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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2018

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Interim condensed consolidated financial statements:

Building a better working world

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Qatar Electricity & Water Company Q.P.S.C. (the "Company") and its subsidiaries (the "Group"), comprising of the interim condensed consolidated statement of financial position as at 31 March 2018 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, interim consolidated statement of changes in equity and the interim consolidated statement of cash flows for the three month period then ended, and the related explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

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

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

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Date: 22 April 2018
Doha

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2018

	Notes	*31 March 2018 QAR'000 (Reviewed)*	*31 December 2017 QAR'000 (Audited)*
ASSETS			
Non-current assets			
Property, plant and equipment	6	**5,674,484**	5,744,593
Investment property	7	**174,901**	174,901
Intangible assets and goodwill		**100,962**	102,455
Investments in joint ventures	8	**3,530,524**	3,136,097
Equity investments at fair value through other comprehensive income		**862,581**	701,577
Finance lease receivables	9	**1,218,048**	1,248,845
Positive fair value of interest rate swaps for hedging	13	**46,825**	34,856
Other assets		**17,340**	17,843
		11,625,665	11,161,167
Current assets			
Inventories		**214,324**	230,828
Trade and other receivables		**694,789**	852,134
Finance lease receivables	9	**120,358**	117,487
Positive fair value of interest rate swaps for hedging	13	**5,616**	2,374
Cash and cash equivalents	10	**3,094,511**	3,436,017
		4,129,598	4,638,840
Total assets		**15,755,263**	15,800,007
EQUITY AND LIABILITIES			
Equity			
Share capital	11	**1,100,000**	1,100,000
Legal reserve		**550,000**	550,000
General reserve		**3,241,834**	3,241,834
Cash flow hedge reserve	13	**(1,093,266)**	(1,507,588)
Fair value reserve		**163,513**	123,124
Retained earnings		**5,012,029**	5,470,145
Equity attributable to equity holders of the parent		**8,974,110**	8,977,515
Non-controlling interests		**257,258**	250,218
Total equity		**9,231,368**	9,227,733

The attached notes 1 to 18 form part of these interim condensed consolidated financial statements.

	Notes	**31 March 2018 QAR'000 (Reviewed)**	*31 December 2017 QAR'000 (Audited)*
Liabilities			
Non-current liabilities			
Interest bearing loans and borrowings	12	**4,484,354**	4,441,794
Negative fair value of interest rate swaps for hedging	13	**14,254**	27,069
Employees' end of service benefits		**73,333**	73,985
		4,571,941	4,542,848
Current liabilities			
Interest bearing loans and borrowings	12	**1,427,225**	1,424,286
Negative fair value of interest rate swaps for hedging	13	**11,709**	15,297
Trade and other payables		**513,020**	589,843
		1,951,954	2,029,426
Total liabilities		**6,523,895**	6,572,274
TOTAL EQUITY AND LIABILITIES		**15,755,263**	15,800,007

These interim condensed consolidated financial statements were approved by the Parent Company's Board of Directors and signed on its behalf by the following on 22 April 2018.

Dr. Mohamed Bin Saleh Al-Sada
Chairman

Mr. Fahad Bin Hamad Al-Mohannadi
Managing Director

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three month period ended 31 March 2018

	Notes	*For the three month period ended 31 March* **2018** **QAR'000** **(Reviewed)**	*2017* *QAR'000* *(Reviewed)*
Revenue	14	**659,894**	720,197
Cost of sales		**(357,769)**	(444,245)
Gross profit		**302,125**	275,952
Other income		**66,264**	41,757
General and administrative expenses		**(50,268)**	(51,723)
Operating profit		**318,121**	265,986
Finance costs		**(47,789)**	(38,341)
Share of profit of joint ventures		**131,092**	128,424
Profit for the period		**401,424**	356,069
Other comprehensive income:			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive income from joint ventures	13	**382,708**	81,789
Effective portion of changes in fair value on interest rate swaps for hedging	13	**31,614**	92,692
		414,322	174,481
Other comprehensive income not to be reclassified to profit or loss in subsequent periods :			
Net change in fair value of equity investments at fair value through other comprehensive income		**40,389**	(26,841)
Other comprehensive income for the period		**454,711**	147,640
Total comprehensive income		**856,135**	503,709
Profit attributable to:			
Equity holders of the parent		**394,384**	350,238
Non-controlling interests		**7,040**	5,831
		401,424	356,069
Total comprehensive income attributable to:			
Equity holders of the parent		**849,095**	497,878
Non-controlling interests		**7,040**	5,831
		856,135	503,709
Earnings per share:			
Basic and diluted earnings per share (Qatari Riyals)	15	**3.59**	3.18

The attached notes 1 to 18 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the three month period ended 31 March 2018

	Attributable to the equity holders of the parent								
	Share capital QAR'000	*Legal reserve QAR'000*	*General reserve QAR'000*	*Cash flow hedge reserve QAR'000*	*Fair value reserve QAR'000*	*Retained earnings QAR'000*	*Total QAR'000*	*Non-controlling interests QAR'000*	*Total equity QAR'000*
Balance at 1 January 2018 (Audited)	1,100,000	550,000	3,241,834	(1,507,588)	123,124	5,474,510	8,981,880	250,218	9,232,098
Adoption of IFRS 9	-	-	-	-	-	(4,365)	(4,365)	-	(4,365)
Restated balances as at 1 January 2018	1,100,000	550,000	3,241,834	(1,507,588)	123,124	5,470,145	8,977,515	250,218	9,227,733
Profit for the period	-	-	-	-	-	394,384	394,384	7,040	401,424
Other comprehensive income	-	-	-	414,322	40,389	-	454,711	-	454,711
Total comprehensive income for the period	-	-	-	414,322	40,389	394,384	849,095	7,040	856,135
Dividends relating to year 2017 (Note 11)	-	-	-	-	-	(852,500)	(852,500)	-	(852,500)
Balance at 31 March 2018 (Reviewed)	**1,100,000**	**550,000**	**3,241,834**	**(1,093,266)**	**163,513**	**5,012,029**	**8,974,110**	**257,258**	**9,231,368**
Balance at 1 January 2017 (Audited)	1,100,000	550,000	3,241,834	(1,557,002)	219,328	4,720,969	8,275,129	253,871	8,529,000
Profit for the period	-	-	-	-	-	350,238	350,238	5,831	356,069
Other comprehensive income	-	-	-	174,481	(26,841)	-	147,640	-	147,640
Total comprehensive income for the period	-	-	-	174,481	(26,841)	350,238	497,878	5,831	503,709
Dividends relating to year 2016 (Note 11)	-	-	-	-	-	(825,000)	(825,000)	-	(825,000)
Balance at 31 March 2017 (Reviewed)	1,100,000	550,000	3,241,834	(1,382,521)	192,487	4,246,207	7,948,007	259,702	8,207,709

The attached notes 1 to 18 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the three month period ended 31 March 2018

	For the three month period ended 31 March	
	2018	*2017*
	QAR'000	*QAR'000*
	(Reviewed)	*(Reviewed)*
OPERATING ACTIVITIES		
Profit for the period	**401,424**	356,069
Adjustments for:		
Depreciation of property, plant and equipment	**90,898**	118,020
Profit on sale of property, plant and equipment	**(5)**	(187)
Share of profits of joint ventures	**(131,092)**	(128,424)
Provision for employees' end of service benefits	**2,916**	3,241
Dividend income from available-for-sale financial assets	**(38,049)**	(16,051)
Amortization of intangible asset	**1,493**	1,493
Provision for slow moving inventories	**5,060**	6,202
Amortization of non-current assets	**503**	479
Interest income	**(23,522)**	(22,113)
Interest expense	**46,174**	36,536
Operating profit before working capital changes	**355,800**	355,265
Working capital adjustments:		
- Trade and other receivables	**157,345**	(89,550)
- Inventories	**11,444**	(12,009)
- Finance lease receivables	**27,926**	29,409
- Trade and other payables	**(76,823)**	(44,218)
Cash flows from operating activities	**475,692**	238,897
Employees' end of service benefits paid	**(3,568)**	(960)
Net cash flows from operating activities	**472,124**	237,937
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	**(20,789)**	(23,288)
Dividends received from joint ventures	**119,373**	149,081
Investments in available for sale assets	**(120,615)**	(51,289)
Proceeds from disposal of property, plant and equipment	**5**	187
Dividends from available-for-sale financial assets	**38,049**	16,051
Interest received	**23,522**	22,113
Net movements in deposits with original maturity over 90 days	**266,518**	322,760
Net cash flows from investing activities	**306,063**	435,615
FINANCING ACTIVITIES		
Dividends paid	**(852,500)**	(825,000)
Net movements in interest bearing loans and borrowings	**45,499**	240,055
Interest paid	**(46,174)**	(36,536)
Net cash flows used in financing activities	**(853,175)**	(621,481)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(74,988)**	52,071
Cash and cash equivalents at beginning of period	**564,021**	764,737
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**489,033**	816,808

The attached notes 1 to 18 form part of these interim condensed 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").

Details of the Company's subsidiaries at 31 March 2018 are as follows:

Name of entities	***Principal activity***	***Country of incorporation***	***Ultimate ownership interest***	
			2018	*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 Company 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***	
			2018	*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 and development of Solar power opportunities.	Qatar	**60%**	-

2 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the three months ended 31 March 2018 have been prepared in accordance with International Financial Reporting Standard IAS 34 “Interim Financial Reporting” (“IAS 34”).

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

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements as at 31 December 2017. In addition, the results for the three months ended 31 March 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

These condensed consolidated interim financial statements were authorised for issue by the Board of Directors on 22 April 2018.

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.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2017, except for the adoption of new standards and interpretations effective as of 1 January 2018.

The following amended accounting standards became effective in 2018 and have been adopted by the Group in preparation of these interim condensed consolidated financial statements as applicable. Whilst they did not have any material impact on these interim condensed consolidated financial statements, they may require additional disclosures in the annual financial statements for the year ending 31 December 2018:

New and amended standards and interpretations adopted by the Group

During the current period, the Group adopted the below amendments and improvements to the International Financial Reporting Standards that are effective for annual periods beginning on 1 January 2018:

The group applies, for the first time, IFRS 15 Revenue from Contracts with Customers, and IFRS 9 Financial Instruments that require restatement of previous financial statements. As required by IAS 34, the nature and effect of these changes are disclosed as below.

Several other financial amendments and interpretation apply for the first time in 2018, but do not have impact on the interim condenses financial statements of the Group.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 supersedes IAS 11 construction contracts, IAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard 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 a entity expects to be entitled in exchange for transferring foods or services to a customer.

The standards requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each of the model to contracts with their customers. The standards also specifies the accounting for the incremental costs of obtaining a contract and the costs of directly related to fulfilling a contract.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New and amended standards and interpretations adopted by the Group (continued)

IFRS 15 Revenue from Contracts with Customers (continued)
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 concluded that the standard does have no material effect, when applied, on the consolidated financial statements of the Group.

IFRS 9 Financial instruments
IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

With the exception of hedge account, which the Group applied prospectively, the Group has applied IFRS 9 respectively, with the initial application date of 1 January 2018 and adjusting the comparative information for the period beginning 1 January 2017.

Effect of adjustment of IFRS 9 is, as follows:

Impact on the consolidated statement of financial position as at 31 December 2017:

	QAR '000
Assets	
Cash and cash equivalents	**(4,365)**
Equity	
Retained earnings	**(4,365)**

There is no material impact on the statement of profit and loss, cash flows and the basic and diluted EPS.

Impairment
The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forwards-looking expected credit loss (ECL) approach.

IFRS 9, requires, the Group to record an allowance for ECLs for all loans and other debt financial assets not held at Fair Value through Profit or Loss.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the group expects to receive, the shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade and other receivables, the Group has applied the Standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial assets in a default when contractual payment are 90 days due. However, in certain cased, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking in to accounts any credit enhancements held by the Group.

As per the assessment of the management, there has been no impact on classification of financial assets or financial liabilities.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New and amended standards and interpretations adopted by the Group (continued)

IFRS 9 Financial instruments (continued)

Hedge accounting
The Group applied hedge accounting prospectively. At the date of the initial application, all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships. Constituent with prior periods, the Group has continued to designate the change in fair value of the entire interest rate swaps in the Group's cash flow hedge relations and, as such, the adoption for the hedge accounting requirements of IFRS 9 has no significant impact on the Group's financial statements.

Under IAS 39, all gains and losses arising from the Group's cash flow hedging relationships were eligible to be subsequently reclassified to profit or loss. However, under IFRS 9, gains and losses arising from cash flow hedges of forecast purchased of non-financial assets need to be incorporated in to initial carrying amount of the non-financial assets. Therefore, upon adoption of IFRS 9, the Net gain or loss on cash flow hedges was presented under 'Other Comprehensive income not to be reclassified to profit or loss in subsequent periods'. This change only applies prospectively from the date of initial application of IFRS 9 and has no impact on the presentation of comparative figures.

Other changes
IFRIC interpretation 22 Foreign Currency Transactions and Advances Considerations
Amendments to IAS 40 Transferred of Investment Properties
Amendments to IFRS 2 Classification and Measurement of Share-based Payment transactions
Amendments to IFRS 4 applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28 Investments I Associated and Joint Ventures – Clarification that measuring Investees at fair value through profit or loss is an investment-by-investment choice
Amendments to IFRS 1 First-time adoption of International Financial Reporting Standards – Deletion of short-term exemptions for fist-time adopters

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

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

Topics	*Effective date*
IFRS 16 Leases	1 January 2019
IFRS 17 Insurance Contracts	1 January 2021

4 USE OF JUDGMENTS AND ESTIMATES

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

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2017.

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

4 USE OF JUDGMENTS AND ESTIMATES (CONTINUED)

Measurement of fair values (continued)

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

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

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

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

5 SEGMENTAL INFORMATION

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

6 PROPERTY, PLANT AND EQUIPMENT

Acquisitions
During the three months ended 31 March 2018, the Group acquired assets with a cost of QR 20,789 thousands (year ended 31 December 2017: QR 59,190 thousands).

Disposals
During the three months ended 31 March 2018, the Group disposed assets with a cost of QR 95 thousands for a total amount of QR 5 thousands of which the net carrying value at the disposal date was Nil (year ended 31 December 2017: the disposed assets with a cost of QR 1,871 thousands for a total amount of QR 492 thousands of which the net carrying value at the disposal date was QR 155 thousands). During the three months ended 31 March 2018, the Group has written off “C” inspection cost for a total amount of QR 100,702 thousand of which the net carrying value at the disposal date is Nil (2017- Nil).

7 INVESTMENT PROPERTY

	31 March 2018 ***QAR'000*** ***(Reviewed)***	*31 December 2017* *QAR'000* *(Audited)*
Balance at end of the period/year	**174,901**	174,901

Investment property comprises a land in Lusail purchased from Qatari Diar Real Estate Company Q.S.C. Based on an internal valuation exercise, the fair value of the investment property as at 31 December 2017 was QR 457 million and the Management is of the view that the fair value as at 31 March 2018 did not materially difference from the fair value determined as at 31 December 2017.

8 INVESTMENTS IN JOINT VENTURES

The Group has the following investments in joint ventures:

	Country of incorporation	*Group effective ownership %*	***31 March 2018 QAR'000 (Reviewed)***	*31 December 2017 QAR'000 (Audited)*
Nebras Power Q.S.C.	Qatar	60%	**2,578,266**	2,534,386
Qatar Power Q.S.C.	Qatar	55%	**396,064**	405,155
Umm Al Houl Power Q.S.C. *(Note i)*	Qatar	60%	**343,981**	177,032
Ras Girtas Power Company Q.S.C.	Qatar	45%	**168,322**	17,337
Mesaieed Power Company Q.S.C.	Qatar	40%	**41,704**	-
Siraj Energy*	Qatar	60%	**2,187**	2,187
			3,530,524	3,136,097

Note:
(i) Investment in Siraj Energy is carried at cost as the Company has not commenced intended operation as at 31 March 2018.

9 FINANCE LEASE RECEIVABLES

Finance lease receivables represent the share of lease receivables from Ras Laffan Power Company Q.S.C. The subsidiary adopted IFRIC 4: *Determining whether an arrangement contains a lease* which became effective from 1 January 2006 in accounting for their self-constructed production facilities. The discount rate used by the subsidiary was 9.32 % per annum (2017: 9.32% per annum). The finance lease receivables at the end of the reporting period are neither past due nor impaired.

	31 March 2018 QAR'000 (Reviewed)	*31 December 2017 QAR'000 (Audited)*
Gross finance lease receivables	**2,048,817**	2,107,856
Unearned finance income	**(710,411)**	(741,524)
Present value of minimum lease payments receivable	**1,338,406**	1,366,332

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

	31 March 2018 QAR'000 (Reviewed)	*31 December 2017 QAR'000 (Audited)*
Current portion	**120,358**	117,487
Non-current portion	**1,218,048**	1,248,845
	1,338,406	1,366,332

10 CASH AND CASH EQUIVALENTS

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

	31 March 2018 (Reviewed) QAR'000	*31 December 2017 (Audited) QAR'000*
Cash at bank – call and current accounts	**52,213**	313,287
Term deposits	**2,986,977**	3,122,700
Cash in hand	**55,321**	30
Bank balances and cash	**3,094,511**	3,436,017
Less: Term deposits with original maturity over 90 days	**(2,605,478)**	(2,871,996)
Cash and cash equivalents	**489,033**	564,021

11 SHARE CAPITAL

	31 March 2018 QAR'000 (Reviewed)	*31 December 2017 QAR'000 (Audited)*
Authorized, issued and fully paid:		
110,000,000 ordinary shares with nominal value of QR 10 each	**1,100,000**	1,100,000

(i) Cash dividend paid

During the period, the Company declared and paid a cash dividend of QR 7.75 per share totalling to QR 852,500 thousands (2017 - QR 7.5 per share totalling to QR 825,000 thousands).

12 INTEREST BEARING LOANS AND BORROWINGS

	31 March 2018 QAR'000 (Reviewed)	*31 December 2017 QAR'000 (Audited)*
Loan (1)	**1,193,331**	1,193,331
Loan (2)	**585,913**	585,913
Loan (3)	**292,322**	292,322
Loan (4)	**166,868**	166,868
Loan (5)	**526,814**	531,912
Loan (6)	**876,793**	885,278
Loan (7)	**911,250**	911,250
Loan (8)	**891,514**	831,060
Loan (9)	**342,870**	345,774
Loan (10)	**182,250**	182,250
Total Interest bearing loans and borrowings	**5,969,925**	5,925,958
Less: Financing arrangement costs	**(58,346)**	(59,878)
	5,911,579	5,866,080

12 INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

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

	31 March 2018 QAR'000 (Reviewed)	*31 December 2017 QAR'000 (Audited)*
Current portion	**1,427,225**	1,424,286
Non-current portion	**4,484,354**	4,441,794
	5,911,579	5,866,080

13 INTEREST RATE SWAPS FOR HEDGING

(a) Cash flow hedge reserve

	For the three-month period ended 31 March		*31 December*
	2018 QAR'000 (Reviewed)	*2017 QAR'000 (Reviewed)*	*2017 QAR'000 (Audited)*
Balance at 1 January	**(1,507,588)**	(1,557,002)	(1,557,002)
Share of other comprehensive income from joint ventures	**382,708**	81,789	25,991
Net changes in fair value of interest rate swaps of parent	**31,614**	92,692	23,423
Balance at 31 March/31 December	**(1,093,266)**	(1,382,521)	(1,507,588)

(b) Interest rate swaps for hedging

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

	31 March 2018 QAR'000 (Reviewed)	*31 December 2017 QAR'000 (Audited)*
Assets		
Current portion	**5,616**	2,374
Non-current portion	**46,825**	34,856
	52,441	37,230
Liabilities		
Current portion	**11,709**	15,297
Non-current portion	**14,254**	27,069
	25,963	42,366

14 REVENUE

	For the three month period ended 31 March	
	2018	*2017*
	QAR'000	*QAR'000*
	(Reviewed)	*(Reviewed)*
Sales of desalinated water	**310,193**	357,528
Sales of electricity	**316,040**	332,503
Share of lease receivable from Ras Laffan Power Company Q.S.C.	**33,661**	30,166
	659,894	720,197

15 EARNINGS PER SHARE

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

	For the three month period ended 31 March	
	2018	*2017*
	QAR'000	*QAR'000*
	(Reviewed)	*(Reviewed)*
Profit for the period attributable to equity holder of the parent	**394,384**	350,238
Weighted average number of shares outstanding during the period (number of shares in thousands)	**110,000**	110,000
Basic and diluted earnings per share (expressed in QR per share)	**3.59**	3.18

Diluted earnings per share
As the parent has no potential dilutive shares, the diluted EPS equals to the basic EPS.

16 COMMITMENTS AND CONTINGENT LIABILITIES

	31 March 2018	*31 December 2017*
	QAR'000	*QAR'000*
	(Reviewed)	*(Audited)*
(a) Commitments:		
Capital commitments	**940,410**	940,410
(b) Contingent liabilities:		
Bank guarantees, corporate guarantees and documentary credits	**282,392**	285,130
(c) Other commitments:		
Derivative financial instruments:		
Interest rate swaps (notional amount)	**1,815,130**	1,965,756

17 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:

	Nature of the relationship	*Nature of the transactions*	***For the three month period ended 31 March***	
			2018	*2017*
			QAR'000	*QAR'000*
			(Reviewed)	*(Reviewed)*
KAHRAMAA	Shareholder	Sale of electricity	**316,041**	332,503
		Sale of desalinated water	**307,041**	354,295
		Lease income from plant	**33,661**	30,166
			656,743	716,964
Qatar Petroleum	Shareholder	Sale of desalinated water	**2,794**	3,233
Qatar Petroleum	Shareholder	Cost of gas consumed/take or pay gas	**169,035**	200,401

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

	Nature of the relationship	***31 March 2018***		*31 December 2017*	
		Trade and other receivables	***Trade payables and accrued expenses***	*Trade and other receivables*	*Trade payables and accrued expenses*
		QAR'000	***QAR'000***	*QAR'000*	*QAR'000*
KAHRAMAA	Shareholder	**603,936**	**346**	931,157	364
Umm Al Houl Power Q.S.C.	Joint venture	**14,341**	**-**	12,865	-
Ras Gitras Power Company Q.S.C.	Joint venture	**3,111**	**-**	1,783	-
Qatar Power Q.S.C.	Joint venture	**1,083**	**-**	982	-
Mesaieed Power Company Q.S.C.	Joint venture	**468**	**-**	650	-
Nebras Power Q.S.C.	Joint venture	**7,929**	**10,845**	12,625	11,104
Qatar Petroleum	Shareholder	**2,794**	**93,305**	1,086	116,704
		633,662	**104,496**	961,148	128,172

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

	For the three month period ended 31 March	
	2018	*2017*
	QAR'000	*QAR'000*
	(Reviewed)	*(Reviewed)*
Management remuneration	**2,279**	2,185
Directors' fees	**2,938**	2,938
	5,217	5,123

18 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

As at 31 March 2018, the Group held the following classes of financial instruments measured at fair value:

At 31 March 2018	***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	**862,581**	**-**	**-**	**862,581**
Positive fair value of interest rate swaps	**-**	**52,441**	**-**	**52,441**
	862,581	**52,441**	**-**	**915,022**
Financial liabilities measured at fair value:				
Derivative instruments:				
Negative fair value of interest rate swaps	**-**	**25,963**	**-**	**25,963**
	-	**25,963**	**-**	**25,963**

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

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

During the reporting period/year ended 31 March 2018 and 31 December 2017, there were no transfers between Level 1 and Level 3 fair value measurements.

Valuation techniques

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

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