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:

1. 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
2. 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.
3. 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.
4. 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:

1. 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.
2. Approving the report of the External Auditors on the Company's financial position for the year ended 31st December 2018.
3. 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.
4. Approving Governance report for the year 2018
5. Resolution on the discharge from responsibility of the Board members for the financial year 2018 and approve their remuneration.
6. Appointing an External Auditor for the year 2019 and fixing their fees

Note:

1. In order to complete registration, please attend one hour before the start time.
2. If it is not possible for you to attend, another shareholder can be authorized to represent you in the meeting.
3. In case a quorum is not met, a second meeting will be held on 13th March 2019 at the same time and venue.
4. No children will be allowed into the Ordinary General Assembly.

Saad Bin Sharida Al-Kabi
Chairman

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 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. Thus 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 also 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 Houl Power):**

The company has completed the construction work of the Umm Al Houl 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 Houl Plant is one of the biggest power and desalination plants in the region, with the participation of QEWC (60%), Qatar Petroleum (5%), Qatar Foundation (5%) and a consortium of Japanese Companies Mitsubishi Corporation and TEPCO, (30%). 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 Qatari 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 2018and 36.7% of the drilling and foundation works were completed on 15November 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-Houl.

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.

- **Sumbagot 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 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.

- **Ibri 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:

1. 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.

2. The Board of Directors regulation was amended by Council Resolution No. (13) of 2018 at its meeting No. (2) dated 22 April 2018.

3. 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 contributions 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 Qatarization:

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

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 Qatarization rate is 23% of the company's 700 employees.

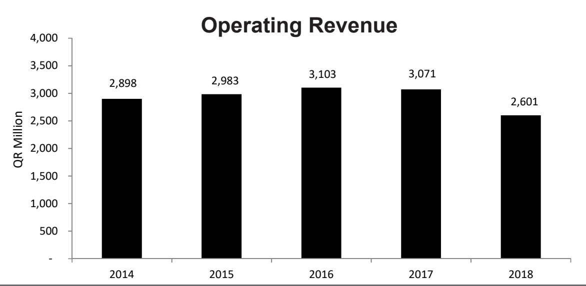
Sixth: Security and Safety:

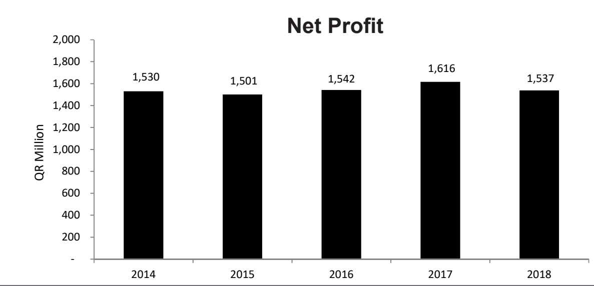
The implementation of safety and security procedures and obligations towards the employees is one of the most important priorities for the company. It has achieved high working hours with its subsidiaries without fatal accidents or serious injuries during 2018. It has also received many international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

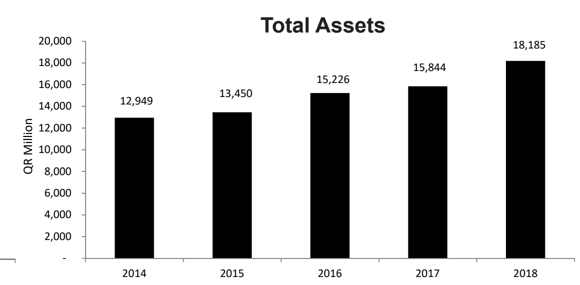
To conclude this report, the Board of Directors affirms its keenness to continue to serve the national economy during the coming period and hopes for further efforts to achieve further progress and success, asking god almighty to be a constant help to continue the successful march of the company to serve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

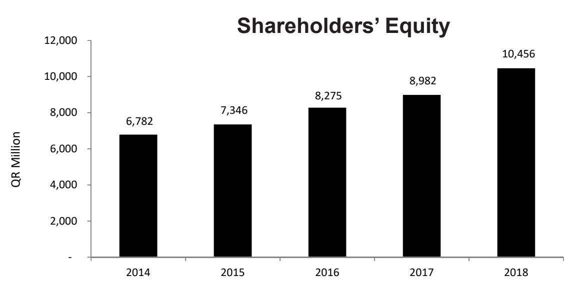
Saad Bin Sharida Al Kaabi
Chairman of the Board of Directors

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
Carrying value of Property, Plant and equipment	
The Group's property, plant and equipment (PPE), as set out in note 5 to the consolidated financial statements, represents 32% of the Group's total assets and, consequently, their depreciation charge for the year represents 20% of the Group's total expense. There are a number of areas where management judgment impacts the carrying value of PPE. These include: - the decision to capitalize or expense costs; - the annual useful life review including the impact due to changes in the Group 's strategy; and - assessing indicators of impairment and determining recoverable amounts	Our audit procedures included; • 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; • 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; • evaluating management's assumptions and judgment relating to useful life PPE;
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 mater. 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	• recalculating the depreciation charge, on a sample basis; • recalculating the gain or loss on disposal of PPE; • assessing the impact from production facilities, whose Power and Water Purchase Agreement (PWPA) expired during the year; • 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; • tracing the PPE and depreciation related balances to the relevant ledgers and assessing the adequacy of relevant disclosure in the consolidated financial statements.

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 FINANCIAL POSITION
At 31 December 2018

	Notes	2018 QAR'000	2017 QAR'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**5,750,268**	5,744,593
Investment property	7	**-**	174,901
Intangible assets and goodwill	8	**96,485**	102,455
Investment in joint ventures	9	**4,717,616**	3,136,097
Equity investments at fair value through other comprehensive income	10	**1,558,553**	701,577
Finance lease receivables	11	**1,117,626**	1,248,845
Positive fair value of interest rate swaps for hedging	23	**37,236**	34,856
Other assets	12	**15,864**	17,843
		13,293,648	11,161,167
Current assets			
Inventories	13	**141,939**	230,828
Trade and other receivables	14	**491,852**	895,680
Finance lease receivables	11	**131,219**	117,487
Positive fair value of interest rate swaps for hedging	23	**8,157**	2,374
Bank balances and cash	15	**4,117,953**	3,436,017
		4,891,120	4,682,386
TOTAL ASSETS		**18,184,768**	15,843,553
EQUITY AND LIABILITIES			
Equity			
Share capital	16	**1,100,000**	1,100,000
Legal reserve	17	**550,000**	550,000
General reserve	18	**3,241,834**	3,241,834
Hedge reserve	19	**(1,053,585)**	(1,507,588)
Fair value reserve	20	**491,690**	123,124
Retained earnings		**6,125,641**	5,474,510
Equity attributable to equity holders of the parent		**10,455,580**	8,981,880
Non-controlling interest	21	**257,674**	250,218
Total equity		**10,713,254**	9,232,098
Liabilities			
Non-current liabilities			
Interest bearing loans and borrowings	22	**4,365,963**	4,441,794
Negative fair value of interest rate swaps for hedging	23	**15,988**	27,069
Employees' end of service benefits	24	**68,962**	73,985
		4,450,913	4,542,848
Current liabilities			
Interest bearing loans and borrowings	22	**2,443,820**	1,424,286
Negative fair value of interest rate swaps for hedging	23	**4,640**	15,297
Trade and other payables	25	**572,141**	629,024
		3,020,601	2,068,607
Total liabilities		**7,471,514**	6,611,455
TOTAL EQUITY AND LIABILITIES		**18,184,768**	15,843,553

These consolidated financial statements were approved by the Parent Company's Board of Directors and signed on its behalf by the following on 10 February 2019.

Mr. Saad Sharidah Al Kaabi
Chairman

Mr. Fahad Bin Hamad Al-Mohannadi
Managing Director

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	8,981,880	250,218	9,232,098
Adoption of IFRS9 (Note 4)	-	-	-	-	-	(4,365)	(4,365)	-	(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	2,359,156	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
Revenue		2,601,491	3,070,742
Cost of sales	27	(1,397,954)	(1,754,838)
Gross profit		1,203,537	1,315,904
Other operating income	28	232,349	156,671
General and administrative expenses	29	(186,057)	(219,667)
Operating profit		1,249,829	1,252,908
Finance costs	30	(226,835)	(180,278)
Share of profit of joint ventures	9	542,190	566,863
Profit for the year		1,565,184	1,639,493
Other comprehensive income:			
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
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Net change in fair value gain / (loss) on equity investments at fair value through other comprehensive income	10,20	368,566	(96,204)
Other comprehensive income / (loss) for the year		822,569	(46,790)
Total comprehensive income		2,387,753	1,592,703
Profit attributable to:			
Equity holders of the parent		1,536,587	1,616,176
Non-controlling interests		28,597	23,317
		1,565,184	1,639,493
Total comprehensive income attributable to:			
Equity holders of the parent		2,359,156	1,569,386
Non-controlling interests		28,597	23,317
		2,387,753	1,592,703
Earnings per share:			
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
OPERATING ACTIVITIES			
Profit for the year		1,565,184	1,639,493
Adjustments for:			
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	217,561	173,148
Operating profit before working capital changes		1,341,250	1,663,260
Working capital changes:			
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)
Net cash flows from operating activities		1,817,613	1,474,602
INVESTING ACTIVITIES			
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 Houl Power Company Q.S.C.	9	(919,218)	
Purchase of equity investments at fair value through other comprehensive income	10	(488,410)	(286,637)
Interest received	28	130,179	66,923
Net movement in term deposits with original maturity over 90 days		180,054	(625,702)
Net cash used in investing activities		(806,658)	(606,667)

	Notes	2018 QAR'000	2017 QAR'000
FINANCING ACTIVITIES			
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)
Net cash used in financing activities		(144,600)	(1,068,651)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		866,355	(200,716)
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 in to "Qatari Public Shareholding Company" after the amendment made in to the Article of Association on 06 March 2017.

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

The principal activities of the Group, which have not changed from the previous year, are 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 incor-poration	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 incorpora-tion	Ultimate ownership interest 2018	2017
Qatar Power Q.S.C.	Generation of electricity & production of desalinated water	Qatar	**55%**	55%
Mesaieed Power Company Q.S.C.	Generation of electricity	Qatar	**40%**	40%
Ras Girtas Power Company Q.S.C.	Generation of electricity & production of desalinated water	Qatar	**45%**	45%
Nebras Power Q.S.C.	Investments in electricity and desalinated water projects outside the State of Qatar	Qatar	**60%**	60%
Umm Al Houl Power Q.S.C.	Generation of electricity & production of desalinated water	Qatar	**60%**	60%
Siraj Energy	Identifying, evaluating and development of Solar power opportunities.	Qatar	**60%**	60%

2 MAJOR TRANSACTIONS AND AGREEMENTS OF THE GROUP

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

a) 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.

b) 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.

c) 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.

d) 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.

e) 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%)

f) 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.

g) On 15 January 2007, Mesaieed Power Company Q.S.C. was incorporated as a joint venture between the Company, Marubeni Corporation and Qatar Petroleum for the production of electricity from the Mesaieed power plant. In May 2009, Chubu Electric Power Company joined the joint venture. The shareholdings in Mesaieed Power Company Q.S.C. as at the current and the 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%)

h) 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").

i) 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 Houl Power Q.S.C. was incorporated as a joint venture for the purpose of the production of electricity and desalinated water from the Facility D plant. The percentage shareholdings in Umm Al Houl Power Q.S.C. as at the current and the 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 13 October 2015, the Company entered into a Water Purchase Agreement (WPA) for the Ras Abu Fontas A3 Water project with KHARAMAA.

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 judgements 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 at the end of the concession term through 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 the plants, based on management's estimate of the useful life and residual value of the assets. An estimate of the useful life 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 PWPAs. Under the PWPAs, the Company receives payment for the provision of power and water capacity, whether or not the offtaker (Kahramaa) requests power or water output ("capacity payments"), and for the variable costs of production ("energy and water payments"). The Group has determined the PWPAs are 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 PWPAs as operating leases. When there are amendments to the PWPAs, 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 recognised 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 recognizes the amount in the 'share of results of joint ventures' in the consolidated income statement.

Finance lease receivable

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

Impairment of non-financial assets (other than inventories and property, plant and equipment)

The carrying amounts of the 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 all 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 two criteria: 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 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)
Equity	
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 continuing hedging 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 accounting 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 PWPAs 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. A mere 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, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments do not have any impact on the Group's financial statements.

Standards issued but not yet effective

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

Topics	*Effective date*
IFRS 16 Leases	1 January 2019
IFRIC Interpretation 23 Uncertainty over Income Tax Treatment	1 January 2019
IFRS 9: Prepayment Features with Negative Compensation – Amendment	1 January 2019
IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendment	Deferred indefinitely
IAS 19: Plan Amendment, Curtailment or Settlement	1 January 2019
IAS 28: Long-term interests in associates and joint ventures - Amendment	1 January 2019
Annual Improvements 2015-2017 Cycle	
IFRS 3 Business Combinations	1 January 2019
IFRS 11 Joint Arrangements	1 January 2019
IAS 12 Income Taxes	1 January 2019
IAS 23 Borrowing Costs	1 January 2019

The Group did not early adopt any standards, interpretations or amendments that have been issued but are not yet effective. However, the Group is carrying out impact assessment of application of major standards, mainly IFRS 16 Leases as disclosed below:

IFRS 16 Leases

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

The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

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

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

The Group will apply the new accounting standard for the first time as of 1 January 2019 using modified retrospective approach so that any changes as of 1 January 2019 will be recognised cumulatively in retained earnings. As a result, the Group will not apply the requirements of IFRS 16 to every comparative period shown.

The Group is currently assessing the impact of the new standard and expects its implementation not to have a significant impact on the consolidated financial statements from the date of adoption.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

Business combinations

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

Subsidiaries

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

Non-controlling interests

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

Loss of control

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

Interest in joint ventures

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

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

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

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

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

The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the consolidated statement of profit or loss within operating profit and represents profit or loss after tax of the joint ventures.

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

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

Transactions eliminated on consolidation

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

Property, plant and equipment

Recognition and measurement

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

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

The costs of initial spare parts included under capital spares received for the maintenance of the three gas turbine-generators at RAF B2 are capitalised. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent expenditure

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

Depreciation

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

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

	2018	**2017**
Production facilities	30 years	20-25 years
Furniture, fixtures and office equipment	3-7 years	3-7 years
Motor vehicles	4 years	4 years
"C" inspection costs	3-5 years	3-5 years

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

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

Derecognition

An item of property, plant and equipment is derecognised upon disposal (i.e. at the date the recipient obtain control) or when no future economic benefits are expected from its use or disposal. Profits and losses on disposals of items of property, plant and equipment are determined by comparing the proceeds from their disposals with their respective carrying amounts, and is included in the consolidated statement of profit or loss.

Investment property

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

Recognition and measurement

An investment property is recognized initially at cost of acquisition including any transaction costs. Land is not depreciated and other investment property is subsequently measured at cost less accumulated depreciation and impairment losses, if any.

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

Subsequent expenditure

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

Derecognition

An item of investment property is derecognised upon disposal (i.e. at the date the recipient obtains control) or when they are permanently withdrawn from use and when no future economic benefits are expected from its use. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of profit or loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15.

Transfers

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Intangible assets and goodwill

Recognition and measurement

Goodwill arising from the acquisition of subsidiaries is measured at cost less accumulated impairment losses, if any.

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

Subsequent expenditure

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

Amortization

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

The estimated useful life of the contract rights over the Power and Water Purchase Agreement is 25 years.

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

An intangible asset is derecognized upon disposal (i.e. at the date the recipient obtains control) or losses when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss.

Finance lease receivable

Subsequent to the application of IFRIC 4 "Determining whether an arrangement contains a lease", one of the Group's subsidiary has determined that its Power and Water Purchase Agreement (PWPA) with KAHRAMAA contains a lease and, accordingly, the Group has accounted for the cost of the plant as a finance lease receivable in line with the provisions in IAS 17 "Leases".

Initial recognition

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

Subsequent measurement

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

Inventories

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

Accounting policies applied from 01 January 2018

Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:
- those to be measured subsequently at fair value through other comprehensive income (FVOCI) and
- those to be measured at amortised cost

The classification is based on two criteria:
- The Group's business model for managing the assets; and
- Whether the instruments' contractual cash flows represent 'solely payments of principal and interest (Profit) on the principal amount outstanding (the "SPPI criterion").

Business model: the business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at fair value through profit or loss ('FVTPL"). Factors considered by the Group sets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (Profit) (the 'SPPI test'). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest (Profit) includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at Fair value through profit or loss (FVTPL).

(ii) Measurement

Debt instruments

Debt instruments of the Group are subsequently measured at "amortised cost". This category includes trade receivables, amounts due from related parties, other receivables and bank balances.

Debt instruments at amortised cost are financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. A gain or loss on a debt instrument that is subsequently measured at amortised cost is recognised in profit or loss when the asset is derecognised or impaired. Interest income "Profit" from these financial assets is included in finance income using the effective interest rate (Profit) method.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent.

Equity instruments

Upon initial recognition, the Group elects to classify its equity investments as equity instruments at Fair value through other comprehensive income (FVOCI) when they meet the definition of equity under IAS 32 Financial Instruments: Presentation, and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in other comprehensive income. Equity instruments at FVOCI are not subject to an impairment assessment

iii) 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 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 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.

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 categorise in to 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 instruments (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.

Equity 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 therein, 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 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 other payables and derivatives.

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 consideration is due) from the customer. If 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 is retained in other comprehensive income and reclassified to profit or loss in the same period or periods during which the hedged item affects profit or loss.

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

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 employees' final salary and length of service, subject to the completion of a minimum service period, and are payable to the employees on termination of their employment. The expected costs of these benefits are accrued over the period of employment.

With respect to the Qatari nationals, the Group makes contributions to Qatar Retirement and Pension Authority as a percentage of the employees' salaries in accordance with the requirements of respective local laws pertaining to retirement and pensions. The Group's share of contributions to these schemes are charged to profit or loss in the year to which they relate. In addition, the Group provides end of service benefits to its Qatari employees in accordance with requirements of respective local laws and guidance. The entitlement to these benefits is based upon the employees' final salary and length of personal service, subject to the completion of 20 years personal service and are subject to the employers 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 recognised when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

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 amounts collected 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 sent-out power and water on a monthly basis. As soon as power and water are transmitted to Kahramaa and revenue is recognised as 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 lessee 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 transaction to sell the asset or transfer the liability takes place either:

In the principal market for the asset or liability or

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

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

Current versus non-current classification

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

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

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

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

The Group classifies all other liabilities as non-current.

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	110,313
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		10,686,488	34,080	6,702	284,251	50,487	417,333	11,479,341
Additions		-	495	2,007	1,465	-	55,223	59,190
Reclassification		419,896	-	-	-	-	(419,896)	-
Disposals		-	-	(1,871)	-	-	-	(1,871)
At 31 December 2017		11,106,384	34,575	6,838	285,716	50,487	52,660	11,536,660
Accumulated depreciation								
At 1 January 2017		5,104,377	30,359	5,885	183,437	24,894	-	5,348,952
Depreciation		384,771	1,214	760	54,549	3,537	-	444,831
Disposals		-	-	(1,716)	-	-	-	(1,716)
At 31 December 2017		5,489,148	31,573	4,929	237,986	28,431	-	5,792,067
Net carrying amounts								
At 31 December 2017		**5,617,236**	**3,002**	**1,909**	**47,730**	**22,056**	**52,660**	**5,744,593**

(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 on which the Dukhan desalination plant is situated has been leased to the Company by Qatar Petroleum for a period of 25 years from the acquisition date of the plant, 01 January 2003.

(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

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

(2) Goodwill

The goodwill arose on the step-up acquisition by the Company of 55% additional shareholding in Ras Laffan Power Company Q.S.C. on 20 October 2010. No impairment allowance on goodwill was recognized from the date of acquisition as Ras Laffan Power Company Q.S.C. contributed QR 1,290 million (2017: QR 1,098 million) to the profit of the Group from the date of acquisition.

9 INVESTMENTS IN JOINT VENTURES

The Group has the following investments in joint ventures:

	Country of incorporation	Group effective ownership %	2018 QAR'000	2017 QAR'000
Nebras Power Q.S.C.	Qatar	60%	**2,742,012**	2,534,386
Umm Al Houl Power Q.S.C. (Note i)	Qatar	60%	**1,271,362**	177,032
Qatar Power Q.S.C.	Qatar	55%	**381,679**	405,155
Ras Girtas Power Company Q.S.C.	Qatar	45%	**231,758**	17,337
Mesaieed Power Company Q.S.C.	Qatar	40%	**88,618**	-
Siraj Energy (Note ii)	Qatar	60%	**2,187**	2,187
			4,717,616	3,136,097

Notes:

(i) Umm Al Houl Power Q.S.C. has fully commissioned its operations during June 2018. During the year, the Group has contributed additional capital contribution of QR 919,219 thousand as per the joint venture agreement. This has not affected the Group's shareholding percentage in the Joint venture.

(ii) investment in Siraj Energy is carried at cost as the Company has not commenced the intended operation as at 31 December 2018 and 31 December 2017.

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

	2018 QAR'000	2017 QAR'000
At 1 January	3,136,097	2,824,638
Investments made	919,218	2,187
Share of profit for the year	542,190	566,863
Share of other comprehensive income	424,104	25,991
Dividend received	(303,993)	(283,582)
At 31 December	4,717,616	3,136,097

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

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**

For the year ended 31 December 2017

	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	1,809,595	6,615,543	11,847,357	2,962,399	9,403,445	-	32,638,339
Current assets	547,815	831,976	1,150,483	3,225,936	767,097	3,645	6,526,952
Non-Current Liabilities	1,229,182	5,576,411	9,806,161	1,360,855	7,392,061	-	25,364,670
Current Liabilities	391,582	2,003,758	3,153,152	603,503	2,483,427	-	8,635,422
Equity	736,646	(132,650)	38,527	4,223,977	295,054	3,645	5,165,199
Group's interest	405,155	-	17,337	2,534,386	177,032	2,187	3,136,097
Carrying value of investments	405,155	-	17,337	2,534,386	177,032	2,187	3,136,097
Summarised statement of comprehensive income							
Revenue	762,928	1,079,557	2,343,431	-	351,763	-	4,537,679
Profit for the year	150,291	204,205	337,058	326,398	91,677	-	1,109,629
Other comprehensive income for the year	41,918	(127,660)	67,589	31,167	8,142	-	21,156
Total comprehensive income	192,209	76,545	404,647	357,565	99,819	-	1,130,785
Group's share of profit	82,660	81,682	151,676	195,839	55,006	-	566,863
Group's share of other comprehensive income	23,055	(51,064)	30,415	18,700	4,885	-	25,991

10 EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2018 QAR'000	*2017 QAR'000*
At 1 January	**701,577**	511,144
Additions	**488,410**	286,637
Net change in fair value gain (loss) transferred to other comprehensive income	**368,566**	(96,204)
At 31 December	**1,558,553**	701,577

During the year, dividend income of QR 38,049 thousand (2017: QR 16,052 thousand) was received from equity investments at fair value through other comprehensive income financial assets, which is included in "Other income" in the consolidated profit or loss statement (Note 28).

All equity investments at fair value through other comprehensive income financial assets comprise listed equity securities listed on the Qatar Stock Exchange. The fair value of the quoted equity shares is determined by reference to the published price quotations.

11 FINANCE LEASE RECEIVABLES

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

	2018 QAR'000	*2017 QAR'000*
Gross investment in the lease	**1,868,460**	2,107,856
Unearned finance income	**(619,615)**	(741,524)
Present value of minimum lease receivable	**1,248,845**	1,366,332

The discount rate used by the subsidiary was 9.32 % per annum (2017: 9.32% per annum) as agreed in the agreement between Ras Laffan Power Company Q.S.C. (lessor), which is a subsidiary of the Company and KAHRAMAA (lessee).

The finance lease receivables at the end of the reporting period were neither past due nor impaired.

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

	2018 QAR'000	*2017 QAR'000*
Current portion	**131,219**	117,487
Non-current portion	**1,117,626**	1,248,845
	1,248,845	1,366,332

The non-current portion is further analysed as follows:

	2018 QAR'000	*2017 QAR'000*
Later than one year and not later than five years	**352,738**	450,426
	764,888	798,419
	1,117,626	1,248,845

	2018 QAR'000	*2017 QAR'000*
Lease receivable balance as at 1 January	**1,366,332**	1,490,605
Lease interest charged during the year	**131,048**	125,455
Capital and lease interest recovered during the year	**(248,535)**	(249,728)
Lease receivable balance as at 31 December	**1,248,845**	1,366,332

12 OTHER ASSETS

In October 2010 Ras Laffan Operating Company W.L.L. (RLOC), one of the Group's subsidiaries, paid QR 23.815 million to Ras Laffan Services Company, a third party, for the acquisition of the rights, benefits, and obligations under a Technical Service Agreement. During 2011, RLOC received an amount of QR 5.9 million. The remaining amount of QR 17.9 million is amortized over a period of 19 years.

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

The movements in the above accounts were as follows:

	2018 QAR'000	*2017 QAR'000*
At 1 January	**17,843**	19,858
Amortization (Note 29)	**(1,979)**	(2,015)
At 31 December	**15,864**	17,843

13 INVENTORIES

	2018 QAR'000	*2017 QAR'000*
Spare parts	**384,584**	550,005
Less: Provision for slow-moving inventories	**(245,609)**	(323,835)
	138,975	226,170
Chemicals	**1,437**	2,062
Consumables	**1,527**	2,596
Total	**141,939**	230,828

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

	2018 QAR'000	*2017 QAR'000*
At 1 January	**323,835**	275,427
Provision made (Note 29)	**17,289**	48,408
Provision written off	**(95,515)**	-
At 31 December	**245,609**	323,835

14 TRADE AND OTHER RECEIVABLES

	2018 QAR'000	*2017 QAR'000*
Trade receivables	**401,297**	814,202
Prepayments and advances	**41,703**	15,498
Accrued interest receivable	**29,287**	47,080
Other receivables	**19,565**	18,900
	491,852	895,680

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

15 BANK BALANCES AND CASH

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

	2018 QAR'000	*2017 QAR'000*
Cash at bank – call and current accounts	**166,996**	313,287
Term deposits *(i)*	**3,950,641**	3,122,700
Cash in hand	**316**	30
Bank balances and cash	**4,117,953**	3,436,017
Less: Term deposits with original maturity over 90 days *(ii)*	**(2,687,577)**	(2,871,996)
Cash and cash equivalents	**1,430,376**	564,021

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

	2018 QAR'000	2017 QAR'000
Authorized, issued, and fully paid:		
110,000,000 shares with nominal value of QR 10 each	**1,100,000**	1,100,000

All shares bear equal rights.
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

The 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
Ras Laffan Power Company Q.S.C.		
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**	531,912
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

(1) The Company has entered into a credit agreement with The Bank of Tokyo Mitsubishi UFJ Ltd which acts as a facility agent and offshore security trustee for a credit facility amounting to USD 485.5 million (QR 1,769 million) to finance the construction of RAF B2. Interest is charged at a rate of LIBOR + 0.55 to 1.65 per annum as specified in the credit agreement. The loan is payable in semi-annual installments over the period of 23 years commencing from 1 December 2008.
(2) The Company 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%.
(3) 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.
(4) 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.
(5) The Company has availed a USD 270 million Islamic credit facility with Qatar Islamic Bank in the form of Istisnaa' for the construction of RAF A2 plant facilities. The loan is repayable in quaterly installments over the period of 20 years starting from 9 June 2016.
(6) 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.
(7) 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.
(8) On 4 July 2016, the Company availed a USD 96 million Islamic credit facility in the form of Istisnaa' to finance the construction of RAF A3 plant. The loan is payable in quarterly installments over the period of 270 months commencing from 9 January 2008.
(9) The Company has availed a USD 144.1 million Islamic credit facility in the form of Istisnaa' for the construction of three multi-stage flash type desalination units forming part of a fully functioning water- desalination plant at RAF A1.
(10) 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%
(11) 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		
Water	**45,968**	61,240
Electricity	**18,244**	19,567
Total revenue from contacts 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	**112,386**	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)	**5,970**	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).

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

32 DIVIDENDS

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.

33 CONTRIBUTION TO SOCIAL AND SPORTS FUND

In compliance with Qatar Law No. 13 of 2008, the Company made an appropriation from its retained earnings of QR 28.2 million (2017: QR 37.6 million) to the Social and Sports Fund of Qatar.

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)	**50,449**	-
(b) Contingent liabilities:		
Bank guarantees, corporate guarantees and documentary credits	**549,844**	285,130
***(c) Other commitments*:**		
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	2018 QAR'000 *Trade and other receivables*	2018 QAR'000 *Trade payables and accrued expenses*	2017 QAR'000 *Trade and other receivables*	2017 QAR'000 *Trade payables and accrued expenses*
KAHRAMAA	Shareholder	401,207	170	814,202	364
Umm Al Houl Power Q.S.C.	Joint venture	15,436	-	13,017	-
Ras Gitras 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 derivative transactions for hedging purposes.

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

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

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

Market risk

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

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*
2018			
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)**
2017			
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)

Equity price risk
All the Group's equity investments are listed on the Qatar Stock Exchange.

The following table demonstrates the sensitivity of the cumulative changes in fair value to reasonably possible changes in equity prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

	Change in equity price	***Effect on equity 2018 QAR'000***	*Effect on equity 2017 QAR'000*
Quoted shares	10%	155,855	70,158

Currency risk

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

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Credit quality of a customer is assessed based on an extensive credit rating and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored.
The Group is exposed to credit risk on its bank balances, amounts due from related parties and receivables as shown below:

	2018 QR	2017 QR
Bank balances	**4,117,637**	3,435,987
Trade receivables	**401,297**	814,202
Accrued interest receivable	**29,287**	47,080
Other receivables	**19,565**	18,900
	4,567,786	4,316,169

The Group seeks to limit its credit risk with respect to banks by dealing with reputable banks. With respect to credit risk arising from the other financial assets of the Group, including bank balances, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The total exposure to credit risk for trade receivables as at the reporting date is limited to Qatar. Moreover, the Group's receivables consist mainly of amounts due from KAHRAMAA, who is the sole distributor of power in the State of Qatar. As KAHRAMAA is contractually committed to discharge its obligation, management believes that the credit risk with respect to receivables is limited. In addition to that, these receivables are shown after review of their recoverability.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The Group does not hold collateral as security.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

		Days past due			
31 December 2018	***Current QR'000***	***30-60 days QR'000***	***61-90 days QR'000***	***> 91 days QR'000***	***Total QR'000***
Gross carrying amount	**394,070**	**234**	**4**	**6,989**	**401,297**
Loss provision allowance	-	-	-	-	-
	394,070	**234**	**4**	**6,989**	**401,297**

		Days past due			
31 December 2017	*Current QR'000*	*30-60 days QR'000*	*61-90 days QR'000*	*> 91 days QR'000*	*Total QR'000*
Gross carrying amount	790,449	3,710	3,024	17,019	814,202
Loss provision allowance	-	-	-	-	-
	790,449	3,710	3,024	17,019	814,202

Credit risk from balances with banks and financial institutions is managed by the treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Group's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Group's Finance Committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

Liquidity risk

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

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

The following are the contractual maturities of financial liabilities:

	Carrying amounts QAR'000	*Contractual cash flows QAR'000*	*Less than 1 year QAR'000*	*1 – 2 year QAR'000*	*More than 2 years QAR'000*
31 December 2018					
Trade payables	**83,312**	**(83,312)**	**(83,312)**	**-**	**-**
Accrued expenses	**129,825**	**(129,825)**	**(129,825)**	**-**	**-**
Other financial liabilities	**359,004**	**(359,004)**	**(359,004)**	**-**	**-**
Interest bearing loans and borrowings	**6,809,783**	**(6,809,783)**	**(2,443,820)**	**(1,078,395)**	**(3,287,568)**
Derivative financial instruments	**20,628**	**(22,857)**	**4,043**	**(4,913)**	**13,901**
(Inflows)	**(78,788)**	**(71,782)**	**(16,973)**	**(15,119)**	**(39,690)**
Outflows	**99,416**	**94,639**	**21,016**	**20,032**	**53,591**
	7,402,552	**(7,404,781)**	**(3,011,918)**	**(1,083,308)**	**(3,273,667)**

	Carrying amounts QAR'000	*Contractual cash flows QAR'000*	*Less than 1 year QAR'000*	*1 – 2 years QAR'000*	*More than 2 years QAR'000*
31 December 2017					
Trade payables	149,706	(149,706)	(120,210)	(28,038)	(1,458)
Accrued expenses	128,202	(128,202)	(128,202)	-	-
Other financial liabilities	351,116	(351,116)	(351,116)	-	-
Interest bearing loans and borrowings	5,866,080	(5,866,080)	(1,424,286)	(274,609)	(4,167,185)
Derivative financial instruments	42,366	(46,103)	(17,070)	(7,087)	(21,946)
(Inflows)	(78,188)	(84,680)	(17,904)	(14,140)	(52,636)
Outflows	120,554	130,783	34,974	21,227	74,582
	6,537,470	(6,541,207)	(2,040,884)	(309,734)	(4,190,589)

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong capital base and healthy capital ratios in order to support its business and to sustain future development of the business. The Group manages its capital structure and makes adjustments to it, in light of economic conditions. The Board of Directors monitors the return on capital. No changes were made in the objectives, policies or processes during the year ended 31 December 2018.

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

	2018 QAR'000	2017 QAR'000
Total borrowings	**6,809,783**	5,866,080
Less: Cash and cash equivalents	**(4,117,953)**	(3,436,017)
Net debt	**2,691,830**	2,430,063
Total equity to owners of the Company	**10,455,581**	8,981,880
Total equity and net debt	**13,147,411**	11,411,943
Gearing ratio	**20%**	21%

38 FAIR VALUES OF ASSETS AND LIABILITIES

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

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

At 31 December 2018	***Level 1 QAR'000***	***Level 2 QAR'000***	***Level 3 QAR'000***	***Total QAR'000***
Financial assets measured at fair value:				
Equity investments at fair value through other comprehensive income assets	**1,558,553**	**-**	**-**	**1,558,553**
Positive fair value of interest rate swaps	**-**	**45,393**	**-**	**45,393**
	1,558,553	**45,393**	**-**	**1,603,946**
Financial liabilities measured at fair value:				
Derivative instruments:				
Negative fair value of interest rate swaps	**-**	**20,628**	**-**	**20,628**
	-	**20,628**	**-**	**20,628**

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

At 31 December 2017	*Level 1 QAR'000*	*Level 2 QAR'000*	*Level 3 QAR'000*	*Total QAR'000*
Financial assets measured at fair value:				
Equity investments at fair value through other comprehensive income	701,577	-	-	701,577
Positive fair value of interest rate swaps	-	37,230	-	37,230
	701,577	37,230	-	738,807
Financial liabilities measured at fair value:				
Derivative instruments:				
Negative fair value of interest rate swaps	-	42,366	-	42,366
	-	42,366		42,366

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

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