

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

**FOR THE THREE-MONTH PERIOD ENDED
31 MARCH 2020**

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Qatar Electricity & Water Company Q.P.S.C. (the "Company") and its subsidiaries (the "Group"), comprising of the interim consolidated statement of financial position as at 31 March 2020 and the related interim consolidated statements of profit or loss and other comprehensive income, interim consolidated statement of changes in equity and the interim consolidated statement of cash flows for the three month period then ended, and the related explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

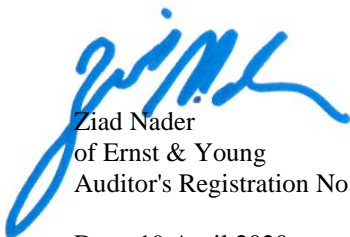
We conducted our review in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial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

Conclusion

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

Emphasis of Matter

We draw attention to Note 18 of the interim condensed consolidated financial statements, which describes the potential effect of COVID 19 pandemic on the Group's operations, interim financial positions, interim financial performance and related uncertainties. Our conclusion is not modified in respect of this matter.



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

Date: 19 April 2020
Doha



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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

		31 March 2020 QAR '000 (Reviewed)	31 December 2019 QAR '000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	6	5,510,787	5,573,047
Right-of-use assets		22,016	22,584
Intangible assets and goodwill		89,021	90,515
Investments in joint ventures	7	3,495,553	4,545,352
Equity investment at fair value through other comprehensive income		1,415,750	1,955,212
Finance lease receivables	8	937,760	973,613
Positive fair value of interest rate swaps for hedging	12	-	6,485
Loan receivable from a joint venture		143,687	143,687
Other assets		<u>13,573</u>	<u>13,997</u>
		<u>11,628,147</u>	<u>13,324,492</u>
Current assets			
Inventories		89,348	81,499
Trade and other receivables		503,391	503,402
Finance lease receivables	8	145,683	144,014
Positive fair value of interest rate swaps for hedging	12	-	2,060
Bank balances and cash	9	<u>3,299,880</u>	<u>3,438,597</u>
		<u>4,038,302</u>	<u>4,169,572</u>
TOTAL ASSETS		<u>15,666,449</u>	<u>17,494,064</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	10	1,100,000	1,100,000
Legal reserve		550,000	550,000
General reserve		3,241,834	3,241,834
Hedge reserve	12	(2,695,757)	(1,891,900)
Fair value reserve		(201,113)	338,349
Retained earnings		<u>6,128,450</u>	<u>6,660,841</u>
Equity attributable to equity holders of the parent		<u>8,123,414</u>	<u>9,999,124</u>
Non-controlling interest		<u>242,481</u>	<u>235,948</u>
Total Equity		<u>8,365,895</u>	<u>10,235,072</u>

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

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 March 2020

		<i>31 March 2020</i>	<i>31 December 2019</i>
	<i>Notes</i>	<i>QAR '000 (Reviewed)</i>	<i>QAR '000 (Audited)</i>
Liabilities			
Non-current liabilities			
Interest bearing loans and borrowings	11	4,088,470	4,116,620
Negative fair value of interest rate swaps for hedging	12	68,336	27,036
Lease liabilities		21,750	23,008
Employees' end of service benefits		89,996	86,730
		<u>4,268,552</u>	<u>4,253,394</u>
Current liabilities			
Interest bearing loans and borrowings	11	2,439,003	2,436,525
Negative fair value of interest rate swaps for hedging	12	24,354	9,635
Current portion of lease liability		1,354	958
Trade and other payables		567,291	558,480
		<u>3,032,002</u>	<u>3,005,598</u>
Total liabilities		<u>7,300,554</u>	<u>7,258,992</u>
TOTAL EQUITY AND LIABILITIES		<u>15,666,449</u>	<u>17,494,064</u>

These interim condensed consolidated financial statements were approved by the Parent Company's Board of Directors and signed on its behalf by the following on 19 April 2020.

H.E. Mr. Saad Bin Sheridah Al-Kaabi
Chairman

Mr. Fahad Bin Hamad Al-Mohannadi
Managing Director

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

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

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME

For the three-month period ended 31 March 2020

	Notes	<i>For the three-month period ended 31 March</i>	
		2020 QAR '000 (Reviewed)	2019 QAR '000 (Reviewed)
Revenue from water and electricity	13	570,040	506,966
Lease interest		29,337	32,419
		599,377	539,385
Cost of sales		(380,989)	(338,296)
Gross profit		218,388	201,089
Other operating income		97,558	104,212
General and administrative expenses		(43,329)	(45,826)
Operating profit		272,617	259,475
Finance costs		(51,616)	(63,674)
Share of profit of joint ventures		105,641	120,236
Profit for the period		326,642	316,037
Other comprehensive income:			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Share of other comprehensive income from joint ventures		(739,295)	(267,374)
Effective portion of changes in fair value of interest rate swaps for hedging		(64,562)	(21,551)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Net change in fair value of equity investments at fair value through other comprehensive income		(539,462)	(82,475)
Other comprehensive (loss) for the period		(1,343,319)	(371,400)
Total comprehensive (loss)		(1,016,677)	(55,363)
Profit attributable to:			
Equity holders of the parent		320,109	309,068
Non-controlling interests		6,533	6,969
		326,642	316,037
Total comprehensive (loss) income attributable to:			
Equity holders of the parent		(1,023,210)	(62,332)
Non-controlling interests		6,533	6,969
		(1,016,677)	(55,363)
Earnings per share:			
Basic and diluted earnings per share (Qatari Riyals)	14	0.29	0.28

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

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three-month period ended 31 March 2020

	<i>Attributable to equity holder of the parent</i>						<i>Total</i> <i>QAR'000</i>	<i>Non-</i> <i>controlling</i> <i>interest</i> <i>QAR'000</i>	<i>Total</i> <i>equity</i> <i>QAR'000</i>
	<i>Share</i> <i>capital</i> <i>QAR'000</i>	<i>Legal</i> <i>reserve</i> <i>QAR'000</i>	<i>General</i> <i>reserve</i> <i>QAR'000</i>	<i>Cash flow</i> <i>hedge</i> <i>reserve</i> <i>QAR'000</i>	<i>Fair</i> <i>value</i> <i>reserve</i> <i>QAR'000</i>	<i>Retained</i> <i>earnings</i> <i>QAR'000</i>			
Balance as at 1 January 2020	1,100,000	550,000	3,241,834	(1,891,900)	338,349	6,660,841	9,999,124	235,948	10,235,072
Profit for the period	-	-	-	-	-	320,109	320,109	6,533	326,642
Other comprehensive loss	-	-	-	(803,857)	(539,462)	-	(1,343,319)	-	(1,343,319)
Total comprehensive income (loss)	-	-	-	(803,857)	(539,462)	320,109	(1,023,210)	6,533	(1,016,677)
Dividends relating to year 2019 (Note 10)	-	-	-	-	-	(852,500)	(852,500)	-	(852,500)
Balance at 31 March 2020 (Reviewed)	1,100,000	550,000	3,241,834	(2,695,757)	(201,113)	6,128,450	8,123,414	242,481	8,365,895
Balance as at 1 January 2019	1,100,000	550,000	3,241,834	(1,053,585)	491,690	6,125,641	10,455,580	257,674	10,713,254
Profit for the period	-	-	-	-	-	309,068	309,068	6,969	316,037
Other comprehensive loss	-	-	-	(288,925)	(82,475)	-	(371,400)	-	(371,400)
Total comprehensive income (loss)	-	-	-	(288,925)	(82,475)	309,068	(62,332)	6,969	(55,363)
Dividends relating to year 2018 (Note 10)	-	-	-	-	-	(852,500)	(852,500)	-	(852,500)
Balance at 31 March 2019 (Reviewed)	1,100,000	550,000	3,241,834	(1,342,510)	409,215	5,582,209	9,540,748	264,643	9,805,391

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

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the three-month period ended 31 March 2020

Notes	<i>For the three-month ended 31 March</i>	
	2020 <i>QAR '000</i>	2019 <i>QAR '000</i>
OPERATING ACTIVITIES		
Profit for the period	326,642	316,037
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment and right-of-use assets	66,251	71,754
Share of profits of joint ventures	(105,641)	(120,236)
Provision for employees' end of service benefits	3,686	2,619
Dividend income	(70,269)	(64,063)
Amortization of intangible assets	1,493	1,493
Provision for slow-moving inventories	3,580	4,317
Amortization of non-current assets	424	426
Interest income	(26,350)	(38,449)
Interest expense	49,259	63,674
Operating profit before working capital changes	249,075	237,572
<i>Working capital adjustments:</i>		
Inventories	(11,429)	2,865
Trade and other receivables	(7,654)	771
Finance lease receivables	34,184	30,796
Trade and other payables	(25,395)	(29,454)
Cash flows from operating activities	238,781	242,550
Employees' end of service benefits paid	(418)	(197)
Net cash flows from operating activities	238,363	242,353
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(3,422)	(28,255)
Dividends received from equity investment at fair value through other comprehensive income	70,269	64,063
Dividends received from joint ventures	431,677	72,792
Additional investment in a joint venture	7 (15,532)	-
Purchase of equity investment at fair value through other comprehensive income	-	(53,148)
Interest received	34,013	36,322
Net movement in term deposits with original maturity over 90 days	268,325	15,210
Net cash from investing activities	785,330	106,984
FINANCING ACTIVITIES		
Net movements in interest bearing loans and borrowings	(25,672)	(48,801)
Dividends paid	10 (819,154)	(819,639)
Interest paid	(49,259)	(63,674)
Net cash used in financing activities	(894,085)	(932,114)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at 1 January	129,608	(582,777)
	489,029	1,430,376
Cash and cash equivalents at 31 March	618,637	847,599

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended 31 March 2020

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 “Qatar Public Shareholding Company” after the amendment made in to the Article of Association on 6 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 to produce electricity and desalinated water and to supply them to the state owned “Qatar General Electricity and Water Corporation” (otherwise known as “KAHRAMAA”).

Details of the Company’s subsidiaries at 31 March 2020 are as follows:

<i>Name of entities</i>	<i>Principal activity</i>	<i>Country of incorporation</i>	<i>Ultimate ownership interest</i>	
			<i>2020</i>	<i>2019</i>
Ras Laffan Operating Company W.L.L.	Plant operation and maintenance	Qatar	100%	100%
Ras Laffan Power Company Q.S.C.	Generation of electricity & production of desalinated water	Qatar	80%	80%

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

<i>Name of entities</i>	<i>Principal activity</i>	<i>Country of incorporation</i>	<i>Ultimate ownership interest</i>	
			<i>2020</i>	<i>2019</i>
Qatar Power Q.J.P.S.C.	Generation of electricity & production of desalinated water	Qatar	55%	55%
Mesaieed Power Company Q.P.S.C.	Generation of electricity	Qatar	40%	40%
Ras Girtas Power Company Q.P.S.C.	Generation of electricity & production of desalinated water	Qatar	45%	45%
Nebras Power Q.P.S.C.	Investments in electricity and desalinated water projects outside Qatar	Qatar	60%	60%
Umm Al Houl Power Q.P.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 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the three months ended 31 March 2020 have been prepared in accordance with International Financial Reporting Standard IAS 34 “Interim Financial Reporting” (“IAS 34”).

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

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements as at 31 December 2019. In addition, the results for the three months ended 31 March 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

These interim condensed consolidated financial statements were authorised for issue by the Board of Directors on 19 April 2020.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2019, except for the adoption of new standards and interpretations effective as of 1 January 2020.

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial statements of the Group.

New and amended standards and interpretations adopted by the Group

During the current period, the Group adopted the below amendments and improvements to the International Financial Reporting Standards that are effective for annual periods beginning on 1 January 2020:

- Amendments to IFRS 3: Definition of a Business
- Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform
- Amendments to IAS 1 and IAS 8: Definition of Material
- Conceptual Framework for Financial Reporting issued on 29 March 2018

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

Standards issued but not yet effective

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

<u>Topics</u>	<u>Effective date</u>
IFRS 17 Insurance Contracts	1 January 2023

4 USE OF JUDGMENTS AND ESTIMATES

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

The significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2019.

5 SEGMENTAL INFORMATION

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

6 PROPERTY, PLANT AND EQUIPMENT

Acquisitions

During the three months ended 31 March 2020, the Group acquired assets with a cost of QR 3,422 thousand (year ended 31 December 2019: QR 99,399 thousand).

Disposals

During the three months ended 31 March 2020, the Group disposed assets of QR 441 thousand and the net carrying value at the disposal was Nil. (During the year ended 31 December 2019, the Group has written off "C" inspection cost for a total amount of QR 68,978 thousand with the net carrying value at the disposal date of Nil.)

7 INVESTMENTS IN JOINT VENTURES

The Group has the following investments in joint ventures:

	Country of incorporation	Group effective ownership %	31 March 2020 QAR'000 (Reviewed)	31 December 2019 QAR'000 (Audited)
Nebras Power Q.P.S.C.	Qatar	60%	2,951,416	2,917,627
Qatar Power Q.J.P.S.C.	Qatar	55%	369,773	431,087
Umm Al Houl Power Q.P.S.C.	Qatar	60%	170,015	1,136,778
Siraj Energy (Note i)	Qatar	60%	4,349	-
Ras Girtas Power Company Q.P.S.C.	Qatar	45%	-	51,462
Mesaieed Power Company Q.P.S.C.	Qatar	40%	-	8,398
			<u>3,495,553</u>	<u>4,545,352</u>

Note:

- (i) During the period, the Group has invested an additional amount of QR 15 million in Siraj Energy. The additional investment has not changed the Group's shareholding in the joint venture.
- (ii) The other movements of investment in joint ventures pertain to share of profit, share of other comprehensive income and dividend received.

8 FINANCE LEASE RECEIVABLES

Finance lease receivables represent the share of lease receivables from Ras Laffan Power Company Q.P.S.C. The subsidiary adopted IFRIC 4: Determining whether an arrangement contains a lease which became effective from 1 January 2006 in accounting for their self-constructed production facilities. Effective 1 January 2019, the subsidiary adopted IFRS 16: Leases. The adoption of IFRS 16 did not have any impact on the previously reported finance lease receivables. The discount rate used by the subsidiary was 9.32 % per annum (2019: 9.32% per annum). The finance lease receivables at the end of the reporting period are neither past due nor impaired.

	31 March 2020 QAR'000 (Reviewed)	31 December 2019 QAR'000 (Audited)
Gross investment in the lease	1,566,661	1,626,295
Unearned finance income	(483,218)	(508,668)
	<u>1,083,443</u>	<u>1,117,627</u>
Present value of minimum lease receivable	<u>1,083,443</u>	<u>1,117,627</u>

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

	31 March 2020 QAR'000 (Reviewed)	31 December 2019 QAR'000 (Audited)
Current portion	145,683	144,014
Non-current portion	937,760	973,613
	<u>1,083,443</u>	<u>1,117,627</u>

9 CASH AND CASH EQUIVALENTS

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

	31 March 2020 QAR'000 (Reviewed)	31 December 2019 QAR'000 (Audited)
Cash at bank – call and current accounts	177,896	149,347
Term deposits (i)	3,121,926	3,289,204
Cash in hand	58	46
	<u>3,299,880</u>	<u>3,438,597</u>
Bank balances and cash	<u>3,299,880</u>	<u>3,438,597</u>
Less: Term deposits with original maturity of over 90 days (Note ii)	<u>(2,681,243)</u>	<u>(2,949,568)</u>
Cash and cash equivalents	<u>618,637</u>	<u>489,029</u>

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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended 31 March 2020

10 SHARE CAPITAL

	<i>31 March 2020 QAR'000 (Reviewed)</i>	<i>31 December 2019 QAR'000 (Audited)</i>
<i>Authorized, issued and paid up share capital</i>		
1,100,000,000 ordinary shares with nominal value of QR 1 each	<u>1,100,000</u>	<u>1,100,000</u>

Stock split

On 6 March 2019, the Extraordinary General Meeting of the Group approved the reduction of the par value of the ordinary share from QR 10 to QR 1, as per the instruction of Qatar Financial Markets Authority. The share split was implemented on 26 June 2019 and the total number of authorised shares were increased from 110,000,000 to 1,100,000,000. The listing of the new shares in Qatar Exchange was effective from 27 June 2019.

Cash dividend paid

During the period, the Company declared and approved a cash dividend of QR 0.775 per share totalling to QR 852,500 thousand for the year 2019 (31 March 2019 - QR 0.775 per share totalling to QR 852,500 thousand for the year 2018).

11 INTEREST BEARING LOANS AND BORROWINGS

	<i>31 March 2020 QAR'000 (Reviewed)</i>	<i>31 December 2019 QAR'000 (Audited)</i>
Loan (1)	1,073,602	1,073,602
Loan (2)	1,093,500	1,093,500
Loan (3)	965,296	974,966
Loan (4)	915,624	915,623
Loan (5)	813,479	822,896
Loan (6)	485,474	485,474
Loan (7)	488,772	494,431
Loan (8)	320,089	323,313
Loan (9)	242,213	242,212
Loan (10)	<u>182,250</u>	<u>182,250</u>
Total interest-bearing loans and borrowings	6,580,299	6,608,267
Less: Financing arrangement costs	<u>(52,826)</u>	<u>(55,122)</u>
	<u>6,527,473</u>	<u>6,553,145</u>

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

	<i>31 March 2020 QAR'000 (Reviewed)</i>	<i>31 December 2019 QAR'000 (Audited)</i>
Current portion	2,439,003	2,436,525
Non-current portion	<u>4,088,470</u>	<u>4,116,620</u>
	<u>6,527,473</u>	<u>6,553,145</u>

Production facilities of RAF A1, RAF A2, RAF A3 and RAF B2 are pledged against the project finance loans.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended 31 March 2020

12 INTEREST RATE SWAPS FOR HEDGING

(a) Cash flow hedge reserve

	<i>For the three-month period ended 31 March</i>		<i>31 December</i>
	<i>2020</i>	<i>2019</i>	<i>2019</i>
	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Audited)</i>
Balance at 1 January	(1,891,900)	(1,053,585)	(1,053,585)
Share of other comprehensive income from joint ventures	(739,295)	(267,374)	(785,424)
Net changes in fair value of interest rate swaps of the parent	(64,562)	(21,551)	(52,891)
Balance at 31 March/31 December	<u>(2,695,757)</u>	<u>(1,342,510)</u>	<u>(1,891,900)</u>

(b) Interest rate swaps for hedging

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

	<i>31 March 2020</i>	<i>31 December 2019</i>
	<i>QAR'000</i>	<i>QAR'000</i>
	<i>(Reviewed)</i>	<i>(Audited)</i>
<i>Assets</i>		
Current portion	-	2,060
Non-current portion	-	6,485
	<u>-</u>	<u>8,545</u>
<i>Liabilities</i>		
Current portion	24,336	9,635
Non-current portion	68,354	27,036
	<u>92,690</u>	<u>36,671</u>

13 REVENUE

	<i>For the three-months period ended 31 March</i>	
	<i>2020</i>	<i>2019</i>
	<i>QAR'000</i>	<i>QAR'000</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>
Revenue from contract with customers:		
Sale of water	99,769	97,561
Sale of electricity	173,154	150,249
Operations and maintenance:		
Water	62,376	46,814
Electricity	31,502	20,364
Total revenue from contract with customers	366,801	314,988
Operating lease revenue – capacity charges		
Water	161,390	148,692
Electricity	41,849	43,286
Revenue from water and electricity	<u>570,040</u>	<u>506,966</u>

Revenue from sale of water and sale of electricity are recognised at point in time.

13 REVENUE (CONTINUED)

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 period ended 31 March 2020 (31 March 2019: Nil). Total revenue is generated within the State of Qatar.

14 EARNINGS PER SHARE

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

	<i>For the three-month period ended 31 March</i>	
	<i>2020 QAR'000 (Reviewed)</i>	<i>2019 QAR'000 (Reviewed)</i>
Profit for the period attributable to equity holder of the parent	320,109	309,068
Weighted average number of shares outstanding during the period (number of shares in thousands)	1,100,000	1,100,000
Basic and diluted earnings per share (expressed in QR per share)	0.29	0.28

Earnings per share of the comparative period have been restated to reflect the increase in weighted average number of shares as a result of share split (Note 10).

Diluted earnings per share

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

15 COMMITMENTS AND CONTINGENT LIABILITIES

	<i>31 March 2020 QAR'000 (Reviewed)</i>	<i>31 December 2019 QAR'000 (Audited)</i>
(a) Commitments:		
Capital commitments	45,802	46,181
(b) Contingent liabilities:		
Corporate guarantees issued on behalf of joint ventures	550,448	550,448
Letter of credits	100,160	100,160
	650,608	650,608
(c) Other commitments:		
<i>Derivative financial instruments:</i>		
Interest rate swaps (notional amount)	1,238,924	1,251,023

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended 31 March 2020

16 RELATED PARTY DISCLOSURES

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

Transactions with related parties included in the interim consolidated statement of profit or loss and comprehensive income are as follows:

	<i>Nature of the relationship</i>	<i>Nature of the transactions</i>	<i>For the three-month period ended 31 March</i>	
			<i>2020</i>	<i>2019</i>
			<i>QAR'000 (Reviewed)</i>	<i>QAR'000 (Reviewed)</i>
KAHRAMAA	Shareholder	Sale of electricity	246,506	213,898
		Sale of desalinated water	320,567	290,587
		Lease income from plant	29,337	32,419
			596,410	536,904
Qatar Petroleum	Shareholder	Sale of desalinated water	2,967	2,481
Qatar Petroleum	Shareholder	Cost of gas consumed	224,040	170,860
Qatar National Bank		Interest income	4,733	3,969

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

	<i>Nature of the relationship</i>	<i>31 March 2020</i>		<i>31 December 2019</i>	
		<i>Trade and other receivables</i>	<i>Trade payables and accrued expenses</i>	<i>Trade and other receivables</i>	<i>Trade payables and accrued expenses</i>
		<i>QAR'000 (Reviewed)</i>	<i>QAR'000 (Reviewed)</i>	<i>QAR'000 (Audited)</i>	<i>QAR'000 (Audited)</i>
KAHRAMAA	Shareholder	426,329	4,810	413,950	5,489
Siraj Energy Q.P.S.C.	Joint venture	19,963	-	18,886	-
Nebras Power Q.P.S.C.	Joint venture	3,452	-	845	-
Umm Al Houl Power Q.P.S.C.	Joint venture	2,282	-	2,123	-
Ras Girtas Power Company Q.P.S.C.	Joint venture	1,989	-	2,170	-
Qatar Petroleum	Shareholder	1,857	129,462	2,075	126,826
Qatar Power Q.P.J.S.C.	Joint venture	1,138	-	1,166	-
Mesaieed Power Company Limited Q.P.S.C.	Joint venture	650	-	468	-
		457,660	134,272	441,683	132,315

16 RELATED PARTY DISCLOSURES (CONTINUED)

Compensation of key management personnel

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

	<i>For the three-month period ended 31 March</i>	
	<i>2020</i>	<i>2019</i>
	<i>QAR'000</i>	<i>QAR'000</i>
	<i>(Reviewed)</i>	<i>(Reviewed)</i>
Management remuneration	1,341	2,824
Directors' fees	2,937	2,937
	<u>4,278</u>	<u>5,761</u>

17 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

As at 31 March 2020, the Group held the following classes of financial instruments measured at fair value:

<i>At 31 March 2020 (Reviewed)</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>
Financial assets measured at fair value:				
Equity investment at fair value through other comprehensive income	1,415,750	-	-	1,415,750
	<u>1,415,750</u>	<u>-</u>	<u>-</u>	<u>1,415,750</u>
Financial liabilities measured at fair value:				
<i>Derivative instruments:</i>				
Negative fair value of interest rate swaps	-	92,690	-	92,690
	<u>-</u>	<u>92,690</u>	<u>-</u>	<u>92,690</u>

As at 31 December 2019, the Group held the following classes of financial instruments measured at fair value:

<i>At 31 December 2019 (Audited)</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>
Financial assets measured at fair value:				
Equity investment at fair value through other comprehensive income	1,955,212	-	-	1,955,212
Positive fair value of interest rate swaps	-	8,545	-	8,545
	<u>1,955,212</u>	<u>8,545</u>	<u>-</u>	<u>1,963,757</u>
Financial liabilities measured at fair value:				
<i>Derivative instruments:</i>				
Negative fair value of interest rate swaps	-	36,671	-	36,671
	<u>-</u>	<u>36,671</u>	<u>-</u>	<u>36,671</u>

During the reporting period/year ended 31 March 2020 and 31 December 2019, there were no transfers between Level 1 and Level 3 fair value measurements.

17 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

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

Valuation techniques

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

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

18 EFFECT OF COVID 19

The outbreak of Novel Coronavirus (COVID 19) continues to progress and evolve. Therefore, it is challenging now, to predict the full extent and duration of its business and economic impact. The outbreak of COVID 19 may have an impact on the demand for electricity and water. As the Group is essentially engaged in the utility business, short term impact may be experienced but there is no change in Management's going concern assessment or business strategy.

The Group has been closely monitoring the latest developments in the current evolving situation and the volatility in the oil prices and, has carried out an assessment based on the observable information as at 31 March 2020. As a result, certain changes have been incorporated in the Expected Credit Loss (ECL) calculation to reflect the observable current Macro-Economic factors and forward-looking information.

Management doesn't expect a significant impact on the ECL of financial assets as the financial assets relate to the state of Qatar and highly rated banks. In addition, management doesn't expect material impact on the carrying values of non-financial assets since the PWPA agreements are long term in nature and being the sole power and water producer in the state of Qatar, the Group expects the demand to remain at the same level or higher in the future based on their assessment.

The Group has considered the potential impacts of the current economic volatility in determining the reported amounts of the Group's financial and non-financial assets and liabilities as at 31 March 2020. However, market remains volatile and the recorded amounts remain sensitive to market fluctuations.