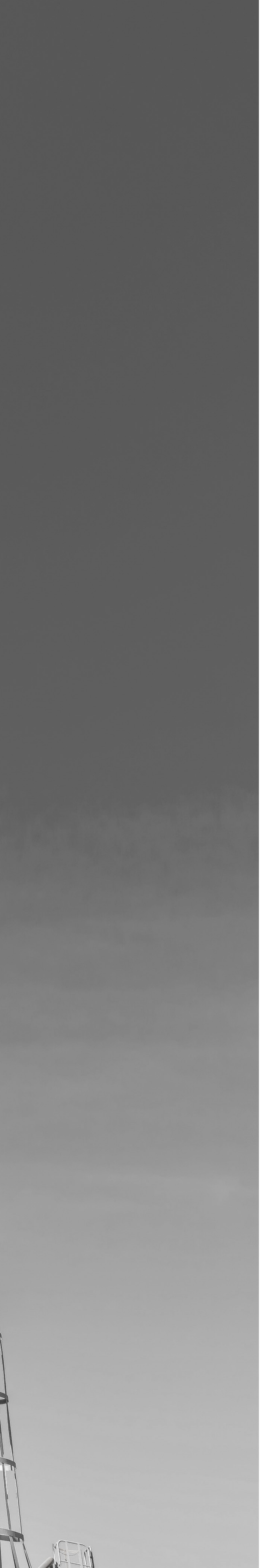
Integrity
We are responsible for our decisions and actions. We honour our commitments. We are trustful and ethical. We treat others as we would like to be treated ourselves.

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 Qatari 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. Mohamed 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 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 and its joint venture companies together have a capacity of over 11,087 MW of electricity and over 536.50 MIGD of desalinated water (including projects under construction).

It is worth mentioning that the Company won the awards of the best Arab company in the energy sector as well as the best Arab management team in the energy sector for the year 2017 in the awards of the second edition of the "Best Arab" held in the city of Marrakech in the Morocco. This was in recognition of the company's performance and professional excellence in the field of electricity production and water desalination.

Company Projects:

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.
- **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.
- **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 shares in 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 AES Ras Laffan Operating Company.

QEWC IN BRIEF

- 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.
- 60% of Siraj Power Company, which is expected to have 60% share in 500 MW of electricity from solar power by 2020.

Investments of the company and Future plans:

During the fiscal year 2017, QEWC's investments in Qatar were concentrated in two important projects, namely: Umm Al Houl power and desalination project, which has a capacity of 2,520 MW of electricity and 136.50 MIGD of water (almost completed), and Siraj Power Company project to generate electricity from solar energy with an initial capacity of 500 megawatts of electricity with the participation of Qatar Petroleum and the establishment procedures were finalized in April 2017. The company also has other investments outside Qatar through Nebras Power Company, which was established with a paid up capital of USD One billion, with the participation of QEWC (60%) and Qatar Holding (40%) for the purpose of investment in new or existing projects and business related to this sector, which 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

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 most important 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 (KAHRAMAA).
- The company maintains long-term contracts for the supply of fuel to all plants based on the agreements signed with Qatar Petroleum, which ensures stability of the fuel cost, being the largest component of the variable operating cost. Qatar Petroleum is one among

QEWC IN BRIEF

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 in these markets, company's status may rise further.

- The Company policy on distribution of dividends 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, educational, cultural, 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, same as last year, which is a good achievement

Conclusion:

The electricity and water production is one of the most important elements for the support and 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, which 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 2017

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, 2017, 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.

Over the past 27 years, QEWC managed to implement all its projects, meeting the increasing demand for electricity and water in the State. The Company, in collaboration with the Qatar General Electricity Water Corporation (KAHRAMAA), was able to meet the growing demand to keep pace with the unprecedented economic and constructional growth witnessed by 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.

The company is pleased to submit the following statistical report of the results for the fiscal year ended on 31st December 2017 to document the activities and achievements of the company, 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 2017 amounted to QR 3,071 million compared to QR 3,103 million for 2016, a decrease of 1%. Income from joint venture companies amounted to QR 567 million compared to QR 372 million for 2016, an increase of 52%. Investment and other income for the year is QR157 million compared to QR 148 million for 2016. Thus the total revenue for 2017 amounted to QR 3,795 million compared to QR 3,623 million for 2016.

REPORT OF THE BOARD OF DIRECTORS

The total operating expenses for the year 2017 amounted to QR 1,755 million compared to QR 1,701 million for 2016, an increase of 3%. General and administrative expenses for the year amounted to QR 220 million compared to QR 201 million in 2016, an increase of 9%. Financing expenses for the year is QR 180 million compared to QR 148 million for 2016, an increase of 22%.

Based on the above, net profit of Qatar Electricity and Water Company for the year 2017 reached an amount of QR 1,616 million compared to QR 1,542 million for 2016, an increase of 5%.

(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 performance rates and achievements outlined in the previous balance indexes and final accounts and the good financial results which lead to achieving good profits at the end of the year 2017,

the Board of Directors recommends to the General Assembly of the company a cash dividend of 77.5% of the nominal value per share to the shareholders for the fiscal year 2017.

Second: The Company's Projects and Future Plans:

The company focused its activities during the year 2017 to pursue the development of its current projects and to enter into new projects using the the latest international technologies, like Reverse Osmosis, and utilizing clean and renewable energy, like solar energy, to promote the electricity production and water desalination sector in the State and to make it more eco-friendly by means of investing in high efficiency plants utilizing a state-of-the-art technologies with low emission levels according to the highest local and international environmental standards, acknowledging the importance of protecting the environment and lowering the emission of gases which cause the global warming.

Additionally, the company laid out an integrated replacement program to build new plants and to decommission the very old plants, like Ras Abu Fontas (A) which is currently being decommissioned gradually.

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) :

The project was fully completed in Ras Abu Fontas Plants Area using Reverse Osmosis (RO) technology for water desalination on 16th February 2017. The plant has 36 MIGD of water desalination capacity. The total cost of the project is QR 1,750 million with financing from local banks and it was opened under the auspices of His Excellency Prime Minister and Minister of Interior on 18 April 2017.

Ras Abu Fontas A3 Expansion Project (RAF A3) is one of the vital projects in the State of Qatar and is the largest producer of water in the region through this method. It was implemented by three international companies, namely: the Mitsubishi Corporation of Japan, the ACCIONA of Spain and the T.T. C. L of Thailand.

REPORT OF THE BOARD OF DIRECTORS

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

The project is now 98% complete. Phase 1 and 2 (water) are completed with production capacity of 60 MIGD of desalinated water, Phase 1 (Electricity) is completed with production capacity of 1,600 MW and the whole project is expected to be completed on July 1, 2018 with production capacity of 2,520 MW of power and 136 MIGD of desalinated water. The total cost of the project is close to QR 11 billion.

Umm Al Houl Plant is one of the biggest power and desalination plants in the region, with the participation of QEWC (60%), Qatar Petroleum (5%), Qatar Foundation (5%) and a consortium of Japanese Companies Mitsubishi Corporation and TEPCO, (30%). When it is completed, this project shall provide 25% of the electricity and 30% of the water needs in Qatar.

Future Projects:

Local Projects:

Project for Electricity Generation using Solar Power:

The Joint Venture was signed with Qatar Petroleum on 29th November 2016 to establish Siraj Power Company, with 60% share by QEWC, and the company establishment procedures were completed on 25th April 2017. Additionally, land for the project was allotted by the Ministry of Municipality and Environment on 30th August 2017 in Al Kharsaa region ad registration procedures is ongoing with Qatar General Electricity & Water Corporation.

The Principles Agreement, the Power Purchase Agreement, project execution agreement and other agreements shall be signed with Qatar General Electricity & Water Corporation during 2018.

The two phases of this project are expected to be completed during 2020 with production capacity of 500 MW. The Solar Power Plant Project is considered as one of the strategically important projects in the Country as it adds an economic value by diversifying the sources of energy and decreasing the carbon emissions.

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

Due to the expiration of the Power and Water Purchase Agreement for Ras Abu Fontas A (RAF A) with KAHRAMAA on 31st December 2017, the company is seeking to make use of this plant either through extending the Agreement or through selling the Plant.

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

Due to the expiration of the Power and Water Purchase Agreement for Ras Abu Fontas B (RAF B) with KAHRAMAA on 10th October 2017 , the company has proposed the extension of the agreement for 12 years until the end of 2029. However, KAHRAMAA proposed to extend the agreement for eight (8) months until on 30 June 2018, with the same terms and conditions and after modifying the purchase tariff. Negotiations with KAHRAMAA is still ongoing to reach a final agreement in this regard.

Lusail Tower:

The project aims to establish Administrative Office on the 25,000 square meters land owned by the company in Lusail region, part of which shall be used as Company headquarters and the remaining part as an investment. The preliminary design was completed on 28th February 2017. The schematic design and the detailed designs were completed in July 2017. Pre-qualification process for companies specialized in enabling works were completed August 2017 and the enabling works are expected to be completed by August 2018. The project is expected to be completed on 30th January 2020.

Colliers International was selected as a specialist consultant for retail area which has food and drinks stores in the building to add a commercial value to it. The contract value with Colliers International is QR 287,000.

Global Projects:

The company considers its foreign investments as a very important asset for the future, as the foreign investments shall constitute the major portion of the company profits through foreign projects in which the company participates through Nebras Power Company, wherein the company owns 60% of the shares, are presented below:

Rades 2 Station in Tunisia:

The aim of this project is to acquire 60% of the Carthage plant in Rades, Tunisia with a production capacity of 471 MW. The consent of the shareholders have been obtained and TAPCO board of directors decided to transfer the ownership of its shares to Nebras Power Company.

Nebras Power Company board of directors agreed on purchasing the Carthage Power shares for USD 10 million, and it is currently negotiating with the liquidator of BTU about the price and the completion of the purchase process.

IPP Solar Project, Jordan

The project aims to establishing a Solar power plant in Jordan with a capacity of 40 MW. Nebras's share in the project is 24%. The Power purchase agreement was signed between the Ministry of Energy and Mineral Resources of Jordan and the Nebras Power Consortium in April 2017. The shareholders' agreement, the partnership contract and the construction contract were signed with the main contractor during November 2017. The financing agreements are being negotiated with the project's financing banks. The commercial operation of the project is expected to commence in June 2019.

The project is the fourth of the Nebras Power project in the Kingdom of Jordan after East Amman, IPP4 Al Manakhar and Shams Ma'an Power Plants and it is Nbras's the second project powered by solar energy, which emphasizes the importance of the Company's clean energy projects and its commitment to enhance its investments in this Sector.

Refinancing Paiton Power Project in Indonesia

Nebras Energy and its partners through Minejesa Capital B.V., of which Nebras Energy holds 35.5% - managed in August 2017 to achieve a successful financial closure of US $ 2.75 billion for multi-source refinancing secured by the project assets and the bonds were listed on the Singapore Stock Exchange.

REPORT OF THE BOARD OF DIRECTORS

The financing was invested in PT Paiton Energy (Indonesian Electricity Generating Company, of which Nebras indirectly owns 35.5%), which it used to repay the loans of the project's financing banks, secondary shareholders' loans and other matters related to the Company. PT Paiton Energy gave an unconditional guarantee to the loan financing package.

This was the first Asian debt bond listed on the international capital markets in nearly 10 years. It is the most prestigious deal to be concluded at competitive prices as one of the largest transactions in the field of project bonds. As a result of the refinancing process, Nebras shall recover USD 600.

Medan Electrical Power Project in Indonisia:

The project aims to build floating units for the storage and reprocessing of natural gas, supplemented by a power plant with a production capacity of 800 MW. A feasibility study for the project was carried out and delivered to the Indonesian National Electricity Company, which shall be the entity responsible for purchasing the Plant's power output.

Nebras Energy signed a project framework agreement with both PLN and PJB. Invitations were also sent to qualified contractors to submit their bids for the project. Bids are expected to be received from interested parties in early 2018. The commercial operation is expected to start in late 2020.

Third: Commitment to Corporate Governance:

The company commits to applying corporate governance procedures provided for the governance by the Qatar Financial Markets Authority. The Board reviews governance practices and develops them to suit changing needs. The Company will take steps to amend its statutes and adjust its status in accordance with the new governance system issued by the Authority's Board of Directors decision No. (5) of 2016 and within the specified time limit.

The Company has previously amended its statutes of the company by virtue of the Extraordinary General Assembly Resolution held on 6th March 2017 and adopted by the concerned authorities on 12th July 2017 to be in line with the provisions of the Commercial Companies Law No. 11 of 2015.

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 in accordance with scheduled procedures and dates.

Annual corporate governance report for the year 2017 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 its role in the development of society, its promotion and the protection of the environment, through the participation in serious and effective system of corporate social responsibility in terms of commitment to national responsibility. Company utilizes 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 2017 amounted to QR 2,549,462. These contributions can be reviewed in the company's financial report.

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. In addition, 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. The company is also coordinating efforts with Qatar Petroleum and the General Electricity and Water Corporation (KAHRAMAA) to develop a plan to address external threats and measures to secure the electricity and water sector in the event of any emergency incident.

Fifth: Administration, Development and Qatarization:

The Qatarization of the main positions in pursuit of the objectives of Qatar 2030 is a major challenge for the company. In order to achieve Qatarization goals, the Company has established with the associated companies a Committee of Qatarization with the aim of developing unified policies and defining an integrated plan to achieve 50% Qatarization by the year 2030.

Qatar Electricity and Water Company's strategy through the Qatarization Committee, which includes the Qatar Electricity and Water Company and other subsidiaries, aims to increase the employment of Qataris in its projects and subsidiaries, despite the strong competition it faces in this regard, especially with the increase in job opportunities offered by the large national companies and government institutions and the employees would prefer to leave the company for joining with them. The committee also works with universities, institutes and training centers accredited at home and abroad with the aim of providing, developing and training Qatari employees.

Number of Qatari employees under development has reached 11. The number of employees provided with scholarship for postgraduate studies are 8 out of the 172 Qatari employees, compared to the total number of 862 employees in the company as of the end of 2017.

As a result of the Company's continuous efforts to develop its performance and follow the latest methods and approaches of management and operation, it has won the awards of the best Arab company in the energy sector as well as the best Arab management team in the energy sector for 2017 in awards of the second edition of

the "Best Arab" held in the city of Marrakech in the Morocco in recognition of its performance and professional excellence in the field of electricity production and desalination.

In addition, Mr. Fahd Hamad Al Mohannadi, Board member and Managing Director of the Company, received the award of the best Arab management team leader, which reflects the company's level and strengthens its position as a leading company in the field of electricity production and desalination. The company has achieved many remarkable achievements in the previous years, through the implementation of many vital and pioneering projects of economic importance, to promote the production of electric power and water desalination sector to higher levels, through commitment, carrying out its responsibilities in an efficient and professional manner using its own capabilities and qualified cadres, thus contributing to

REPORT OF THE BOARD OF DIRECTORS

the achievement of the company's goals of enhancing its achievements and to realizing high-end aspirations to reach its objectives according to plans.

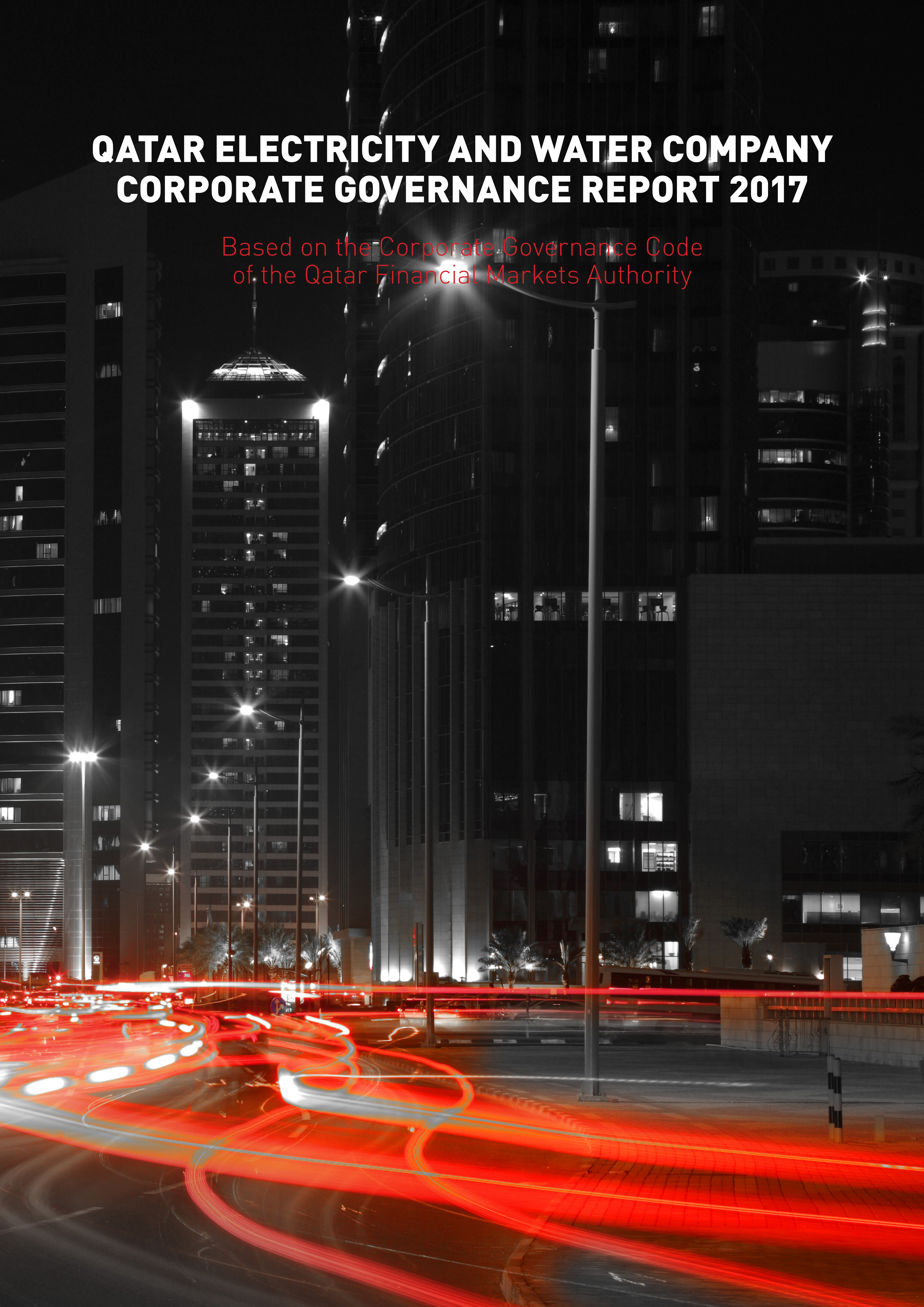
To conclude this report, the Board of Directors affirms its keenness to continue to serve the national economy through the efforts that have been made and the investments that have been dedicated over the past years in order to reach its planned goals, emphasizing on realizing new achievements with high professionalism and in line with the vision of Qatar 2030, supported by its Board of Directors, executive officers and employees, in order to serve and rejuvenate the company and maximize the benefit to all its shareholders.

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

Mr. Khaled Bin Said Al- Rumaihi
Vice Chairman of the Board

QATAR ELECTRICITY AND WATER COMPANY CORPORATE GOVERNANCE REPORT 2017

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



GOVERNANCE REPORT

Article	Appli-cation	Compli-ance	Clause	Non-compliance justification
Article 3 Commitment to the Principles of Governance		Compliant	The board is committed to applying the principles of governance, as stated in Article 3, and it reviews these applications on a regular basis, updating where and as needed, and remains committed to adopting the best of these principles. The board is also committed to developing the codes of professional conduct that embody the company's values, and to periodically and systematically review its policies, corporate charter, and internal procedures which the board members, senior executive management, consultants, and employees must adhere to.	
Article 4 Governance Report		Compliant	The Governance Report is an integral part of the company's annual report, sent as an attachment with it, signed by the chairman, with the last report being of year 2016 which was adopted by The General Assembly on the 6th of March 2017, followed by this report. The Corporate Governance Report includes the company's disclosure of its compliance with the provisions of the governance system, in addition to all information related to the application of the system's principles and provisions. Some of this information as show below; 1. The procedures followed by the company regarding the application of the system's provisions. 2. Disclosure of violations committed during the year, including violations reported of the company and violations imposed on them for not complying with the application of any of the principles or provisions of the system, stating there within the reasons for these violations, how to address them, and ways to avoid them in the future. (No violations were charged against the company during the year of 2017). 3. The disclosure of information related to board members and committees, senior executive management of the company, and their powers and responsibilities, while stating the tasks carried out by them during that year, as well as amounts they received as remuneration (in the annual report). 4. Disclosure of risk management procedures, internal control and monitoring of the company; including supervision of financial affairs, investments and any related information (annual report).	

GOVERNANCE REPORT

			5. The tasks performed by the committees, including the number of meetings they held and recommendations of each meeting (in the annual report). 6. Disclosure of the procedures followed by the company to identify the risks that it may face and methods used in their assessment and management of those risks, and a comparative analysis of the risk factors faced by the company, and discussing the systems adopted to address any radical or unexpected changes in the market (in the annual report). 7. Disclosure of evaluation of the performance of the Board and the extent to which its members are committed to achieving the interests of the company, carrying out the work of the committees, and attending meetings of the Board and its committees, in addition to the disclosure of the performance assessment of the Senior Executive Management on;- the implementation of internal control and monitoring, risk management including specifying the number of grievances, complaints, proposals and communications, and the methods deployed by the Board in handling regulatory matters (as shown in annual report). 8. Disclosure of deficiencies in the application of the internal control system, in whole or in part, or of weaknesses in its application, and the disclosure of emergencies that have affected or may affect the financial performance of the company, and the procedures followed by the company in dealing with cases of failure to implement internal control and monitoring (as shown in the annual report). 9. Disclosure of the extent to which the company is compliant with the rules and conditions governing disclosures and listings in the market (committed to periodic disclosures). 10. Disclosure of any conflict or dispute to which the company is a party, including arbitrations and lawsuits. (none) 11. Disclosure of transactions and deals concluded by the Company with any "related party" (none).	

Article 5 Conditions that should be met by a member of the board	7/2	Partially, non-compliant	All members of the Board hold high qualifications in their fields of specialization and have vast experience in the membership of boards of directors, qualifying them to perform their functions effectively. Each one of them has sufficient knowledge of administrative matters and the right expertise to perform his functions effectively, which in turn serves the interests of the company in reaching its goals and objectives. (as shown in the C.V.s of the members) **Article (27)** of the Articles of Association of the Company includes all the conditions stated in Article (5), except for a minor part of clause (2) and (3), which shall be added when the company's Articles of Association is amended at extraordinary general meeting of the Assembly this year: Article (2) "Or in an offense referred to in Article (40) of Law No. 8 of year 2012 On the Qatar Financial Markets Authority **Article (3)** Or to be prohibited from practicing any work in the entities subject to the control of the Authority under Article 35 (paragraph 12) of Law No. (8) for the year 2012 referred to here. They will be added when the Article of Association is amended at this year's Extraordinary General Meeting. The current Board of Directors was elected by a resolution of the Ordinary General Assembly on 6 March 2017. The list of candidates and CVs and a copy of the nomination requirements were sent to the Authority 15 days before the Assembly meeting.	The Articles of Association will be amended in this regard
Article 6 Formation of the board		Compliant	The Board is formed in accordance with the Law and Article (26) of the Articles of Association of the Company. Independent members constitute more than two-thirds of the Board and all non-executive members of the Board except the Director General and Managing Director Mr. Fahad Hamad Al Mohannadi. Decisions of the board are issued by majority vote in accordance with the provisions of Article (34) of the Article of Association.	

Article 7 Prohibition of the combination of positions	8/1	Compliant	In this respect, there are no members of the Board of Directors either in person or in the capacity of Chairman of the board or Vice-Chairman of more than two companies whose main position is in the State, nor is a member of the Board of Directors of more than three companies whose headquarters are located in The State, and no managing director of more than one company whose main position is in the State, and no member who holds membership of the boards of directors of two companies practicing a homogenous activity. The Chairman of the Board of Directors does not exercise any executive position in the Company, and is not be a member of any of the Board Committees. Both the President and the members of the Board have submitted a certificate to the Secretary in the portfolio prepared for this purpose, in which each of them agrees not to combine the positions that are prohibited by law and the provisions of the governance system.	
Article 8 Tasks and main functions of the Board		Partially, non-compliant	The Board of Directors has the widest powers in the management of the Company and does not limit its powers except as provided for in the Law, the Articles of Association, or the resolutions of the General Assembly where its members are jointly responsible directly for the decisions of the board. (Article 32 of the Article of Association) The board adopted a charter called the "Board Regulation" specifying the functions of the board, the rights and duties of the Chairman and the members and their responsibilities, in accordance with the provisions of the law and the system of governance, and posted it on the company's website. In the event that no provision is included in the board's Regulation for a specific matter, the provisions of the Law, the Code of Governance and the Articles of Association shall be applied in accordance with the provisions of Article (29) of the Board's Regulations. An amendment to the Board Regulation will be made to reflect the functions and functions provided for in Article 8 of the new governance system.	The board's regulations will be amended in this regard

GOVERNANCE REPORT

Article 9 The Responsibilities of the Board		Compliant	The Board represents all shareholders and takes the necessary care in the management of the company in an effective and productive manner to the benefit of the Company, partners, shareholders, stakeholders, the public interest, and the development of investment in the State, as well as in the development of the society and holds responsibility to protect shareholders from acts and practices that are illegal or arbitrary or any acts or decisions that may cause harm to them, discriminate between them or sides with a group over another.	The company's Article of Association and board's regulations will be amended in this regard
Article 10 The Delegation of tasks		Compliant	Without prejudice to the terms of reference of the General Assembly, and in accordance with articles 32 and 33 of the Article of Association, the board holds all powers and may delegate its committees to exercise some of its powers. It may form one or more special committees to carry out specific tasks. The ultimate responsibility of the Company shall remain with the Board as provided in Article 69 of the Article of Association, and the board does not issue any general or indefinite mandates.	
Article 11 The duties of the chairman		Compliant	In accordance with Article (30) of the Article of Association, the Chairman is the chairman of the company and represents it to third parties and to the judiciary, and is responsible for the effective management of the company in an effective and productive manner to achieve the interests of the company, partners, shareholders and other stakeholders, Article (6) of the "Rules of the Board" includes the tasks and responsibilities of the chairman, noting that in the absence of the chairman, the position is presided by the Vice Chairman. The chairman may delegate some of his powers to other members of the board as well (Article 30 of the Articles of Association). The Board's regulation will be amended as soon as possible to reflect all provisions of Article 11 of the Governance System.	
Article 12 Obligations of the board's members		Compliant	The members of the board shall: 1. Members of the Board are committed to the interest of the Company, partners, shareholders and other stakeholders and prioritize them over private interests. .	

GOVERNANCE REPORT

			And to be present at the meetings of the board and its committees and meetings of the General Assembly. No one shall be absent except by an official written apology (Article 26 of the Board Regulations) The members are also committed to all their responsibilities towards the company in accordance with the law and the system of governance and are committed to implement all decisions issued by the board. They will discuss the topics on the agenda of each meeting and give their views as well. Members will carry out the tasks assigned to them by the board and within the limits it sets for them. Members of the Board may request the opinion of an independent external consultant at the expense of the Company in respect to any matter concerning the Company.	
Article 13 Invitation to the meetings		Compliant	The board holds meetings at the invitation of its chairman. The chairman calls for a meeting and proceeds with sending invitations to the board whenever at least two of its members have requested so. The invitation shall be given to each member accompanied by the agenda at least one week in advance. Any member can request adding one or more items to the agenda in accordance with Article 34 of the Articles of Association and Articles 15, 16 and 17 of the Council's Bylaws.	
Article 14 Board's meetings		Compliant	In accordance with the provisions of Article (34) of the Articles of Association and Article (16) of the Board Regulation, the board holds at least six meetings during the year, and should not pass three months without a meeting, with the meeting of the board being valid only in the presence of the majority of members, including the Chairman or Vice Chairman. Any absent member may delegate a member of the Board to represent him in presence and in voting, provided that no member may represent more than one member. If a member of the board fails to attend three consecutive meetings or four non-consecutive meetings without an excuse acceptable to the board, he shall be deemed resigned - Article 36 of the Articles of Association.	

GOVERNANCE REPORT

		Compliant	Participation in the meeting of the board through any means of modern technology is permissible for the members, that which enables the participant to listen and participate actively in the agendas of the board and the issuance of decisions. The Board of Directors held only 5 meetings during 2017, where one of the meetings was canceled due to the in-completion of the quorum, and the Authority and the Stock Exchange were notified at the time.	
Article 15 Board decisions		Compliant	Without prejudice to the provisions of the law in this regard, the decisions of the board is issued by a majority vote of those present and the representatives. In the event where the votes are equal, the president of the meeting shall vote in accordance with the provisions of Article (34) of the Articles of Association and shall prepare a record for each meeting, specifying the names of the members present and absent. The meeting is signed and signed by the chairman of the meeting and the secretary. A member who has not approved any decision taken by the board shall prove his objection in the minutes of the meeting - Article (39) of the Article of Association. The board may, in the case of necessity and for reasons of urgency, pass some of its decisions by passing, provided that this is approved by all its members in writing, and is to be presented at the next meeting of the Council, to include in the minutes of its meeting - Article (20) of the Board Regulation.	
Article 16 Board secretary		Compliant	The company's legal advisor (over 30 years experience) is the secretary of the board based on the decision of the board No. (15) dated 14/7/2014, and records and coordinates all minutes of meetings of the board , the board's records and books , as well as all reports that are submitted to and from the board.	
Article 17 Tasks and duties of the Secretary		Compliant	The Secretary assists the Chairman and all the members of the board in their duties, and is obliged to conduct all the work of the board in accordance with the provisions of Article (12) of the Board Regulation and Article (17) of the Governance Law.	

GOVERNANCE REPORT

Article 18 The board's committees		Compliant	**The Board has formed three committees:** **First:** Nomination Committee: By a resolution of the Board of Directors No. (2) for 2017, including its framework and functions in accordance with the provisions of Article (18) of the Governance System under the chairmanship of His Excellency Mr. Abdullah Bin Abdul Aziz Al Attiyah, and the membership of both His Excellency Sheikh Hamad bin Jassem Al Thani and Mr. Fahad Bin Hamad Al Mohannadi, who have the necessary expertise to practice their competencies. The Committee submitted its report to the board, including receiving, examining and accepting nominations for membership of the board at its first meeting on 1 February 2017. **Second:** Remuneration Committee: Pursuant to a decision of the Board of Directors No. (2) for the year 2017, including its framework and functions in accordance with the provisions of Article (18) of the Governance System under the chairmanship of Mr. Nasser Bin Khalil Al Jaidah, and the memberships of Mr. Salman bin Abdullah Al-Ghani and Mr. Khalid Bin Saeed Al Rumaihi, whom have the necessary expertise to exercise their competencies. The Committee submitted its report to the Board, including the recommendation to determine the remuneration of the members of the Board of Directors and the Director General at its first meeting on 1 February 2017 **Third:** The Audit Committee: Pursuant to a decision of the Board of Directors No. (2) for the year 2017, including its framework and functions in accordance with the provisions of Article (18) of the governance system headed by His Excellency Sheikh Hamad Bin Jabor Al Thani (Independent) And the membership of HE Sheikh Faisal bin Saud Al Thani and Mr. Adel Ali Bin Ali, None of them had previously audited the Company's accounts during the previous two years for direct or indirect candidacy for the Committee's membership and both have the necessary expertise to exercise the Committee's terms of reference. The Committee submitted its report to the Board at its first meeting on 1 February 2017, including the nomination of the External Auditor.	

GOVERNANCE REPORT

Article 19 Committee's duties		Compliant	In accordance with the decision to form the committees referred to in item (18), none of the members shall preside over more than one of the committees established by the board. The Chairman of the Audit Committee is not a member of any other committee. The meeting of the committee shall not be valid except in the presence of its chairman and the majority of its members. Minutes are prepared for each meeting, indicating the meeting and signed by the chairman of the committee. Each committee reports annually to the board on its work and recommendations. The Board reviews and evaluates the work of the committees, and includes in its governance report its work.	
Article 20 Internal control and monitoring		Compliant	The Board of Directors is fully responsible for the Company's internal control system. Policies, guidelines and controls for determining the limits of liability and performance have been established to monitor the mechanisms, and the general management of the company is responsible for the overall control of these systems with the directors of departments, and heads of departments. The business is evaluated through internal auditor and external auditor. The Company attaches great importance to the development of the business management framework in a structured manner to identify, evaluate, mitigate and manage the company's risks. The company's technical advisor is responsible for assessing the operational risks, whereas the Internal auditor is responsible for evaluating financial risks and does so in coordination with financial management, with this evaluation being included in the annual report of the company, of which a copy is sent to the shareholders.	
Article 21 Internal Control Unit		Compliant	The company has a full independent internal audit department headed by a qualified and experienced accountant appointed by the Board of Directors. He is directly under the Chairman of the Board of Directors, performs financial audits, performance evaluation and risk management and reports to the Audit Committee every three months, including any irregularities or excesses, if any, with the proposed action to be taken.	

Article 22 Internal control reports		Compliant	The Internal Auditor submits a quarterly report on the Company's internal control to the Audit Committee, including the following: 1. Control and supervision of financial, investment and risk management procedures. 2. Review the evolution of the risk factors in the company and the suitability, and the effectiveness of the regulations in force at the company in the face of radical or unexpected changes in the market. 3 - A comprehensive assessment of the company's performance on compliance with the internal control system, and the provisions of this system. 4. The extent of the company's compliance with the rules and conditions governing disclosure and listing in the market. 5. The extent of the Company's compliance with internal control systems in identifying and managing risks. 6. The risks to which the company has been exposed, its types and causes, and what has been done. 7. Proposals for correcting irregularities and removing the causes of risk.	
Article 23 External Audit		Compliant	The Audit Committee reviews and examines the offers of auditors registered with the Board of External Auditors of the Commission, and submits to the Board a recommendation to choose one or more offers to appoint an external auditor of the company. Once a recommendation is approved by the Board it will be included in the agenda of the meeting at the General Assembly of the Company (executed during the Ordinary General Assembly Meeting on 6 March 2017). During the Ordinary General Meeting, the shareholders appointed the company's auditor. Ernst & Young's office was assigned as auditors to the Company's accounts for one year at the Ordinary General Meeting on 6/3/2017, and conducted a quarterly, semi-annual and annual review of the company's financial statements for 2017 as stated in the relevant laws and procedures.	

GOVERNANCE REPORT

Article 24 Tasks and responsibilities of the Auditor		Compliant	Articles 59 to 62 of the Company's Articles of Association include the functions and responsibilities of the auditor. The Controller submitted his report to the General Assembly on 6 March 2017 and read it, a copy of which was sent to the Commission, including all the work of supervision as stated in Article 24 of the Corporate Governance Law and has been adopted By the General Assembly.	
Article 25 Disclosure		Compliant	The Company is committed to the disclosure requirements, including financial reports, and the number of shares held by the Chairman and members of the Board, Senior executive management, senior shareholders or controlling shareholders, as well as the disclosure of information about the chairman and members of the board and its committees and their scientific and practical experience as shown in their curriculum vitae, and whether any of them is a member of the board of directors of another company or of its senior executive management or a member of any of its board committees (in the basic periodic data). No information shall be published or disclosed until it has been submitted to the Board for approval.	
Article 26 Conflict of interests		Compliant	The Company has adopted and published on its website a conflict of interests list to ensure compliance of the company, its employees and members of its Board of Directors with the rules and standards, and professional controls universally recognized to enhance the confidence of others in the integrity of the company and its employees at all levels. A special committee has been set up to follow up on the implementation of the provisions of these regulations. In accordance with Article 28 of the Council's Regulations, the Chairman or any member may not have a direct or indirect interest in contracts or transactions concluded with or for the Company for its account. Article 40 of the Regulations obliges the Board of Directors to submit a financial disclosure statement at the disposal of shareholders one week prior to the General Assembly, including operations in which a member of the board of directors or any of the directors has an interest that conflicts with the interest of the company.	

GOVERNANCE REPORT

Article 27 Transparency and promoting company interests		Compliant	As described in the previous item, and is invited to attend meetings of the Board of Directors only those who the board sees the need for them to attend, no transactions are concluded except through the Tender Committee and after approval by the Board of Directors of the Company and in accordance with the general interest of the Company and its shareholders.	
Article 28 Disclosure of trading operations		Compliant	The matter will be brought before the Board to consider issuing the required trading rules and procedures as soon as possible. Members of the Board, the Supreme Executive Management and all Insiders, their spouses and minor children shall disclose their trading operations on the Company's shares and other securities, and the board must adopt clear rules and procedures governing the circulation of persons familiar with the securities issued by the company.	
Article 29 Equality in rights of shareholders		Compliant	Shareholders are equal and have all rights arising from share ownership in accordance with the provisions of the relevant law, regulations and resolutions. The Articles of Association of the Company include procedures and all necessary guarantees so all shareholders can exercise their rights, in particular the right to dispose of shares, the right to receive a share of the dividends, the right to attend the General Assembly, participate in its deliberations and vote on decisions, and access to information and request in a way that does not harm or conflict with the interests of the company. This being in accordance with the provisions of articles 9-11-19-40, 44-74, 54-56 of the Article of Association.	
Article 30 Review of shareholder register		Compliant	The Company submits monthly and whenever necessary, requests the Depositary to obtain and maintain an updated copy of the Register of Shareholders.	
Article 31 The right of the shareholder to obtain information		Compliant	Articles (9) and (40) of the Articles of Association of the Company include the right of the shareholder to obtain information which enables him to exercise his rights in full, without prejudice to the rights of other shareholders or harming the interests of the company, and the company is obliged to audit and update information in a systematic	

GOVERNANCE REPORT

			manner, and to provide all information of interest to shareholders and enable them to exercise their rights to the fullest capacity, and is to post this information on the company's website and the website of the stock market. The company is also committed to publishing periodic information on the daily newspapers.	
Article 32 Shareholders' equity related to the General Assembly		Compliant	Articles 44, 47, 48, 49, 51, 54 and 56 of the Company's Articles of Association, Organizing the shareholders' rights related to the meeting of the General Assembly, including the items stated in the governance system.	
Article 33 Facilitating effective participation in the General Assembly		Compliant	The most suitable places and dates are picked for the General Assembly, and the company uses modern technology to communicate with shareholders, to facilitate the participation of the largest number of them at the General Assembly meeting effectively. The Company notifies the shareholders of the subjects included in the agenda and the new ones, accompanied by sufficient information to enable them to make their decisions through publication in the daily newspapers and the company's website and stock exchange before the meeting, this being in accordance with article 47 of the Article of Association, as well as by enabling them to review the minutes of the meeting of the General Assembly and its results in the same manner. It shall disclose the results of the General Assembly immediately after it ends. A copy of the minutes of the meeting shall be deposited with the Commission immediately upon its approval.1	
Article 34 Shareholders' right to voting		Compliant	In accordance with the provisions of Article (44) of the Articles of Association of the Company, voting shall be a right of the shareholder - exercised by him or by his legal representative - It cannot be waived and cannot be canceled. The Company's systems do not have any restriction or procedure that may impede the shareholder's use of his right to vote, and it is committed to enabling the shareholder to exercise the right to vote and to facilitate its procedures, using modern technology. The company's system allows proxy voting and attendance by proxy is evidenced by the minutes of the General Assembly.	

GOVERNANCE REPORT

Article 35 Rights of shareholders in regards to electing board members		Compliant	The Company is in compliance with disclosure requirements regarding candidates for Board membership, and to inform the shareholders of all the information of all candidates and their scientific and practical experience as shown on their CV within sufficient time before the date set for the General Assembly. The information of the candidates for the Board of Directors has been published on the Qatar Exchange website and the website of the Company prior to the voting at the Ordinary General Assembly meeting on 6 March 2017, and the list of candidates in the hall was suspended before the Assembly meeting and during the registration process. The General Assembly elects the members of the Council by secret ballot according to the method of cumulative voting in accordance with the provisions of Article (26) of the Articles of Association.	
Article 36 Shareholders' equity in terms of dividends distribution		Compliant	Articles (66, 67 and 68) of the Company's Articles of Association specify the policy governing the distribution of profits clearly, and are committed to apply them literally every year at the distribution, and is included in the annual financial report of the company distributed to shareholders and discussed in the General Assembly. The right to receive the dividends approved by the General Assembly shall be either cash or free shares to the shareholders registered in the Register of Shareholders with the Depositary on the day of the General Assembly.	
Article 37 Shareholders' Equity in relation to major transactions		Compliant	Article (69) of the Articles of Association of the Company guarantees the protection of shareholders' rights in general and the minority in particular in the event of any errors that may harm their interests or prejudice the ownership of the company's capital. The Company shall be obliged to periodically disclose the structure of the Company's capital and any agreement it makes in due course in accordance with the specified procedures, and the disclosure of the owners (5%) or more of the shares of the company directly or indirectly.	

GOVERNANCE REPORT

Article 38 Rights of non-shareholder stakeholders		Compliant	The Company is keen to respect the rights of stakeholders and maintaining them by providing all the necessary information required for all transactions, whether by publishing on the newspapers, the company's website, or the stock exchange website or through direct contact. Each interested party in the Company may request information relevant to its interest, and the company is committed to provide the required information in a timely manner and to the extent that does not threaten the interests of others or harm their interests. The Public Relations Department is responsible for receiving complaints, proposals and observations and presenting them to the senior management so they'd take necessary measures in respect to them. The staff relations committee also receives complaints, grievances and suggestions from employees and take them into consideration before reaching decisions on them.	
Article 39 Social Responsibility		Compliant	The company is keen to play its role in the development and advancement of society and the preservation of the environment, through its serious and effective participation in the corporate social responsibility system being from the standpoint of its own commitment to national responsibility, with a fixed rate of 2.5% of its annual net profit diverted to support activities that contribute to the development of society and various sports activities (by law). That, as well as its contribution in support of the Commission on Narcotic Drugs and other community-based activities, and these contributions can be followed up on through the company's financial report.	

APPROVED:

H.E. Dr./ Mohamed Bin Saleh Al-Sada
Chairman of Board of Directors

FINANCIAL HIGHLIGHTS

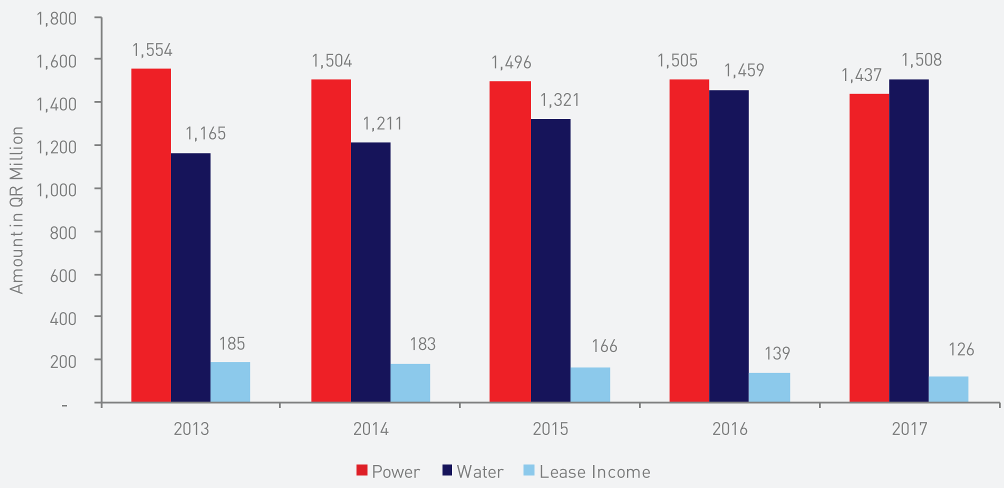

5.6631

FINANCIAL HIGHLIGHTS

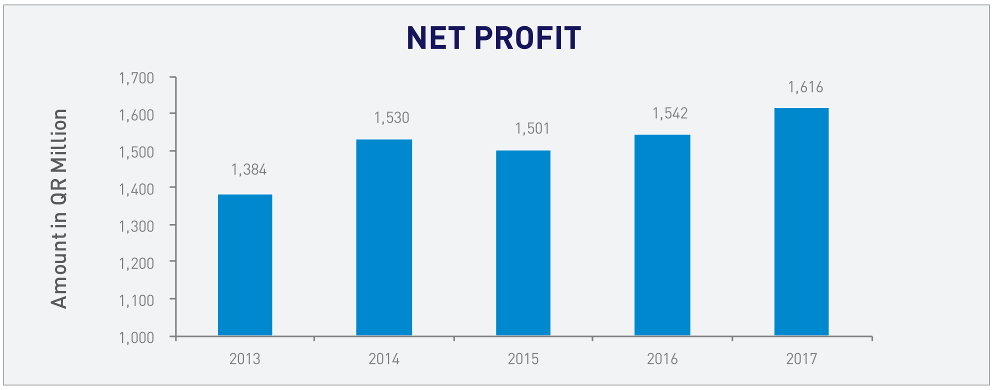
For the Year (amount in QR million)	2017	2016	2015	2014	2013
Sales Revenue	3,071	3,103	2,983	2,898	2,904
Gross Profit	1,316	1,403	1,303	1,276	1,306
Net Profit	1,616	1,542	1,501	1,530	1,384
At Year end (amount in QR million)					
Total Assets	15,800	15,226	13,450	12,949	11,026
Total Shareholders' equity	8,982	8,275	7,346	6,782	6,111
Long Term Debt	4,543	4,736	3,860	3,793	3,414
QR per Share					
Cash Dividends	7.75	7.50	7.50	7.50	7.50
Earnings per Share	14.69	14.02	13.65	13.91	12.58
Ratios					
Return on Equity (%)*	18.73	19.74	21.25	23.73	24.54
Return on Capital Employed (%)**	12.83	13.61	14.70	16.14	16.83
Debt Equity(Times)	0.51	0.57	0.53	0.56	0.56

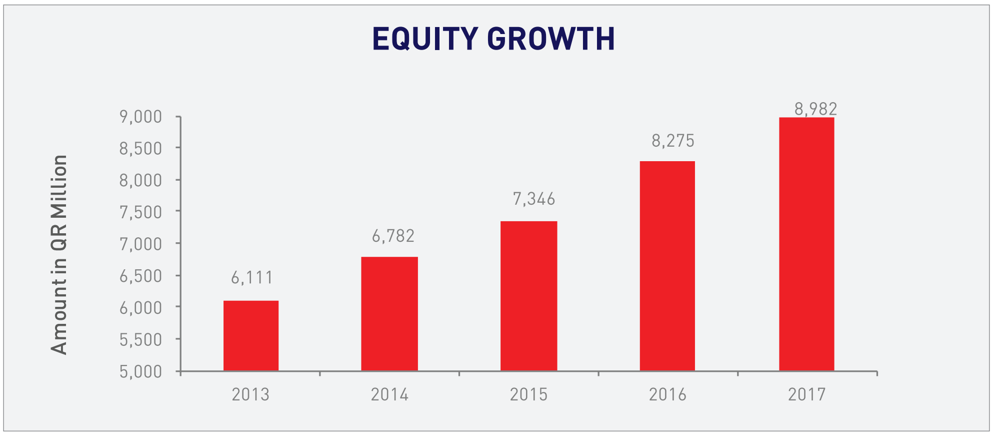
*Net Profit/Average Equity
**(Net Profit plus finance cost)/Average capital Employed

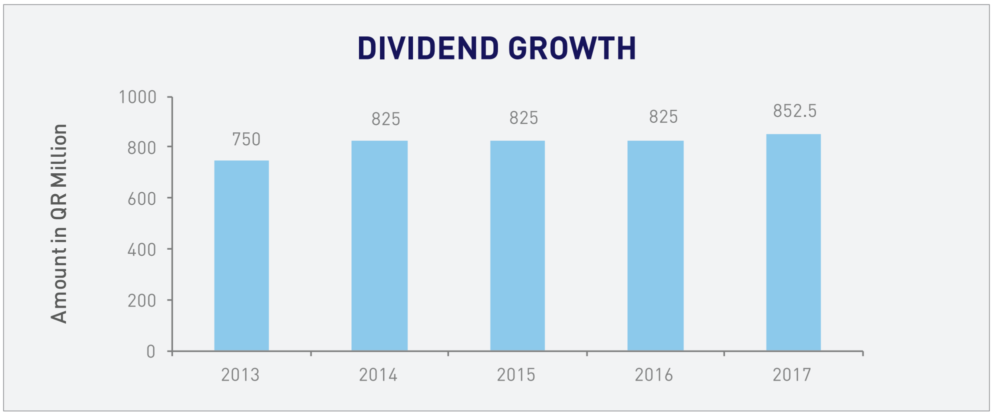
SALES BY PRODUCT

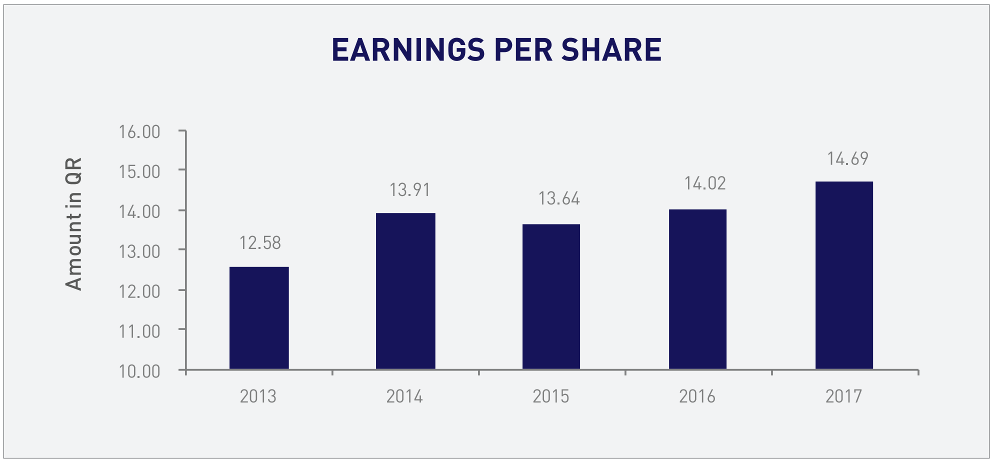


FINANCIAL HIGHLIGHTS (CNTD)









CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

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 consolidated financial statements of Qatar Electricity and Water Company Q.P.S.C. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's 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) together with 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 period. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for *the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR’S REPORT (CNTD)

Key audit matter	How our audit address the key audit matter
Carrying value of Property, Plant and equipment	
The Group’s property, plant and equipment (PPE), as set out in note 5 to the consolidated financial statements, represents 36% of the Group’s total assets and, consequently, their depreciation charge for the year represents 20% of the Group’s total expense. There are a number of areas where management judgment impacts the carrying value of PPE. These includes: • the decision to capitalize or expense costs; • the annual asset life review including the impact on changes in the Group ’s strategy; and • assessing indicators of impairment and determining recoverable amounts • Due to the significance of the property, plant and equipment to the consolidated financial statements and the subjectivity involve in determining carrying value of PPE, this is considered as a key audit mater.	**Our audit procedures included, amongst others,** • obtaining sufficient appropriate audit evidence regarding the opening balance of PPE including the selection and application of accounting principles; • evaluating the design of key controls around the PPE processes, including controls over recording of assets in the PPE register, assets classification and useful life of assets; • evaluating the recognition criteria applied to the costs incurred and capitalized 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 Qatar General Electricity & Water Corporation (KAHRAMAA) (the production facilities represent 98% of the Group’s PPE); • recalculating the depreciation charge, on a sample basis, for significant charge reported in the consolidated financial statements; • evaluating the nature of Work-in-progress transferred to production facilities during the year, and checking whether depreciation on newly commission production facility is recognized in line with applicable accounting standards; • assessing the impact from production facilities, whose PWPA expired during the year; • 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;

INDEPENDENT AUDITOR'S REPORT (CNTD)

Other Matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2016 were audited by another auditor whose report dated 1 February 2017 expressed an unqualified opinion on those financial statements.

Other Information Included in the Group's 2017 Annual Report

Other information consists of the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the 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 and, in doing so, consider whether the 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, 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 Management and Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management 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, management 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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the 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 ISAs, we exercise professional judgment and maintain professional skepticism 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 management.

- Conclude on the appropriateness of management's 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, we are required to draw attention in our auditor's 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 auditor's 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 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 Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period 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

INDEPENDENT AUDITOR'S REPORT (CNTD)

outweigh the public interest benefits of such communication.

Report on Legal and Other Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Company, an inventory count has been conducted in accordance with established principles and the consolidated financial statements comply with the Qatar Commercial Companies' Law No. 11 of 2015 and the Company's Articles of Association. We have obtained all the information and explanations we required for the purpose of our audit, and are not aware of any violations of the above mentioned law or the Articles of Association having occurred during the year, which might have had a material effect on the Group's financial position or performance.

Date: 31 January 2018
Doha
State of Qatar

Ziad Nader
of Ernst & Young
Auditor's Registration No. 258

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 QAR'000	2016 QAR'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	**5,744,593**	6,130,389
Investment property	6	**174,901**	174,901
Intangible assets and goodwill	7	**102,455**	108,425
Investments in joint ventures	8	**3,136,097**	2,824,638
Available-for-sale financial assets	9	**701,577**	511,144
Finance lease receivables	10	**1,248,845**	1,366,332
Positive fair value of interest rate swaps for hedging	22	**34,856**	-
Other assets	11	**17,843**	19,858
		11,161,167	11,135,687
Current assets			
Inventories	12	**230,828**	280,994
Trade and other receivables	13	**852,134**	674,013
Finance lease receivables	10	**117,487**	124,273
Positive fair value of interest rate swaps for hedging	22	**2,374**	-
Bank balances and cash	14	**3,436,017**	3,011,031
		4,638,840	4,090,311
Total assets		**15,800,007**	15,225,998
EQUITY AND LIABILITIES			
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	**(1,507,588)**	(1,557,002)
Fair value reserve	19	**123,124**	219,328
Retained earnings		**5,474,510**	4,720,969
Equity attributable to equity holders of the parent		**8,981,880**	8,275,129
Non-controlling interest	20	**250,218**	253,871
Total equity		**9,232,098**	8,529,000

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

The notes 1 to 37 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 QAR'000	2016 QAR'000
Liabilities			
Non-current liabilities			
Interest bearing loans and borrowings	21	**4,441,794**	4,674,587
Negative fair value of interest rate swaps for hedging	22	**27,069**	8,282
Employees' end of service benefits	23	**73,985**	52,803
		4,542,848	4,735,672
Current liabilities			
Interest bearing loans and borrowings	21	**1,424,286**	1,237,363
Negative fair value of interest rate swaps for hedging	22	**15,297**	20,277
Trade and other payables	24	**585,478**	703,686
		2,025,061	1,961,326
Total liabilities		**6,567,909**	6,696,998
Total equity and liabilities		**15,800,007**	15,225,998

These consolidated financial statements were approved by the Parent Company's Board of Directors and signed on its behalf by the following on 31 January 2018.

Mr. Khalid Bin Said Ali Al-Rumaihi
Vice Chairman

Mr. Fahad Bin Hamad Al-Mohannadi
Managing Director

The notes 1 to 37 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 QAR'000	2016 QAR'000
Revenue	25	**3,070,742**	3,103,149
Cost of sales	26	**(1,754,838)**	(1,700,590)
Gross profit		**1,315,904**	1,402,559
Other income	27	**156,671**	147,814
General and administrative expenses	28	**(219,667)**	(200,976)
Operating profit		**1,252,908**	1,349,397
Finance costs	29	**(180,278)**	(148,364)
Share of profit of joint ventures	8	**566,863**	372,312
Profit for the year		**1,639,493**	1,573,345
Other comprehensive income:			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive income from joint ventures	8	**25,991**	103,697
Effective portion of changes in fair value of interest rate swaps for hedging	18	**23,423**	98,780
Net change in fair value of available-for-sale financial assets	9	**(96,204)**	44,084
Other comprehensive(loss)/ income for the year		**(46,790)**	246,561
Total comprehensive income		**1,592,703**	1,819,906
Profit attributable to:			
Equity holders of the parent		**1,616,176**	1,541,988
Non-controlling interests		**23,317**	31,357
		1,639,493	1,573,345
Total comprehensive income attributable to:			
Equity holders of the parent		**1,569,386**	1,788,549
Non-controlling interests		**23,317**	31,357
		1,592,703	1,819,906
Earnings per share:			
Basic and diluted earnings per share (Qatari Riyals)	30	**14.69**	14.02

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share capital	Legal reserve	General reserve	Cash flow hedge re-serve	Fair value reserve	Retained earings	Total	Non-con-trolling interests	Total equity
	QAR'000	*QAR'000*	*QAR'000*	*QAR'000*	*QAR'000*	*QAR'000*	*QAR'000*	*QAR'000*	*QAR'000*
Balance at 1 January 2017	1,100,000	550,000	3,241,834	(1,557,002)	219,328	4,720,969	8,275,129	253,871	8,529,000
Profit for the year	-	-	-	-	-	1,616,176	1,616,176	23,317	1,639,493
Other comprehensive income/ ((loss	-	-	-	49,414	(96,204)	-	(46,790)	-	(46,790)
Total comprehensive income for the year	-	-	-	49,414	(96,204)	1,616,176	1,569,386	23,317	1,592,703
Dividends relating to year (2016 (Note 31	-	-	-	-	-	(825,000)	(825,000)	(26,970)	(851,970)
Contribution to social and sports support fund for 2017 ((Note 32	-	-	-	-	-	(37,635)	(37,635)	-	(37,635)
Balance at 31 December 2017	**1,100,000**	**550,000**	**3,241,834**	**(1,507,588)**	**123,124**	**5,474,510**	**8,981,880**	**250,218**	**9,232,098**

The notes 1 to 37 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to the equity holders of the parent								
	Share capital	Legal reserve	General reserve	Cash flow hedge reserve	Fair value reserve	Retained earings	Total	Non-controlling interests	Total equity
	QAR'000	*QAR'000*	*QAR'000*	*QAR'000*	*QAR'000*	*QAR'000*	*QAR'000*	*QAR'000*	*QAR'000*
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
Profit for the year	-	-	-	-	-	1,541,988	1,541,988	31,357	1,573,345
Other comprehensive income	-	-	-	202,477	44,084	-	246,561	-	246,561
Total comprehensive income for the year	-	-	-	202,477	44,084	1,541,988	1,788,549	31,357	1,819,906
Dividends relating to year (2015 (Note 31	-	-	-	-	-	(825,000)	(825,000)	(33,534)	(858,534)
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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 QAR'000	2016 QAR'000
OPERATING ACTIVITIES			
Profit for the year		**1,639,493**	1,573,345
Adjustments for:	5	**444,831**	418,922
Depreciation of property, plant and equipment	8	**(566,863)**	(372,312)
Share of profits of joint ventures	23	**27,380**	6,249
Provision for employees' end of service benefits		**-**	(6,792)
Deferred income	27	**(16,052)**	(11,940)
Dividend income on available-for-sale financial assets	27	**-**	(2,676)
Profit from available-for-sale financial assets		**(337)**	(14,398)
Profit on disposal of property, plant and equipment	7	**5,970**	5,970
Amortization of intangible assets	12	**48,408**	33,035
Provision for slow moving inventories	28	**2,015**	2,013
Amortization of non-current assets	27	**(94,733)**	(42,769)
Interest income	29	**173,148**	144,306
Interest expense		**1,663,260**	1,732,953
Operating profit before working capital changes Working capital adjustments:			
Inventories		**1,758**	(136,134)
Trade and other receivables		**(178,121)**	213,975
Finance lease receivables		**124,273**	146,477
Trade and other payables		**(155,843)**	(80,526)
Cash flows from operating activities		**1,455,327**	1,876,745
Employees' end of service benefits paid	23	**(6,198)**	(2,377)
Net cash flows from operating activities		**1,449,129**	1,874,368
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	5	**(59,190)**	(835,400)
Proceeds from disposal of property, plant and equipment		**492**	14,398
Dividends received on available-for-sale financial assets	27	**16,052**	11,940
Dividends received from joint ventures	8	**283,582**	278,205
Investments in a joint venture	8	**(2,187)**	-
Purchase of available-for-sale financial assets	9	**(286,637)**	(139,956)

The notes 1 to 37 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 *QAR'000*	2016 *QAR'000*
Proceeds from disposal of available-for sale financial assets		**-**	20,007
Interest received	27	**94,733**	42,769
Net movement in term deposits maturing over 90 days		**(625,702)**	(1,945,911)
Net cash used in investing activities		**(578,857)**	(2,553,948)
FINANCING ACTIVITIES			
Net movements in interest bearing loans and borrowings		**(45,870)**	996,742
Dividends paid	31	**(825,000)**	(825,000)
Dividends paid to non-controlling interests	20	**(26,970)**	(33,534)
Interest paid		**(173,148)**	(144,306)
Net cash used in financing activities		**(1,070,988)**	(6,098)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(200,716)**	(685,678)
Cash and cash equivalents at 1 January		**764,737**	1,450,415
Cash and cash equivalents at 31 December	14	**564,021**	764,737

The notes 1 to 37 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. REPORTING ENTITY

Qatar Electricity and Water Company Q.P.S.C. ("the Company") is a Qatari Shareholding Company incorporated in the State of Qatar under commercial registration number 14275. The Company commenced its commercial operations in March 1992. The registered office of the Company is located at Al-Markhiya Street, Madinah Khalifah North Area, Doha, State of Qatar., Doha, State of Qatar. The Company's shares are listed on the Qatar Stock Exchange since 3 May 1998.

The company was previously known as Qatar Electricity & Water Company Q.S.C. As per the Qatar Commercial Companies Law No. 11 of 2015 requirement the legal status of the Company has changed in to "Qatar Public Shareholding Company" after the amendment made in to the Article of Association on 06 March 2017.

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

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

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

Name of entities	Principal activity	Country of incorporation	Ultimate ownership interest	
			2016	2017
Qatar Power Q.S.C.	Generation of electricity & production of desalinated water	Qatar	55%	55%
Mesaieed Power Company Q.S.C.	Generation of electricity	Qatar	40%	40%
Ras Girtas Power Company Q.S.C.	Generation of electricity & production of desalinated water	Qatar	45%	45%
Nebras Power Q.S.C.	Investments in electricity and desalinated water projects outside the State of Qatar	Qatar	60%	60%
Umm Al Houl Power Q.S.C.	Generation of electricity & production of desalinated water	Qatar	60%	60%
Siraj Energy	Identifying, evaluating & development of Solar power opportunities.	Qatar	60%	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Group's consolidated financial statements for the year ended 31 December 2017 were authorised for issue by the Board of Directors on 31 January 2018.

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. The agreement has expired on 10 October 2017 and both the parties agreed to extend the agreement until 30 June 2018.

(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.

The Company discontinued the operations of the Ras Abu Fontas "A" station with effect from 31 December 2017 as the agreement with KAHRAMAA expired on 31 December 2017.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(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. (2017 -60% and 2016 -60%)
- Qatar Petroleum International Limited Q.S.C. (2017 -0% and 2016 -20%)
- Qatar Holding L.L.C. (2017 -40% and 2016 -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 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%)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(13) On 25 September 2017, Siraj Energy was incorporated as a Joint Venture Company for the purpose of Identifying, evaluating and development of solar power opportunities in the State of Qatar. The percentage shareholdings in Siraj Energy is 60% as at the current year reporting date (2016 –Nil).

3. BASIS OF PREPARATION

a) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB) and applicable requirements of Qatar Commercial Companies Law No. 11 of 2015.

b) Basis of measurement

The consolidated financial statements are prepared under the historical cost convention, except for available-for-sale financial assets and derivative financial instruments which are measured at fair value.

c) Functional and presentation currency

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

d) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affects the amounts reported in the consolidated financial statements and accompanying notes. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Judgments are made by management on the developments, selection and disclosure of the Group's critical accounting policies and the application of these policies and estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised of the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

The Group's 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 the foreseeable future. Furthermore, the 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 consolidated financial statements continue to be prepared on a going concern basis.

Useful life 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 goodwill
Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Impairment of available- for-sale investments
The Group treats available-for-sale investments as impaired when there has been a significant or prolonged decline in fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment.

Impairment of investment in the joint ventures
The Group determines, at each reporting date, whether there is any objective evidence that the investment in joint ventures is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint ventures and their carrying value and recognises that amount in the 'share of results of joint ventures' in the consolidated income statement.

Finance lease receivable
The Group's management determines estimated future cash flows in respect of capacity charge for calculating effective interest rate of finance lease. This estimate is determined after considering the expected Scheduled and Forced outage of power supply in the future years. Management reviews the estimates annually while any difference between the estimated finance lease income and actual finance lease income is charged directly to the statement of comprehensive income of the respective period.

Impairment of non-financial assets (other than inventories and property, plant and equipment)
The carrying amounts of the Groups's non-financial assets 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

3. BASIS OF PREPARATION (CNTD.)

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.

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

Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

Changes in accounting policies and disclosures

New and amended standards and interpretations
The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS recently issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) interpretations effective as of 1 January 2017

The nature and the impact of each new standard and amendment are described below:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative
The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. BASIS OF PREPARATION (CNTD.)

of some assets for more than their carrying amount. The Group applied amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

Annual Improvements Cycle – 2014-2016
Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. As at 31 December 2017, these amendments did not affect the Group's financial statements.

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

Effective date	Topics
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 9 Financial Instruments	1 January 2018
IFRS 2 Classification and Measurement of Share-based-Payment Transactions – Amendments to IFRS 2	1 January 2018
Transfers of Investment Property — Amendments to IAS 40	1 January 2018
IFRS 16 Leases	1 January 2019
IFRS 17 Insurance Contracts	1 January 2021
Annual Improvements 2014-2016 Cycle	
IFRS 1 First-time Adoption of International Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters	1 January 2018
IAS 28 Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice	1 January 2018
Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – Amendments to IFRS 4	1 January 2018
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRIC Interpretation 23 Uncertainty over Income Tax Treatment	1 January 2019

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The Group did not early adopt any standards, interpretations or amendments that have been issued but are not yet effective. However, the Group has carried out assessment of the impact of application of major standards, IFRA 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on its financial statements and disclosed below:

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

The Group plans to adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Group has performed a detailed impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group will adopt IFRS 9. Overall, the Group expects no significant impact on its statement of financial position and equity except for the effect of applying the impairment requirements of IFRS 9. The Group expects an increase in the loss allowance resulting in a negative impact on equity as discussed below. In addition, the Group does not expect any classification changes due to the new IFRS adoption.

(a) Classification and measurement

The Group does not expect a significant impact on its statement of financial position or statement of changes in equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. Quoted equity shares currently held as available-for-sale with gains and losses recorded in OCI will continue as the Group will apply the option to present fair value changes in OCI, and, therefore, the application of IFRS 9 will not have a significant impact on classification of financial assets.

Trade receivables and term deposits are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

(b) Impairment

IFRS 9 requires the Group to record expected credit losses on all of its terms deposits, trade receivables and lease receivables. The Group will apply the simplified approach and record lifetime expected losses on all trade receivables and General approach to determine credit losses on terms deposits and lease receivables.

(c) Hedge accounting

The Group determined that all existing hedge relationships that are currently designated in effective hedging relationships will continue to qualify for hedge accounting under IFRS 9. The Group has chosen not to retrospectively apply IFRS 9 on transition to the hedges where the Group excluded the forward points from the hedge designation under IAS 39. As IFRS 9 does not change the general principles of how an entity accounts for effective

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. BASIS OF PREPARATION (CNTD.)

hedges, applying the hedging requirements of IFRS 9 will not have a significant impact on Group's financial statements.

(d) Expected impact
The Group estimates that its transition impact approximately in the range of 0.5% to 0.8% of opening retained earnings on the date of initial application resulting from expected credit losses on financial assets.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.
The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. During 2017, the Group estimated the impact of adoption of IFRS 15. The actual impact of adopting the standards at 1 January 2018 may change.

The Group's activities are to production of electricity and desalinated water for supplying them to the state owned "Qatar General Electricity and Water Corporation'' (otherwise known as "KAHRAMAA") under a different Power and Water Purchase Agreements ("PWPA").

Management has assessed the effects of applying the new standard on the Group's financial statements and has identified the following areas that will be affected:

Supply of electricity and desalinated water

Revenue from the capacity availability

The Group has assessed the impact of IFRS 15 and expects that the standard will have no material effect, when applied, on the consolidated financial statements of the Group.

The Group plans to adopt the new standard on 1 January 2018, mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

IFRS 16 Leases
IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

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Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. The Group is currently performing an initial assessment of the potential impact of the adoption of IFRS 16 on its consolidated financial statements.

4. SUMMARY OF 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.

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.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CNTD.)

Interest in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its joint ventures are accounted for using the equity method.

Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the statement of profit or loss within operating profit and represents profit or loss after tax and non- controlling interests in the subsidiaries of the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognises the loss as 'Share of profit of a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CNTD.)

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 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, if any.

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, if any.

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) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CNTD.)

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.

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 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.

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 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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CNTD.)

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CNTD.)

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. 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 are charged to profit or loss in the year to which they relate. In addition, the Group provides end of service benefits to its Qatari employees in accordance with requirements of respective local laws and guidance. The entitlement to these benefits is based upon the employees' final salary and length of personal service, subject to the completion of 20 years personal service and are subject to the employees on termination of their employment. The expected cost of these benefits are accrued upon completion of 20 years for each exceeded years.

l) Provisions

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

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CNTD.)

- Sales from RAF A, Al Saliyah and Doha South Super 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 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) 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.

o) Borrowing costs

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

p) 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.

q) 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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CNTD.)

r) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
  or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

s) Current versus non-current classification

The Group presents assets and liabilities based on current/non-current classification. An asset is current when it is:

- Expected to be recognise or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be recognise within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least
  twelve months after the reporting period

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the
  reporting period

The Group classifies all other liabilities as non-current.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

5. PROPERTY, PLANT AND EQUIPMENT

	Production facilities (A)	Furniture, fixtures and office equipment	Motor vehicles	"C" inspection costs (B)	Capital spares	Capital work in progres	Total
	QAR'000	*QAR'000*	*QAR'000*	*QAR'000*	*QAR'000*	*QAR'000*	*QAR'000*
Cost							
At 1 January 2017	10,686,488	34,080	6,702	284,251	50,487	417,333	11,479,341
Additions	-	495	2,007	1,465	-	55,223	59,190
Reclassification	419,896	-	-	-	-	(419,896)	-
Disposals	-	-	(1,871)	-	-	-	(1,871)
At 31 December 2017	11,106,384	34,575	6,838	285,716	50,487	52,660	11,536,660
Accumulated depreciation							
At 1 January 2017	5,104,377	30,359	5,885	183,437	24,894	-	5,348,952
Depreciation	384,771	1,214	760	54,549	3,537	-	444,831
Disposals	-	-	(1,716)	-	-	-	(1,716)
At 31 December 2017	5,489,148	31,573	4,929	237,986	28,431	-	5,792,067
Net carrying amounts							
At 31 December 2017	5,617,236	3,002	1,909	47,730	22,056	52,660	5,744,593
Cost							
At 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	1,096,505	-	-	-	-	(1,096,505)	-
Disposals	(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 2016	4,777,258	28,364	5,567	125,855	21,368	-	4,958,412
Depreciation	355,102	1,995	717	57,582	3,526	-	418,922
Disposals	(27,983)	-	(399)	-	-	-	(28,382)
At 31 December 2016	5,104,377	30,359	5,885	183,437	24,894	-	5,348,952
Net carrying amounts							
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

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.

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)).

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, 01 January 2003.

(iii) Ras Abu Fontas A3 (RAF A3) plant construction was partially completed in year 2016 and started generating revenue while partially completed and the plant was commissioned in 2017. Therefore, during 2017 the cost of construction was fully reclassified from capital work in progress to production facilities.

(iv) The Company discontinued the operations of the Ras Abu Fontas "A" station with effect from 31 December 2017 as the agreement with KAHRAMAA expired on 31 December 2017. The net book value of plant as at 31 December 2017 is Nil (2016: QR 209 thousand).

During the year, the plant has contributed QR 404,021 thousand (2016: QR 438,028 thousand) to the Group's revenue and QR 182,431 thousand (2016: QR 250,507 thousand) to the cost of sales.

(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:

	2017	2016
	QAR'000	*QAR'000*
Cost of sales (Note 26)	**443,265**	417,499
General and administrative expenses (Note 28)	**1,566**	1,423
	444,831	418,922

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. INVESTMENT PROPERTY

	2017	2016
	QAR'000	QAR'000
Land	174,901	174,901

Investment property comprises a plot of land in Lusail. Based on an internal valuation exercise performed, the fair value of this investment property as at 31 December 2017 was QR 457 million (2016: QR 457 million).

7. INTANGIBLE ASSETS AND GOODWILL

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

	2017	2016
	QAR'000	QAR'000
Intangible assets (1)	71,642	77,612
Goodwill (2)	30,813	30,813
Total	**102,455**	108,425

(1) Intangible assets

	2017	2016
	QAR'000	QAR'000
Cost:		
At 31 December	113,430	113,430
Amortisation:		
At 1 January	35,818	29,848
Amortisation (Note 28)	5,970	5,970
At 31 December	41,788	35,818
Net carrying amount:		
At 31 December	**71,642**	77,612

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. INTANGIBLE ASSETS AND GOODWILL (CNTD.)

(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. on 20 October 2010. No impairment allowance on goodwill was recognized from the date of acquisition as Ras Laffan Power Company Q.S.C. contributed QR 1,290 million (2016: QR 1,098 million) to the profit of the Group from the date of acquisition.

8. INVESTMENTS IN JOINT VENTURES

The Group has the following investments in joint ventures:

	Country of incorporation	Group effective ownership %	**2017 QAR'000**	2016 QAR'000
Nebras Power Q,S,C,	Qatar	60%	**2,534,386**	2,319,847
Qatar Power Q,S,C,	Qatar	55%	**405,155**	387,649
Umm Al Houl Power Q,S,C, (Note i)	Qatar	60%	**177,032**	117,142
Ras Girtas Power Company Q,S,C,	Qatar	45%	**17,337**	-
Siraj Energy (Note ii)	Qatar	60%	**2,187**	-
Mesaieed Power Company Q,S,C, (Note iii)	Qatar	40%	**-**	-
			3,136,097	2,824,638

Notes:

(i) Umm Al Houl Power Q.S.C. has partially commissioned its operations during the months of April, June and August 2017 and is expected to be fully commissioned during the year 2018.

(ii) Iinvestment in Siraj Energy is carried at cost as the Company has not commenced the intended operation as at 31 December 2017.

(iii) The carrying values of the 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. INVESTMENTS IN JOINT VENTURES (CNTD.)

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

	2017	2016
	QAR'000	*QAR'000*
At 1 January	**2,824,638**	2,626,834
Investments made	**2,187**	-
Share of profit for the year	**566,863**	372,312
Share of profit for the year in other comprehensive income	**25,991**	103,697
Dividend received	**(283,582)**	(278,205)
At 31 December	**3,136,097**	2,824,638

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. INVESTMENTS IN JOINT VENTURES (CNTD.)

As at 31 December 2017

	Qatar Power ,Q,S,C	Mesaieed Power Company ,Q,S,C	Ras Girtas Power Company Q,S,C,	Nebras Power Q,S,C,	Umm Al Houl Power Q,S,C,	Siraj Energy	Total
	QAR'000	*QAR'000*	*QAR'000*	*QAR'000*	*QAR'000*	*QAR'000*	*QAR'000*
Summarised statement of financial position							
Non-Current Assets	1,809,595	6,615,543	11,847,357	2,962,399	9,403,445	-	32,638,339
Current assets	547,815	831,976	1,150,483	3,203,190	767,097	3,645	6,504,206
Non-Current Liabilities	1,229,182	5,576,411	9,806,161	1,360,855	7,392,061	-	25,364,670
Current Liabilities	391,582	2,003,758	3,153,152	603,503	2,483,427	-	8,635,422
Equity	736,646	(132,650)	38,527	4,201,231	295,054	3,645	5,142,453
Group's interest	405,155	-	17,337	2,520,738	177,032	2,187	3,122,449
Consolidation adjustment	-	-	-	13,648	-	-	13,648
Carrying value of investments	**405,155**	**-**	**17,337**	**2,534,386**	**177,032**	**2,187**	**3,136,097**
Summarised statement of comprehensive income							
Revenue	762,928	1,079,557	2,343,431	-	351,763	-	4,537,679
Profit for the year	150,291	204,205	337,058	326,398	91,677	-	1,109,629
Other comprehensive income for the year	41,918	(127,660)	67,589	31,167	8,142	-	21,156
Total comprehensive income	192,209	76,545	404,647	357,565	99,819	-	1,130,785
Group's share of profit	82,660	81,682	151,676	195,839	55,006	-	566,863
Group's share of other comprehensive income	23,055	(51,064)	30,415	18,700	4,885	-	25,991

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. INVESTMENTS IN JOINT VENTURES (CNTD.)

For the year ended 31 December 2016

	Qatar Power ,Q,S,C	Mesaieed Power Company ,Q,S,C	Ras Girtas Power Company Q,S,C,	Nebras Power Q,S,C,	Umm Al Houl Power Q,S,C,	Siraj Energy	Total
	QAR'000	*QAR'000*	*QAR'000*	*QAR'000*	*QAR'000*	*QAR'000*	*QAR'000*
Summarised statement of financial position							
Non-Current Assets	1,991,161	6,824,258	12,034,931	4,995,026	7,126,800	-	32,972,176
Current assets	507,741	908,132	964,725	789,698	319,620		3,489,916
Non-Current Liabilities	1,509,504	7,211,518	12,558,687	1,398,351	6,823,648	-	29,501,708
Current Liabilities	284,581	966,353	607,306	542,708	427,536	-	2,828,484
Equity	704,817	(445,481)	(166,337)	3,843,665	195,236	-	4,131,900
Group's interest	387,649	-	-	2,306,199	117,142	-	2,810,990
Consolidation adjustment	-	-	-	13,648	-	-	13,648
Carrying value of investments	387,649	-	-	2,319,847	117,142	-	2,824,638
Summarised statement of comprehensive income							
Revenue	763,172	1,008,685	2,309,819	173,338	-	-	4,255,014
Profit for the year	137,002	203,910	362,640	110,810	(23,795)	-	790,567
Other comprehensive income for the year	53,045	(131,010)	(16,364)	8,428	215,388	-	129,487
Total comprehensive income	190,047	72,900	346,276	119,238	191,593	-	920,054
Group's share of profit	75,351	81,564	163,188	66,486	(14,277)	-	372,312
Group's share of other comprehensive income	29,175	(52,404)	(7,364)	5,057	129,233	-	103,697

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017	2016
	QAR'000	*QAR'000*
At 1 January	**511,144**	344,435
Additions	**286,637**	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	**(96,204)**	44,084
	701,577	511,144

During the year, there was a dividend income of QR 16,052 thousand (2016: QR 11,940 thousand) 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 receivable (Finance lease receivable) as at the reporting date is as follows:

	2017	2016
	QAR'000	*QAR'000*
Gross investment in the lease	**2,107,856**	2,365,223
Unearned finance income	**(741,524)**	(874,618)
Present value of minimum lease receivable	**1,366,332**	1,490,605

The discount rate used by the subsidiary was 9.32% per annum (2016: 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 KAHRAMAA (lessee). The finance lease receivables at the end of the reporting period were neither past due nor impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

10. FINANCE LEASE RECEIVABLES (CNTD.)

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

	2017	2016
	QAR'000	*QAR'000*
Current portion	**117,487**	124,273
Non-current portion	**1,248,845**	1,366,332
	1,366,332	1,490,605

The non-current portion is further analysed as follows:

	2017	2016
	QAR'000	*QAR'000*
Later than one year and not later than five years	**450,426**	543,026
Later than five years	**798,419**	823,306
	1,248,845	1,366,332

11. OTHER ASSETS

In October 2010 Ras Laffan Operating Company W.L.L. (RLOC), one of the Group'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:

	2017	2016
	QAR'000	*QAR'000*
At 1 January	**19,858**	21,871
Amortization (Note 28)	**(2,015)**	(2,013)
At 31 December	**17,843**	19,858

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. INVENTORIES

	2017 QAR'000	2016 QAR'000
Spare parts	550,005	550,775
(Less: Provision for slow-moving inventories (1	(323,835)	(275,427)
	226,170	275,348
Chemicals	2,062	3,035
Consumables	2,596	2,611
Total	230,828	280,994

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

	2017 QAR'000	2016 QAR'000
At 1 January	275,427	265,929
Provision made (Note 28)	48,408	33,035
Provision utilized	-	(23,537)
At 31 December	323,835	275,427

Spare parts includes the inventory relating to the RAF "A" plant amounting to QR 94,169 thousand (2016: QR 96,974 thousand). The Company discontinued the operations of the Ras Abu Fontas "A" with effect from 31 December 2017 and has made full provision on the remaining inventory balance as at 31 December 2017. (2016: QR 66,715 thousand).

13. TRADE AND OTHER RECEIVABLES

	2017 QAR'000	2016 QAR'000
Trade receivables (1)	761,610	602,345
Prepayments and advances	90,524	71,668
Total	852,134	674,013

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. TRADE AND OTHER RECEIVABLES (CNTD.)

(1) at 31 December, the ageing analysis of trade receivables is, as follows:

	Total	*Neither past due nor impaired*	*Past due but not impaired* 61 - 90 days	91 - 180 days	181 - 365 days	>365 days
	QAR'000	*QAR'000*	*QAR'000*	*QAR'000*	*QAR'000*	*QAR'000*
2017	**761,610**	**743,481**	**3,108**	**8,894**	**6,063**	**64**
2016	602,345	601,974	-	-	41	330

14. BANK BALANCES AND CASH

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	2017	2016
	QAR'000	*QAR'000*
Cash at bank – call and current accounts	**313,287**	604,449
Short-term deposits (Note i)	**3,122,700**	2,406,515
Cash in hand	**30**	67
Bank balances and cash	**3,436,017**	3,011,031
Less: Term deposits maturing over 90 days (Note ii)	**(2,871,996)**	(2,246,294)
Cash and cash equivalents	**564,021**	764,737

Note:

(i) Short term deposits are made for varying terms depending on the immediate cash requirements of the Group and earn interest at market rates.

(ii) Terms deposits made by th Company with original maturity over 90 days and earn interest at market rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. SHARE CAPITAL

	2017 QAR'000	2016 QAR'000
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 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.

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.

	2017 QAR'000	2016 QAR'000
Balance at 1 January	**(1,557,002)**	(1,759,479)
Share of other comprehensive income from joint ventures	**25,991**	103,697
Net changes in fair value of interest rate swaps of the parent	**23,423**	98,780
Balance at 31 December	**(1,507,588)**	(1,557,002)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

	2017	2016
	QAR'000	*QAR'000*
Balance at 1 January	**219,328**	175,244
Fair value (loss)/gain for the year	**(96,204)**	44,084
Balance at 31 December	**123,124**	219,328

20. NON-CONTROLLING INTEREST

Proportion of equity interest held by non-controlling interests are as follows:

	2017	2016
	QAR'000	*QAR'000*
Ras Laffan Power Company Q,S,C,		
Balance as at 1 January	**253,871**	256,048
Profit for the year	**23,317**	31,357
Dividend paid during the year	**(26,970)**	(33,534)
Balance as at 31 December	**250,218**	253,871

The financial information of group's subsidiary that has material non-controlling interests are provided below.

The summarised financial information below represents amounts before intragroup eliminations.

	2017	2016
	QAR'000	*QAR'000*
Non-current assets	**1,249,899**	1,368,150
Current assets	**212,631**	254,895
Non- current liabilities	**49,663**	166,868
Current liabilities	**161,781**	186,811
Equity	**1,251,086**	1,269,366
Equity attributable to owners to the Company	**1,000,868**	1,015,495
Non-controlling interests	**250,218**	253,871
Total Equity	**1,251,086**	1,269,366

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2017 QAR'000	2016 QAR'000
Revenue	**458,258**	506,741
Profit for the year	**116,584**	156,571
Profit attributable to owners of the Company	**93,267**	125,214
Profit attributable to non-controlling interests	**23,317**	31,357
Profit for the year	**116,584**	156,571

21. INTEREST BEARING LOANS AND BORROWINGS

	2017 QAR'000	2016 QAR'000
Loan (1)	**1,193,331**	1,247,792
Loan (2)	**585,913**	636,087
Loan (3)	**292,322**	317,355
Loan (4)	**166,868**	292,019
Loan (5)	**531,912**	548,552
Loan (6)	**885,278**	912,972
Loan (7)	**911,250**	911,250
Loan (8)	**831,060**	792,788
Loan (9)	**345,774**	315,327
Loan (10)	**182,250**	-
Total interest bearing loans and borrowings	**5,925,958**	5,974,142
Less: Financing arrangement costs	**(59,878)**	(62,192)
	5,866,080	5,911,950

The interest bearing loans and borrowings are classified in the consolidated statement of financial position as follows:

	2017 QAR'000	2016 QAR'000
Current portion	**1,424,286**	1,237,363
Non-current portion	**4,441,794**	4,674,587
	5,866,080	5,911,950

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(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 2017 amounted to USD 327 million or QR 1,193 million (2016: USD 342 million or QR 1,248 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 payable in semi-annual installments over the period of 23 years commencing from 1 December 2008.

(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 2017 amounted to USD 160.7 million or QR 586 million (2016: USD 175 million or QR 636 million). The loan is repayable in semi-annual installments over the period of 17 years 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 2017 amounted to USD 80 million or QR 292 million (2016: USD 87 million or QR 317 million).

(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 on the plant facilities built by Ras Laffan Power Company Q.S.C. on a land leased from Qatar Petroleum. The total amount payable as at 31 December 2017 amounted to USD 45.78 million or QR 167 million (2016: USD 80.12 million or QR 292 million).

(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 2017 amounted to USD 146 million or QR 532 million (2016: USD 150 million or QR 549 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 2017 amounted to USD 243 million or QR 885 million (2016: USD 250 million or QR 913 million). The loan is repayable in quarterly installments over the period of 20 years started from 9 June 2016.

(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 repayable on or before the

termination date, which was on 8 December 2016. On 5 December 2016, the Company has extended the agreement till 8 December 2017 with an interest of LIBOR plus 0.35%. On 6 December 2017 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 0.50%.

(8) On 4 July 2016, the Company entered into a credit facility with a consortium of banks to finance its RAF A3 plant facilities. This term loan facility of USD 294 million carries interest at LIBOR plus 1.75%. As at 31 December 2017, the Company draw down USD 228 million or QR 831 million from the facility. The loan is payable in quarterly installments over the period of 270 months commencing from 09 January 2008.

(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 2017, the Company draw down USD 95 million or QR 345 million from the facility. The loan is payable in quarterly installments over the period of 270 months commencing from 09 January 2008.

(10) On 15 February 2017, the Company entered into a credit facility with a DBS Bank Ltd, Dubai This term loan facility of USD 50 million carries interest at LIBOR plus 0.5%. The total amount payable as at 31 December 2017 amounted to USD 50 million or QR 182.5 million (31 Dec 2016: Nil). The loan is payable on 14 February 2018.

22. FAIR VALUE OF DERIVATIVES

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

	2017	2016
	QAR'000	*QAR'000*
Assets		
Current portion	**2,374**	-
Non-current portion	**34,856**	-
	37,230	-
Liabilities		
Current portion	**15,297**	20,277
Non-current portion	**27,069**	8,282
	42,366	28,559

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. EMPLOYEES' END OF SERVICE BENEFITS

	2017 QAR'000	2016 QAR'000
At 1 January	52,803	48,931
Provision made	27,380	6,249
Payments made during the year	(6,198)	(2,377)
At 31 December	73,985	52,803

24. TRADE AND OTHER PAYABLES

	2017 QAR'000	2016 QAR'000
Trade payables	149,706	200,935
Other payables and accrued expenses	352,743	425,909
Provision for social and sports support fund	37,635	34,593
Dividend payable to shareholders	37,924	35,588
Pension contributions for the Qatari employees	7,470	6,661
	585,478	703,686

25. REVENUE

	2017 QAR'000	2016 QAR'000
Sales of desalinated water	1,508,049	1,459,333
Sales of electricity	1,437,248	1,505,023
Share of lease income (Ras Laffan Power Company Q,S,C,)	125,445	138,793
	3,070,742	3,103,149

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. COST OF SALES

	2017 QAR'000	2016 QAR'000
Cost of gas consumed	**824,537**	871,566
Depreciation of property, plant and equipment (Note 5)	**443,265**	417,499
Staff costs	**192,065**	180,050
Spare parts, chemicals and consumables	**96,543**	96,014
Others	**198,428**	135,461
	1,754,838	1,700,590

27. OTHER INCOME

	2017 QAR'000	2016 QAR'000
Interest income	**94,733**	42,769
Dividend income from available-for-sale financial assets (Note 9)	**16,052**	11,940
Profit on disposal of property, plant and equipment	**337**	14,398
Deferred income	**-**	6,792
Profit on sale of available- for- sale financial assets	**-**	2,676
Miscellaneous income (Note i)	**45,549**	69,239
	156,671	147,814

Note i

In 2016, the Company received liquidated damages pertaining to the RAF A1 project from KAHRAMAA amounting to QR 42 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. GENERAL AND ADMINISTRATION EXPENSES

	2017	2016
	QAR'000	*QAR'000*
Staff costs	**100,038**	95,884
Provision for slow moving inventories (Note 12)	**48,408**	33,035
Insurance	**12,938**	12,749
Board of directors' remuneration	**11,750**	11,750
Amortization of intangible assets (Note 7)	**5,970**	5,970
Recruitment and training expenses	**4,512**	6,595
Rent expense	**3,600**	3,600
Donations	**2,368**	3,658
Amortization of non-current assets (Note 11)	**2,015**	2,013
Professional fees	**1,944**	3,742
Repairs and maintenance	**1,870**	2,230
Telephone postage and couriers	**1,851**	1,653
Depreciation of property, plant and equipment (Note 5)	**1,566**	1,423
Advertisement and public relation expenses	**1,128**	876
Provision for liquidity damages	**1,119**	-
Subscription and licenses	**844**	683
Office expenses	**468**	454
Miscellaneous expenses	**17,278**	14,661
	219,667	200,976

29. FINANCE COSTS

	2017	2016
	QAR'000	*QAR'000*
Interest expense	**173,148**	144,306
Bank charges	**7,130**	4,058
	180,278	148,364

30. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share is arrived by dividing the profit attributable to the equity holders of the Group for the year by the weighted average number of ordinary shares outstanding during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2017	2016
	QAR'000	*QAR'000*
Profit for the year attributable to equity holders of the Company	**1,616,176**	1,541,988
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)	**14,69**	14,02

* During the year, there is no increase or decrease in share capital and accordingly weighted average number of ordinary shares equals to the authorized and issued share capital (Note 15).

Diluted earnings per share

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

31. DIVIDENDS

During the year, the Company declared and paid a cash dividend of QR 7.50 per share totalling to QR 825.0 million (2016: QR 7.5 per share totalling to QR 825 million).

The proposed final dividend QR 7.75 per share amounting to QR 852.5 million for year 2017 (2016 – QR 825 million) will be submitted for formal approval at the next Annual General Meeting of the Company and not recognised as a liability as at 31 December 2017.

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 37.6 million (2016: QR 34.7 million) to the Social and Sports Development Fund of Qatar.

33. SEGMENTAL INFORMATION

The Group operates integrated plants for the generation of electricity and desalination of water in the State of Qatar. The water desalination process is completely dependent upon electricity generation. The electricity generation and water desalination processes are interrelated and are subject to similar risks and returns. Consequently, the Group presents both generation of electricity and production of desalinated water as a single operating segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. COMMITMENTS AND CONTINGENT LIABILITIES

	2017	2016
	QAR'000	*QAR'000*
(a) Commitments:		
Capital commitments (i)	**-**	118,883
Capital commitments (ii)	**940,410**	-
(b) Contingent liabilities:		
Bank guarantees, corporate guarantees and documentary credits	**285,130**	190,317
(c)Other commitments:		
Derivative financial instruments:		
Interest rate swaps (notional amount)	**1,965,756**	1,842,202

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

(ii) Based on the shareholders' agreement entered on 13 May 2015 between the Company, Qatar Petroleum, Qatar foundation for Education, Science and Commodity Development and K1 Energy Limited, the Company has committed to subscribe to the capital of QR 1,567 million (USD 430 million) in accordance with a Shareholder Financing Plan. Accordingly, the Company has committed contribute QR 940 million (USD 258 million).

(iii) The Company entered into a shareholders agreement with Qatar Petroleum to establish Siraj Energy, a Qatari Private Shareholding Company with an authorised share capital of QR 1,823 million (USD 500 million). Siraj Energy will engage in owning and operating a solar energy power plant. As at 31 December 2017, the Company committed to invest in 60% stake in the share capital of Siraj Energy.

35. RELATED PARTY DISCLOSURES

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Nature of the relationship	Nature of the transactions	2017	2016
			QAR'000	QAR'000
KAHRAMAA	Shareholder	Sale of electricity	1,437,248	1,505,023
		Sale of desalinated water	1,494,383	1,445,078
		Lease income	125,445	138,793
			3,057,076	3,088,894
Qatar Petroleum	Shareholder	Sale of desalinated water	13,666	14,255
Qatar Petroleum	Shareholder	Cost of gas consumed/take or pay gas	824,537	871,566

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

		2017 QAR'000		2016 QAR'000	
	Nature of the relationship	Trade and other receivables	Trade payable and accrued expenses	Trade and other receivables	Trade payable and accrued expenses
KAHRAMAA	Shareholder	931,157	364	806,696	3,152
Qatar Petroleum	Shareholder	1,086	116,704	3,420	144,369
Nebras Power Q,S,C,	Joint venture	12,625	11,104	-	5,008
Umm Al Houl Power Q,S,C,	Joint venture	12,865	-	6,831	-
Ras Gitras Power Company Q,S,C,	Joint venture	1,783	-	2,797	-
Qatar Power Q,S,C,	Joint venture	982	-	959	-
Mesaieed Power Company Q,S,C,	Joint venture	650	-	645	-
		961,148	128,172	821,348	152,529

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	2017	2016
	QAR'000	QAR'000
Management remuneration	5,705	4,570
Directors' fees	11,750	11,750
	17,455	16,320

36. FINANCIAL RISK AND CAPITAL MANAGEMENT

a) Financial risk management

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets trade and other receivables, and cash and short-term deposits that derive directly from its operations. The Group also holds AFS investments and enters into derivative transactions for hedging purposes.

The Group'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 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 is exposed to market risk, credit risk and liquidity risk and policies for managing each of these risks are summarized below.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. FINANCIAL RISK AND CAPITAL MANAGEMENT (CNTD.)

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:

	2017	2016
	QAR'000	*QAR'000*
Fixed rate instruments:		
Financial assets	**3,122,700**	2,406,515
Floating interest rate instruments:		
Interest bearing loans and borrowings	**(5,866,080)**	(5,911,950)
Effect of interest rate swaps	**1,965,756**	1,848,650
	(3,900,324)	(4,063,300)

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.

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 on the net interest income for one year, based on the floating rate financial assets and financial liabilities held at the end of each reporting period, including the effect of hedging instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. FINANCIAL RISK AND CAPITAL MANAGEMENT (CNTD.)

	Change in basis points	Effect on profit	Effect on equity
		QAR'000	QAR'000
2017			
Floating interest rate instruments	**+25**	**(14,665)**	**-**
Interest bearing loans and borrowings	**-25**	**14,665**	**-**
Interest rate swaps	**+25**	**4,914**	**4,914**
	-25	**(4,914)**	**(4,914)**
2016			
Floating interest rate instruments	+25	(14,780)	-
Interest bearing loans and borrowings	-25	14,780	-
Interest rate swaps	+25	4,622	4,622
	-25	(4,622)	(4,622)

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 2017	**Effect on equity 2017**	Change in equity price 2016	Effect on equity 2016
		QAR'000		QAR'000
Quoted shares	**10%**	**70,158**	10%	51,115

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. FINANCIAL RISK AND CAPITAL MANAGEMENT (CNTD.)

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.

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 undiscounted maturities of financial liabilities:

31 December 2017	Carrying amounts	Contractual cash flows	Less than 1 year	1 – 2 years	More than 2 years
Trade payables	**149,706**	**(149,706)**	**(120,210)**	**(28,038)**	**(1,458)**
Interest bearing loans and borrowings	**5,866,080**	**(5,866,080)**	**(1,424,286)**	**(274,609)**	**(4,167,185)**
Derivative financial instruments	**42,366**	**(46,103)**	**(17,070)**	**(7,087)**	**(21,946)**
	6,058,152	**(6,061,889)**	**(1,561,566)**	**(309,734)**	**(4,190,589)**

36. FINANCIAL RISK AND CAPITAL MANAGEMENT (CNTD.)

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

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 2017.

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.

	2017	2016
	QAR'000	*QAR'000*
Total borrowings	**5,866,080**	5,911,950
Less: Cash and cash equivalents	**(3,436,017)**	(3,011,031)
Net debt	**2,430,063**	2,900,919
Total equity to owners of the Company	**8,981,880**	8,275,129
Total equity and net debt	**11,411,943**	11,176,048
Gearing ratio	**21%**	26%

37. FAIR VALUES OF ASSETS AND LIABILITIES

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2017	Level 1 QAR'000	Level 2 QAR'000	Level 3 QAR'000	Total QAR'000
Financial assets measured at fair value:				
Available-for-sale investment securities	**701,577**	**-**	**-**	**701,577**
Positive fair value of interest rate swaps	**-**	**37,230**	**-**	**37,230**
	701,577	**37,230**	**-**	**738,807**
Financial liabilities measured at fair value:				
Derivative instruments:				
Negative fair value of interest rate swaps	**-**	**42,366**	**-**	**42,366**
	-	**42,366**	**-**	**42,366**

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

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

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

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