



# Qatar Electricity and Water Co. Q.P.S.C.

## CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

### INVITATION FOR THE ATTENDANCE OF THE EXTRAORDINARY AND THE ORDINARY GENERAL ASSEMBLY

The Board of Directors of Qatar Electricity & Water Company is pleased to invite its shareholders to attend the Extraordinary General Assembly and Ordinary General Assembly Meeting, to be held on Wednesday, 6th March 2019 at 6.30 PM, at Al Majlis Hall, Doha Sheraton Hotel, Doha, Qatar. Ordinary General Assembly will be held immediately followed by the Extraordinary General Assembly Meeting.

#### Agenda of the Extraordinary General Meeting:

- Approve the amendment of the text of Article (6) of the Articles of Association of the Company to amend the nominal value of the share from "QR 10" to "QR 1", pursuant to the decision of the Board of Directors of QFMA at its 4th meeting on 16 December 2018, Issued No. M-3/2019 dated 6/1/2019 (attached copy), in accordance with the proposal to amend the texts attached to the implementation schedule
- Approve the amendment of the provisions of Article (7) of the Articles of Association of the Company in line with the recommendations of the Qatar Exchange on enhancing the investment attractiveness of the listed companies and the decision of the Board of Directors of Qatar Financial Markets Authority No. (1) of 2016 regarding the acquisition of shares of companies listed on the Qatar Exchange The decision of the Commission), by adding a new paragraph specifying the percentage of ownership of

- the company shares not more than 1% of the total shares, in accordance with the proposal to amend the texts annexed to the implementation schedule.
- Approval of the amendment of the provisions of Articles 26, 27, 29 and 31 of the Statute concerning the composition of the Board of Directors and the appointment of the representatives of the State to the BoD in accordance with the proposal to amend the texts annexed to the Implementation Schedule.
  - The delegation of the President of the Board of Directors to make amendments and take all necessary procedures with the competent authorities in this regard.

#### Agenda of the Ordinary General Assembly Meeting:

- Presentation and approval of the report of the Board of Directors on the Company's activities and its financial position for the year ended 31st December, 2018.
- Approving the report of the External Auditors on the Company's financial position for the year ended 31st December 2018.
- Discussing and approving the balance sheet and profit and loss account for the year ended 31st December 2018 and approving the proposal of the Board of Directors to distribute cash dividends to the shareholders.

## REPORT OF THE BOARD OF DIRECTORS

### On the activities of Qatar Electricity and Water Company for the fiscal year ended on 31st December 2018

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 31st December 31, 2018, 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.

First, QEWC attaches great importance to meet the increasing demand for electricity and water in the State of Qatar with the cooperation of the concerned authorities. The company is keen to implement local electricity and water desalination projects to meet the growing needs for electricity and water in the state. And to support the company's investment plan and diversify its sources of income through Nebras Power, the company's foreign investment arm and serving its global expansion.

The company has achieved many accomplishments in this field and aspires to achieve more internally and externally, by expanding the diversification of energy sources in Qatar and increasing its share in the global energy markets.

The company submits the following statistical report of the results for the fiscal year ended on 31st December 2018 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 2018 amounted to QR 2,601 million compared to QR 3,071 million for 2017, a decrease of 15%. Income from joint venture companies amounted to QR 542 million compared to QR 567 million for 2017, a decrease of 4%. Investment and other income for the year is QR 231 million compared to QR 156 million for 2017. The total revenue for 2018 amounted to QR 3,374 million compared to QR 3,794 million for 2017. The total operating expenses for the year 2018 amounted to QR 1,397 million compared to QR 1,755 million for 2017, a decrease of 20%.

General and administrative expenses for the year amounted to QR 186 million compared to QR 220 million in 2017, a decrease of 15%.

Financing expenses for the year is QR 226 million compared to QR 180 million for 2017, an increase of 26%.

Net profit attributable to minority shareholders was QR 28 million compared to QR 23 million for the year 2017.

Based on the above, net profit of Qatar Electricity and Water Company for the year 2018 reached an amount of QR 1,537 million compared to QR 1,616 million for 2017, a decrease 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 2018, 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 2018.

#### Second: The Company's Projects and Future Plans:

The future plans of the company is targeting to diversify its sources of income while maintaining the main objective of establishing the company, which is meeting the increasing demand for electricity and water locally, by establishing power stations and desalination plants with high productivity and efficiency. The company is actively involved in supporting the production

of electricity using alternative energy, such as solar energy and the energy produced from waste to diversify energy sources.

Additionally, the company is currently taking the executional steps to rebuild and modernize the old plant of Ras Abu Fontas (A) to keep pace with the global requirements of environmental and health standards, and to raise the efficiency of production to the maximum capacity possible.

Through its investment arm, Nebras Energy is also seeking to expand internationally in the international markets.

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

#### • Current Projects:

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

The company has completed the construction work of the Umm Al Houf Power station project, which was inaugurated and operated on time and within the expected cost. All units entered service on June 27, 2018 and preparing for the official opening of the plant which expected to be in the first quarter of 2019. The plant capacity 2520 megawatts of electricity and 136.5 million gallons of potable water per day.

Umm Al Houf Plant is one of the biggest power and desalination plants in the region, with the participation of QEWC (80%), Qatar Petroleum (5%), Qatar Foundation (5%) and a consortium of Japanese Companies Mitsubishi Corporation and TEPCO, (30%). This project shall provide an additional of 30% of the electricity and 40% of the water needs in Qatar.

#### • Lusail Tower:

This project is about the construction of two towers on the land owned by the company in the Lusail area, one of the towers will be used as a headquarters for the company and its subsidiaries, the other tower will be used as an investment, after the company received the Qatar Diar Group's approval for its request to add a hotel use of the design (the small tower) as a type of investment for the company.

A project management and supervision consultant has been recruited and the exterior design of the building has been chosen, which will consist of two towers, one of them will be a hotel with 28 floors and the other will be used as a headquarters for the company and its subsidiaries.

The remaining areas are leased as commercial offices and conference center, as well as a mall and parking on the three floors under the ground and the first three floors of the building. The drilling and foundation contract was laid on 13 May 2018 and 38.7% of the drilling and foundation works were completed on 15 November 2018.

The project is expected to be completed during the first quarter of the year 2022 in preparation for the World Cup.

#### • Future Local Projects:

- Project for Electricity Generation using Solar Power (Siraj Energy):

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, and the agreement was signed with the Qatar General Electricity and Water Corporation on 31 December 2017.

The announcement of the rehabilitation of developers during the fourth quarter of 2018, and the completion of the first phase with a capacity of 350

MW is expected to be in the fourth quarter of 2020, and the two phases of the project are expected to be completed at full capacity and a total of 700 MW in the fourth quarter of 2021.

Qatar General Electricity and Water Corporation (KAHRAMAA) has rehabilitated 16 international companies with experience in establishing and developing solar power plants for this project.

The solar energy project is in line with the vision of His Highness the Amir on the development of renewable energy sources as part of the diversification of energy sources in Qatar. The project aims at using environmentally friendly technologies and increasing reliance on renewable sources of energy

#### • The removal of Ras Abu Fontas (A) plant:

Due to the expiration of agreement to operate Ras Abu Fontas (A) plant and sell its production on 31st December 2018 with KAHRAMAA, and due to low performance of the plant, Qatar General Electricity and Water Corporation (KAHRAMAA) has therefore requested the demolition and removal of the plant's facilities for lack of a need to build a "new facility" in place.

The contract for the sale and removal of the plant was awarded to Bareq Group on 4 June 2018 at a value of QR 63.7 million. It is expected to complete the demolition and removal of the plant on 30th April 2019.

#### • Redevelopment of Ras Abu Fontas (A) plant:

The Qatar General Electricity and Water Corporation (KAHRAMAA) confirmed that the site of Ras Abu Fontas station A is the appropriate location for the construction of a new station instead of the old station. The new project is expected to reach 2000 megawatts of electricity and 60 million gallons of water per day. Water capacity could be increased to 120 million gallons in case of canceling the addition of 60 million gallons of expansion project of Umm al-Houf.

The main contractor contract is expected to be awarded by the end of 2019. The first phase of the project is expected to be completed in the third quarter of 2021 and the entire project will be completed in the third quarter of 2022.

#### • 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. On September 27, 2018, Qatar Petroleum signed a contract to supply the plant with fuel for the same period of extended operation. The plant has a capacity of 609 MW of electricity and 33 million gallons of desalinated water per day.

#### • Global future Projects:

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

#### • IPP Solar Project, Jordan

It is the fourth project of Nebras in the Kingdom of Jordan. The project aims to establish a power plant in Jordan with photoelectric solar power with a capacity of 40 megawatts. Nebras's share in the project is 24%. The electricity purchase agreement was signed between the Jordanian Ministry of Energy and Mineral Resources, and Nebras in April 2017. The shareholders' agreement, the partnership contract and the construction contract were signed with the main contractor during November 2017. The construction commenced in August 2018. The commercial operation of the project is expected to start in June 2019.

#### • Sumbatog 134-800 Power Project in Medan Area - Sumatra Indonesia:

The project aims to build floating units for the storage and reprocessing of

natural gas, which is attached to a power plant with a production capacity of 800 MW. A feasibility study was carried out for the project and delivered to the Indonesian National Electricity Company.

Nebras Energy signed a project framework agreement with the Indonesian National Electricity Company (PLN) and PJB, two companies owned by the Indonesian government, on the implementation of a project related to the production of electric power. Under this agreement, Nebras Energy, in cooperation with its partners, will implement a project to build a natural gas power plant with a production capacity of about 800 megawatts, as well as the establishment of floating natural gas reception and liquefaction units (FSRU) On the island of Sumatra in the Indonesian Republic.

Construction is expected to commence in the second quarter of 2019. The project is expected to be completed in the third quarter of 2021.

#### • Ibrl project in Oman:

The project aims to develop, design, finance, engineer, construct and test the operation, ownership, operation and maintenance of a new 500 megawatt solar power plant with an investment of \$21.5 million with a 25% share for Nebras Energy, 35% for Marubeni and 30% for Oman gas And 10% for Bahwan Renewable Energy.

The tender was announced in mid-2018 and the technical training was completed on 3 September 2018. The offers were submitted on 12 November 2018. The project is expected to be completed in June 2021.

#### • Zain project in the Netherlands:

Nebras, through its subsidiary Energy Investment Management in the Netherlands, acquired a 75% stake in Zain Holding, a leading developer and operator of solar power generation projects in the Netherlands.

The acquisition allowed Nebras access to the attractive and rapidly growing Dutch renewable energy market. Zain currently has a total of 96 megawatts of solar power under construction and plans to grow further in the future.

#### 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 has taken several measures to implement the provisions of the Governance Law issued by the Authority's Board of Directors decision No. (5) of 2016 as follows:

- The AOA was amended by the Extraordinary General Assembly Resolution held on 26 February 2018 and adopted by the concerned authorities on 9 July 2018.
- The Board of Directors regulation was amended by Council Resolution No. (13) of 2018 at its meeting No. (2) dated 22 April 2018.
- The rules and procedures for the regulation of the trading of persons familiar with the company's securities were approved and issued by virtue of the decision of the Board of Directors No. 26 of 2018 at its 5th meeting on 17 October 2018.

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 2018 is available in the Annual Report for ratification by the General Assembly of the company.

#### Fourth: Corporate Social Responsibility:

The Company believes in its role and responsibility towards civil society and is constantly looking forward to increasing its contribution to support

institutions sponsoring the community groups with exceptional needs. The company has adopted and contributed to a number of community activities and events, where a fixed rate of 2.5% (according to the law) of the annual net profit is provided to support activities that contribute to the development of civil society. On the other hand, it contributes to social programs and conferences and seminars, scientific and cultural and economic and sports activities. The total contributions amounted to QR 2.5 million in 2018. These contributions can be monitored through the Company's financial report.

#### Fifth: Administration development and Qatization:

In accordance with the general policy of the company, it is constantly developing its cadres. It conducted an extensive study of the training needs of all departments and sections, and accordingly, it prepared training programs that included a large number of Qatari employees. The staff relations committee, which includes a number of department directors, follow up training and development programs for Qatari employees and the mechanism of their accommodation, consideration of all personnel and review of administrative decisions to ensure the validity of their application, as well as providing the opportunity for staff to submit their proposals to the Committee on the development of work in the company and to identify the obstacles facing them. The company is also keen to motivate employees who perform distinguished performance for consecutive periods in addition to honoring senior employees. The company is also interested in organizing and sharing employees and their families in all national, social and religious events.

Qatar Electricity and Water Company's strategy through the Qatization 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.

The total number of Qatari employees was 159 by the end of 2018. The number of postgraduate students was 7, while the number of Qatari nationals under development was 6. The company's Qatization rate is 23% of the company's 700 employees.

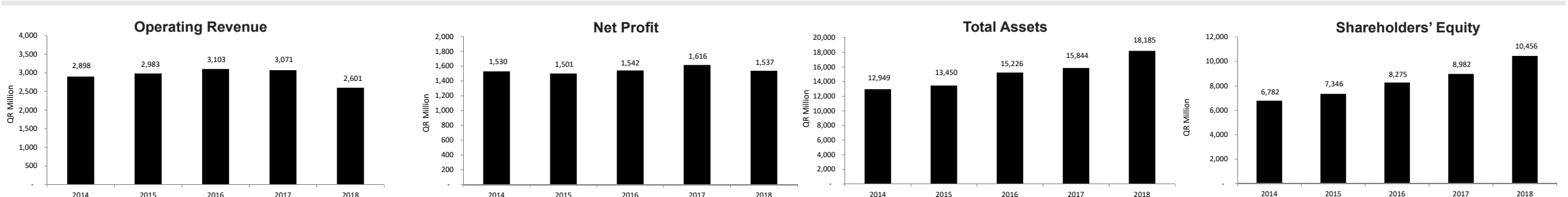
#### Sixth: Security and Safety:

The implementation of safety and security procedures and obligations towards the employees is one of the most important priorities for the company. It has achieved high working hours with its subsidiaries without fatal accidents or serious injuries during 2018. It has also received many international awards from prestigious institutions in assessing safety and security performance Such as Rospa.

To conclude this report, the Board of Directors affirms its keenness to continue to serve the national economy during the coming period and hopes for further efforts to achieve further progress and success, asking god almighty to be a constant help to continue the successful march of the company to serve our beloved country.

Saad Bin Sharida Al Kaabi  
Chairman of the Board of Directors

Fahad Bin Hamad Al Muhannadi  
Managing Director



## CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2018

### INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF QATAR ELECTRICITY AND WATER COMPANY Q.P.S.C.

#### 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 2018, and the consolidated statement of profit or loss and other 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 2018 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.

Key audit matter	How our audit address the key audit matter
<i>Carrying value of Property, Plant and equipment</i>	
The Group's property, plant and equipment (PPE), as set out in note 5 to the consolidated financial statements, represents 32% of the Group's total assets and, consequently, their depreciation charge for the year represents 20% of the Group's total expense.	Our audit procedures included: <ul style="list-style-type: none"><li>obtaining understanding of the Group's accounting policies for PPE and 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;</li></ul>
There are a number of areas where management judgment impacts the carrying value of PPE. These include: <ul style="list-style-type: none"><li>the decision to capitalize or expense costs;</li><li>the annual useful life review including the impact due to changes in the Group's strategy; and</li><li>assessing indicators of impairment and determining recoverable amounts</li></ul>	<ul style="list-style-type: none"><li>evaluating the recognition criteria applied to the costs incurred and capitalized during the financial year against the requirements of the relevant accounting standards and verifying the additions to source documents on a sample basis;</li><li>evaluating management's assumptions and judgment relating to useful life PPE;</li></ul>
Due to the significance of the property, plant and equipment balance to the consolidated financial statements and the subjectivity involved in determining the carrying value of PPE, this is considered as a key audit matter.	<ul style="list-style-type: none"><li>recalculating the depreciation charge, on a sample basis;</li><li>recalculating the gain or loss on disposal of PPE;</li><li>assessing the impact from production facilities, whose Power and Water Purchase Agreement (PWPA) expired during the year;</li></ul>
The PPE related disclosures included in the Notes to the consolidated financial statements are as follows: Note 2 - Accounting policy Note 3 - Judgements Note 6 - Property, plant and equipment Note 3 - Depreciation and changes in estimates	<ul style="list-style-type: none"><li>evaluating the management's assessment of possible internal and external indicators of impairment in relation to the production facilities such as obsolescence, decline in market value, operating losses etc., based on our knowledge and experience of the industry and understanding of the PWPA and assessing if impairment testing is required;</li><li>tracing the PPE and depreciation related balances to the relevant ledgers and assessing the adequacy of relevant disclosure in the consolidated financial statements.</li></ul>

#### Other Information Included in the Group's 2018 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.

#### Report on the audit of the consolidated financial statements

##### Auditor's Responsibilities for the 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.

##### Report on the audit of the consolidated financial statements

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 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.

11-Feb-2019

Doha

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

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY For the year ended 31 December 2018

#### Attributable to the equity holders of the parent

	Share capital QAR'000	Legal reserve QAR'000	General reserve QAR'000	Hedge reserve QAR'000	Fair value reserve QAR'000	Retained earnings QAR'000	Total QAR'000	Non-controlling interest QAR'000	Total equity 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 (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 32)	-	-	-	-	-	(825,000)	(825,000)	(26,970)	(851,970)
Contribution to social and sports support fund for 2017 (Note 33)	-	-	-	-	-	(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
Balance at 1 January 2018 (as previously reported)	1,100,000	550,000	3,241,834	(1,507,588)	123,124	5,474,510 (4,365)	8,981,880 (4,365)	250,218	9,232,098
Adoption of IFRSs (Note 4)	-	-	-	-	-	-	-	-	(4,365)
Balance at 1 January 2018 (as restated)	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 year	-	-	-	-	-	1,536,587	1,536,587	28,597	1,565,184
Other comprehensive income	-	-	-	454,003	-	368,566	822,569	-	822,569
Total comprehensive income for the year	-	-	-	454,003	-	368,566	7,006,732	28,597	2,387,753
Dividends relating to year 2017 (Note 32)	-	-	-	-	-	(852,500)	(852,500)	(21,141)	(873,641)
Contribution to social and sports support fund for 2018 (Note 33)	-	-	-	-	-	(28,591)	(28,591)	-	(28,591)
Balance at 31 December 2018	1,100,000	550,000	3,241,834	(1,053,585)	491,690	6,125,641	10,455,580	257,674	10,713,254





# Qatar Electricity and Water Co. Q.P.S.C.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended 31 December 2018 In Thousand of Qatari Riyals

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME For the year ended 31 December 2018

	Notes	2018 QAR'000	2017 QAR'000
Revenue from water and electricity	26	2,470,443	2,945,297
Lease interest	11	131,048	125,445
<b>Revenue</b>		<b>2,601,491</b>	<b>3,070,742</b>
Cost of sales	27	(1,397,954)	(1,754,838)
<b>Gross profit</b>		<b>1,203,537</b>	<b>1,315,904</b>
Other operating income	28	232,349	156,671
General and administrative expenses	29	(198,057)	(219,667)
<b>Operating profit</b>		<b>1,249,829</b>	<b>1,252,908</b>
Finance costs	30	(226,835)	(180,278)
Share of profit of joint ventures	9	542,190	566,863
<b>Profit for the year</b>		<b>1,565,184</b>	<b>1,639,493</b>
<b>Other comprehensive income:</b>			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive income from joint ventures	9, 19	424,104	25,991
Effective portion of changes in fair value of interest rate swaps for hedging	19	29,899	23,423
<b>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</b>			
Net change in fair value gain / (loss) on equity investments at fair value through other comprehensive income	10, 20	368,566	(96,204)
<b>Other comprehensive income / (loss) for the year</b>		<b>822,569</b>	<b>(46,790)</b>
<b>Total comprehensive income</b>		<b>2,387,753</b>	<b>1,592,703</b>
<b>Profit attributable to:</b>			
Equity holders of the parent		1,536,587	1,616,176
Non-controlling interests		28,597	23,317
		1,565,184	1,639,493
<b>Total comprehensive income attributable to:</b>			
Equity holders of the parent		2,359,156	1,569,386
Non-controlling interests		28,597	23,317
		2,387,753	1,592,703
<b>Earnings per share:</b>			
Basic and diluted earnings per share (Qatari Riyals)	31	13.97	14.69

### CONSOLIDATED STATEMENT OF CASH FLOWS For the year ended 31 December 2018

	Notes	2018 QAR'000	2017 QAR'000
<b>OPERATING ACTIVITIES</b>			
Profit for the year		1,565,184	1,639,493
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	6	279,525	444,831
Share of profits of joint ventures	9	(542,190)	(566,863)
Provision for employees' end of service benefits	24	5,361	27,380
Dividend income on Equity investments at fair value through other comprehensive income	28	(38,049)	(16,052)
Profit on disposal of property, plant and equipment	28	(58,994)	(337)
Amortization of intangible assets	8	5,970	5,970
Provision for slow-moving inventories	13	17,289	48,408
Amortization of non-current assets	29	1,979	2,015
Interest income	28	(112,386)	(94,733)
Interest expense	30	271,561	173,148
Operating profit before working capital changes		1,341,250	1,663,280
<i>Working capital changes:</i>			
Inventories		71,600	1,758
Trade and other receivables		386,035	(150,311)
Finance lease receivables		117,487	124,273
Trade and other payables		(88,375)	(158,180)
Cash flows from operating activities		1,827,997	1,480,800
Employees' end of service benefits paid	24	(10,384)	(6,198)
<b>Net cash flows from operating activities</b>		<b>1,817,613</b>	<b>1,474,602</b>
<b>INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment	5	(110,313)	(59,190)
Proceeds from disposal of property, plant and equipment		59,008	492
Dividends received on Equity investments at fair value through other comprehensive income		38,049	16,052
Dividends received from joint ventures	9	303,993	283,582
Investment made in a joint venture	9	-	(2,187)
Additional investment made in Umm Al Houf Power Company Q.S.C.	9	(919,218)	-
Purchase of equity investments at fair value through other comprehensive income	10	(486,410)	(286,637)
Interest received	28	130,179	66,923
Net investment in term deposits with original maturity over 90 days		100,054	(625,702)
<b>Net cash used in investing activities</b>		<b>(806,658)</b>	<b>(606,667)</b>
	Notes	2018 QAR'000	2017 QAR'000
<b>FINANCING ACTIVITIES</b>			
Net movements in interest bearing loans and borrowings		943,703	(45,870)
Dividends paid		(849,601)	(822,663)
Dividends paid to non-controlling interests	21	(21,141)	(26,970)
Interest paid		(217,561)	(173,148)
<b>Net cash used in financing activities</b>		<b>(144,600)</b>	<b>(1,068,651)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>866,355</b>	<b>(200,716)</b>
Cash and cash equivalents at 1 January		564,021	764,737
Cash and cash equivalents at 31 December	15	1,430,376	564,021

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS At 31 December 2018

### 1) REPORTING ENTITY

Qatar Electricity and Water Company Q.P.S.C. ("the Company") is a Qatari Public 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. The Company's shares are listed on the Qatar Exchange since 3 May 1998.

The Company was previously known as Qatar Electricity & Water Company Q.S.C. As per the requirement of the Qatar Commercial Companies Law No. 11 of 2015 the legal status of the Company has changed to "Qatar Public Shareholding Company" after the amendment made in the Article of Association on 08 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 to develop, own and operate plants for the production of electricity and desalinated water and to supply them to the state owned "Qatar General Electricity and Water Corporation" (otherwise known as "KAHRAMAA").

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

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 Group had the following joint ventures and respective holdings 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 Houf 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%	60%

## 2 MAJOR TRANSACTIONS AND AGREEMENTS OF THE GROUP

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

- 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.
- 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.
- 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, Al Saliyah and Doha South Super facilities were discontinued as the relevant contracts with KAHRAMAA expired on 31 December 2014.
- The Company discontinued the operations of the Ras Abu Fontas "A" station (RAF A) with effect from 31 December 2017.
- 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 relating to the Dukhan Desalination Plant.
- 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.P.S.C. (55%)
  - International Power Plc (40%)
  - Chubu Electric Power Company (5%)
- 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.
- 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 2008, Chubu Electric Power Company joined the joint venture. The shareholdings in Mesaieed Power Company Q.S.C. as at the current and the comparative reporting dates were as follows:
  - Qatar Electricity & Water Company Q.P.S.C. (40%)
  - Marubeni Corporation (30%)
  - Qatar Petroleum (20%)
  - Chubu Electric Power Company (10%)
- 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").
- 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 comparative reporting dates were as follows:

- Qatar Electricity & Water Company Q.P.S.C. (45%)
  - RLC Power Holding Company (40%)
  - Qatar Petroleum (15%)
- j) 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 comparative reporting dates were as follows:
- Qatar Electricity & Water Company Q.P.S.C. (60%)
  - Qatar Holding L.L.C. (40%)
- k) On 13 May 2015, Umm Al Houf 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 Houf Power Q.S.C. as at the current and the comparative reporting dates were as follows:
- Qatar Electricity & Water Company Q.P.S.C. (60%)
  - Qatar Petroleum (5%)
  - Qatar Foundation for Education, Science & Community Development (5%)
  - K1 Energy Limited, incorporated in the U.K. (30%)
- l) On 12 October 2015, the Company entered into a Water Purchase Agreement (WPA) for the Ras Abu Fontas A3 Water project with KAHRAMAA.
- m) 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 (2017: 60%).

### 3) BASIS OF PREPARATION

**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.

**Basis of measurement**  
The consolidated financial statements are prepared under the historical cost convention, except for equity investments at fair value through other comprehensive income, financial assets and derivative financial instruments which are measured at fair value.

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

**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 if 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:

#### Judgments

In the process of applying the Group's accounting policies, management has made the following judgments which have the most significant effect on the amounts recognised in the consolidated financial statements:

#### Power and Water Purchase Agreements

The Company has entered into several long-term Power and Water Purchase Agreements ("PWPA") with KAHRAMAA and Qatar Petroleum as mentioned in Note 1. Management does not consider the PWPA to fall within the scope of IFRIC Interpretation 12 Service Concession Arrangements.

Based on management's estimate of the useful life and residual value of the assets, KAHRAMAA is not determined to control any significant residual interest in the property as at the end of the concession term under ownership, beneficial entitlement or otherwise. The classification of the PWPA as an operating lease is based on the judgement applied by management which considers that the Group retains the principal risks and rewards of ownership of the plants, based on management's estimate of the useful life and residual value of the assets. An estimate of the useful life of the asset and residual value is made and reviewed annually. The effects of changes in useful life are recognised prospectively, over the remaining life of the asset.

One of the Group's subsidiary has entered into PWPA with KAHRAMAA. Management has determined this arrangements to be a finance lease under IFRIC 4. Determining whether an arrangement contains a lease by applying the requirements of the interpretation. Accordingly, this has been accounted as a finance lease.

#### Operating lease commitment

As mentioned above, the Company has entered into various PWPA. Under the PWPA, the Company receives payment for the provision of power and water capacity, whether or not the off-taker (KAHRAMAA) requests power or water output ("capacity payments"), and for the variable costs of production ("energy and water payments"). The Group has determined the PWPA as lease arrangements and that, based on the contractual arrangements in place, management considers that the Group retains the principal risks and rewards of ownership of the plants and so accounts for the PWPA as operating leases. When there are amendments to the PWPA, management reconsiders whether the Group continues to retain the principal risks and rewards of ownership of the plants.

#### 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.

#### Classification of investment in joint ventures

The Group has various investment in joint ventures. Despite holding more than 50% shareholding of these entities, by virtue of the contractual agreements, the Group has does not have control over the financial and operating policy decisions of the joint venture entities. The decisions about the relevant activities of the joint ventures entities require the unanimous consent of all the parties.

#### Estimates

##### 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 based on the physical wear and tear, technological or commercial obsolescence, and impacts the annual depreciation charge recognized in the consolidated financial statements. Management reviews the useful lives of these assets annually. Future depreciation charge could be materially adjusted where management believes the useful lives differ from previous estimates.

During the year, the Group revised the estimated economic useful life of the production facilities from 25 years to 30 years. Management believes that the revised estimated economic useful life and residual value reflect more appropriately the economic useful life and residual value of the assets and are in line with industry practice making the Group's consolidated financial statements more comparable. If the Group had continued with the useful life and residual value as estimated during the previous year, the depreciation charged to the consolidated income statement would have been higher by QR 80.3 million with a corresponding decrease in the carrying value of the assets.

#### 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 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 output 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 consolidated statement of profit or loss of the respective period.

**Impairment of non-financial assets (other than inventory and property, plant and equipment)**  
The carrying amounts of the Group'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 on its assets. If such indication exists, then an impairment test is performed by the management. The determination of recoverable amounts require management to make significant judgments, estimations and assumptions.

#### Impairment of inventories

When inventories become old or obsolete, an estimate is made of their net realizable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision is applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices. The necessity and setting up of a provision for slow moving and obsolete inventories requires considerable degree of judgment.

#### Fair value of 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.

## 4 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 2018.

The Group applied for the first time, IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*. In accordance with the transitional provisions of these new standards, comparatives have not been restated. The nature and effect of these changes are disclosed below.

**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 three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

The effect of adopting IFRS 9 is, as follows:

#### Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on the Group's business model for managing the assets, and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets. The classification and measurement requirements of IFRS 9 did not have a significant impact on the Group. The Group continued measuring at fair value all of its financial assets previously held at fair value under IAS 39. The following are the changes in the classification of the Group's financial assets:

*Trade receivables and other current and non-current financial assets previously classified as Loans and receivables* are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as Debt instruments at amortised cost.

Listed equity investments previously classified as *Available-for-Sale financial assets* are now classified as *investment at fair value through other comprehensive income*.

The above changes have no material impact on the consolidated financial statements.

#### 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 forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Impact on the consolidated statement of financial position as at 31 December 2018:

Assets	QAR '000
Term deposits	(4,365)
<b>Equity</b>	<b>4,365</b>
Retained earnings	4,365

There was no material impact on the expected credit losses on trade receivables and amounts due from related parties since these balances are due from KAHRAMAA and Qatar Petroleum, entities wholly owned by the State of Qatar.

#### Hedge accounting

The Group applied hedge accounting prospectively. At the date of initial application, all of the Group's existing hedging relationships were eligible to be treated as hedge accounting relationships. There is no impact from the adoption of hedge accounting in the consolidated financial statements of the Group.

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 on cash flow hedges of forecast purchases of non-financial assets need to be incorporated into the initial carrying amounts of the non-financial assets. This change only applies prospectively from the date of initial application of IFRS 9 and has no impact on the presentation of comparative figures.

#### IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be 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.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the investments in associates and joint ventures that are accounted for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

The Group adopted IFRS 15 using the modified retrospective method of transition whereby the Group shall recognize the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings at 1 January 2018 and not restating the comparative financial information of 2017. Under this transition method, the Group has assessed whether PWPA require adjustment in accordance with IFRS 15.

The Group is in the business of production and sale of water and electricity. Management reviewed and assessed the Group's existing contracts as at 1 January 2018 and concluded performance obligations include sale of water, sale of electricity and operations and maintenance of the plants.

Revenue from sale of water and electricity is recognised at a point in time when control of the goods and service is transferred to the customer, generally on delivery of the goods and service. The Group recognises output charges revenue based on the sent-out power and water on a monthly basis. As soon as power and water are transmitted to KAHRAMAA and forwarded to KAHRAMAA's receiving points, KAHRAMAA gets control over the products.

Revenue from operations and maintenance is recognised over the period upon satisfaction of the services to the customer using an output method. The Group applied the practical expedient which allows the Group to recognise the revenue in the amount to which the entity has a right to invoice as this corresponds directly with the value to the customer of the entity's performance completed to date.

Apart from more extensive disclosures of the Group's revenue (Note 26), the initial application of IFRS 15 had no significant impact on the Group's consolidated financial position as at 31 December 2018 and its consolidated statement of profit or loss and comprehensive income for the year then ended. Consequently, there were no adjustments made as at 1 January 2018.

#### IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Group's financial statements.

#### Amendments to IAS 40 Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. Where there is a change in management's intentions for the use of a property does not provide evidence of a change in use. During the year, the Group transferred its land from investment property to property, plant and equipment as the Group has commenced construction of the owner-occupied property on the land.

#### Amendments to 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

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity that is not itself an investment entity





# Qatar Electricity and Water Co. Q.P.S.C.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2018 In Thousand of Qatari Riyals

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### iv) Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments 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, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables including related parties, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

### Financial liabilities

#### i) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include loan and borrowings, due to related parties, trade payable and other payables.

#### ii) Subsequent measurement

The measurement of financial liabilities depends on their classification.

#### Loans and borrowings (Amortized cost)

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. The Group's financial liabilities trade and other payables, loans and borrowings, accrued expenses and other payables can be categorised in this category.

#### iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

#### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Accounting policy applied up to 31 December 2017

#### Financial instruments

The Group classified its non-derivative financial assets into the following categories: loans and receivables (trade receivables, and cash at bank) and equity investments at fair value through other comprehensive income 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.

#### Financial assets

##### Initial 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.

##### Subsequent measurement

The subsequent measurement of financial assets depends on their classification.

##### Accounts receivable

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.

##### Investments at fair value through other comprehensive income

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 thereon, are recognized in Other Comprehensive Income and accumulated in the Equity investments at fair value through other comprehensive income financial asset fair value reserve. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the consolidated statement of profit or loss when the right of payment has been established.

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.

##### 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 original maturity of three months or less.

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

##### Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

##### Financial liabilities

##### Initial recognition

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade accounts payable, accrued expenses and derivatives.

##### The subsequent measurement

The subsequent measurement of financial liabilities depends on their classification.

##### Accounts payable and accruals

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

##### Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of cash or cash equivalents) from the customer. It is a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

##### Loans and borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the EIR amortization process.

##### Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

##### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

##### 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 in respect of the derivative is 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.

##### Impairment of 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.

##### Provision for employees' end of service benefits

With respect to the expatriate employees, the Group provides end of service benefits to its expatriate employees in accordance with employment contracts and the Qatar Labour Law. The entitlement to these benefits is based upon the employee's 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 employee's final salary/length of 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 year in excess of the 20 years threshold.

##### Provisions

Provisions are recognized 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.

##### Revenue recognition

Accounting policy applied up to 31 December 2017  
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.

##### Accounting policy applied from 1 January 2018

The Group recognises revenue from contracts with customers based on a five step model as set out in IFRS 15:

- Step 1. Identify the contracts with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- Step 3. Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding on behalf of third parties.
- Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- Step 5. Recognise revenue when (or as) the entity satisfies a performance obligation

The Group recognises as revenue, the amount of the transaction price that is allocated to that performance obligation. Consideration payable to a customer is recognised as a reduction of the transaction price and, therefore, of revenue unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the Group.

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

Revenue from sale of water and electricity is recognised at a point in time when control of the goods and service is transferred to the customer, generally on delivery of the goods and service. The Group recognises output charges revenue based on the sell-out power and water on a monthly basis. As soon as power and water are transmitted to Kahramaa and forwarded to Kahramaa's receiving points, Kahramaa gets control over the products.

When the Group satisfies a performance obligation by transferring a promised good or service, the Group has earned a right to consideration from the customer and, therefore, has a contract asset in the form of account receivable.

##### 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.

##### Operating leases (Group as a lessee)

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.

##### Operating leases (Group as a lessor)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Capacity income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of profit or loss due to its operating nature.

##### Borrowing costs

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

##### 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 the consolidated statement of profit or loss.

##### 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.

##### 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 entity 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.

##### 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 recognised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be recognised 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.

## 6 PROPERTY, PLANT AND EQUIPMENT

	Land QAR'000	Production facilities (A) QAR'000	Furniture, fixtures and office equipment QAR'000	Motor vehicles QAR'000	"C" inspection costs (B) QAR'000	Capital spares QAR'000	Capital work in progress QAR'000	Total QAR'000
Cost								
At 1 January 2018	-	11,106,384	34,575	6,838	285,716	50,487	52,660	11,536,660
Additions	-	-	741	765	64,595	-	44,212	71,113
Transfer from investment property (Note 7)	174,901	-	-	-	-	-	-	174,901
Disposals	-	(436,927)	-	(1,038)	(144,818)	-	-	(582,783)
At 31 December 2018	174,901	10,669,457	35,316	6,565	205,493	50,487	96,872	11,239,091
Accumulated depreciation								
At 1 January 2018	-	5,489,148	31,573	4,929	237,986	28,431	-	5,792,067
Depreciation	-	236,613	1,173	820	37,506	3,413	-	279,525
Disposals	-	(436,927)	-	(1,024)	(144,818)	-	-	(582,769)
At 31 December 2018	-	5,288,834	32,746	4,725	130,674	31,844	-	5,488,823
Net carrying amounts At 31 December 2018	174,901	5,380,623	2,570	1,840	74,819	18,643	96,872	5,750,268
Cost								
At 1 January 2017	-	10,686,468	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

### (A) Production facilities

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 land and on 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.

### (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 as 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:

	2018 QAR'000	2017 QAR'000
Cost of sales (Note 27)	277,825	443,265
General and administrative expenses (Note 29)	1,700	1,566
	279,525	444,831

## 7 INVESTMENT PROPERTY

	2018 QAR'000	2017 QAR'000
Balance as at 1 January	174,901	174,901
Transferred to property, plant and equipment (Note 6)	(174,901)	-
Balance as at 31 December	-	174,901

Investment property comprises a plot of land in Lusail. During the year, the land was transferred to property, plant and equipment as the Group has commenced construction of an owner-occupied property on the land.

## 8 INTANGIBLES ASSETS AND GOODWILL

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

	2018 QAR'000	2017 QAR'000
Intangible assets (1)	65,672	71,642
Goodwill (2)	30,813	30,813
Total	96,485	102,455

### (1) Intangible assets

	2018 QAR'000	2017 QAR'000
Cost:		
At 31 December	113,430	113,430
Amortisation:		
At 1 January	41,788	35,818
Amortisation (Note 29)	5,970	5,970
At 31 December	47,758	41,788
Net carrying amount:		
At 31 December	65,672	71,642

## 9 INVESTMENTS IN JOINT VENTURES (CONTINUED)

### For the year ended 31 December 2018

	Qatar Power Q.S.C. QAR'000	Mesaieed Power Company Q.S.C. QAR'000	Ras Girtas Power Company Q.S.C. QAR'000	Nebras Power Q.S.C. QAR'000	Umm Al Houl Power Q.S.C. QAR'000	Siraj Energy QAR'000	Total QAR'000
Summarised statement of financial position							
Non-Current Assets	1,623,858	6,379,553	11,620,287	2,769,681	9,341,993	-	31,735,372
Current assets	485,751	852,220	1,281,806	3,979,875	2,155,549	3,645	8,758,846
Non-Current Liabilities	1,102,387	6,179,954	11,380,109	1,964,767	8,479,192	-	29,106,409
Current Liabilities	313,261	830,274	1,006,966	214,769	899,414	-	3,264,684
Equity	693,961	221,545	515,018	4,570,020	2,118,936	3,645	8,123,125
Group's interest	381,679	88,618	231,758	2,742,012	1,271,362	2,187	4,717,616
Carrying value of investments	381,679	88,618	231,758	2,742,012	1,271,362	2,187	4,717,616
Summarised statement of comprehensive income							
Revenue	761,940	1,065,418	2,287,871	-	-	-	4,115,229
Profit for the year	77,122	216,149	291,316	350,686	119,682	-	1,054,955
Other comprehensive income for the year	44,225	170,788	513,222	(4,645)	172,170	-	895,760
Total comprehensive income	121,347	386,939	804,538	325,688	291,852	-	1,930,364
Group's share of profit	42,417	86,460	131,092	210,412	71,809	-	542,190
Group's share of other comprehensive income	24,324	68,315	230,950	(2,787)	103,302	-	424,104





# Qatar Electricity and Water Co. Q.P.S.C.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended 31 December 2018 In Thousand of Qatari Riyals

Notes:  
(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 the Group with original maturity over 90 days and earn interest at market rates.

### 16 SHARE CAPITAL

Authorized, issued, and fully paid:

110,000,000 shares with nominal value of QR 10 each

	2018 QAR'000	2017 QAR'000
	1,100,000	1,100,000

All shares bear equal rights.

Subsequent to the reporting date, the Qatar Financial Markets Authority issued instructions to all entities listed in the main market of Qatar Exchange to perform a split of the nominal value of ordinary shares from QR 10 per share to QR 1 per share. As a result, the Company's shares will be split into 1,100,000,000 shares with a value of QR 1 per share. This stock split is subject to the approval of shareholders at the Company's Extraordinary General Assembly to be held in due course.

### 17 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 the 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.

### 18 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.

### 19 HEDGE RESERVE

This hedge reserve comprises the effective portion of the cumulative net change in the fair value of the interest rate swaps used for cash flow hedging.

	2018 QAR'000	2017 QAR'000
At 1 January	(1,507,588)	(1,557,002)
Share of other comprehensive income from joint ventures	424,104	25,991
Net changes in fair value of interest rate swaps of the parent	29,899	23,423
At 31 December	(1,053,585)	(1,507,588)

### 20 FAIR VALUE RESERVE

The fair value reserve comprises the cumulative net change in the fair value of equity investments at fair value through other comprehensive income financial assets until the assets are derecognised.

	2018 QAR'000	2017 QAR'000
At 1 January	123,124	219,328
Fair value gain/ (loss) for the year	368,566	(96,204)
At 31 December	491,690	123,124

### 21 NON-CONTROLLING INTEREST

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

	2018 QAR'000	2017 QAR'000
<b>Ras Laffan Power Company Q.S.C.</b>		
As at 1 January	250,218	253,871
Profit for the year	28,597	23,317
Dividend paid during the year	(21,141)	(26,970)
As at 31 December	257,674	250,218

The financial information of group's subsidiary that has material non-controlling interest are provided below.  
The summarised financial information below represents amounts before intragroup eliminations.

	2018 QAR'000	2017 QAR'000
Non-current assets	1,118,566	1,249,899
Current assets	238,010	212,631
Non-current liabilities	-	49,663
Current liabilities	68,208	161,781
Equity	1,288,368	1,251,086
Equity attributable to owners of the Company	1,030,694	1,000,868
Non-controlling interests	257,674	250,218
Total Equity	1,288,368	1,251,086
	2018 QAR'000	2017 QAR'000
Revenue	490,403	458,258
Profit for the year	142,986	116,584
Profit attributable to owners of the Company	114,389	93,267
Profit attributable to non-controlling interests	28,597	23,317

### 22 INTEREST BEARING LOANS AND BORROWINGS

	2018 QAR'000	2017 QAR'000
Loan (1)	1,135,348	1,193,331
Loan (2)	1,093,500	911,250
Loan (3)	1,009,008	831,060
Loan (4)	915,623	-
Loan (5)	854,973	885,278
Loan (6)	536,756	585,913
Loan (7)	513,704	551,912
Loan (8)	334,660	345,774
Loan (9)	267,797	292,322
Loan (10)	182,250	182,250
Loan (11)	24,422	166,868
Total interest bearing loans and borrowings	6,868,041	5,925,958
Less: Financing arrangement costs	(58,258)	(59,878)
	6,809,783	5,866,080

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

	2018 QAR'000	2017 QAR'000
Current portion	2,443,820	1,424,286
Non-current portion	4,365,963	4,441,794
	6,809,783	5,866,080

- 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. 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.
- 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 loan carried 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. The credit facility was extended every year thereafter by adding amendment agreements (on 5 December 2016, 6 December 2017 and 29 November 2018). On 29 December 2018, 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 0.45%.
- 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%. The loan is payable in quarterly installments over the period of 270 months commencing from 9 January 2018.
- On 2 July 2018, the Group has obtained a loan amounting to USD 251.2 million (QR 915.6 million) for the purpose of working capital requirements. The carried interest rate is LIBOR plus 0.5% and the loan is fully payable on 2 July 2019.
- The Company has availed a USD 270 million Islamic credit facility with Qatar Islamic Bank in the form of Istsinaa' for the construction of RAF A2 plant facilities. The loan is repayable in quarterly installments over the period of 20 years starting from 9 June 2016.
- 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 loan is repayable in semi-annual installments over the period of 17 years starting from 30 June 2010 at a pre-determined repayment percentage multiplied against the principle amount outstanding as at the end of the availability period.
- 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 loan will be repayable in quarterly installments starting from earlier of six months after the actual facility date.
- On 4 July 2016, the Company availed a USD 96 million Islamic credit facility in the form of Istsinaa' to finance the construction of RAF A3 plant. The loan is payable in quarterly installments over the period of 270 months commencing from 9 January 2008.
- The Company has availed a USD 144.1 million Islamic credit facility in the form of Istsinaa' for the construction of three multi-stage flash type desalination units forming part of a fully functioning water-desalination plant at RAF A1.
- On 15 February 2017, the Company entered into a credit facility with DBS Bank Ltd, Dubai. This term loan facility of USD 50 million carries interest at LIBOR plus 0.5%. On 15 February 2018, the company has extended the agreement for one year with an interest of LIBOR plus 0.6%.
- 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.

### 23 FAIR VALUE OF DERIVATIVES

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

	2018 QAR'000	2017 QAR'000
Assets		
Current portion	8,157	2,374
Non-current portion	37,236	34,856
	45,393	37,230
Liabilities		
Current portion	4,640	15,297
Non-current portion	15,988	27,069
	20,628	42,366

### 24 EMPLOYEES' END OF SERVICE BENEFITS

	2018 QAR'000	2017 QAR'000
At 1 January	73,985	52,803
Provision made during the year	5,361	27,380
Payments made during the year	(10,384)	(6,198)
At 31 December	68,962	73,985

### 25 TRADE AND OTHER PAYABLES

	2018 QAR'000	2017 QAR'000
Trade payables	83,312	149,706
Accrued expenses	129,825	128,202
Dividend payable to shareholders	40,824	37,924
Provision for social and sports support fund	34,978	37,635
Provision for staff costs	24,795	30,893
Other payables	258,407	244,664
	572,141	629,024

### 26 REVENUE FROM WATER AND ELECTRICITY

	2018 QAR'000	2017 QAR'000
Revenue from contracts with customers		
Sale of water	377,956	653,330
Sale of electricity	703,601	1,058,654
Operations and maintenance	45,968	61,240
Water	18,244	19,567
Electricity		
Total revenue from contracts with customers	1,145,769	1,792,791
Operating lease revenue – capacity charges		
Water	825,514	793,481
Electricity	499,161	359,025
	2,470,444	2,945,297
Revenue from sale of water and sale of electricity are recognised at point in time.		

Revenue from operations and maintenance is recognised over the period of time upon satisfaction of the services to the customer using an output method. The Group applied the practical expedient which allows the Group to recognise the revenue in the amount to which the entity has a right to invoice as this corresponds directly with the value to the customer of the entity's performance completed to date. There is no unsatisfied performance obligation for the year ended 31 December 2018.

Total revenue is generated within the State of Qatar.

### 27 COST OF SALES

	2018 QAR'000	2017 QAR'000
Cost of gas consumed	736,673	824,537
Depreciation of property, plant and equipment (Note 6)	277,825	443,265
Staff costs	157,146	192,065
Spare parts, chemicals and consumables	82,299	96,543
Others	144,011	198,428
	1,397,954	1,754,838

### 28 OTHER INCOME

	2018 QAR'000	2017 QAR'000
Interest income	112,366	94,733
Profit on disposal of property, plant and equipment	58,994	337
Dividend income from Equity investments at fair value through other comprehensive income financial assets (Note 10)	38,049	16,052
Miscellaneous income	22,920	45,549
	232,349	156,671

### 29 GENERAL AND ADMINISTRATION EXPENSES

	2018 QAR'000	2017 QAR'000
Staff costs	103,140	100,038
Provision for slow moving inventories (Note 13)	17,289	48,408
Board of directors' remuneration (Note 36)	11,750	11,750
Insurance	11,390	12,938
Amortization of intangible assets (Note 8)	5,870	5,970
Recruitment and training expenses	4,805	4,512
Repairs and maintenance	4,028	1,870
Rent expense	3,600	3,600
Donations	2,485	2,368
Amortization of non-current assets (Note 12)	1,979	2,015
Depreciation of property, plant and equipment (Note 6)	1,700	1,566
Professional fees	1,614	1,944
Office expenses	1,279	468
Telephone postage and couriers	1,075	1,851
Advertisement and public relation expenses	979	1,128
Subscription and licenses	775	844
Provision for liquidity damages	43	1,119
Miscellaneous expenses	12,156	17,278
	186,057	219,667

### 30 FINANCE COSTS

	2018 QAR'000	2017 QAR'000
Interest expense	217,561	173,148
Bank charges	9,274	7,130
	226,835	180,278

### 31 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.

	2018 QAR'000	2017 QAR'000
Profit for the year attributable to equity holders of the Company	1,536,587	1,616,176
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)	13.97	14.69

\* 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 16).

### 32 DIVIDENDS

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

### 33 CONTRIBUTION TO SOCIAL AND SPORTS FUND

During the year, the Company declared and paid a cash dividend of QR 7.75 per share totalling to 852.5 million (2017: QR 7.50 per share totalling to QR 825 million).  
The proposed final dividend amounting to QR 852.5 million for year 2018 (2017: QR 852.5 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 2018.

### 34 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 and monitored as a single segment. Consequently, the Group presents both generation of electricity and production of desalinated water as a single operating segment.

### 35 COMMITMENTS AND CONTINGENT LIABILITIES

#### Operating lease commitment

Buildings under operating lease agreements

	2018 QAR'000	2017 QAR'000
Within one year	7,235	7,235
After one year and more than five years	1,406	8,289
More than five years	1,405	1,757
	10,046	17,281

#### (a) Capital commitments (Note i)

	2018 QAR'000	2017 QAR'000
Bank guarantees, corporate guarantees and documentary credits	549,844	285,130

#### (c) Other commitments:

	2018 QAR'000	2017 QAR'000
Derivative financial instruments:		
Interest rate swaps (notional amount)	1,299,107	1,965,756

### 36 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.

	Nature of the relationship	Nature of the transactions	2018 QAR'000	2017 QAR'000
KAHRAMAA	Shareholder	Electricity income	1,221,008	1,437,248
		Water income	1,237,383	1,494,383
		Lease income	131,048	125,445
			2,589,439	3,057,076
Qatar Petroleum	Shareholder	Sale of desalinated water	12,052	13,666
Qatar Petroleum	Shareholder	Cost of gas consumed/ take or pay gas	736,672	824,537

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

	Nature of the relationship	Trade and other receivables	2018 QAR'000	2017 QAR'000	Trade and other receivables	2018 QAR'000	2017 QAR'000
KAHRAMAA	Shareholder	401,207	170	814,202	364		
Umm Al Houl Power Q.S.C.	Joint venture	15,436	-	13,017	-		
Ras Ghras Power Company Q.S.C.	Joint venture	2,004	-	2,164	-		
Qatar Power Q.S.C.	Joint venture	1,134	-	1,113	-		
Qatar Petroleum	Shareholder	990	97,742	1,086	116,704		
Nebras Power Q.S.C.	Joint venture	-	-	1,520	11,104		
		420,771	97,912	833,102	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:

	2018 QAR'000	2017 QAR'000
Management remuneration	4,504	4,705
Directors' fees	11,750	11,750
	16,254	16,455

### 37 FINANCIAL RISK AND CAPITAL MANAGEMENT

#### 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 are trade receivables, and bank balances that derive directly from its operations. The Group also holds Equity investments at fair value through other comprehensive income investments and enters into derivatives 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.

The Group uses derivatives to hedge 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 entered into 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:

	2018 QAR'000	2017 QAR'000
Fixed rate instruments:		
Financial assets	3,950,284	3,122,700
Floating interest rate instruments:		
Interest bearing loans and borrowings	(6,809,793)	(5,866,080)
Effect of interest rate swaps	1,299,107	1,965,756
	(5,510,686)	(3,900,324)

#### 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.

	Change in basis points	Effect on profit QAR'000	Effect on equity QAR'000
<b>2018</b>			
Floating interest rate instruments			
Interest bearing loans and borrowings	+25	(17,024)	(17,024)
	-25	17,024	17,024
Interest rate swaps	+25	3,247	3,247
	-25	(3,247)	(3,247)
<b>2017</b>			
Floating interest rate instruments			
Interest bearing loans and borrowings	+25	(14,665)	-
	-25	14,665	-
Interest rate swaps	+25	4,914	4,914
	-25	(4,914)	(4,914)