شركة الكهرباء والمـــاء القطريــة ش.م.ع.ق

QATAR ELECTRICITY & WATER CO. Q.P.S.C.

# QEWC ANNUAL REPORT 2018

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

# Annual Report 2018

His Highness

**Sheikh Hamad Bin Khalifa Al-Thani**

The Father Emir

His Highness

**Sheikh Tamim Bin Hamad Al-Thani**

The Emir of the State of Qatar

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# BOARD OF DIRECTORS

**H.E. Mr. Saad Bin Sherida Al-Kaabi**
Minister of Energy Affairs, Chairman of QEWC

**Mr. Faisal Bin Abdelwahid Al-Hamadi**
Vice Chairman

**H.E. Mr. Khalid Bin Said Ali Al-Rumaihi**
Member

**H.E. Sh. Hamad Bin Jabor Bin Jassim Al-Thani**
Member

**H.E. Sh. Hamad Bin Jassem Al-Thani**
Member

**H.E. Sh. Saud Bin Khalid Bin Hamad Al- Thani**
Member

**H.E. Mr. Nasser Bin Khaleel Al-Jaidah**
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**Mr. Adel Ali Bin Ali**
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**H.E. Mr. Abdullah Bin Abdul Aziz Al-Attiyah**
Member

**Mr. Salman Bin Abdullah Abdul Ghani**
Member

**Mr. Fahad Bin Hamad Al-Mohannadi**
Managing Director

# Chairman’s Message

## H.E. Mr. Saad Bin Sherida Al-Kaabi
Minister of Energy Affairs,
Chairman of QEWC

**Dear Shareholders and Representatives of the Commercial Companies Control Department, Members of the Board of Directors of Qatar Electricity and Water Company,**

As-salamu Aleikum Wa Rahmatullahi Wa Barakatu

On behalf of myself, my fellow members of the board of directors and the employees of the company, let me welcome you to the General Assembly meeting of Qatar Electricity and Water Company. I am delighted to discuss the performance, activities and results of the Company for the financial year that ended on 31 December 2018, which reflects the company's strategy, policies and future projects and clarifies its financial position.

Before we start the meeting, I would like to extend my sincere thanks and appreciation to Dr. Mohammed bin Saleh Al Sada, the former Chairman of the Board of Directors and His Excellency Sheikh Faisal bin Saud Al Thani, the Board Member, for their outstanding performance and sincere efforts during their term of office, in order to achieve the objectives of the company and develop its business to ensure the return of its shareholders.

**Dear shareholders**

Despite the recovery of the global economy, the outlook for the economy remains relatively weak in the Middle East due to the low oil prices and the negative impact of regional conflicts, which affects the growth of non-oil sectors.

The Qatari economy was not immune from the events of the global economy. The Qatari economy continued to recover despite the continued unjust embargo imposed on Qatar by some neighboring countries. The electricity and water sector contributed to the recovery of the Qatari economy through continuous and constructive cooperation between Qatar General Electricity & Water Corporation and Qatar Electricity and Water Company, to meet the needs for electricity and water in the State of Qatar without any interruptions, where the company is keen to implement all local projects to meet the requirements and needs of the state for electricity and water, and other foreign projects to support the investment plan through Nabras Power Company, which serves its global expansion and is in line with the Qatar National Vision 2030.

The company's leadership role reflects its strategic vision, which appears through the financial results achieved since its establishment over a quarter of a century ago. The company is keen to continuously develop its administrative and technical structure in line with its needs and future aspirations and to organize its work by focusing on completing all its projects to meet the demand for electricity and water in the country. The company also keen to raise the efficiency of its existing plants in accordance with local and international environmental standards. The old plant of Ras Abu Fontas (A) is decommissioned to be replaced with a new project. It is also negotiating with international manufacturers to upgrade the efficiency of the other thermal stations and improve their compliance with environmental requirements.

**Dear Shareholders**

Thanks to God, we have completed Umm Al-Houl Power project which was commissioned in last summer with a capacity of 2,520 MW of electricity and 136.50 MIGD of water. We will be honored to inaugurate this project by his Highness Sheikh Tamim bin Hamad bin Khalifa Al-Thani, Emir of Qatar, may Allah protect him, on the 25th of this month. It is considered as one of the biggest projects in the region, which has been implemented with the best international specifications and environment friendly within the expected cost and time schedule. Its full production capacity will represent 30% of the country's electricity needs and 40% of the water requirements.

**Ladies and Gentlemen**

Alternative energy is one of the most important sources of energy and is in line with the global perspective in environmental conservation. The solar energy project "Siraj Power" is in line with the vision of his Highness Sheikh Tamim bin Hamad bin Khalifa Al-Thani, Emir of Qatar, may Allah protect him, for the development of renewable energy sources as part of the diversification of energy sources in the State of Qatar. The project aims at using environmentally friendly technologies and increasing reliance on renewable sources of energy. The completion of the first phase with a capacity of 350 MW is expected to be in the fourth quarter of 2020 and the whole project will be completed at a total capacity of 700 MW in the fourth quarter of 2021.

Through its foreign investment arm Nebras Power, the company is also seeking to expand in the global markets. It has acquired distinguished proportions in many energy projects outside Qatar, such as the AM Solar Project in Jordan, the Sumbagot Power Project in Indonesia, and the Zain project in the Netherlands. The foreign investment through Nebras Power is very important and is one of the pillars of financial support for the Qatar Electricity and Water Company In the future.

**Dear Shareholders**

The company is committed to implementing the highest standards of international occupational safety and security in order to provide a healthy and suitable working environment for its employees. 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.

The company also contributed effectively to the corporate social responsibility system by supporting conferences and seminars to raise awareness of the society about the dangers of drugs and to raise awareness among society about the prevention of diseases.

The development of the human element is one of the most important pillars of the success of any organization or company. Therefore, according to the company's general strategy, it is working to develop its cadres permanently and through the Qatarization Committee to increase the percentage of Qataris in the company and its subsidiaries and qualify them to suit the needs of the company. The company's Qatarization rate reached 23% at the end of 2018, with a plan approved by the Board of Directors of the company aiming to achieve more than 40% over the next ten years. There is also close cooperation between the company and local universities and accredited training centers in order to recruit, develop and train Qatari employees.

**Dear Shareholders**

The company continued its strong performance in 2018, confirming the successful implementation of its strategy to achieve stable and sustainable growth within the framework of balanced and consistent performance with its associates and subsidiaries. During the year 2018, it achieved a net profit of QR 1,537 million, recording an earnings per share of QR 13.97.

These achievements in 2018 were supported by a sound corporate governance system in which the company seeks to maintain the highest standards of integrity and transparency in all transactions, as well as compliance with supervisory and regulatory standards.

**Dear Shareholders**

In conclusion, I would like to express my most sincere gratitude and appreciation on my own behalf and on behalf of other Board members and executive management to his Highness Sheikh Tamim bin Hamad bin Khalifa Al-Thani, Emir of Qatar, may Allah protect him and to H.E. Sheikh Abdullah bin Nasser bin Khalifa Al Thani, Prime Minister and Minister of Interior of the State of Qatar for their continuous support and sound guidance. Also, I would like to thank the Ministry of Commerce and Industry and its officials as well as the Qatar Financial Markets Authority and the Qatar Stock Exchange for their understanding of the local market conditions and looking after its interests.

I would like to thank the executive management team and all the employees of the company for their great effort and dedication, which contributed to achieving the targeted results, and in hope of achieving in 2019 and beyond all the accomplishment we want. God bless and guide us through the right path

And As-salamu Aleikum Wa Rahmatullahi Wa Barakatu

**Saad Bin Sherida Al-Kaabi**
**Chairman of the Board**

# COMPANY OBJECTIVES

## OUR VISION

To be the leading power generation and water desalination company in the Middle East.

## OUR MISSION

- Motivate our employees to work congenially towards positive growth.
- Partnering with our customers to ensure success.
- Operate in a clean and safe environment.
- Create wealth for our shareholders.

## OUR VALUES

### Social Value
We value the safety and quality of the life of our employees and respect the environment of the surrounding community where we operate.

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

### Innovation
We create innovative processes and solutions to boost our productivity and meet our customers' requirements.

### Teamwork
We value our employees' multicultural thinking and experience.

# QEWC IN BRIEF

Qatar Electricity and Water Company (QEWC) is one among the first private sector companies in the region that operate in the field of electricity generation and water desalination.

The company was established in 1990 as a public shareholding company, in accordance with the provisions of the Qatari Commercial Companies Law, for the purpose of owning and operating power and water plants, and to sell its products.

QEWC is one among the largest companies in the field of electricity generation and water desalination in the Middle East and North Africa region. QEWC is the main supplier of electricity and desalinated water in Qatar.

The company and its joint venture companies together have a capacity of over **10,590 MW of electricity and over 481.5 MIGD of desalinated water**.

The Company won the awards for **the best Arab company in the energy sector** as well as **the best Arab management team in the energy sector**

The company's original paid up capital was QR 1 billion, divided into one hundred million shares QR 10 each. At the Ordinary General Assembly meeting held on 25th February 2014, a resolution was passed to distribute to shareholders ten million shares as bonus shares at the rate of one share for every ten shares held. With that, company's paid up capital became QR 1.1 Billion, divided into one hundred and ten million shares of QR 10 each. The Government of the State of Qatar and its affiliates own approximately 60% of the share capital and the remaining 40% is held by private companies and individuals. The company is managed by the Board of Directors consisting of 11 members headed by H.E. Mr. Saad Bin Sherida Al-Kaabi, Minister of Energy affairs.

QEWC is one among the largest companies in the field of electricity generation and water desalination in the Middle East and North Africa region. QEWC is the main supplier of electricity and desalinated water in Qatar. The company has experienced remarkable growth over the past decade in line with the steady growth of the country's economy and the corresponding increase in demand for electricity and water. The company and its joint venture companies together have a capacity of 10,590 MW of electricity and 481.5 MIGD of desalinated water.

It is worth mentioning that the Company won the awards for the best Arab company in the energy sector as well as the best Arab management team in the energy sector for the year 2017 in the awards of the second edition of the "Best Arab" held in the city of Marrakech in the Kingdom of Morocco. This was in recognition of the company's performance and professional excellence in the field of electricity production and desalination. It has also won numerous international awards from prestigious institutions involved in assessing security and safety performance such as Rospa.

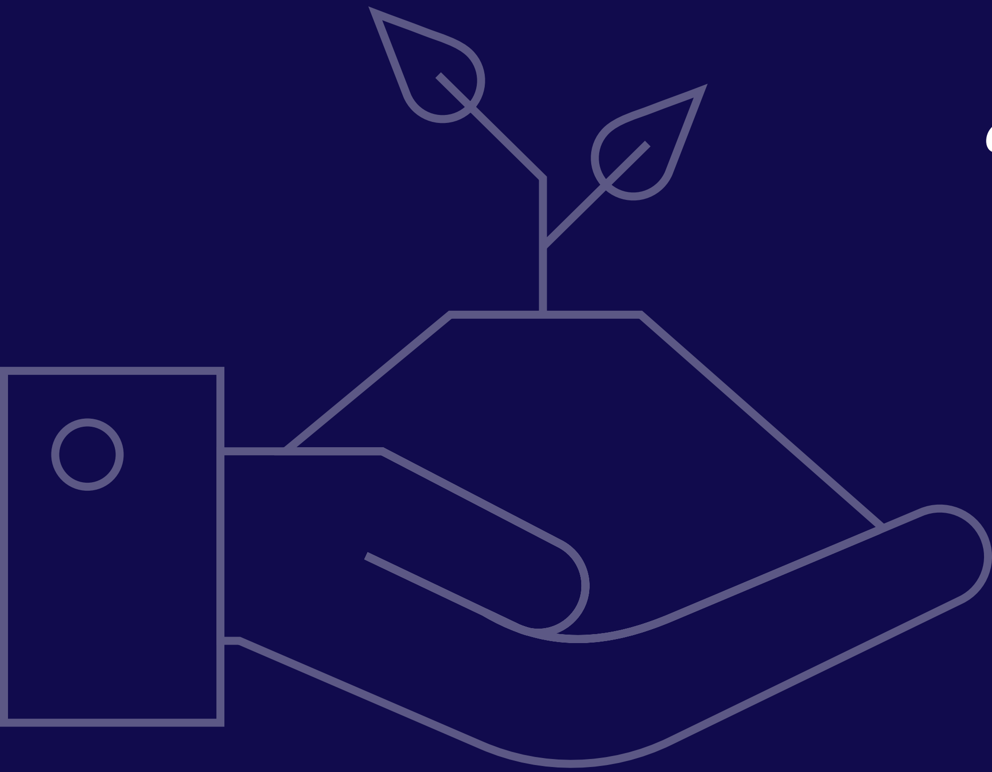
## Company Projects:

The company owns and operates a number of key electricity generation and water desalination plants. They are as follows:

- Ras Abu Fontas A1: Production capacity of 45 MIGD of water.
- Ras Abu Fontas A2: Production capacity of 36 MIGD of water.
- Ras Abu Fontas A3: Production capacity of 36 MIGD of water.
- Ras Abu Fontas B: Production capacity of 609 MW of electricity and 33 MIGD of water.
- Ras Abu Fontas B1: Production capacity of 376.5 MW of electricity.
- Ras Abu Fontas B2: Production capacity of 567 MW of electricity and 30 MIGD of water.
- Dukhan Plant: Production capacity of 2 MIGD of water.

Furthermore, the company holds shares in domestic electricity generation and water desalination companies as follows:

- 80% in Ras Laffan Power Company Limited, which has a capacity of 756 MW of electricity and 40 MIGD of water. In addition, QEWC has full ownership of AES Ras Laffan Operating Company.
- 55% in Qatar Power Company, which has a capacity of 1,025 MW of electricity and 60 MIGD of water.
- 40% in Mesaieed Power Company, which has a capacity of 2,007 MW of electricity.
- 45% in Ras Girtas Power Company, which is the largest power generation project in the region with a capacity of 2,730 MW of electricity and 63 MIGD of water.
- 60% in Nebras Power Company.
- 60% in Umm Al Houl Power Company, which has a capacity of 2,520 MW of electricity and 136.50 MIGD of water.
- 60% of Siraj Power Company with a capacity of up to 700 MW of electricity from solar power by 2021.



“ **Umm Al-Houl power is one of the biggest projects completed in the region, covering 30% of the country's electricity needs and 40% of water.**

## Investments of the company and Future plans:

The Company and its affiliates have continued their pre-determined expansion plans and have succeeded locally in increasing their production capacity and diversified investments. The company has completed the construction work of the Umm Al-Houl Power Plant and has been commissioned on time and within the allocated cost. The Umm Al-Houl Energy Project is producing 2520 MW of electricity and 136.5 MIGD of desalinated water per day. Umm Al-Houl power is one of the biggest projects in the region, covering 30% of the country's electricity needs and 40% of water.

Qatar Petroleum and the QEWC have established a joint venture company named Siraj Power Company to produce electricity from solar energy, Qatar Petroleum owns 40% and QEWC owns 60% of the company's capital.

The establishment of Siraj Power is in line with the vision of His Highness Sheikh Tamim bin Hamad bin Khalifa Al-Thani Emir of Qatar, to develop and diversify 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.

There is also a memorandum of understanding has also been prepared between the QEWC and the Ministry of Municipality and Environment to establish a specialized company to produce electricity from waste with a capacity of 50 to 200 MW. The joint project aims to get rid of waste and produce electricity according to the latest environmentally friendly technologies.

Regarding foreign projects, Nebras Power Company which is affiliated to QEWC has executed a number of construction and acquisition projects for power stations in various geographic regions such as Oman, Jordan, Indonesia and recently the Netherlands. These plants use different types of fuels, including normal (gas and diesel), and renewable energy (solar energy). In a short period of time, Nebras built an investment portfolio with a capacity of 1,115 MW of electricity.

The company's future investment plans aim to keep up with the growing demand for electricity and water by establishing high capacity plants and other renewable energy plants such as solar power and energy generated from the waste to create a variety of energy sources. Through its foreign investment arm Nebras, the company is also seeking to expand in the global markets.

## Main Features and Attractions:

The company is characterized by stability and low risk due to its investment in the infrastructure and utilities sector of Qatar. Company's shares are stable, with the possibility of potential increase in market value, especially due to the noticeable improvements in the local economy and the completion of projects outside Qatar. The stable dividend distribution is also one of the positive contributing factors to make the company shares attractive. The most important factors contributing to company's success are:

- QEWC provides guaranteed flow of revenue through the Power and Water Purchase Agreements with Qatar General Electricity and Water Corporation (KAHRAMAA).
- The company maintains long-term contracts for the supply of fuel to all plants based on the agreements signed with Qatar Petroleum, which ensures stability of the fuel cost, being the largest component of the variable operating cost. Qatar Petroleum is one among the primary and certified source to supply natural gas either in gaseous or liquefied gas form to many countries in the world. This ensures high reliability to the power and water plants of the company for the supply of gas and high thermal efficiency to meet international environmental standards.
- Due to the experience and reputation accumulated since its foundation in 1990, QEWC has expanded outside Qatar, North Africa and the Middle East as well as East Asian markets. With implementation of successful projects in these markets, company's status may rise further.

The Company policy on distribution of dividends shows a gradual upward trend in line with annual profits and long-term plan for ten years, which is updated regularly.

## Fiscal policy:

The company adopts a long-term policy to raise operating revenue, which is confirmed by the results achieved, thanks to good operating efficiency and optimal control of production costs so that the company could achieve a steady increase in its financial results over the years. This enabled the company to pay higher dividends and it has reflected positively on the share price of the company in the local market, by showing stability in price and was not affected by market fluctuations. The company adopted a balanced policy on distribution of dividends, which takes into account the financial obligations of the company and requirement to finance new projects.

## Social responsibility:

QEWC is fully aware of its responsibility towards society and the citizens of the State of Qatar and believes that there is a strong correlation between the success of the company and its responsibility towards society. The Company has continued to perform its responsibilities to the community. The company has signed an agreement with the Ministry of the Interior as a major sponsor and supporter to the project to combat drugs with a financial support of QR 5 million over a period of five years from 2013. The company also provides support and donates to a number of health centers, educational, cultural, technical, social, humanitarian, environmental and sports institutions, in addition to the care and support of some intellectual and scientific conferences and symposiums aimed at serving and developing civil society institutions with various activities and objectives.

## The company's credit rating:

Moody's reaffirmed company's overall credit rating as A1 (stable outlook) for the year 2018.

The company has succeeded in maintaining the rating and is planning to take action that will help to bring higher ratings in the coming years.

## Conclusion:

The company is committed to working on the development of its activities and projects in accordance with the highest international standards and practices to continue to abide by the principles of disclosure and transparency to the public and shareholders and also to achieve higher profit to the shareholders of the company. The company has achieved high levels of performance, which has helped to continue its role in supporting the comprehensive development of the country effectively, which is reflected positively on the profits and dividends. Count on a highly qualified staff base, strong financial standards, trust from shareholders, in addition to the high team spirit that looking to achieve the same goals and dreams.

# 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 and achievements outlined in the final accounts and the good financial results 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 to diversify its sources of income while maintaining the main objective of establishing the company, which is meeting the increasing demand for electricity and water locally, by establishing power stations and desalination plants with high productivity and efficiency. The company is actively involved in supporting the production of electricity using alternative sources, such as solar energy and the energy produced from waste to diversify energy sources.

Additionally, the company is currently taking 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 foreign investment arm Nebras Energy, the company is also seeking to expand in the global 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 commissioned on time and within the expected cost. All units entered service on 27th June, 2018 and preparing for the official opening of the plant which expected to be in the first quarter of 2019. The plant capacity 2520 MW of electricity and 136.5 million MIGD of water.

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%). The completed project is providing an additional of 30% of the electricity and 40% of the water needs in Qatar.

- **Lusail Tower:**

This project is for 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, The company got approval from Qatari Diar group to construct the second tower (small tower) as a hotel.

A project management and supervision consultant has been selected 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$^{th}$ May 2018 and 36.7% of the drilling and foundation works were completed on 15$^{th}$ November 2018.

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

## Future Local Projects:

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

The Joint Venture Agreement 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 31st 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.

This solar energy project is in line with the vision of his Highness Sheikh Tamim bin Hamad bin Khalifa Al-Thani, Emir of Qatar, may Allah protect him, for the development of renewable energy sources as part of the diversification of energy sources in the State of 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 2017 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 with the intention to build a "new facility" in place.

The contract for the sale and removal of the plant was awarded to Barq Group on 4th 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. The new project is expected to reach 2000 MW of electricity and 60 MIGD of water. 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 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 27th September 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 MIGD of water.

## 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:

- **AM 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 MW. 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 MW 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, for the implementation of a project related to the production of electric power. Under this agreement, Nebras Energy, in cooperation with its partners, will implement a project to build a natural gas power plant with a production capacity of about 800 megawatts, as well as the establishment of floating natural gas reception and liquefaction units (FSRU) in 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 3rd September 2018. The offers were submitted on 12th 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 MW 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 26th February 2018 and adopted by the concerned authorities on 9th July 2018.

2. The Board of Directors regulation was amended by Council Resolution No. (13) of 2018 at its meeting No. (2) dated 22th 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 17th 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 placement, 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 with distinguished performance for consecutive periods and also honour senior employees. The company is also interested in organizing events with 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 were 159 by the end of 2018. The number of postgraduate students were 7, while the number of Qatari nationals under development were 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, requesting the God Almighty to be a constant help to continue the successful march of the company to serve our beloved country.

**Saad Bin Sherida Al-Kaabi**
Chairman of the Board

**Fahad Bin Hamad Al-Mohannadi**
Managing Director

# Qatar Electricity and Water Company

# Corporate Governance Report 2018

Based on the Governance code issued by the Board of Directors of Qatar Financial Markets Authority No. (5) For Year 2016

## Introduction:

The company applies specific procedures on the company's governance to develop its performance in general and to achieve the true meaning of uplift the public interest, interest of the company and stakeholders, and to provide the reassuring guarantee to the board in monitoring the company's practices internally and establishing the principles of transparency, accountability, justice and equality. The Board of Directors believes in the necessity of reviewing governance practices on a permanent basis, with adding the necessary adjustments from time to time.

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| **First: Commitment to the Principles of Governance** | The board is committed to applying the principles of governance, as stated in Article 3, and it reviews these applications on a regular basis, updating where and as needed, and remains committed to adopting the best of these principles. The board is also committed to developing the codes of professional conduct that embody the company's values, and to periodically and systematically review its policies, corporate charter, and internal procedures which the board members, senior executive management, consultants, and employees must adhere to.<br><br>The report of governance is an integral part of the company's annual report, which is attached to it signed by the Chairman, the latest was the 2017 report adopted by the General Assembly on 26 February 2018.<br><br>The Corporate Governance Report includes the company's disclosure of its compliance with the provisions of the governance system, in addition to all information related to the application of the system's principles and provisions. |
| **Second: The procedures followed by the company regarding the application of the system's provisions:** | Based on the Board's continuous review of the governance procedures and the continuous updating of its applications, the Board took several measures during 2018, the most important of which are:<br><br>1- The Company's articles of association were amended by the Extraordinary General Assembly Resolution on 26 February 2018 to comply with the provisions of Law No. (11) for the year 2015 regarding the issuance of the Commercial Companies Law and the Corporate Governance Law issued by the Board of Directors of Qatar Financial Markets Authority No. (5) for the year 2016.<br><br>2- The amendment of the Board of Directors' Regulations was approved by BoD decision no. (13) at its second meeting on 22 April 2018 to comply with the provisions of the Governance Code.<br><br>3- The rules and procedures for the regulation of informed people trading by the decision of the Board of Directors No. (26) were approved and issued at its 5th meeting on 16 October 2018, pursuant to the provisions of Article (28) of the Corporate Governance Code. |

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| **Third: Violations committed during the year and the sanctions signed:** | An investigation was conducted with the company by the Companies Control Department at the Ministry of Economy regarding the omission of mentioning some of the data provided for in article (16) of the Commercial Companies Law on the Company's official papers and documents, but no penalty has been signed because the company addressed the issue and amended its papers and documents in accordance with the article referred to. |
| **Fourth: Board of Directors:** | **- Formation of the board:**<br><br>The Board is formed in accordance with the Law and Article (26) of the Articles of Association of the Company. The Board of Directors shall be composed of eleven members, while the government of the State of Qatar shall appoint its representatives in proportion to its shares. The remaining members are elected through the General Assembly of the Company. Independent members constitute more than two-thirds of the Board and all non-executive members of the Board except the General Manager and Managing Director Mr. Fahad Hamad Al Mohannadi.<br><br>Decisions of the board are issued by majority vote in accordance with the provisions of Article (34) of the Article of Association.<br><br>In this respect, there are no members of the Board of Directors either in person or in the capacity of Chairman of the board or Vice-Chairman of more than two companies whose main position is in the State, nor is a member of the Board of Directors of more than three companies whose headquarters are located in The State, and no managing director of more than one company whose headquarters is in the State, and no member who holds membership of the boards of directors of two companies practicing a homogenous activity.<br><br>The Chairman of the Board of Directors does not exercise any executive position in the Company and is not a member of any of the Board Committees.<br><br>Both the Chairman and the members of the Board have submitted a certificate to the Secretary in the portfolio prepared for this purpose, in which each of them agrees not to combine the positions that are prohibited by law and the provisions of the governance system.<br><br>**- Tasks and main functions of the Board:**<br><br>The Board represents all shareholders and takes the necessary care in the management of the company in an effective and productive manner to the benefit of the Company, partners, shareholders, stakeholders, the public interest, and the development of investment in the State, as well as in the development of the society and holds responsibility to protect shareholders from acts and practices that are illegal or arbitrary or any acts or decisions that may cause harm to them, discriminate between them or sides with a group over another.<br><br>The Board of Directors has the widest powers in the management of the Company and does not limit its powers except as provided for in the Law, the Articles of Association, or the resolutions of the General Assembly where its members are jointly responsible directly for the decisions of the board. (Article 32 of the Article of Association). An amendment to the Council Regulation, as mentioned in second term, has been made to reflect the functions and tasks specified in Article 8 of the new governance system.<br><br>**- Invitation to the meetings:**<br><br>The board holds meetings at the invitation of its chairman. The chairman calls for meeting and proceeds with sending invitations to the board whenever at least two of its members have requested so. The invitation shall be given to each member accompanied by the agenda at least one week in advance. Any member can request adding one or more items to the agenda in accordance with Article 34 of the Articles of Association and Articles 15, 16 and 17 of the BoD Regulations.<br><br>**- Board's meetings:**<br><br>In accordance with the provisions of Article (34) of the Articles of Association and Article (16) of the Board Regulation, the board holds at least six meetings during the year, and should not pass three months without a meeting, with the meeting of the board being valid only in the presence of the majority of members, including the Chairman or Vice Chairman. |

Any absent member may delegate a member of the Board to represent him in presence and in voting, provided that no member may represent more than one member.

If a member of the board fails to attend three consecutive meetings or four non-consecutive meetings without an excuse acceptable to the board, he shall be deemed resigned - Article 36 of the Articles of Association.

Participation in the meeting of the board through any means of modern technology is permissible for the members, that which enables the participant to listen and participate actively in the agendas of the board and the issuance of decisions.

The Board of Directors held only 5 meetings during 2018, where one of the meetings was canceled due to the lack of the quorum, and the Authority and the Stock Exchange were notified at the time.

**- Board decisions:**

Without prejudice to the provisions of the law in this regard, the decisions of the board is issued by a majority vote of those present and the representatives. In the event where the votes are equal, the chairman of the meeting shall vote in accordance with the provisions of Article (34) of the Articles of Association and shall prepare a record for each meeting, specifying the names of the members present and absent.

The meeting is signed by the chairman of the meeting and the secretary. A member who has not approved any decision taken by the board shall prove his objection in the minutes of the meeting - Article (39) of the Article of Association.

The Board may, in the case of necessity and for reasons of urgency, pass some of its decisions by passing, provided that all of its members have agreed in writing, and is to be presented at the next meeting of the Council, to include in the minutes of its meeting - Article (20) of the Board Regulation. The semi-annual financial statements were approved by the Board of Directors Resolution No. (18) for the year 2018 by circulation for lack of quorum. The Authority and the Stock Exchange were notified in time.

**- Board secretary:**

The company's legal advisor (over 30 years of experience) is the secretary of the board based on the decision of the board No. (15) dated 14/7/2014, and records and coordinates all minutes of meetings of the board, the board's records and books, as well as all reports that are submitted to and from the board.

The Secretary shall assist the Chairman and all the members of the BoD in the performance of their duties. He shall be responsible for the conduct of all the work of the BoD in accordance with Article 12 of the Board Regulation and Article 17 of the Governance Code.

**- The board's committees:**

The Board has formed four committees, three of which are in accordance with its decision No. (2) of 2017, which includes the framework of each committee and its functions in accordance with the provisions of Articles (18) of the Governance Code as follow:

**First:** Nomination Committee: Under the chairmanship of His Excellency Mr. Abdullah Bin Abdul Aziz Al Attiyah, and the membership of both His Excellency Sheikh Hamad bin Jassem Al Thani and Mr. Fahad Bin Hamad Al Mohannadi, whom have the necessary expertise to practice their competencies.

The Committee submitted its report on the evaluation of the work of the Board of Directors at its first meeting of 2019.

**Second:** Remuneration Committee: under the chairmanship of Mr. Nasser Bin Khalil Al Jaidah, and the memberships of Mr. Salman bin Abdullah Al-Ghani and Mr. Khalid Bin Saeed Al Rumaihi, who have the necessary expertise to exercise their competencies.

The Committee submitted its report to the Board, including the recommendation to determine the remuneration of the members of the Board of Directors and the General Manager at its first meeting on 31 January 2018.

**Third:** The Audit Committee: under the chairmanship of His Excellency Sheikh Hamad Bin Jabor Al Thani (Independent) and the membership of HE Sheikh Faisal bin Saud Al Thani and Mr. Adel Ali Bin Ali, None of them had previously audited the Company's accounts during the previous two years for direct or indirect candidacy for the Committee's membership and both have the necessary expertise to exercise the Committee's terms of reference.

The Committee submitted its report to the Board at its first meeting on 31 January 2018, including the nomination of the External Auditor.

**Fourth:** The Investment Committee: It was formed by the Board of Directors Resolution No. (27) at its fourth meeting on 25/10/2017. It was chaired by Mr. Khalid Bin Saeed Al Rumaihi, Vice Chairman of the Board and the membership of Mr. Salman Bin Abdullah Abdul Ghani and Mr. Fahad Bin Hamad Al Mohannadi. It's responsible for managing and follow up the company's investments and to submit a report to the Board at each meeting about the latest investment's developments and its new proposals in this regard.

**- Committee's duties:**

In accordance with the decision to form the committees referred to in previous item, none of the members shall preside over more than one of the committees established by the board. The Chairman of the Audit Committee is not a member of any other committee.

The meeting of the committee shall not be valid except in the presence of its chairman and the majority of its members. Minutes are prepared for each meeting, indicating the meeting and signed by the chairman of the committee.

**-Board members' remuneration:**

The remuneration of the Chairman and members of the Board of Directors shall be determined for the services they perform through the General Assembly and no more than 5% of the annual net profits in accordance with the provisions of Article (39) of the Statute. No bonuses have been paid to the Board exceeded the percentage mentioned since the establishment of the Company (The remuneration of the Chairman and Members of the Board for the financial year 2017 was approved by 0.73% of the net profit value by a resolution of the Ordinary General Assembly dated 26 February 2018).

## Fifth: Internal control and monitoring:

The Board of Directors is fully responsible for the Company's internal control system. Policies, guidelines and controls for determining the limits of liability and performance have been established to monitor the mechanisms, and the general management of the company is responsible for the overall control of these systems with the directors of departments, and heads of departments. The business is evaluated through internal auditor and external auditor.

The Company attaches great importance to the development of the business management framework in a structured manner to identify, evaluate, mitigate and manage the company's risks. The company's technical advisor is responsible for assessing the operational risks, whereas the Internal auditor is responsible for evaluating financial risks and does so in coordination with financial management.

**- Internal Control Unit**

The company has a full independent internal audit department headed by a qualified and experienced accountant appointed by the Board of Directors. He is directly under the Chairman of the Board of Directors, performs financial audits, performance evaluation and risk management and reports to the Audit Committee every three months, including any irregularities or excesses, if any, with the proposed action to be taken.

**- Internal control reports**

The Internal Auditor submits a quarterly report on the Company's internal control to the Audit Committee, including the following:

1. Control and supervision of financial, investment and risk management procedures.
2. Review the evolution of the risk factors in the company and the suitability, and the effectiveness of the regulations in force at the company in the face of radical or unexpected changes in the market.
3. A comprehensive assessment of the company's performance on compliance with the internal control system, and the provisions of this system.
4. The extent of the company's compliance with the rules and conditions governing disclosure and listing in the market.
5. The extent of the Company's compliance with internal control systems in identifying and managing risks.
6. The risks to which the company has been exposed, its types and causes, and what has been done.
7. Proposals for correcting irregularities and removing the causes of risk.

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| **Sixth: External Audit:** | The Audit Committee reviews and examines the offers of auditors registered with the Board of External Auditors of the Commission and submits to the Board a recommendation to choose one or more offers to appoint an external auditor of the company. Once a recommendation is approved by the Board it will be included in the agenda of the meeting at the General Assembly of the Company.<br>During the Ordinary General Meeting, the shareholders appointed the company's auditor.<br>Ernst & Young's office was assigned as auditors to the Company's accounts for one year at the Ordinary General Meeting on 26/2/2018, and conducted a quarterly, semi-annual and annual review of the company's financial statements for 2018 as stated in the relevant laws and procedures.<br>The auditor submitted his report to the General Assembly on 26 February 2018. It was approved by the General Assembly and a copy was sent to the Authority, including all the supervisory work as stipulated in Article (24) of the Governance Code. |
| **Seventh: Disclosure:** | The Company is committed to the disclosure requirements, including financial reports, and the number of shares held by the Chairman and members of the Board, Senior executive management, senior shareholders or controlling shareholders, as well as the disclosure of information about the chairman and members of the board, the Senior Executive Management, the major shareholders or controlling shareholders, as well as the disclosure of the information of the Chairman and members of the Board and its committees and their scientific and practical experience as shown in their curriculum vitae, and whether any of them is a member of the board of directors of another company or of its senior executive management or a member of any of its board committees through the basic periodic data sent to the Authority and the Stock market and published on the company's website. No information shall be published or disclosed until it has been submitted to the Board for approval.<br>With regard to the disclosure of disputes to which the company is a party, including arbitration, and litigation, there are no cases or significant litigations affecting the company's activity other than those related to certain financial entitlements to employees which are within the normal activity of the company. |
| **Eighth: Conflict of interests:** | The Company has adopted and published on its website a conflict of interests list to ensure compliance of the company, its employees and members of its Board of Directors with the rules and standards, and professional controls universally recognized to enhance the confidence of others in the integrity of the company and its employees at all levels.<br>A special committee has been set up to follow up on the implementation of the provisions of these regulations. In accordance with Article 28 of the BoD's Regulations, the Chairman or any member may not have a direct or indirect interest in contracts or transactions concluded with or for the Company for its account. Article 40 of the Regulations obliges the Board of Directors to submit a financial disclosure statement at the disposal of shareholders one week prior to the General Assembly, including operations in which a member of the board of directors or any of the directors has an interest that conflicts with the interest of the company.<br>No contracts or transactions were signed between the Chairman or a member of the Board and the Company during 2018 either directly or indirectly. The members of the Board were notified of the suspension of any transactions on their shares prior to the meetings of the Board which discusses the periodic financial statements and before the General Assembly meeting by 15 days The Qatar stock exchange was also notified at the same time. |
| **Ninth: Disclosure of trading operations:** | Members of the Board, the Supreme Executive Management and all Insiders, their spouses and minor children shall disclose their trading operations on the Company's shares and other securities, and the board adopted clear rules and procedures governing the circulation of persons familiar with the securities issued by the company, by its resolution No. (26) at its fifth meeting on 26 October 2018 |

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|---|---|
| **Tenth: Stakeholder Rights:** | **- Equality in rights of shareholders:**<br><br>Shareholders are equal and have all rights arising from share ownership in accordance with the provisions of the relevant law, regulations and resolutions.<br><br>The Articles of Association of the Company include procedures and all necessary guarantees so all shareholders can exercise their rights, in particular the right to dispose of shares, the right to receive a share of the dividends, the right to attend the General Assembly, participate in its deliberations and vote on decisions, and access to information and request in a way that does not harm or conflict with the interests of the company. This being in accordance with the provisions of articles 9-11-19-40, 44-74, 54-56 of the Articles of Association.<br><br>**- The right of the shareholder to obtain information:**<br><br>Articles (9) and (40) of the Articles of Association of the Company include the right of the shareholder to obtain information which enables him to exercise his rights in full, without prejudice to the rights of other shareholders or harming the interests of the company, and the company is obliged to audit and update information in a systematic manner, and to provide all information of interest to shareholders and enable them to exercise their rights to the fullest capacity, and is to post this information on the company's website and the website of the stock market. The company is also committed to publishing periodic information on the daily newspapers.<br><br>**- Shareholders' equity related to the General Assembly:**<br><br>Articles 44, 47, 48, 49, 51, 54 and 56 of the Company's Articles of Association,<br><br>Organizing the shareholders' rights related to the meeting of the General Assembly, including the items stated in the Governance Code.<br><br>**- Shareholders' equity in terms of dividends distribution:**<br><br>Articles (66, 67 and 68) of the Company's Articles of Association specify the policy governing the distribution of profits clearly and are committed to apply them literally every year at the distribution and is included in the annual financial report of the company distributed to shareholders and discussed in the General Assembly.<br><br>The right to receive the dividends approved by the General Assembly shall be either cash or free shares to the shareholders registered in the Register of Shareholders with the Depositary on the day of the General Assembly.<br><br>**- Shareholders’ Equity in relation to major transactions:**<br><br>Article (69) of the Articles of Association of the Company guarantees the protection of shareholders' rights in general and the minority in particular in the event of any errors that may harm their interests or prejudice the ownership of the company's capital.<br><br>The Company shall be obliged to periodically disclose the structure of the Company's capital and any agreement it makes in due course in accordance with the specified procedures and the disclosure of the owners (5%) or more of the shares of the company directly or indirectly, during the periodic disclosure before March 31 and before September 3.<br><br>**- Rights of non-shareholder stakeholders:**<br><br>The Company is keen to respect the rights of stakeholders and maintaining them by providing all the necessary information required for all transactions, whether by publishing on the newspapers, the company's website, or the stock exchange website or through direct contact.<br><br>Each interested party in the Company may request information relevant to its interest, and the company is committed to provide the required information in a timely manner and to the extent that does not threaten the interests of others or harm their interests. |

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| | The Public Relations Department is responsible for receiving complaints, proposals and observations and presenting them to the senior management, so they'd take necessary measures in respect to them. The staff relations committee also receives complaints, grievances and suggestions from employees and take them into consideration before reaching decisions on them. |
| **Eleventh: Social Responsibility:** | The company is keen to play its role in the development and advancement of society and the preservation of the environment, through its serious and effective participation in the corporate social responsibility system being from the standpoint of its own commitment to national responsibility, with a fixed rate of 2.5% of its annual net profit diverted to support activities that contribute to the development of society and various sports activities (by law). That, as well as its contribution in support of the Commission on Narcotic Drugs and other community-based activities, and these contributions can be followed up on through the company's financial report. |

**APPROVED:**

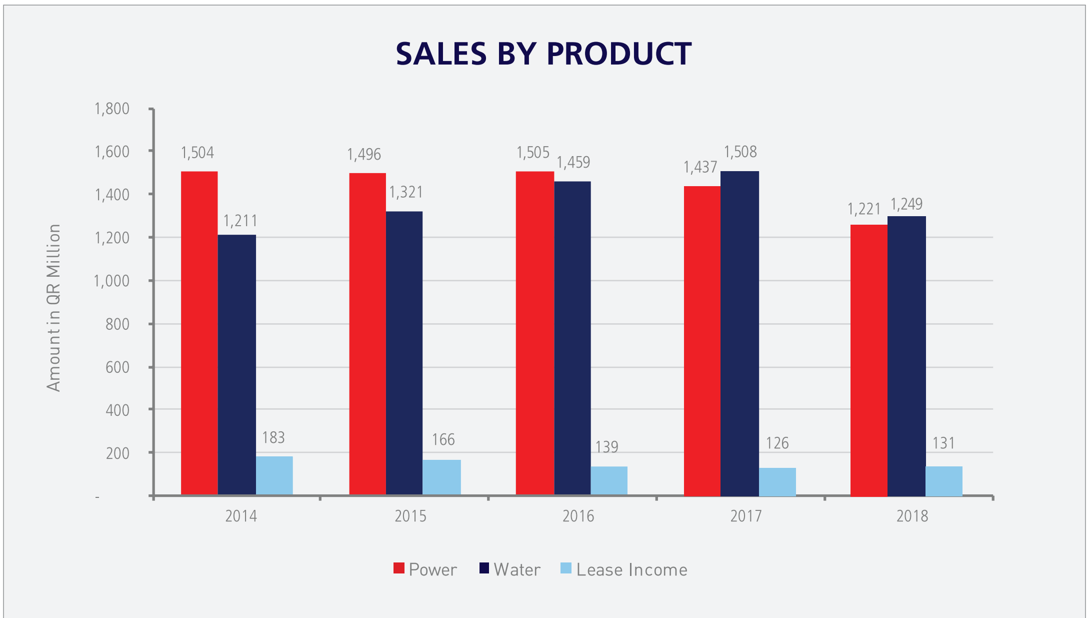
**Saad Bin Sherida Al-Kaabi**

**Chairman of Board of Directors**

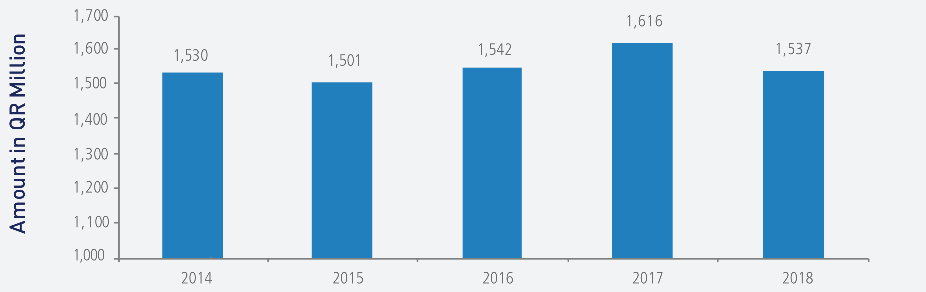
# FINANCIAL HIGHLIGHTS

| For the Year (amount in QR million) | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Sales Revenue | 2,601 | 3,071 | 3,103 | 2,983 | 2,898 |
| Gross Profit | 1,204 | 1,316 | 1,403 | 1,303 | 1,276 |
| Net Profit | 1,537 | 1,616 | 1,542 | 1,501 | 1,530 |
| **At Year end (amount in QR million)** | | | | | |
| Total Assets | 18,185 | 15,226 | 15,226 | 13,450 | 12,949 |
| Total Shareholders' equity | 10,456 | 8,275 | 8,275 | 7,346 | 6,782 |
| Long Term Debt | 4,451 | 4,736 | 4,736 | 3,860 | 3,793 |
| **QR per Share** | | | | | |
| Cash Dividends | 7.75 | 7.75 | 7.50 | 7.50 | 7.50 |
| Earnings per Share | 13.97 | 14.69 | 14.02 | 13.64 | 13.91 |
| **Ratios** | | | | | |
| Return on Equity (%)* | 15.81 | 18.73 | 19.74 | 21.25 | 23.73 |
| Return on Capital Employed (%)** | 11.61 | 12.83 | 13.61 | 14.70 | 16.14 |
| Debt Equity(Times) | 0.43 | 0.51 | 0.57 | 0.53 | 0.56 |

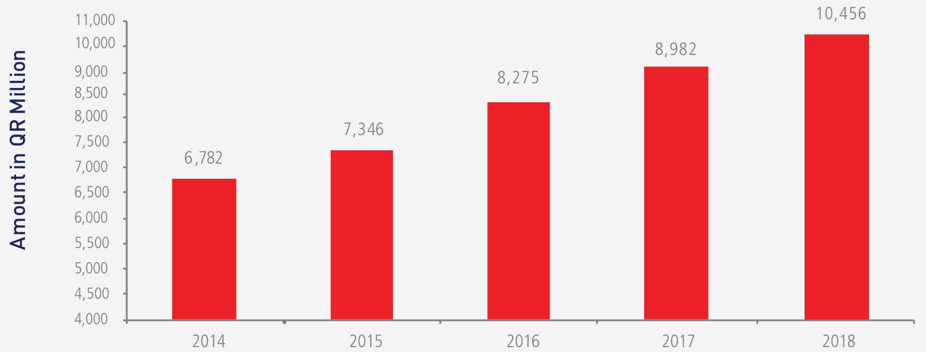
*Net Profit/Average Equity
**(Net Profit plus finance cost)/Average capital Employed



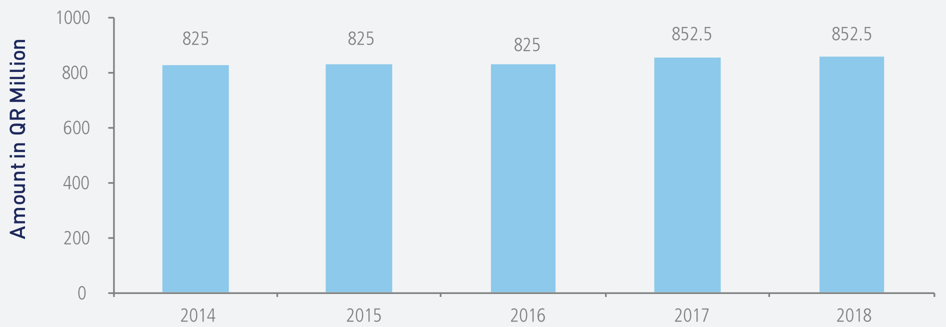
## NET PROFIT



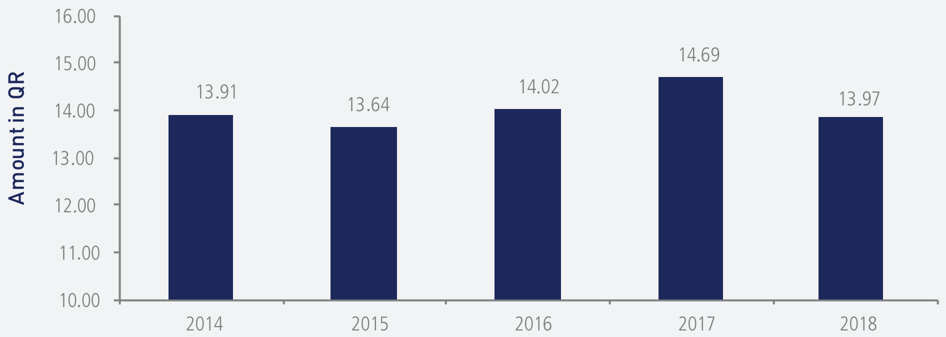

## EQUITY GROWTH




## DIVIDEND GROWTH




## EARNINGS PER SHARE



# CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

## 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**<br>*Carrying Value of property, Plant and equipment* | **How our audit address the key audit matter** |
|---|---|
| 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.<br><br>There are a number of areas where management judgment impacts the carrying value of PPE. These includes:<br><br>- the decision to capitalize or expense costs;<br>- the annual asset life review including the impact on changes in the Group 's strategy; and<br>- assessing indicators of impairment and determining recoverable amounts<br><br>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.<br><br>The PPE related disclosures included in the Notes to the consolidated financial statements are as follows:<br><br>Note 2- Accounting policy<br><br>Note 3 – Judgements<br><br>Note 6 – Property, plant and equipment<br><br>Note 3 – Depreciation and changes in estimates | Our audit procedures included,<br><br>• 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;<br>• 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;<br>• evaluating management's assumptions and judgment relating to useful life PPE;<br>• recalculating the depreciation charge, on a sample basis;<br>• recalculating the gain or loss on disposal of PPE;<br>• assessing the impact from production facilities, whose Power and Water Purchase Agreement (PWPA) expired during the year.<br>• 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;<br>• 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.

## 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.

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.

**Date: 11 Febraury 2019**
Doha
State of Qatar

**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 |

*The attached notes 1 to 38 form part of these consolidated financial statements.*

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CNTD)

| | Notes | 2018<br>QAR'000 | 2017<br>QAR'000 |
|---|---|---|---|
| **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 Sharida Al-Kaabi**
Chairman

**Mr. Fahad Bin Hamad Al-Mohannadi**
Managing Director

*The attached notes 1 to 38 form part of these consolidated financial statements.*

# 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 |

*The attached notes 1 to 38 form part of these consolidated financial statements.*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 December 2018*

| | *Attributable to the equity holders of the parent* | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Legal reserve | General reserve | Hedge reserve | Fair value reserve | Retained earings | Total | Non-con-trolling interests | Total equity |
| | *QAR'000* | *QAR'000* | *QAR'000* | *QAR'000* | *QAR'000* | *QAR'000* | *QAR'000* | *QAR'000* | *QAR'000* |
| Balance at 1 January 2017 | 1,100,000 | 550,000 | 3,241,834 | (1,557,002) | 219,328 | 4,720,969 | 8,275,129 | 253,871 | 8,529,000 |
| Profit for the year | - | - | - | - | - | 1,616,176 | 1,616,176 | 23,317 | 1,639,493 |
| Other comprehensive (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** |

*The attached notes 1 to 38 form part of these consolidated financial statements.*

# 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) |

*The attached notes 1 to 38 form part of these consolidated financial statements.*

**FOR THE YEAR ENDED 31 DECEMBER 2018**

| | 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 |

*The attached notes 1 to 38 form part of these consolidated financial statements.*

## 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 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 incorporation | Ultimate ownership interest | |
|---|---|---|---|---|
| | | | 2018 | 2017 |
| Ras Laffan Operating Company W.L.L. | Generation of electricity & production of desalinated water | Qatar | 100% | 100% |
| Ras Laffan Power Company Q.S.C. | Generation of electricity & production of desalinated water | Qatar | 80% | 80% |

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

| Name of entities | Principal activity | Country of incorporation | Ultimate ownership interest | |
|---|---|---|---|---|
| | | | 2018 | 2017 |
| Qatar Power Q.S.C. | Generation of electricity & production of desalinated water | Qatar | 55% | 55% |
| Mesaieed Power Company Q.S.C. | Generation of electricity | Qatar | 40% | 40% |
| Ras Girtas Power Company Q.S.C. | Generation of electricity & production of desalinated water | Qatar | 45% | 45% |
| Nebras Power Q.S.C. | Investments in electricity and desalinated water projects outside the State of Qatar | Qatar | 60% | 60% |
| Umm Al Houl Power Q.S.C. | Generation of electricity & production of desalinated water | Qatar | 60% | 60% |
| Siraj Energy | Identifying, evaluating and development of Solar power opportunities. | Qatar | 60% | 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 Cmpany Q.P.S.C. (40%)
   - Marubeni Corporation (30%)
   - Qatar Petroleum (20%)
   - Chubu Electric Power Company (10%)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CNTD)

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 comparitive 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.

## Use of estimates and judgments

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 ownership of the plants, based on management's estimate of the useful life and residual value of the assets. An estimate of the useful life of the asset and residual value is made and reviewed annually. The effects of changes in useful life are recognised prospectively, over the remaining life of the asset.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CNTD)

*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 recognized in the consolidated financial statements. Management reviews the useful lives of these assets annually. Future depreciation charge could be materially adjusted where management believes the useful lives differ from previous estimates.

During the year, the Group revised the estimated economic useful life of the production facilities from 25 years to 30 years.

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

*Impairment of goodwill*

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

*Impairment of investment in the joint ventures*

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

*Finance lease receivable*

The Group's management determines estimated future cash flows in respect of capacity charge for calculating effective interest rate of finance lease. This estimate is determined after considering the expected Scheduled and Forced 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:

| | QAR '000 |
|---|---|
| Assets | |
| 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CNTD)

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, then it 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 Annual Improvements 2015-2017 Cycle | 1 January 2019 |
| 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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CNTD)

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 liabilities (Interest rate swaps for hedging) into cash flow hedges category.

## Financial assets

### *Initial recognition*

The Group initially recognizes loans and receivables on the date when they are originated. All other financial assets and financial liabilities are initially recognized on the trade date.

### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification.

### *Accounts receivable*

These assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using effective interest method.

*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 consolidated statement of profit or loss when the right of payment has been established.

Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

***Cash and cash equivalents***

Cash and cash equivalents in the statement of consolidated financial position comprise cash at banks and in hand and short-term deposits with original maturity of three months or less.

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

***Derecognition***

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

- The rights to receive cash flows from the asset have expired; or

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

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

## Financial liabilities

***Initial recognition***

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

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

***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 derecognized 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CNTD)

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 forwarded to Kahramaa's receiving points, Kahramaa gets control over the products.

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

#### *Dividend income*

Dividend income from investments is recognized when the shareholder's right to receive payment has been established.

#### *Interest income*

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

### Operating leases (Group as a lessee)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

### Operating leases (Group as a lessor)

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

### Borrowing costs

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

### Foreign currency transactions and balances

Transactions in foreign currencies during the year are translated into the functional currency of the Company at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the year are translated into the functional currency at the exchange rate at the reporting date. Foreign currency differences are recognized in the consolidated statement of profit or loss.

### Dividend distribution to the Company's shareholders

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's consolidated financial statements in the year in which the dividends are approved by the Company's shareholders.

## Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the 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 | Production facilities (A) | Furniture, fixtures and office equipment | Motor vehicles | "C" inspection costs (B) | Capital spares | Capital work in progress | Total |
|---|---|---|---|---|---|---|---|---|
| | QAR '000 | QAR '000 | QAR '000 | QAR '000 | QAR '000 | QAR '000 | QAR '000 | 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** |

## 6. PROPERTY, PLANT AND EQUIPMENT (CTD)

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

### (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** | 2017 |
|---|---|---|
| | **QAR '000** | 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** | 2017 |
|---|---|---|
| | **QAR '000** | 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** | 2017 |
|---|---|---|
| | **QAR '000** | 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 incorpo-ration* | *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.*

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CNTD)

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

| | **2018** | 2017 |
|---|---|---|
| | **QAR '000** | 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.

For the year ended 31 December 2018

| | Qatar Power Q.S.C. | Mesaieed Power Company Q.S.C | Ras Girtas Power Company Q.S.C. | Nebras Power Q.S.C. | Umm Al Houl Power Q.S.C. | Siraj Energy | **Total** |
|---|---|---|---|---|---|---|---|
| | QAR '000 | QAR '000 | QAR '000 | QAR '000 | QAR '000 | QAR '000 | QAR '000 |
| Summarised statement of financial position | | | | | | | |
| Non-Current Assets | 1,623,858 | 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. | Mesaieed Power Company Q.S.C. | Ras Girtas Power Company Q.S.C. | Nebras Power Q.S.C. | Umm Al Houl Power Q.S.C. | Siraj Energy | Total |
|---|---|---|---|---|---|---|---|
| | *QAR'000* | *QAR'000* | *QAR'000* | *QAR'000* | *QAR'000* | *QAR'000* | *QAR'000* |
| *Summarised statement of financial position* | | | | | | | |
| Non-Current Assets | 1,809,595 | 6,615,543 | 11,847,357 | 2,962,399 | 9,403,445 | - | 32,638,339 |
| Current assets | 547,815 | 831,976 | 1,150,483 | 3,203,190 | 767,097 | 3,645 | 6,504,206 |
| Non-Current Liabilities | 1,229,182 | 5,576,411 | 9,806,161 | 1,360,855 | 7,392,061 | - | 25,364,670 |
| Current Liabilities | 391,582 | 2,003,758 | 3,153,152 | 603,503 | 2,483,427 | - | 8,635,422 |
| Equity | 736,646 | (132,650) | 38,527 | 4,201,231 | 295,054 | 3,645 | 5,142,453 |
| Group's interest | 405,155 | - | 17,337 | 2,520,738 | 177,032 | 2,187 | 3,122,449 |
| Consolidation adjustment | - | - | - | 13,648 | - | - | 13,648 |
| Carrying value of investments | 405,155 | - | 17,337 | 2,534,386 | 177,032 | 2,187 | 3,136,097 |
| *Summarised statement of comprehensive income* | | | | | | | |
| Revenue | 762,928 | 1,079,557 | 2,343,431 | - | 351,763 | - | 4,537,679 |
| Profit for the year | 150,291 | 204,205 | 337,058 | 326,398 | 91,677 | - | 1,109,629 |
| Other comprehensive income for the year | 41,918 | (127,660) | 67,589 | 31,167 | 8,142 | - | 21,156 |
| Total comprehensive income | 192,209 | 76,545 | 404,647 | 357,565 | 99,819 | - | 1,130,785 |
| Group's share of profit | 82,660 | 81,682 | 151,676 | 195,839 | 55,006 | - | 566,863 |
| Group's share of other comprehensive income | 23,055 | (51,064) | 30,415 | 18,700 | 4,885 | - | 25,991 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CNTD)

## 10. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CNTD)

## 13. INVENTORIES

| | 2018 | 2017 |
|---|---|---|
| | QAR '000 | 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 | 2017 |
|---|---|---|
| | QAR '000 | 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 | 2017 |
|---|---|---|
| | QAR '000 | 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<br>QAR '000 | 2017<br>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 |

*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<br>QAR '000 | 2017<br>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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CNTD)

### 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** | 2017 |
|---|---|---|
| | **QAR '000** | 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** | 2017 |
|---|---|---|
| | **QAR '000** | 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** | 2017 |
|---|---|---|
| | **QAR '000** | 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** |

FOR THE YEAR ENDED 31 DECEMBER 2018

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<br>QAR '000 | 2017<br>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<br>QAR '000 | 2017<br>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<br>QAR '000 | 2017<br>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 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CNTD)

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

| | **2018** | 2017 |
|---|---|---|
| | **QAR '000** | 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 quarterly 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** | 2017 |
|---|---|---|
| | **QAR '000** | 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** | 2017 |
|---|---|---|
| | **QAR '000** | 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 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CNTD)

### 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** | 2017 |
|---|---|---|
| | **QAR '000** | 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** | 2017 |
|---|---|---|
| | **QAR '000** | 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** | 2017 |
|---|---|---|
| | **QAR '000** | 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.

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

| | *Nature of the relationship* | *Nature of the transactions* | **2018** | 2017 |
|---|---|---|---|---|
| | | | **QAR '000** | 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 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CNTD)

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

| | | **2018** | | 2017 | |
|---|---|---|---|---|---|
| | | **QAR '000** | | QAR '000 | |
| | *Nature of the relationship* | *Trade and other receivables* | *Trade payables and accrued expenses* | *Trade and other receivables* | *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** | 821,348 | 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** | 2017 |
|---|---|---|
| | **QAR '000** | 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** | 2017 |
|---|---|---|
| | **QAR '000** | 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CNTD)

| | *Change in basis points* | *Effect on profit* | *Effect on equity* |
|---|---|---|---|
| | | *QAR'000* | *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:

**FOR THE YEAR ENDED 31 DECEMBER 2018**

| | **2018** | 2017 |
|---|---|---|
| | **QAR '000** | QAR '000 |
| 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 |
| | **1,299,107** | 1,965,756 |
| | **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*** | ***30-60 days*** | ***61-90 days*** | ***> 91 days*** | ***Total*** |
| | **QAR '000** | **QAR '000** | **QAR '000** | **QAR '000** | **QAR '000** |
| Gross carrying amount | **394,060** | **234** | **4** | **6,989** | **401,297** |
| Loss provision allowance | **-** | **-** | **-** | **-** | **-** |
| | **394.060** | **234** | **4** | **6,989** | **401,297** |

| | | | *Days past due* | | |
|---|---|---|---|---|---|
| *31 December 2017* | *Current* | *30-60 days* | *61-90 days* | *> 91 days* | *Total* |
| | **QAR '000** | **QAR '000** | **QAR '000** | **QAR '000** | **QAR '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 |

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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.

| | *Carrying amounts* | *Contractual cash flows* | *Less than 1 year* | *1 – 2 years* | *More than 2 years* |
|---|---|---|---|---|---|
| | *QAR '000* | *QAR '000* | *QAR '000* | *QAR '000* | *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* | *Contractual cash flows* | *Less than 1 year* | *1 – 2 years* | *More than 2 years* |
|---|---|---|---|---|---|
| | *QAR '000* | *QAR '000* | *QAR '000* | *QAR '000* | *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.

Total equity is the equity attributable to the equity holders of the Group.

| | **2018** | 2017 |
|---|---|---|
| | **QAR '000** | 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:

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| *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 assets | 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)