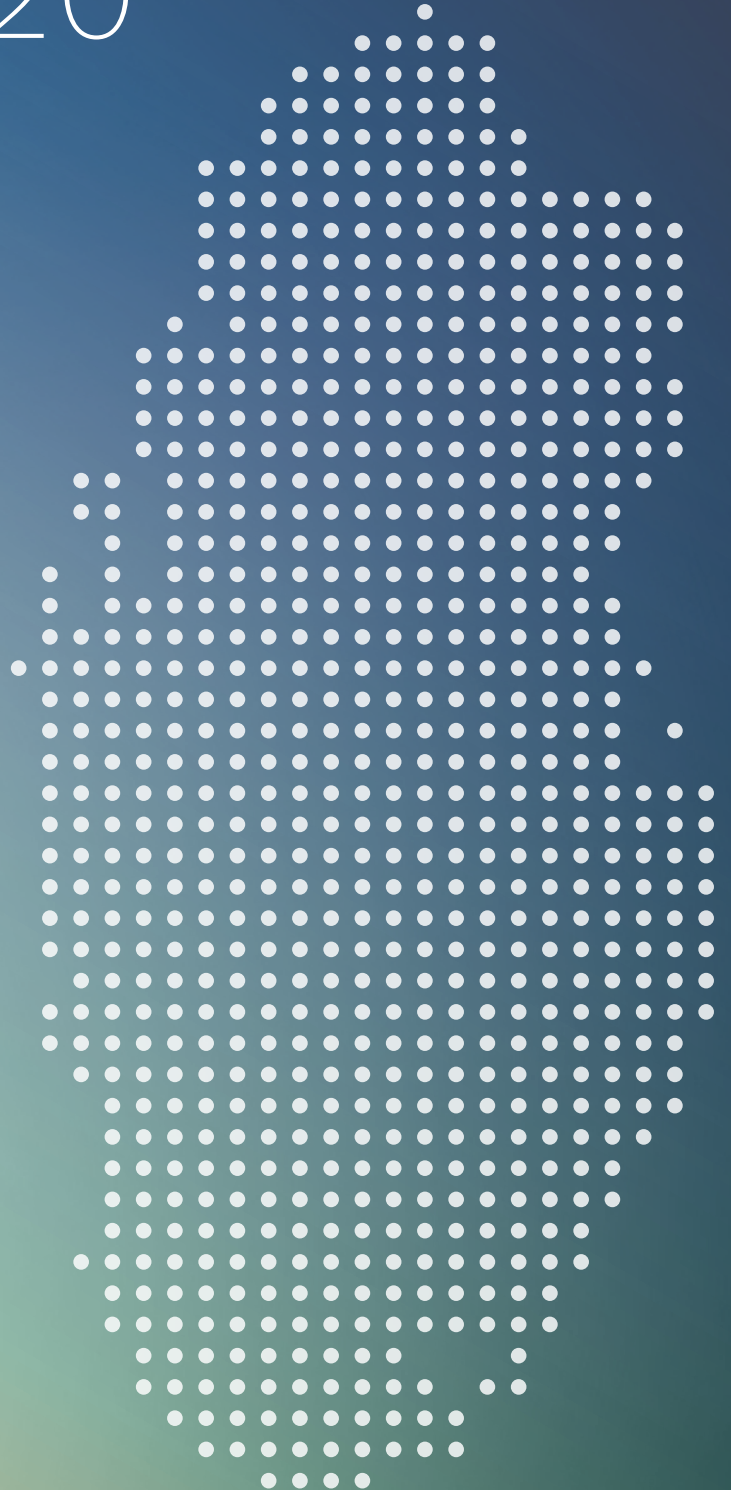
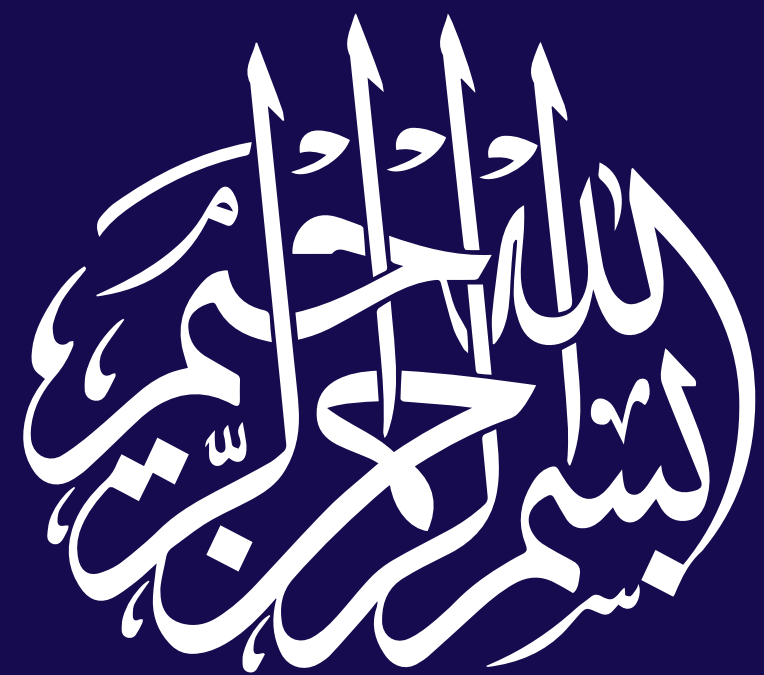




شركة الكهرباء والماء القطرية ش.م.ع.ق  
QATAR ELECTRICITY & WATER CO. Q.P.S.C.

# ANNUAL REPORT 2020





In the Name of Allah,  
The Compassionate, The Merciful



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

**HE Mr. Saad Bin Sherida Al- Kaabi**  
Chairman of QEWC

**Mr. Faisal bin Abdul Wahid Al-Hamadi**  
Vice Chairman

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

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

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

**H.E. Mr. Nasser Bin Khaleel Al-Jaidah**  
Member

**Mr. Adel Ali Bin Ali**  
Member

**Mr. Fahad bin Abdullah Al-Mana**  
Member

**Mr. Abdullah bin Khalifa Al-Raban**  
Member

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

**Mr. Mohammed bin Nasser Al-Hajri**  
Member

# CHAIRMAN'S MESSAGE



## H.E. Mr. Saad Bin Sherida Al-Kaabi

Minister of State for Energy Affairs

Chairman of the Board of Directors  
of the Qatar Electricity and Water  
Company

In the name of Allah, the Merciful

Dear Shareholders,

Peace, mercy and blessings of God,

On behalf of myself and on behalf of my colleagues, members of the Board of Directors and all employees of the company, I am pleased to welcome you to the annual meeting of the Ordinary General Assembly of Qatar Electricity and Water Company for the fiscal year ended on 31st December 2020.

Despite the challenges faced with the repercussions of the Corona pandemic, the company has continued its commitment to its vision and mission to support the growth of the national economy in the electricity and water desalination sector, in cooperation with Qatar General Electricity and Water Corporation to meet the country's electricity and water needs with high efficiency and the highest standards.

Dear Shareholders,

The company is working actively to diversify its revenue sources, operations and raise the level of performance efficiency to preserve the natural and environmental resources. In this framework, the company completed Umm Al Houl Power project, which is operating at its full electricity and water capacity. The company is currently working on the expansion project, which will increase the water production capacity of the plant by 45% to 198 MIGD and the project is expected to be fully commissioned during the second quarter of 2021.

Siraj 1 project, which is one among the largest solar power projects in the region in terms of size and capacity, is expected to be completed by first half of 2022, with a capacity of 800 MW of electricity.

One of the most prominent local projects in this context is the construction of Ras Abu Fontas station with a capacity of 2,600 MW of electricity and 100 MIGD of desalinated water. The project is scheduled to be completed in the third quarter of 2024 at a cost of approximately \$ 3 billion with an IRR of 7% to 8%. The company also plans to build another new plant in 2027, similar to the Ras Abu Fontas Power Plant in terms of production capacity and financial returns.

In terms of foreign investments, the company focused its activities on diversifying and developing its investments, entering into new projects and taking advantage of the best global investment opportunities. The company, through "Nebras Power Company", acquired major stakes in various energy projects outside Qatar, most notably the Zen project in the Netherlands, the Oryx project in Jordan, the solar energy project in Brazil, the Stockyard Hill wind power project in Australia, the Carthage Power Company in Tunisia, and the Amin renewable energy project in the Sultanate of Oman.

In addition, the company has developed a future plan for the next decade, in line with the country's growing needs for electricity and water and to support infrastructure projects and 2022 FIFA World Cup.

Dear Shareholders,

Regarding the company's financial performance in 2020, the company achieved a strong performance despite the difficulties and challenges imposed by the pandemic. The company achieved a net profit of QR 1,158 million, and accordingly, the company's board of directors recommends distributing 60% of the company's net profits for the current year, equivalent to 63 Dhirhams per share.

In conclusion, I can only express my sincere thanks and gratitude to His Highness Sheikh Tamim bin Hamad Al Thani, Emir of the country, "may God protect him" for his wise vision, good guidance and wise leadership.

I also extend my thanks and appreciation to the shareholders of the company for their support for the company's march towards achieving its goals. Thanks, are also extended to the executive management team, and all employees of the company and its subsidiary companies for their great efforts and their dedication, which contributed to achieving the targeted results, wishing everyone continued success and prosperity.

Peace, mercy and blessings of God.



# 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.



# BRIEF ABOUT QATAR ELECTRICITY & WATER COMPANY 2020



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.

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, the company's paid up capital became QR 1.1 Billion, divided into one hundred and ten million shares. 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. Based on the decision of the extraordinary general assembly meeting on 6th March 2019, the nominal value of the share has been amended to become QR 1 per share instead of QR 10 per share, bringing the total number of shares to one billion and one hundred million. The company is managed by a Board of Directors consisting of eleven members headed by his excellency Engineer Saad bin Sherida Al-Kaabi – Minister of State for 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's assets amount to QR 17 billion and the production capacity owned by the company and its joint venture companies is of over 10,590 MW of electricity and over 481.5 MIGD of desalinated water

It is worth mentioning that the Company won the awards of 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 water 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.
- Smoke desalination 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. Water desalination capacity will increase to 198MIGD by the first half of 2021.
- 49% in Siraj Energy Company, which is expected to have 60% share in 800 MW of Electricity production capacity from Solar Energy by 2022

## 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 achieved commercial operation. The Umm Al-Houl Energy Project is producing 2520 MW of electricity and 136.5 MIGD of water. The company also started expansion of the plant by adding 61.5 MIGD of water. After the completion of the expansion project, expected to achieve by 1st April 2021, the production will cover around 30% of the country's electricity needs and 58% of the water requirements. Production will cover about 30% of the country's electricity needs and 58% of water, and the project will be fully commissioned by 1st April 2021.

Qatar Petroleum and the QEWC have established "Siraj Energy Company" in 2017 to produce electricity from solar energy. Qatar Petroleum owns 51% share and QEWC owns 49% share in the capital of the company.

The establishment of Siraj Energy 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. Its first project came in the form of the "Siraj 1" company, in partnership with Marubeni and Total, to establish the Al-Kharsaa solar power plant with a capacity of 800 MW. The project aims to use environmentally friendly technologies and increase reliance on renewable sources of energy.

At the request of the Qatar General Electricity and Water Corporation (KAHRAMAA), considering the poor performance of the plant, Ras Abu Fontas A facility was demolished and removed, in order to build a new Power plant in its place, with a combined production capacity of 2,600 MW of electricity and 100 MIGD of desalinated water. The project is expected to be completed by June 2024.

A memorandum of understanding has also been signed between 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 using latest and environmentally friendly technologies.

Regarding foreign projects, the company is also seeking, through its investment arm, Nebras Power, to expand into global markets. Despite the difficult conditions and challenges that faced the global economy in 2020 due to the Coronavirus pandemic, and the slowing pace of global investment, Nebras Energy was able to enhance its investments and increase its assets. Nebras was able to increase its portfolio in the countries, where it already had investments and it was able to show its presence by entering into many new markets such as North Africa, Latin America and Australia. These new investment additions provided Nebras with the opportunity to access developing markets and improve the 'energy-technology' mix in its portfolio in terms of renewable energy resources as well as projects relying on natural gas.

The company's future investment plans aim to keep pace 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.

## 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 trusted 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 gained 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 over production costs so that the company could achieve an increase in its financial results over the years. This enabled the company to pay the shareholders higher dividends every year 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 considering its financial obligations and requirement to finance new projects.

**Social responsibility:**

QEWG 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 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 with total contributions amounting to QR 1,139,350 during the year 2020.

**The company's credit rating:**

Moody's reaffirmed company's overall credit rating as A1 for the year 2020, the same as last year's rating.

**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 participation 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 for the fiscal year ending on 31st December 2020

The Board of Directors of the Qatar Electricity and Water Company is pleased to present to the esteemed shareholders its annual report on the company's activities and its financial results for the fiscal year ended on 31st December 2020, prepared in accordance with the requirements of the Commercial Companies Law, the governance system, registration and listing rules and the provisions of the company's articles of association. The annual report is accompanied by audited financial statements and notes, Governance report for the year, which documents the activities and achievements of the company and its subsidiaries and associates and show the future vision to secure sustainability in the supply of electricity and water for all public and private state facilities.

### First: Financial Results:

Operating Revenue for the year 2020 amounted to an amount of QR 2,586 million compared to an amount of QR 2,389 million for the year 2019, an increase of 8%, and share of profit from joint companies amounted to QR 551 million compared to an amount of QR 806 million for the year 2019, a decrease of 32%. Other income was QR 158 million compared to QR 198 million for the year 2019, thus the total revenues for the year 2020 amounted to QR 3,295 million compared to QR 3,393 million for the year 2019.

Operating expenses for the year 2020 amounted to QR 1,665 million compared to an amount of QR 1,533 million for the year 2019, an increase of 9%, and general and administrative expenses amounted to QR 297 million, compared to QR 175 million in the year 2019, with an increase of 70%. Financing expenditures amounted to QR 150 million, compared to QR 245 million for the year 2019, a decrease of 39%. The net profit attributable to minority shareholders was QR 25 million compared to QR 27 million for the year 2019.

Based on the above, the net profit of Qatar Electricity and Water Company for the year 2020 amounted to QR 1,158 million, compared to an amount of QR 1,414 million for the year 2019, a decrease of 18%.

(Distinguished shareholders can view the detailed financial statements approved by the Board of Directors and the company's external auditor, in the annual report).

Based on the financial results for the year 2020, the board of directors recommends to the company's general assembly to approve distribution of cash dividends to shareholders for the fiscal year 2020 at a rate of 63% of the nominal value of each share.



## Second: The company's projects and future plans:

Qatar Electricity and Water Company gives utmost importance to meeting the electricity and water needs of the State of Qatar without any interruptions and it works in this context to implement projects that Kahramaa proposes to achieve this purpose.

On the other hand, its foreign investment arm, Nebras Power Company, is implementing projects outside Qatar that support the company's investment plan.

The company has achieved many accomplishments and tasks entrusted to it in this framework and aspires to achieve more success within and outside the Country by further expanding the diversification of energy production sources in the State of Qatar and increasing its share in the global energy market.

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

### Locally:

#### Current projects:

##### Umm Al Houli Power Station Expansion:

Umm Al Houli Power Plant project, which is 60% owned by QEWC, was commissioned with a production capacity of 2520 MW of electricity and 136.5 MIGD of desalinated water and started full commercial operation in the second quarter of 2018.

The company has already embarked an expansion to the Umm Al Houli plant to increase its water production capacity by an additional 61.5 MIGD. The construction works for the expansion project started in the beginning of the second half of the year 2019. The first phase is expected to be completed by February 2021 with a production capacity of 30 MIGD of desalinated water and it is expected to complete the expansion project in full by the beginning of April 2021.

The Umm Al Houli Power Plant is considered one of the most vital energy projects in the country and its importance stems from the great value it represents to the Qatari economy, by use of advanced and best environmentally friendly global technology in the field of water desalination. The reverse osmosis technology used for the plant contributes to support the efforts to reduce gas emissions as much as possible and raise the level of performance, which are two important factors for the success of electricity and water production facilities. After expansion, this plant will be able to meet 30% of the country's electricity needs and 58% of water requirements.

##### Al-Kharsaa Solar Power Plant Project:

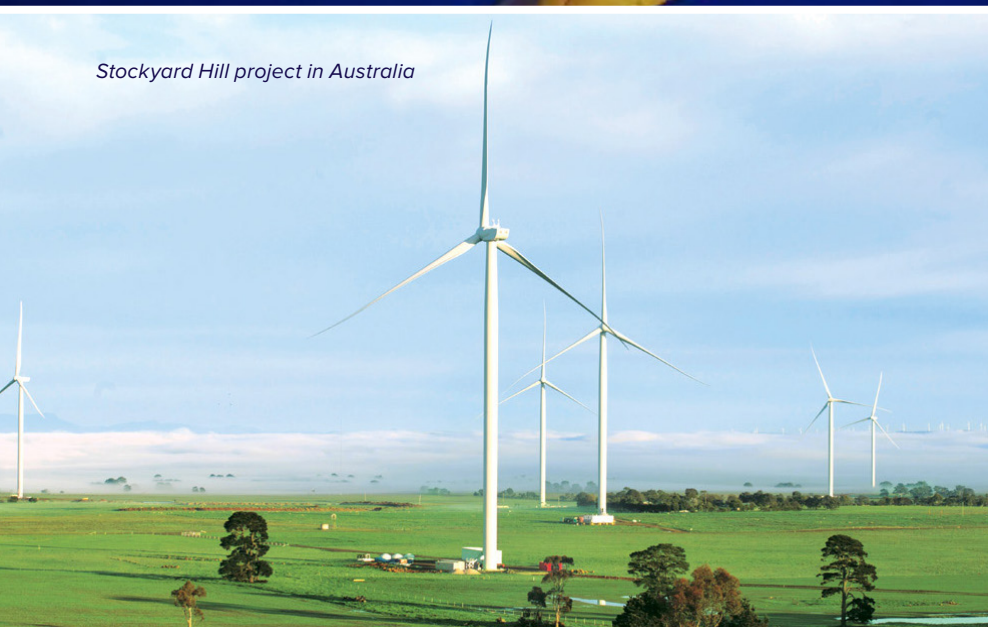
The shareholders' agreement for establishing Siraj Energy Company was signed with Qatar Petroleum on 29th November 2016 and the procedures for establishing the company were completed on 25th April 2017 with the aim of establishing solar energy projects in Qatar. The first solar project, Siraj 1, with a capacity of 800 MW will be completed in partnership with Marubeni and Total.

For Siraj 1 Project, after the project announcement and the developer qualifications, the financial offers were opened on 26th September 2019 and the developer was selected on 9th December 2019. The Power Purchase Agreement (PPA) was signed on 15th January 2020 and the EPC contract was signed on 6th February 2020. The project company (Siraj 1) will undertake the task of operating and maintaining the station, which will contribute to company's expertise in this field.

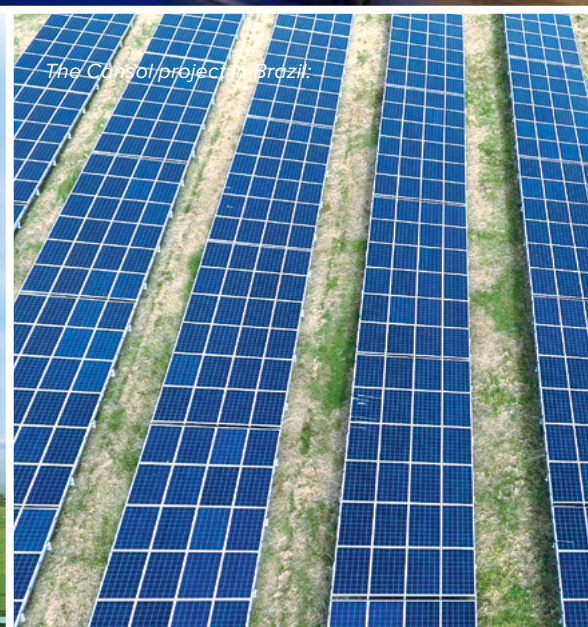
It is expected that the first phase of the project with a capacity of 400 MW will be completed during the second half of the year 2021 and the project will be fully completed with a total capacity of 800 MW during the first half of the year 2022.



Umm Al Houli Power Station Expansion



Stockyard Hill project in Australia



The Consol project in Brazil



The solar energy project comes as part of the company's plans to diversify energy sources in the State of Qatar and the project aims to use environmentally friendly technologies and increase reliance on renewable energy sources.

### Future projects:

The company's future plans for investments are in response to the growing demand for electricity and water, by constructing high-capacity plants and replacing old low-efficiency plants with new and more efficient plants. The Company is also working in line with the directions of the State and within the ambit of Qatar National Vision 2030 by taking advantage of the diversified energy sources such as renewable energy by solar power and generation of electricity from waste.

### Facility E Project "Ras Abu Fontas Power Company":

At the request of the Qatar General Electricity and Water Corporation (KAHRAMAA), considering the poor performance of the plant, Ras Abu Fontas A facility was demolished and removed, in order to build a new Power plant in its place. The tender for the development of the new plant was issued on 10th September 2019, offers were submitted on 27th August 2020 and it is expected that the Power and Water Purchase Agreement (PWPA) will be signed in April 2021.

It is expected that the first phase of electricity capacity will be completed in June 2023 and the first phase water capacity will be completed in July 2023. The project will be fully completed in June 2024 with a production capacity of 2,600 MW of electricity and 100 MIGD of water.

### Extension of the contract to operate Ras Abu Fontas B1 Station:

The company is under negotiations with Kahramaa to extend the Power Purchase Agreement for Ras Abu Fontas "B1" plant, which expires on 31st August 2022, for an additional 13 years to ensure the continued production of water from the associated Ras Abu Fontas "A1" plant.

### Selling the company's land in Lusail:

Based on the study conducted by the committee formed to follow up the project, the company's board of directors decided to sell the plot of land owned by the company in Lusail city. As per the original plan, the company was planning to construct two towers in the land, first tower to be used as commercial offices, including headquarters of the company and its subsidiaries and the second tower was planned to be used as an investment in the field of hospitality. However, based on studies of the real estate market, it was confirmed that the supply of real estate greatly exceeds the expected need now and in the near future and so it was decided to sell the plot of land.

### Globally:

The company is also seeking, through its international investment arm, Nebras Power, to expand, outside Qatar, into global markets. Despite the difficult conditions and challenges faced by the global economy in 2020 due to the Coronavirus pandemic and the slowing pace of global investment, Nebras Power, thanks to God, was able to move forward in strengthening its investments and increasing its assets. It has completed the acquisition of a 49% stake in "Stockyard Hills" a wind energy project in Australia, located in the Australian state of Victoria. The project contains 149 wind turbines with a total capacity of 527 MW and commercial operation of the plant is expected to start at the beginning of the year 2021. The project will be the largest wind energy project in the southern hemisphere and this acquisition is an important initial step for the company to enter the Australian energy market and invest in wind energy projects.

Nebras Power has also expanded its investments in the Netherlands by entering into partnerships to develop solar energy stations and works are in progress to complete the same in 2021. In addition,

Nebras Power is in the process of increasing its stake in several projects in Jordan and these acquisitions are expected to be completed in the first half of 2021. Nebras Power has also embarked on expanding its operations in Brazil by studying new investment opportunities. The company has reviewed many investment opportunities and entered into negotiations with investors around the world during the year and these efforts are expected to add new assets to its investment portfolio in 2021.

Nebras Power is working to reach developing markets and improve the (energy / technology) mix in its portfolio in terms of renewable and natural gas-based resources.

### Nebras Power Projects:

#### • The Cansol project in Brazil:

In 2019, Nebras Power entered into partnership with Chinese company, Canadian Solar, to develop and operate four solar energy projects in Brazil. The project will have a total production capacity of 482 MW. Financing for all four projects has been arranged in 2020 and it is expected that the full commercial operation of the projects will begin in 2021.

These projects provide Nebras with access to the rapidly growing renewable energy market in Brazil, and it is in line with Nebras' stated goals of strengthening its position as a leading international energy developer. It is the largest two-sided solar PV portfolio to be built in the Latin America region.

#### • Stockyard Hill project in Australia:

Nebras acquired through its subsidiary, Nebras Power Investment Management BV, a 49% stake in "Goldwind", which represents a production capacity of 527 MW from wind in Australia. Construction work continued during the year 2020 and it is expected that the commercial operation will start in the first quarter of 2021. The acquisition provides Nebras with access to growing Australian renewable energy market, which includes guaranteed purchase contracts and a competitive energy market with attractive returns.

#### • Oryx project in Jordan:

Nebras Power, through its subsidiary, Nebras Power Investment Management BV, was working on completing the necessary steps to complete the process of increasing its share in several stations in the Kingdom of Jordan. These stations are located in Al-Manakhir area, 15 km east of Amman. The acquisition is expected to be completed in the first half of 2021.

Increase in investments in Jordan by Nebras Power comes as a result of its confidence in the Kingdom and the credibility of the Jordanian energy market and its regulations over the past years.

### Third: Commitment to the governance system:

The Company is committed to apply the procedures contained in the governance system issued by the Qatar Financial Markets Authority and the Board of Directors is reviewing governance practices and working to develop them in accordance with changing needs. The company has taken several measures to apply the provisions of the governance system issued by decision no. 5 of the Board of Directors of the Qatar Financial Markets Authority for 2016, which is as follows:

1. Amending the bylaws of the Board of Directors in accordance with the Decision of the Board of Directors No. (9) for the year 2020 at its third meeting on 19th July 2020, in line with the amendment contained in the articles of association, which was published on the company's website.

2. Approval of the appointment of Mr. Mohammed bin Nasser al-Hajri (General Manager) to the Qatar Electricity and Water Company as of 1st January 2021, in accordance with the Board of Directors Resolution No. (9) of 2020 issued at its fifth meeting on 19th October 2020 and published on the company's website.

All reports and requirements, stipulated in the articles of association of the company and the governance system issued by the Authority and the Commercial Companies Law, were also disclosed and published in accordance with the procedures and deadlines.

The Corporate Governance report is included in the Annual Report for the year 2020 for approval by the company's general assembly.

#### Fourth: Corporate Social Responsibility:

The company believes in its role and responsibility in the development and advancement of society and the preservation of the environment through its active and serious participation in the corporate social responsibility system. It is constantly looking forward to increasing its contribution in supporting institutions that sponsor community groups with exceptional needs. During the year, the company supported and sponsored the National Social Responsibility Program at Qatar University, the Abdullah bin Hamad Al-Attiyah International Foundation for Energy and Sustainable Development, in addition to the Qatar Radio Amateurs Association. The total contributions amounted to QR 1,139,350 during the year 2020.

#### Fifth: Administrative Development and Qatarization:

According to the general policy of the company, it seeks to take everything new in the world of management and apply it in proportion to the size and activity of the company in order to continuously develop its staff and achieve its objectives efficiently and effectively. This raises the level of productivity in its products and services and enhance customer confidence, which helps to achieve higher profits.

The strategy of the Qatar Electricity and Water Company, through the Qatarization Committee, which includes members from the Qatar Electricity and Water Company and the other seven subsidiary companies, aims to increase the employment rate of Qataris in the company and its subsidiary companies. The company is working with universities, institutes and training centers accredited at home and abroad with the aim of recruiting, developing and training Qatari employees and developing them for leadership positions within the company and its subsidiaries.

The total number of Qatari employees reached 146 by the end of 2020. The number of Qatari employees sent to university studies was two, while the number of Qatari employees under training is three and the number of Qatari employees under development is five. The company's Qatarization percentage is 30.5% and total number of employees in the company is 478. The company aspires to raise this percentage in the leadership positions, followed by other positions.

#### Sixth: Occupational Safety and Security:

The company considers the implementation of security and safety measures as one of its most important priorities and obligations towards its employees. The company's security, fire and safety department works to implement all safety and occupational health requirements that ensure the provision of a safe environment that achieves protection from risks for the human and property. The company applies international standards and standards in security and occupational safety, by providing all precautions

and public safety means to preserve the safety of workers and their lives. To save them from the potential dangers that may occur as a result of any shortage or negligence in achieving public safety conditions, company ensures the safety of the equipment, machinery, and property of the facility, while taking care of the surrounding environment and not by not polluting it any manner.

The company has achieved with its subsidiaries a high rate of working hours without death or serious injuries during the year 2020 and the company has also committed to take all necessary measures and instructions issued by the Supreme Committee for Crisis Management, Qatar Petroleum, KAHRAMAA and Industrial Security to counter the Corona virus. The company and its subsidiaries, including Nebras, have recorded only limited number of cases of the disease.

May Allah Bless us.

**Saad Bin Sherida Al-Kaabi**

Chairman of the Board

**Mohammed Nasser al-Hajri**

Managing Director and General Manager





# QATAR ELECTRICITY AND WATER COMPANY **CORPORATE GOVERNANCE REPORT 2020**

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

## **Introduction:**

The company applies specific governance procedures to develop its performance in general and to support the public interest, the interests of the company and stakeholders and gives it an advantage over any interest, the company also provides a reassuring guarantee to the board of directors by monitoring the company's practices from within and establishing principles of transparency and accountability, justice and equality. The Board of Directors periodically reviews its governance practices and applies the necessary changes from time to time.



<b>First: Governance applications and adherence to its principles:</b>	<p>The Board undertakes to apply the principles of governance listed in the text of article (3) of the Governance System, The Board also continuously reviews and updates the governance applications and undertakes to apply the best principles of governance, as it undertakes to develop the rules of professional conduct that embody the values of the company and the periodic review of its policies and alliances and their internal procedures to which board members, managers, consultants and employees must adhere The corporate governance report is an integral part of the annual report of the company, and is attached to it after being signed by the Chairman and the most recent of which was the 2019 report which was approved by the General Assembly on March 15, 2020.</p> <p>The corporate governance report includes the company's commitment to apply the provisions of the corporate governance system and includes all information related to the application of its principles and provisions.</p>								
<b>Second: The procedures followed by the company in order to implement the system's provisions</b>	<p>Based on the Board's continuous review of the governance procedures and the continuous and periodic updating of its applications, the Board adopted several measures during the year 2020, the most important of which are:</p> <ol style="list-style-type: none"><li>1. The internal regulations of the Board of Directors have been amended pursuant to Board Resolution No. (9) of 2020 in its third meeting on July 19, 2020 in line with the amendment to the articles of association and it was circulated and published on the company's website and the Qatar Stock Exchange, and the Qatar Financial Markets Authority was notified.</li><li>2- The Board issued its Resolution No. (9) for the year 2020 in its 5th meeting on 19 October 2020 appointing Mr. Mohammed Nasser Al-Hajri (General manager) for the Qatar Electricity and Water Company as of 1/1/2021, and it was circulated and published on the company's website and Qatar Stock Exchange, and the Qatar Financial Markets Authority was notified.</li></ol>								
<b>Third: Violations committed during the year and signed sanctions</b>	<p>The company did not commit any violations during the year 2020.</p>								
<b>Fourth: Board of Directors:</b>	<p><b>- Board Formation:</b></p> <p>According to the Law and Article (26) of the amended and documented company articles of association on 17/6/2019, the board of directors shall be composed of eleven members, as follows:</p> <p>First: the energy minister as a president</p> <p>Second: The representatives of the State of Qatar:</p> <ol style="list-style-type: none"><li>1- A member appointed by Qatar Petroleum</li><li>2 -Two members appointed by the Qatar Investment Authority, representing Qatar Holding Company, one of whom shall be a vice-president</li><li>3- A member appointed by the General Pension and Social Security Authority (Civil Pension Fund) as his representative</li></ol> <p>The rest of the members are elected through the general meeting of the company and the independent members make up more than two thirds of the board of directors, and all board members are non-executives except the general manager and chief executive officer Mr. Fahd Hamad Al-Muhannadi. The following list shows the members of the Board during the year 2020 and their positions and the entities they represent.</p> <table><tr><th rowspan="2">Name</th><th colspan="2">Statement</th></tr><tr><th>Membership status</th><th>Entity they represent</th></tr><tr><td>His Excellency Mr. Saad bin-Sheridah Al-Kaab</td><td>Chairman of Board of Directors Non-executive - non-independent</td><td>Minister of State for Energy Affairs, Government of the State of Qatar</td></tr></table>	Name	Statement		Membership status	Entity they represent	His Excellency Mr. Saad bin-Sheridah Al-Kaab	Chairman of Board of Directors Non-executive - non-independent	Minister of State for Energy Affairs, Government of the State of Qatar
Name	Statement								
	Membership status	Entity they represent							
His Excellency Mr. Saad bin-Sheridah Al-Kaab	Chairman of Board of Directors Non-executive - non-independent	Minister of State for Energy Affairs, Government of the State of Qatar							

Mr. Faisal bin Abdul Wahid Al Hammadi	Deputy Chairman of the Board	Qatar Investment Authority Government of the State of Qatar
Mr. Fahd bin Abdullah Al-Manea	Non-executive – non-independent member	Qatar Investment Authority Government of the State of Qatar
Mr. Abdullah bin Khalifa Muhammad al-Rabban	Non-executive – non-independent member	General Retirement and Social Insurance Authority - Government of the State of Qatar
Mr. Fahd bin Hamad Al-Muhannadi	Executive Managing Director - non-independent	Qatar Petroleum - the government of the State of Qatar
His Excellency Sheikh/ Hamad bin Jabr bin Jassem Al Thani	Non-executive - independent member	Qatar National Bank (joint stock companies)
His Excellency Sheikh/ Saud bin Khalid bin Hamad Al Thani	Non-executive - independent member	Qatar Insurance Company (joint stock companies)
Mr. Salman Bin Abdullah Al-Abdul Ghani	Non-executive - independent member	Qatar Navigation Company (joint-stock companies)
His Excellency Sheikh/ Hamad bin Jassem Al Thani	Non-executive - independent member	The private sector and individuals
Mr. Nasser bin Khalil Al Jaidah	Non-executive - independent member	The private sector and individuals

the appointment of the current board is done through the ordinary general meeting held on March 15, 2020, before adopting the amended statute, and the decisions of the Board are issued by majority in accordance with the text of Article (34) of the main statute.

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 main position is in the State, and no member who holds membership of the boards of directors of two companies practicing a homogenous activity

The Chairman of the Board of Directors does not exercise any executive position in the Company, and is not be a member of any of the Board Committees. 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.

**Tasks and main functions of the Board:**

The board represents all the shareholders and exercises the necessary care in managing the company effectively and productively so as to reach the interests of the company, partners, shareholders and stakeholders and provide public benefits and investment development for the state and the community and has a responsibility to protect shareholders from illegal, arbitrary or any other activity or practice or decisions that could harm them, discriminate against them or empower one group of another.

The Board of Directors has the broadest powers in the management of the company and its powers are not limited to what is provided for by law, by the articles of association or by the decisions of the General Assembly, and its members are collectively responsible directly for the decisions issued by the Board (Article 32 of the Basic Law), and the list of the Board includes the functions and the tasks set out in article (8) of the new governance system.

**Meeting invitation:**

The Board meets based on the invitation of its Chairman and the Chairman invites the Board to the meeting whenever at least two of the members request it, and the invitation must be sent to each member accompanied by the agenda at least two weeks before the fixed date. for its convocation and any member can request the addition of one or more items on the agenda in accordance with the text Article (34) of the Basic Law and articles (16-18-19) of the Statute of the Board.

Board meetings:

- In accordance with the provisions of article (34) of the Basic Law and article (20) of the Board regulations, the Board holds six meetings - at least - during the year and three months cannot pass without one meeting and the Board meeting it is not valid unless the majority of the members are present, including Chairman and Vice Chairman.
- An absent member may be replaced in writing by another board member to represent him in attendance and voting, provided that a member does not represent more than one member from the board. If a board member is absent from attending three consecutive or four non-consecutive meetings without an excuse acceptable to the board, he is considered dismissed - Article (36) of the Basic Law. It is allowed to participate in the board meeting using one of the guaranteed means of recognized modern technology, allowing the participant to listen and participate effectively in the work of the board and to make decisions.
- The Board of Directors held six meetings during the year 2020 using Microsoft Teams visual communication technology, due to the circumstances and implications of the Coronavirus (COVID-19) pandemic, and most of the members attended the Board sessions and no one was absent without an excuse or without permission for three consecutive or four nonconsecutive meetings according to law.

Board decisions:

The Board of Directors has the widest powers to manage the company and has direct responsibility for all the activities required by this management in accordance with its purpose. This authority is not limited to anything provided for in the law or the governance system issued by the Board of Directors of the Qatar Financial Markets Authority or this system or the decisions of the General Assembly in accordance with the text of Article (32) Of the articles of association, the Board is exclusively alone in issuing decisions in the following matters, below are some examples:

- Approve the strategic plan and the main objectives of the company and supervise its implementation
- Approval of the construction of projects and approval of their cost
- Approval of the general and annual financial statements of the company
- Approval of the company's executive regulations
- Approval of nominations for appointment to management positions

In a way that does not contravene the provisions of the law on the matter, the decisions of the board are issued by the majority of the votes of the participants and the representatives and, in case of equality in the number of votes, the side from which the chairman of the assembly is weighted according to the provisions of article (34) of the Basic Law, A record of each meeting must be drawn up, specifying the names of the members present and absent, showing what happened during the meeting, and must be signed by the chairman of the meeting and the secretary, and any member who has not agreed on any decision taken by the board should demonstrate his opposition in the minutes of the Article (39) of the Basic Law.

The Board of Directors may, if necessary and for urgent purposes, issue some of its decisions with approval, provided that all of its members agree in writing with these decisions and that they are presented at the next meeting of the Board, to be included in the minutes of meetings The Board issued five passing decisions during the year 2020 and they were included in the Board meetings after its issuance.

- Contributions of members of the Board of Directors and executives, and who owns more than 5%:

Name	position	Number of shares	Percentage of ownership
Qatar Holding Company	Member	308,948,750	28.09
Pension Fund - General Retirement Authority	Member	156,605,920	14.21
Qatar Petroleum	Member	118,166,440	10.74
Qatar Navigation	Member	50,440,120	4.59

Qatar National Bank	Member	6,691,136	0.58
Al Jaidah Motors Trading Co	Member	5,225,000	0.47
Qatar Insurance Company	Member	2,200,000	0.2
Hamad Jassem Mohammed Jassem Al Thani	Member	2,200,000	0.2
Adel Ali bin Ali Al-Muslimani	member	2,200,000	0.2

The Secretary:

Mr. Ahmed Mohamed Al-Abd Al-Malik (with more than 19 years of experience) assumes the duties of the Secretary of the Board based on the Board Resolution No. (9) of 3/7/2019 , and he records and coordinates all the minutes of the Board's meetings, records, books, and reports submitted to and from the Board.

The secretary assists the president and all board members in their tasks, and is committed to conduct all the council's work in accordance with the provisions of Article (16) of the Board Regulations and Article (17) of the Governance System.

Board Committees:

The Board formed four commissions, three of which, in accordance with its resolution no. (2) of 2017, include the framework of each commission and its functions in accordance with the text of article (18) of the Governance Act, as follows:

First: The Nominations Committee:

Under the chairmanship of His Excellency Sheikh / Hamad bin Jassem Al Thani and by the membership of each of Mr. Salman Bin Abdullah Al-Abdul Ghani and Mr. Fahd bin Hamad Al-Muhannadi, having the necessary skills to exercise its mandate, the committee presented its report regarding the candidates for the board of directors membership and on the evaluation of the work of the Board of Directors during its first meeting on 16 February 2020.

The formation of the committee was amended and merged to the Remuneration and Salaries Committee according to Board Resolution No. (7) in its third meeting on 19/7/2020 headed by Mr. Nasser bin Khalil Al Jaidah, and the membership of Mr. Salman Bin Abdullah Al-Abdul Ghani and Mr. Fahd bin Abdullah Al-Manea, and they have the necessary experience to practice their competencies.

Second: The remuneration committee:

Chaired by Mr. Nasser bin Khalil Al-Jaidah and the membership of Mr. Salman bin Abdullah Al Abdul Ghani and Mr. Fahd bin Abdullah Al-Manea, and have the necessary skills to exercise their mandate The committee presented its report to the council, including the recommendation to determine the remuneration of the members of the board of directors and the general manager and the mechanism for distributing the remuneration of the members of the Board and its affiliated committees, and the additional operating costs due to the Corona pandemic, at its first meeting on February 16, 2020.

The Nominations Committee was merged into the Remuneration and Salaries Committee according to Board Decision No. (7) in its third meeting on 19/7/2020, pursuant to the provisions of Article (18) of the Governance System.

Third: The Audit Committee:

Chaired by His Excellency Sheikh Hamad bin Jabr Al Thani (independent) and the membership of each of Mr. Salman bin Abdullah Al Abdul Ghani and Mr. Abdullah bin Khalifa Al-Rabban, none of them had previously audited the company's accounts during the two years preceding the candidacy for membership of the Committee directly or indirectly. They have the necessary expertise to exercise the committee's terms of reference, and the committee presented its report to the Board at its first meeting on February 16, 2020, including the nomination of the external auditor for the fiscal year 2020

The committee held two meetings and the committee was not able to hold 6 full meetings during 2020 This is due to the formation of a new audit committee from January to April 2020, and the absence of discussion topics or lack of a quorum due to the responsibilities of the committee members.

	<p><b>Fourth: The Investments Committee:</b></p> <p>It was formed according to Board Resolution No. (4) at its second meeting on 19/4/2020 headed by Mr. Faisal bin Abdul Wahid Al Hammadi - Vice-Chairman of the Board and the membership of both Mr. Nasser bin Khalil Al Jaidah and Mr. Adel Ali Bin Ali, Mr. Fahd Bin Abdullah Al Mani, and Mr. Fahd bin Hamad Al-Muhannadi. The committee manages and monitors the company's investments. A report shall be submitted to the Board at every meeting on the latest developments of the aforementioned investments and its new proposals in this regard.</p> <p>The committee held four meetings during the year 2020.</p> <p><b>The work of the committees:</b></p> <p>According to the decision to form the committees referred to in the previous clause, none of the members will chair more than one of the committees set up by the Board and the head of the audit committee is not a member of any other committee and the convening of the committee is valid only in the presence of its president and the majority of its members, A record of each meeting shall be drawn up, indicating what took place in the meeting, and shall be signed by the committee's chairman.</p> <p><b>Evaluation of the committees:</b></p> <p>The Board of Directors evaluates the work of the three committees, and approves the reports submitted by the committees during the year 2020, each according to its specialization.</p> <p><b>Remuneration for Board Members and Senior Executive Management:</b></p> <p>The remuneration of the President and members of the Board of Directors for the services they perform through the General Assembly is determined so as not to exceed 5% of the annual net profits according to the text of article (39) of the Articles of Association. No compensation has been paid to the Board of Directors that exceeds the aforementioned percentage since the establishment of the company and the remuneration of the President and members of the Board for the 2019 fiscal year was approved at 0.83% of the value of the net profit according to a decision of the Ordinary General Assembly of March 15, 2020 With a total amount of 11.75 million Qatari riyals, and the total remuneration of senior management reached 4.629 million Qatari riyals.</p>
<b>Fifth: Internal control and monitoring:</b>	<p>The Board of Directors is fully responsible for the internal control system in the company, and policies, guidelines and controls have been established to determine the limits of responsibility and performance to monitor the mechanisms, and the company's general management is responsible for the general control of these systems with department managers, heads of departments and business is evaluated through the internal financial controller and the external auditor.</p> <p>The company maintains the utmost importance to develop the corporate management framework in an organized way in order to identify, evaluate, mitigate and manage risks in the company and the company's technical consultant takes on the task of assessing operational risks. the financial risk is assessed by the internal auditor and in coordination with the financial department.</p> <p><b>- Internal Control Unit:</b></p> <p>The company has a complete, independent department for internal audit, headed by a qualified accountant with experience appointed by the Board of Directors, and reports directly to the Chairman of the Board of Directors, and undertakes financial audits, performance evaluation and risk management, and reports to the Audit Committee including any violations Found with the suggested actions.</p> <p><b>- Internal Control Reports:</b></p> <p>The internal auditor shall submit a report on the company's internal control work to the audit committee, including the following:</p> <ol style="list-style-type: none"> <li>1. Control and supervision procedures for financial affairs, investments and risk management.</li> <li>2. Review the development of risk factors in the company and the adequacy and effectiveness of the systems in place in the company facing any radical or unexpected changes in the market.</li> </ol>

	<ol style="list-style-type: none"> <li>3. A complete assessment of the company's performance regarding compliance with the application of the internal control system and the provisions of that system.</li> <li>4. The extent to which the company adheres to the rules and conditions that govern disclosure and listing on the market.</li> <li>5.The extent of the company's commitment to internal control systems in identifying and managing risks.</li> <li>6. The risks to which the company has been exposed, its types, causes and what has been done about it.</li> <li>7.Proposals to correct violations and remove the causes of the risks</li> </ol> <p>The internal auditor issued 3 reports during the year 2020 in this regard.</p>
<b>Sixth: External Audit:</b>	<p>The Audit Committee reviews and examines the offers of auditors registered in the Authority's external auditor table and submits a recommendation to the board that induces one or more offers to appoint an external auditor for the company and, once the board approves the recommendation is included in the agenda of the general meeting of the company.</p> <p>The shareholders through the Ordinary General Assembly meeting on 6/3/2019, appointed the Company's auditor, the office of Ernst and Young, and the Auditor presented his report to the General Assembly on 15/3/2020 and read it, and it was approved by the General Assembly. A copy of it was sent to the commission, including all the oversight work, as stipulated in the text of Article (24) of the Governance Law.</p> <p>Ernst &amp; Young's office was re-assigned as auditors of the company's accounts for a year atthe regular general assembly meeting on 15/3/2020, and he conducted a quarterly, semiannual and annual review of the company's financial statements for 2020 according to what is prescribed by the laws and procedures related, and will present his annual report to the general assembly to be held on 8/3/2021.</p>
<b>Seventh disclosure:</b>	<p>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 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 Exchange and published on the company's website, the last of which was on 13/1/2021. No information shall be published or disclosed until it has been submitted to the Board for approval.</p> <p>With regard to the disclosure of disputes or deductions to which the company is a party, including arbitration and litigation, there are no issues or deductions affecting the company's activity except for those related to some of the employees 'financial dues which are within the normal activity of the company.</p>



<b>Eight conflict of Interest</b>	<p>The company has adopted and published on its website a conflict of interest list, to ensure that the company, its employees and members of its board of directors adhere to the internationally recognized rules, standards and professional controls, to enhance the confidence of others in the integrity of the company and its employees at all levels, and according to Article (33) of the Board's regulation, the President or any member may not have a direct or indirect interest in the contracts or deals concluded with or for its account, and article (40) of the articles of association obliges the board of directors to place a list of financial information at the disposal of shareholders two weeks before the general assembly, including operations in which a member of the board of directors or managers has an interest that conflicts with the company's interest.</p> <p>No contracts or agreements were concluded between the chairman or one of the members of the board and the company during 2020 either directly or indirectly, and the members of the Board were notified of stopping any transactions on their shares before the board meetings that discuss the periodic financial statements and fifteen days before the general assembly meeting .The Qatar Exchange was also notified at the same time.</p>
<b>Ninth: Disclosure of trading operations:</b>	<p>Board members, senior executive management and all knowledgeable persons, them spouses and minor children are obligated to disclose their trading operations on the shares of the company and all other securities, in accordance with the clear rules and procedures governing the circulation of people familiar with the securities issued by the company, and issued by the Board in accordance with its decision No. (26) At its fifth meeting, on October 26, 2018.</p>
<b>Tenth: Stakeholder rights:</b>	<p><b>- Equality of shareholders' rights:</b></p> <p>The shareholders are equal and have all rights deriving from ownership of the stock in accordance with the relevant legal provisions and regulations and decisions.</p> <p>The articles of association of the company include the procedures and guarantees necessary for all shareholders to exercise their rights, in particular the right to dispose of the shares, the right to obtain the prescribed portion of dividends, the right to attend the general meeting and to participate in its deliberations and to vote on its decisions, as well as the right to access and request information that does not affect the interests of the company. This complies with the provisions of articles (9-11-19-40 -44 - 47 - 54 - 56) of the Basic Law.</p> <p><b>- The shareholder's right to receive information:</b></p> <p>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.</p> <p><b>- Shareholders' Rights related to the General Assembly:</b></p> <p>Articles (44, 47, 48, 49, 51, 54 and 56) of the company's articles of association include the regulation of shareholders' rights relating to the general meeting of both types, including the provisions of article (32) of governance system, voting rights and the election of the members of the Board of Directors. The company conformed to its application.</p> <p><b>- Shareholders' rights related to the distribution of profits:</b></p> <p>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.</p> <p>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.</p>

	<p>Shareholder Dividend for fiscal year 2019, which are approved at General Assembly on 15/03/2021 at 77.5% of the nominal value of the shares, were transferred to the National Bank of Qatar for distribution to shareholders, according to the agreement signed with the bank in this regard.</p> <p><b>Shareholders' rights related to major transactions:</b></p> <p>Article (69) of the company's articles of association guarantees the protection of the rights of shareholders in general and of the minority in particular, in the event of errors that could harm their interests or violate the ownership of the company's capital.</p> <p>The company is required to periodically communicate the capital structure of the company and all agreements entered into in a timely manner in accordance with the specified procedures to the Authority and the Stock Exchange and to disclose the owners (5%) or more of the company's shares directly or indirectly, during the periodic disclosure before 30 and before 31 December.</p> <p><b>- Rights of non-shareholder stakeholders:</b></p> <p>The company is keen to respect and protect the rights of interested parties by providing all the necessary documented information on all its reports, either by publishing in newspapers, on the company website and on the stock exchange website or through direct contact.</p> <p>The company set up the Investor Relations department in 2019 on its website and identified the investor relations manager, and based on the Qatar Exchange procedures, held a conference call during the month of February to inform investors about the relationship and performance of the company for 31 December 2019 and during the month of April to discuss the financial results of the first quarter, during the month of July to discuss the financial results of the second quarter, and during the month of October to discuss the financial results of the third quarter of 2020.</p> <p>Each stakeholder in the company may request information related to his interest, and the company is obliged to provide the required information in a timely manner and to the extent that does not threaten the interests of others or harm its interests. The Public Relations Department is responsible for receiving complaints, suggestions and notes for submission to the senior management to take the necessary actions, and the Employee Relations Committee receives complaints, grievances and proposals of employees to consider and take the necessary decision regarding them.</p>
<b>Eleventh: Community right:</b>	<p>The company plays its role in the development of the community, in the progress and conservation of the environment, through its serious and effective participation in the corporate social responsibility system, from its commitment to national responsibility, as it directs a fixed rate 2.5% of its annual net profit in support of activities that contribute to the development of society and various sports activities (according to the law), During the year 2020, the company adopted and contributed to a number of activities and events, social programs, conferences, scientific, cultural and economic seminars and various sporting activities. It also contributed to supporting and sponsoring the National Program for Social Responsibility at Qatar University and the Abdullah bin Hamad Al-Attiyah International Foundation for Energy and Sustainable Development in addition to the Qatar Society for radio amateurs, with total contributions amounted to QR 1,139,350 during the year 2020.</p>

**APPROVED:**

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

# MANAGEMENT ASSESSMENT OF INTERNAL CONTROL OVER FINANCIAL REPORTING

## General

The Board of Directors of Qatar Electricity and Water Company (QEWC) QPSC and its consolidated subsidiaries in Doha (together “the Group”) is responsible for establishing and maintaining adequate internal control over financial reporting (“ICOFR”) as required by Qatar Financial Markets Authority (“QFMA”). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Group's consolidated financial statements for external reporting purposes in accordance with International Financial Reporting Standards (IFRS). ICOFR also includes our disclosure controls and procedures designed to prevent misstatements.

## Risks in Financial Reporting

The main risks in financial reporting are that either the consolidated financial statements are not presented fairly due to inadvertent or intentional errors or the publication of consolidated financial statements is not done on a timely basis. A lack of fair presentation arises when one or more financial statement accounts or disclosures contain misstatements (or omissions) that are material. Misstatements are deemed material if they could, individually or collectively, influence economic decisions that users make based on the consolidated financial statements.

To confine those risks of financial reporting, the Group has established ICOFR with the aim of providing reasonable but not absolute assurance against material misstatements. We have also assessed the design, implementation and operating effectiveness of the Group's ICOFR based on the criteria established in Internal Control Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). COSO recommends the establishment of specific objectives to facilitate the design and evaluate the adequacy of a control system. As a result, in establishing ICOFR, management has adopted the following financial statement objectives:

- Existence / Occurrence - assets and liabilities exist and transactions have occurred;
- Completeness - all transactions are recorded, account balances are included in the consolidated financial statements;
- Valuation / Measurement - assets, liabilities and transactions are recorded in the financial reports at the appropriate amounts;
- Rights and Obligations and ownership - rights and obligations are appropriately recorded as assets and liabilities; and
- Presentation and disclosures - classification, disclosure and presentation of financial reporting is appropriate.

However, any internal control system, including ICOFR, no matter how well designed and operated, can provide only reasonable, but not absolute assurance that the objectives of that control system are met. As such, disclosure controls and procedures or systems for ICOFR may not prevent all errors and fraud. Furthermore, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs.

## Organization of the Internal Control System

### Functions Involved in the System of Internal Control over Financial Reporting

Controls within the system of ICOFR are performed by all business and support functions with an involvement in reviewing the reliability of the books and records that underlie the consolidated financial statements. As a result, the operation of ICOFR involves staff based in various functions across the organization.

## Controls to Minimize the Risk of Financial Reporting Misstatement

The system of ICOFR consists of a large number of internal controls and procedures aimed at minimizing the risk of misstatement of the consolidated financial statements. Such controls are integrated into the operating process and include those which:

- are ongoing or permanent in nature such as supervision within written policies and procedures or segregation of duties;
- operate on a periodic basis such as those which are performed as part of the annual consolidated financial statement preparation process;
- are preventative or detective in nature;
- have a direct or indirect impact on the consolidated financial statements themselves. Controls which have an indirect effect on the consolidated financial statements include entity level controls and Information Technology general controls such as system access and deployment controls whereas a control with a direct impact could be, for example, a reconciliation which directly supports a balance sheet line item; and
- feature automated and/or manual components. Automated controls are control functions embedded within system processes such as application enforced segregation of duty controls and interface checks over the completeness and accuracy of inputs. Manual internal controls are those operated by an individual or group of individuals such as authorization of transactions.

## Measuring Design, Implementation and Operating Effectiveness of Internal Control

For the financial year 2020, the Group has undertaken a formal evaluation of the adequacy of the design, implementation and operating effectiveness of the system of ICOFR considering:

- The risk of misstatement of the consolidated financial statement line items, considering such factors as materiality and the susceptibility of the financial statement item to misstatement;
- The susceptibility of identified controls to failure, considering such factors as the degree of automation, complexity, and risk of management override, competence of personnel and the level of judgment required.

These factors, in aggregate, determine the nature, timing and extent of evidence that management requires in order to assess whether the design, implementation and operating effectiveness of the system of ICOFR is effective. The evidence itself is generated from procedures integrated within the daily responsibilities of staff or from procedures implemented specifically for purposes of the ICOFR evaluation. Information from other sources also form an important component of the evaluation since such evidence either may bring additional control issues to the attention of management or may corroborate findings.

The evaluation has included an assessment of the design, implementation, and operating effectiveness of controls within various processes including Power Generation and Sale, Purchases, Inventory Management, Human Resources and Payroll, General Ledger and Financial Reporting, Property Plant & Equipment, Investment Management, Treasury Management. The evaluation also included an assessment of the design, implementation, and operating effectiveness of Entity Level Controls and Information Technology General Controls.

## Conclusion

As a result of the assessment of the design, implementation, and operating effectiveness of ICOFR, management did not identify any material weaknesses and concluded that ICOFR is appropriately designed, implemented, and operated effectively as of 31 December 2020.

The Management Assessment of Internal Control over Financial reporting as at

31 December 2020 were approved by the Board of Directors and signed on its behalf by the following on 3 March 2021.

**H.E. Mr. Saad Bin Sherida Al-Kaabi**  
Chairman

**Mohammed Nasser Al-Hajri**  
Managing Director & General Manager



# INDEPENDENT ASSURANCE REPORT TO THE SHAREHOLDERS

OF QATAR ELECTRICITY AND WATER COMPANY Q.P.S.C. (“THE COMPANY”) AND ITS SUBSIDIARIES (TOGETHER “THE GROUP”) ON THE DESCRIPTION OF THE PROCESSES AND INTERNAL CONTROLS AND SUITABILITY OF THE DESIGN, IMPLEMENTATION AND OPERATING EFFECTIVENESS OF INTERNAL CONTROLS OVER FINANCIAL REPORTING

## Introduction

In accordance with Article 24 of the Governance Code for Companies & Legal Entities Listed on the Main Market Issued by the Qatar Financial Markets Authority (QFMA) Board pursuant to Decision No. (5) of 2016, we have carried out a reasonable assurance engagement over the Board of Directors’ description of the processes and internal controls and assessment of suitability of the design, implementation and operating effectiveness of Qatar Electricity and Water Company Q.P.S.C. (“the Company”) and its subsidiaries (together “the Group’s”) internal controls over financial reporting as at 31 December 2020.

## Responsibilities of the Board of Directors and Those Charged with Governance

The Board of Directors of the Group is responsible for preparing the accompanying Directors’ Report on Internal Control over Financial Reporting that covers at the minimum the requirements of Article 4 of the Governance Code for Companies & Legal Entities Listed on the Main Market issued by the QFMA’s Board pursuant to Decision No. (5) of 2016 (the ‘Code’).

The Board of Directors present the Directors’ Report on Internal Control over Financial Reporting, which includes:

- the Board of Directors’ assessment of the suitability of design, implementation and operating effectiveness of internal control framework over financial reporting;
- the description of the process and internal controls over financial reporting for the processes of Power Generation and Sale, Purchases, Inventory Management, Human Resources and Payroll, General Ledger and Financial Reporting, Property Plant & Equipment, Investment Management, Treasury Management, Entity Level Controls and Information Technology General Controls;
- the control objectives; identifying the risks that threaten the achievement of the control objectives;
- designing and implementing controls that are operating effectively to achieve the stated control objectives; and
- identification of control gaps and failures; how they are remediated; and procedures set to prevent such failures or to close control gaps.

The Board of Directors is responsible for establishing and maintaining internal financial controls based on the criteria of framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO framework”).

These responsibilities include the design, implementation, operation and maintenance of adequate internal financial controls that if operating effectively would ensure the orderly and efficient conduct of its business, including:

- adherence to Group’s policies;
- the safeguarding of its assets;
- the prevention and detection of frauds and errors;

- the accuracy and completeness of the accounting records;
- the timely preparation of reliable financial information; and
- compliance with applicable laws and regulations, including the QFMA’s law and relevant legislations and the Governance Code for Companies & Legal Entities Listed on the Main Market issued by the QFMA’s Board pursuant to Decision No. (5) of 2016.

## Our Responsibilities

Our responsibilities are to express a reasonable assurance opinion on the fairness of the presentation of the “Board of Directors’ description and on the suitability of the design, implementation and operating effectiveness of the Group’s internal controls over financial reporting of Significant Processes” presented in the Directors’ Report on Internal Control over Financial Reporting to achieve the related control objectives stated in that description based on our assurance procedures.

We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) ‘Assurance Engagements Other Than Audits or Reviews of Historical Financial Information’ issued by the International Auditing and Assurance Standards Board (‘IAASB’). This standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the Board of Directors’ description of the processes and internal controls over financial reporting is fairly presented and the internal controls were suitably designed, implemented and operating effectively, in all material respects, to achieve the related control objectives stated in the description.

An assurance engagement to issue a reasonable assurance opinion on the description of the processes and internal controls and the design, implementation and operating effectiveness of internal controls over financial reporting at an organization involves performing procedures to obtain evidence about the fairness of the presentation of the description of the processes and internal controls and the suitability of design, implementation and operating effectiveness of the controls. Our procedures on internal controls over financial reporting included, for all significant processes:

- obtaining an understanding of internal controls over financial reporting for all significant processes;
- assessing the risk that a material weakness exists; and
- testing and evaluating the design, implementation and operating effectiveness of internal control based on the assessed risk.

A process is considered significant if a misstatement due to fraud or error in the stream of transactions or financial statement amount would reasonably be expected to affect the decisions of the users of financial statements. For the purpose of this engagement, the processes that were determined as significant are: Power Generation and Sale, Purchases, Inventory Management, Human Resources and Payroll, General Ledger and Financial Reporting, Property Plant & Equipment, Investment Management, Treasury Management, Entity Level Controls and Information Technology General Controls.

In carrying out our engagement, we obtained understanding of the following components of the control system:

### 1. Control Environment

- o Integrity and Ethical Values
- o Commitment to Competence
- o Board of Directors and Audit Committee
- o Management’s Philosophy and Operating Style
- o Organizational Structure
- o Assignment of Authority and Responsibility
- o Human Resource Policies and Procedures

### 2. Risk Assessment

- o Company-wide Objectives
- o Process-level Objectives
- o Risk Identification and Analysis
- o Managing Change

### 3. Control Activities

- o Policies and Procedures
- o Security (Application and Network)
- o Application Change Management
- o Business Continuity/Backups
- o Outsourcing

### 4. Information and Communication

- o Quality of Information
- o Effectiveness of Communication

### 5. Monitoring

- o Ongoing Monitoring
- o Separate Evaluations
- o Reporting Deficiencies



The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the suitability of design, implementation and operating effectiveness, whether due to fraud or error. Our procedures also included assessing the risks that the Board of Directors' description of the processes and internal controls is not fairly presented and that the controls were not suitably designed, implemented and operating effectively to achieve the related control objectives stated in the Directors' Report on Internal Control over Financial Reporting.

An assurance engagement of this type also includes evaluating Board of Directors' assessment of the suitability of the control objectives stated therein. It further includes performing such other procedures as considered necessary in the circumstances.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion on the Group's internal control system over financial reporting.

## Meaning of Internal Controls over Financial Reporting

An entity's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards. An entity's internal control over financial reporting includes those policies and procedures that:

- 1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity;
- 2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the consolidated financial statements in accordance with the generally accepted accounting principles, and that receipts and expenditures of the entity are being made only in accordance with authorizations of the management of the entity; and
- 3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements, which would reasonably be expected to impact the decisions of the users of financial statements.

## Inherent Limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining such information.

Because of the inherent limitations of internal controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Therefore, internal controls over financial reporting may not prevent or detect all errors or omissions in processing or reporting transactions and consequently cannot provide absolute assurance that the control objectives will be met.

In addition, projections of any evaluation of the internal controls over financial reporting to future periods are subject to the risk that the internal control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Furthermore, the controls activities designed, implemented and operated during the year covered by our assurance report will not have retrospectively remedied any weaknesses or deficiencies that existed in relation to the internal controls over financial reporting prior to the date those controls were placed in operation.

Many of the procedures followed by entities to adopt governance and legal requirements depend on the personnel applying the procedure, their interpretation of the objective of such procedure, their assessment of whether the compliance procedure was implemented effectively, and in certain cases would not maintain audit trail. It is also noticeable that the design of compliance procedures would follow best practices that vary from one entity to another and from one country to another, which do not form a clear set of criteria to compare with.

## Our Independence and Quality Control

In carrying out our work, we have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior and the ethical requirements that are relevant in Qatar. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## Other Information

The Board of Directors are responsible for the other information. The other information comprises the Annual Report but does not include the Directors' Report on Internal Control over Financial Reporting, and our report thereon, which we obtained prior to the date of this auditor's report.

Our conclusion on the Directors' Report on Internal Control over Financial Reporting does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

We have been engaged by the Group to provide a separate limited assurance report on the Directors' Report on compliance with QFMA's law and relevant legislations including the Code, included within the other information.

In connection with our engagement on the Board of Directors' Report on Internal Control Framework over Financial Reporting, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the Directors' Report on Internal Control over Financial Reporting or our knowledge obtained in the engagement, or otherwise appears to be materially misstated.

If, based on the work we have performed, on the other information that we obtained prior to the date of this report, 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.

When we read the complete Corporate Governance Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

## Conclusions

In our opinion, based on the results of our reasonable assurance procedures:

- a) the Directors' Report on Internal Control over Financial Reporting fairly presents the Group's system that had been designed as at 31 December 2020; and
- b) the controls related to the control objectives were suitably designed, implemented and operating effectively as at 31 December 2020, in all material respects, based on the COSO framework.

**For and on behalf of Ernst and Young**

**Ziad Nader**

**Auditor's Registration No. 258**

**Doha, Qatar,**

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

ON THE COMPLIANCE WITH THE QATAR FINANCIAL MARKETS  
AUTHORITY'S LAW AND RELEVANT LEGISLATIONS INCLUDING THE  
GOVERNANCE CODE FOR COMPANIES & LEGAL ENTITIES LISTED ON  
THE MAIN MARKET

## Introduction

In accordance with Article 24 of the Governance Code for Companies & Legal Entities Listed on the Main Market Issued by the Qatar Financial Markets Authority (QFMA) Board pursuant to Decision No. (5) of 2016, we have carried out a limited assurance engagement over the Board of Directors' assessment of compliance of the Company with the QFMA's law and relevant legislations including the Governance Code for Companies & Legal Entities Listed on the Main Market as at 31 December 2020.

## Responsibilities of the Board of Directors and Those Charged with Governance

The Board of Directors of the Company is responsible for preparing the accompanying Corporate Governance Report that covers at the minimum the requirements of Article 4 of the Governance Code for Companies & Legal Entities Listed on the Main Market issued by the QFMA's Board pursuant to Decision No. (5) of 2016 (the 'Code').

In Corporate Governance Section of the Annual Report, the Board of Directors provide its 'Report on compliance with the QFMA's law and relevant legislations including the Code' (the "Directors' Report").

In addition, the Board of Directors of the Company is responsible for the design, implementation and maintenance of adequate internal controls that would ensure the orderly and efficient conduct of its business, including:

In addition, the Board of Directors of the Company is responsible for the design, implementation and maintenance of adequate internal controls that would ensure the orderly and efficient conduct of its business, including:

- adherence to Company's policies;
- the safeguarding of its assets;
- the prevention and detection of frauds and errors;
- the accuracy and completeness of the accounting records;
- the timely preparation of reliable financial information; and
- compliance with applicable laws and regulations, including the QFMA's law and relevant legislations and the Governance Code for Companies & Legal Entities Listed on the Main Market issued by the QFMA's Board pursuant to Decision No. (5) of 2016.



## Our Responsibility

Our responsibility is to issue a limited assurance conclusion on whether anything has come to our attention that causes us to believe that the “Directors’ Report on compliance with the QFMA’s law and relevant legislations including the Code” presented in Corporate Governance Section of the Annual Report do not present fairly, in all material respects, the Company’s compliance with the QFMA’s law and relevant legislations including the Code, based on our limited assurance procedures.

We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) ‘Assurance Engagements Other Than Audits or Reviews of Historical Financial Information’ issued by the International Auditing and Assurance Standards Board (‘IAASB’). This standard requires that we plan and perform our procedures to obtain limited assurance about whether anything has come to our attention that causes us to believe that the Board of Directors’ statement of compliance with the QFMA law and relevant legislations including the Code, taken as a whole, is not prepared in all material respects in accordance with the Code.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. We did not perform any additional procedures that would have been required if this were to be a reasonable assurance engagement.

Our limited assurance procedures comprise mainly of inquiries of management to obtain an understanding of the processes followed to identify the requirements of the QFMA law and relevant legislations including the Code (the ‘Requirements’); the procedures adopted by management to comply with these Requirements; and the methodology adopted by management to assess compliance with these Requirements. When deemed necessary, we observed evidences gathered by management to assess compliance with the Requirements.

Our limited assurance procedures do not involve assessing the qualitative aspects or effectiveness of the procedures adopted by management to comply with the Requirements. Therefore, we do not provide any assurance as to whether the procedures adopted by management were functioning effectively to achieve the objectives of the QFMA’s law and relevant legislations, including the Code.

## Inherent Limitations

Non-financial information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining such information.

Many of the procedures followed by entities to adopt governance and legal requirements depend on the personnel applying the procedure, their interpretation of the objective of such procedure, their assessment of whether the compliance procedure was implemented effectively, and in certain cases would not maintain audit trail. It is also noticeable that the design of compliance procedures would follow best practices that vary from one entity to another and from one country to another, which do not form a clear set of criteria to compare with.

## Our Independence and Quality Control

In carrying out our work, we have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (‘IESBA’), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour and the ethical requirements that are relevant in Qatar. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## Other information

The Board of Directors are responsible for the other information. The other information comprises the Corporate Governance Report (but does not include the Directors’ Report on compliance with QFMA’s law and relevant legislations including the Code, presented in Corporate Governance section of the Annual Report, and our report thereon), which we obtained prior to the date of this independent assurance report.

Our conclusion on the Directors’ Report does not cover the other information and we do not and will not express any form of assurance conclusion thereon. We have been engaged by the Company to provide a separate reasonable assurance report on the Directors’ Report on Internal Control Framework over Financial Reporting, included within the other information.

In connection with our engagement of the Directors’ report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the Directors’ report or our knowledge obtained in the engagement, or otherwise appears to be materially misstated.

If, based on the work we have performed, on the other information that we obtained prior to the date of this report, 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.

When we read the complete Corporate Governance Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

## Conclusion

Based on our limited assurance procedures, nothing has come to our attention that causes us to believe that the Board of Directors’ report on compliance with QFMA’s law and relevant legislations including the Code do not present fairly, in all material respects, the Company’s compliance with the QFMA’s law and relevant legislations including the Code.

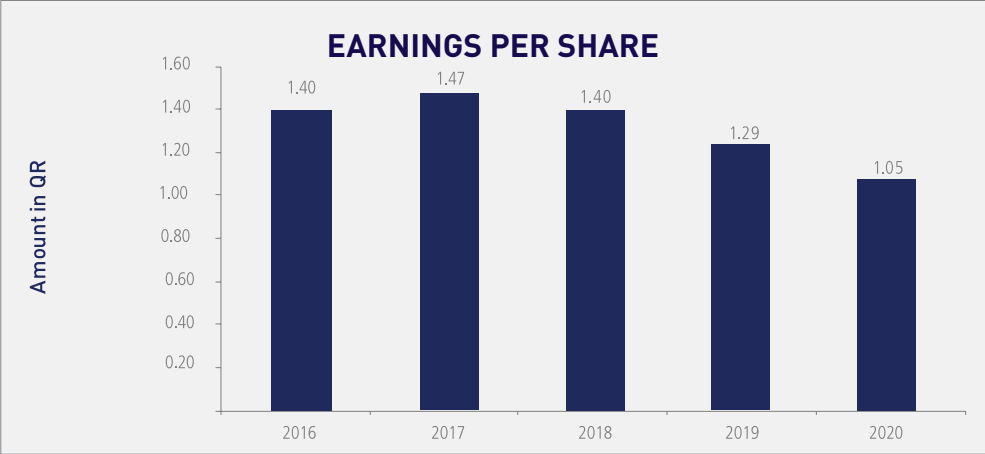
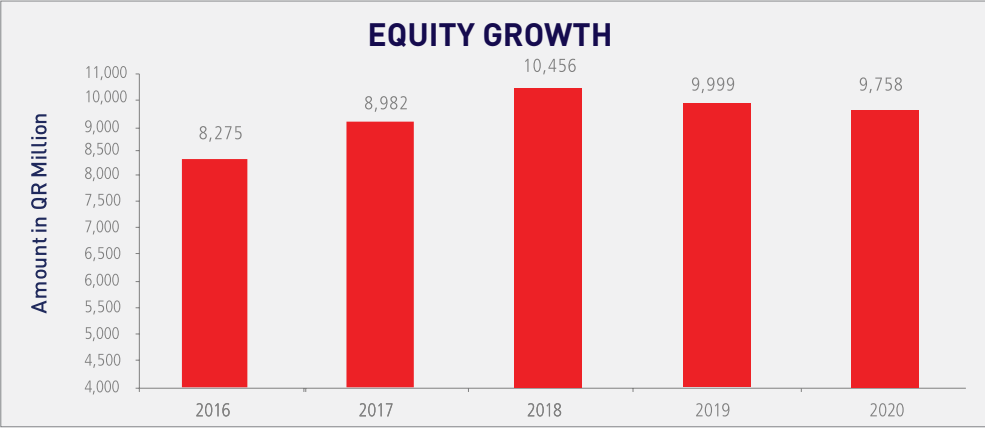
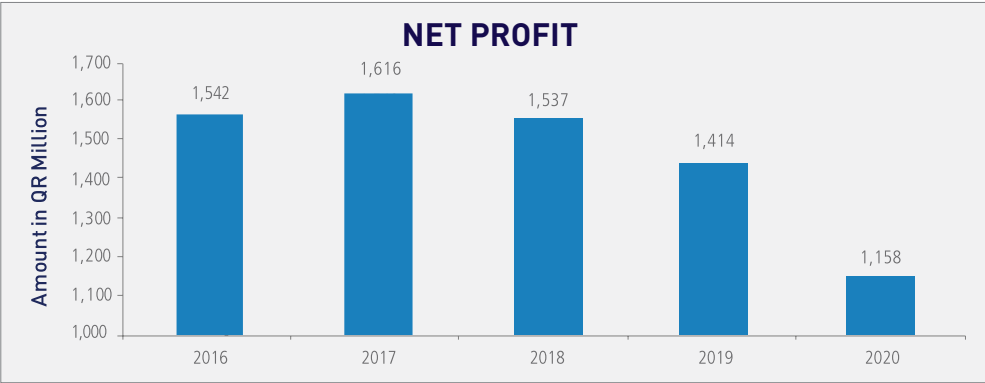
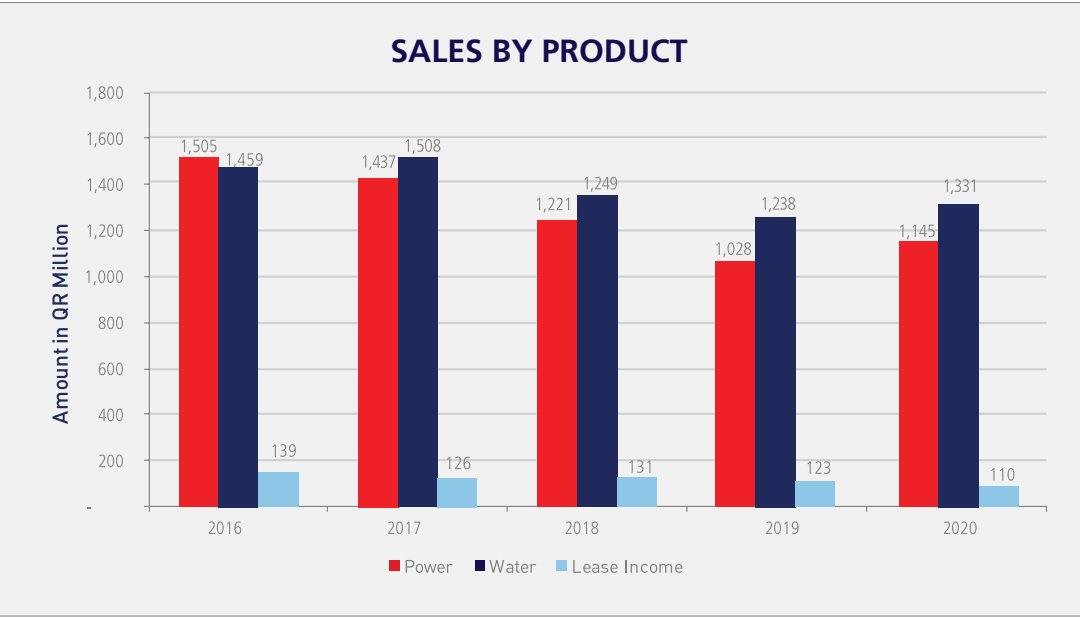
**For and on behalf of Ernst and Young**

**Ziad Nader**  
Auditor's Registration No. 258

**Doha**

# FINANCIAL HIGHLIGHTS

For the Year (amount in QR million)	2020	2019	2018	2017	2016
Sales Revenue	2,586	2,389	2,601	3,071	3,103
Gross Profit	921	856	1,204	1,316	1,403
Net Profit	1,158	1,414	1,537	1,616	1,542
At Year end (amount in QR million)					
Total Assets	17,150	17,494	18,185	15,844	15,226
Total Shareholders' equity	9,758	9,999	10,456	8,982	8,275
Long Term Debt	4,017	4,253	4,451	4,543	4,736
QR per Share					
Cash Dividends	0.630	0.775	0.775	0.775	0.750
Earnings per Share	1.05	1.29	1.40	1.47	1.40
Ratios					
Return on Equity (%)*	11.72	13.83	15.81	18.73	19.74
Return on Capital Employed (%)**	8.78	10.49	11.61	12.83	13.61
Debt Equity(Times)	0.41	0.43	0.43	0.51	0.57
*Net Profit/Average Equity					
**(Net Profit plus net finance cost)/Average capital Employed					





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

# CONSOLIDATED FINANCIAL STATEMENTS

## 31 DECEMBER 2020

### 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. (the “Company”) and its subsidiaries (the “Group”), which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020 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 Code of Ethics for Professional Accountants (including International Independence Standards) (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,

INDEPENDENT AUDITOR’S REPORT  
TO THE SHAREHOLDERS OF QATAR ELECTRICITY AND WATER COMPANY Q.P.S.C. (CONTINUED)

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 Matters	How our audit addressed the key audit matter
<i>Carrying Value of property, Plant and equipment</i>	
<p>The Group’s property, plant and equipment (PPE), as set out in note 6 to the consolidated financial statements, represents 29% of the Group’s total assets and, consequently, their depreciation charge for the year represents 14% of the Group’s total expense.</p> <p>There are a number of areas where management judgment impacts the carrying value of PPE. These include:</p> <ul style="list-style-type: none"><li>- the annual useful life review including the impact due to changes in the Group’s strategy</li><li>- assessing indicators of impairment and determining recoverable amounts; and</li><li>- the decision to determine the classification of land and related improvements as assets held for sale;</li></ul> <p>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.</p> <p>The PPE related disclosures included in the Notes to the consolidated financial statements are as follows:</p> <p>Note 3 – Significant accounting judgements, estimates and assumptions</p> <p>Note 5 –Summary of significant accounting policies</p> <p>Note 6 –Property, plant and equipment</p>	<p>Our audit procedures included,</p> <ul style="list-style-type: none"><li>• obtaining an understanding of the Group’s accounting policies for PPE and evaluating the design of key controls around the PPE processes, including controls over recording of assets in the PPE register, assets classification and useful life of assets;</li><li>• evaluating the recognition criteria applied to the costs incurred and capitalized during the financial year against the requirements of the relevant accounting standards and verifying the additions to source documents on a sample basis;</li><li>• evaluating the basis for the classification of the land and related improvements as assets held for sale;</li><li>• performing analytical procedures on depreciation charges;</li><li>• evaluating the management’s assessment of possible internal and external ndicators 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 in addition to assessing if impairment testing is required; and</li><li>• tracing the PPE and depreciation related balances to the relevant ledgers and assessing the adequacy of relevant disclosure in the consolidated financial statements.</li></ul>

INDEPENDENT AUDITOR’S REPORT  
TO THE SHAREHOLDERS OF QATAR ELECTRICITY AND WATER COMPANY Q.P.S.C. (CONTINUED)

Key Audit Matters	How our audit addressed the key audit matter
<i>Carrying Value of Investments in Joint Ventures</i>	
<p>The Group’s investment in joint ventures, as set out in note 9 to the consolidated financial statements, represents 23% of the Group’s total assets and, consequently, the share of profit for the year represents 46% of the Group’s profit for the year.</p> <p>Due to the significance of the balance of investment in joint ventures to the consolidated financial statements and the subjectivity involved in assessing indicators of impairment and determining the carrying value of investment in joint ventures balance, this is considered as a key audit mater.</p> <p>The investment in joint venture related disclosures included in the Notes to the consolidated financial statements are as follows:</p> <p>Note 3 –Significant accounting judgements, estimates and assumptions</p> <p>Note 5 –Summary of significant accounting policies</p> <p>Note 9 – Investment in joint venture</p>	<p>Our audit procedures included,</p> <ul style="list-style-type: none"><li>• We issued audit instructions to the component auditors of the significant equity accounted investments. The instructions covered the significant audit areas that the component auditors should focus on, as well as the information required to be reported back to the Group audit team.</li><li>• Throughout the audit, we maintained constant communication with the component auditors of the significant equity accounted investment components. We assessed the competence, knowledge and experience of our component audit teams, and performed a review of significant audit areas to assess the adequacy of the procedures performed in pursuit of our audit opinion.</li><li>• Assessed the financial information submitted by the joint ventures for consistency with accounting policies of the Group;</li><li>• Obtained the Group’s joint venture accounting schedule to confirm whether the Group’s interests in the profit, other comprehensive income and net assets were accounted in accordance with the Group’s participatory interests in the joint venture;</li><li>• Testing the Group’s assessments as to whether any indication of impairment exist by reference to the available information in the relevant markets and industries; and</li><li>• We reviewed the adequacy of the disclosures included in the notes to the financial statements in relation to the valuation of investments in joint ventures.</li></ul>

INDEPENDENT AUDITOR’S REPORT  
TO THE SHAREHOLDERS OF QATAR ELECTRICITY AND WATER COMPANY Q.P.S.C. (CONTINUED)

Report on the audit of the consolidated financial statements (continued)

Other Information Included in the Group’s 2020 Annual Report

Other information consists of the information included in the Group’s 2020 Annual Report other than the consolidated financial statements and our auditor’s report thereon. Management is responsible for the other information. The Group’s 2020 Annual Report is expected to be made available to us after the date of this auditor’s report. Our opinion on the consolidated financial statements does not cover the other information and we will 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 identified above when it becomes available 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.

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 is 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.



## Report on the audit of the consolidated financial statements (continued)

- 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 the 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 the 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the 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 adverse effect on the Group's financial position or performance.

Date: 14 Febraury 2021  
Doha  
State of Qatar

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

		2020	2019
	Notes	QAR'000	QAR'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	5,040,887	5,573,047
Right-of-use assets	7	29,516	22,584
Intangible assets and goodwill	8	84,545	90,515
Investment in joint ventures	9	3,936,650	4,545,352
Equity investments at fair value through other comprehensive income	10	2,571,376	1,955,212
Finance lease receivables	11	823,306	973,613
Positive fair value of interest rate swaps for hedging	24	-	6,485
Loan receivables from joint ventures	9	207,029	143,687
Other assets	12	12,157	13,997
		<b>12,705,466</b>	<b>13,324,492</b>
<b>Current assets</b>			
Inventories	13	66,344	81,499
Trade and other receivables	14	493,534	503,402
Finance lease receivables	11	150,307	144,014
Positive fair value of interest rate swaps for hedging	24	-	2,060
Bank balances and cash	15	3,478,966	3,438,597
		<b>4,189,151</b>	<b>4,169,572</b>
Asset held for sale	40	255,535	-
		<b>4,444,686</b>	<b>4,169,572</b>
<b>TOTAL ASSETS</b>		<b>17,150,152</b>	<b>17,494,064</b>

The attached notes 1 to 41 form part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTD)

	Notes	2020 QAR'000	2019 QAR'000
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
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	(2,513,650)	(1,891,900)
Fair value reserve	20	454,513	338,349
Foreign currency translation reserve	21	(14,215)	-
Retained earnings		6,939,760	6,660,841
<b>Equity attributable to equity holders of the parent</b>		<b>9,758,242</b>	<b>9,999,124</b>
Non-controlling interest	22	207,745	235,948
<b>Total equity</b>		<b>9,965,987</b>	<b>10,235,072</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	23	3,856,019	4,116,620
Negative fair value of interest rate swaps for hedging	24	50,876	27,036
Lease liabilities	7	28,971	23,008
Employees' end of service benefits	25	80,863	86,730
		4,016,729	4,253,394
<b>Current liabilities</b>			
Interest bearing loans and borrowings	23	2,447,771	2,436,525
Negative fair value of interest rate swaps for hedging	24	32,111	9,635
Lease liabilities	7	3,211	958
Trade and other payables	26	684,343	558,480
		3,167,436	3,005,598
<b>Total liabilities</b>		<b>7,184,165</b>	<b>7,258,992</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>17,150,152</b>	<b>17,494,064</b>

These consolidated financial statements were approved by the Parent Company's Board of Directors and signed on its behalf by the following on 14 February 2021.

**Saad Bin Sherida Al-Kaabi**  
Chairman

**Mohammed Nasser Al-Hajri**  
Managing Director and General Manager

The attached notes 1 to 41 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 QAR'000	2019 QAR'000
Revenue from water and electricity	27	2,476,098	2,265,921
Lease interest	11	110,152	122,970
<b>Revenue</b>		<b>2,586,250</b>	<b>2,388,891</b>
Cost of sales	28	(1,665,010)	(1,532,701)
<b>Gross profit</b>		<b>921,240</b>	<b>856,190</b>
Other income	29	157,471	198,053
General and administrative expenses	30	(296,655)	(175,150)
<b>Operating profit</b>		<b>782,056</b>	<b>879,093</b>
Finance costs	31	(150,287)	(244,568)
Share of profit of joint ventures	9	550,935	806,141
<b>Profit for the year</b>		<b>1,182,704</b>	<b>1,440,666</b>
<b>Other comprehensive loss:</b>			
<i>Other comprehensive loss to be reclassified to profit or loss in subsequent periods:</i>			
Share of other comprehensive (loss) income from joint ventures – interest rate swaps for hedging	9 & 19	(566,889)	(785,424)
Share of other comprehensive loss from joint ventures - exchange differences on translation of foreign operations	9 & 21	(14,215)	
Effective portion of changes in fair value of interest rate swaps for hedging	19	(54,861)	(52,891)
		(635,965)	(838,315)
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>			
Net change in fair value of equity investments at fair value through other comprehensive income	10 & 20	116,164	(153,341)
<b>Other comprehensive loss</b>		<b>(519,801)</b>	<b>(991,656)</b>
<b>Total comprehensive income for the year</b>		<b>662,903</b>	<b>449,010</b>
<b>Profit attributable to:</b>			
Equity holders of the parent		1,157,690	1,413,913
Non-controlling interests	22	25,014	26,753
		1,182,704	1,440,666
<b>Total comprehensive income attributable to:</b>			
Equity holders of the parent		637,889	422,257
Non-controlling interests	22	25,014	26,753
		662,903	449,010
<b>Earnings per share:</b>			
Basic and diluted earnings per share (Qatari Riyals)	32	1.05	1.29

The attached notes 1 to 41 form part of these consolidated financial statements.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY											
For the year ended 31 December 2020											
Attributable to the equity holders of the parent											
	Share capital	Legal reserve	General reserve	Hedge reserve	Fair value reserve	Foreign currency translation reserve	Retained earnings	Total	Non-con-trolling interests	Total equity	
Balance at 1 January 2019	1,100,000	550,000	3,241,834	(1,053,585)	491,690	-	6,125,641	10,455,580	257,674	10,713,254	
Profit for the year	-	-	-	-	-	-	1,413,913	1,413,913	26,753	1,440,666	
Other comprehensive loss	-	-	-	(838,315)	(153,341)	-	-	(991,656)	-	(991,656)	
Total comprehensive income (loss) for the year	-	-	-	(838,315)	(153,341)	-	1,413,913	422,257	26,753	449,010	
Dividends relating to year 2018 (Note 33)	-	-	-	-	-	-	(852,500)	(852,500)	(48,479)	(900,979)	
Contribution to social and sports support fund for 2019 (Note 34)	-	-	-	-	-	-	(26,213)	(26,213)	-	(26,213)	
Balance at 31 December 2019	1,100,000	550,000	3,241,834	(1,891,900)	338,349	-	6,660,841	9,999,124	235,948	10,235,072	
Balance at 1 January 2020	1,100,000	550,000	3,241,834	(1,891,900)	338,349	-	6,660,841	9,999,124	235,948	10,235,072	
Profit for the year	-	-	-	-	-	-	1,157,690	1,157,690	25,014	1,182,704	
Other comprehensive (loss) income	-	-	-	(621,750)	116,164	(14,215)	-	(519,801)	-	(519,801)	
Total comprehensive income for the year	-	-	-	(621,750)	116,164	(14,215)	1,157,690	637,889	25,014	662,903	
Dividends relating to year 2019 (Note 33)	-	-	-	-	-	-	(852,500)	(852,500)	(53,217)	(905,717)	
Contribution to social and sports support fund for 2020 (Note 34)	-	-	-	-	-	-	(26,271)	(26,271)	-	(26,271)	
Balance at 31 December 2020	1,100,000	550,000	3,241,834	(2,513,650)	454,513	(14,215)	6,939,760	9,758,242	207,745	9,965,987	

The attached notes 1 to 41 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	2020 QAR'000	2019 QAR'000
OPERATING ACTIVITIES			
Profit for the year		1,182,704	1,440,666
Adjustments for:			
Depreciation of property, plant and equipment	6	281,468	276,620
Depreciation of right-of-use assets	7	3,281	2,257
Share of profits of joint ventures	9	(550,935)	(806,141)
Provision for employees' end of service benefits	25	9,954	25,229
Dividend income from equity investments at fair value through other comprehensive income	29	(70,534)	(64,063)
Profit on disposal of property, plant and equipment	29	(91)	-
Amortisation of intangible assets	8	5,970	5,970
Provision for slow-moving inventories	13	14,233	14,416
Amortisation of other assets	30	1,840	1,867
Interest income	29	(76,824)	(128,212)
Interest expense		149,256	243,493
Operating profit before working capital changes		950,322	1,012,102
Working capital changes:			
Inventories		922	46,024
Trade and other receivables		(13,267)	(3,272)
Finance lease receivables		144,014	131,218
Trade and other payables		101,336	(46,436)
Cash flows from operating activities		1,183,327	1,139,636
Employees' end of service benefits paid	25	(15,821)	(7,461)
Net cash flows from operating activities		1,167,506	1,132,175

The attached notes 1 to 41 form part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CASHFLOWS (CNTD)

	Notes	2020 QAR'000	2019 QAR'000
<b>INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment	6	(4,843)	(99,399)
Proceeds from disposal of property, plant and equipment		91	
Dividends received from equity investments at fair value through other comprehensive income	10	70,534	64,063
Dividends received from joint ventures	9	590,815	192,981
Additional investments made in a joint venture	9	(15,532)	-
Loans given to joint ventures	9	(63,342)	(143,687)
Investments in equity investments at fair value through other comprehensive income	10	(500,000)	(550,000)
Interest income received		103,209	119,934
Net movement in term deposits with original maturity over 90 days		133,122	(261,991)
<b>Net cash flows used in investing activities</b>		<b>314,054</b>	<b>(678,099)</b>
<b>FINANCING ACTIVITIES</b>			
Net movements in interest bearing loans and borrowings		(252,437)	(259,774)
Dividends paid		(847,243)	(845,938)
Dividends paid to non-controlling interests	22	(53,217)	(48,479)
Interest expense paid		(153,175)	(240,357)
Payment of principal portion of lease liabilities		(1,997)	(875)
<b>Net cash flows used in financing activities</b>		<b>(1,308,069)</b>	<b>(1,395,423)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>173,491</b>	<b>(941,347)</b>
Cash and cash equivalents at 1 January		489,029	1,430,376
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	15	<b>662,520</b>	<b>489,029</b>

The attached notes 1 to 41 form part of these consolidated financial statements.

## NOTES TO THE 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 head office of the Company is located at Woqod Tower, West Bay 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 and 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 into "Qatar Public Shareholding Company" after the amendment made into the Article of Association on 6 March 2017.

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

The principal activities of the Group, which have not changed from the previous year, are to develop, own and operate plants 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 Company has the following subsidiaries as at 31 December:

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

The Company has following joint ventures as at 31 December:

Name of entities	Principal activity	Country of incorporation	Ultimate ownership interest	
			2020	2019
Qatar Power Q.P.J.S.C.	Generation of electricity & production of desalinated water	Qatar	55%	55%
Mesaieed Power Company Limited Q.P.S.C.	Generation of electricity	Qatar	40%	40%
Ras Girtas Power Company Q.P.S.C.	Generation of electricity & production of desalinated water	Qatar	45%	45%
Nebras Power Q.P.S.C.	Investments in electricity and desalinated water projects outside the State of Qatar	Qatar	60%	60%
Umm Al Houl Power Q.P.S.C.	Generation of electricity & production of desalinated water	Qatar	60%	60%
Siraj Energy Q.P.S.C.	Identifying, evaluating and development of solar power opportunities.	Qatar	49%	60%



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CNTD)

**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.P.J.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.P.J.S.C as at the current and the comparative reporting dates were as follows:
  - Qatar Electricity & Water Company Q.P.S.C. (55%)
  - International Power PLC (40%)
  - Chubu Electric Power Company (5%)
- f) In October 2005, the Company entered into a PWPA with KAHRAMAA for the supply of electricity and desalinated water from the Company's Ras Abu Fontas B2 ("RAF B2") station.
- g) On 15 January 2007, Mesaieed Power Company Q.S.C. was incorporated as a joint venture between the Company, Marubeni Corporation and Qatar Petroleum for the production of electricity from the Mesaieed power plant. In May 2009, Chubu Electric Power Company joined the joint venture. The shareholdings in Mesaieed Power Company Q.S.C. as at the current and the comparative reporting dates were as follows:
  - Qatar Electricity & Water Company Q.P.S.C. (40%)
  - Marubeni Corporation (30%)
  - Qatar Petroleum (20%)
  - Chubu Electric Power Company (10%)

## 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.P.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.P.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 7 January 2013, the Company entered into a Water Purchase Agreement (WPA) for the Ras Abu Fontas A2 Water project with KHARAMAA.
- k) On 20 May 2013, Nebras Power Q.P.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.P.S.C. as at the current and the comparative reporting dates were as follows:
  - Qatar Electricity and Water Company Q.P.S.C. (60%)
  - Qatar Holding L.L.C. (40%)
- l) On 13 May 2015, Umm Al Houl Power Q.P.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.P.S.C as at the current and the comparative reporting dates were as follows:
  - Qatar Electricity & Water Company Q.P.S.C. (60%)
  - Qatar Petroleum (5%)
  - Qatar Foundation for Education, Science & Community Development (5%)
  - K1 Energy Limited, incorporated in the U.K. (30%)
- m) On 13 October 2015, the Company entered into a Water Purchase Agreement (WPA) for the Ras Abu Fontas A3 Water project with KHARAMAA.
- n) 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. On 30 November 2020, the Company has entered into a share sales and purchase agreement with Qatar Petroleum ("QP") to dispose 11% of its share of equity in Siraj Energy Q.P.S.C. The revised percentage shareholdings in Siraj Energy Q.P.S.C. were as follows:
  - Qatar Electricity & Water Company Q.P.S.C. (49%)
  - Qatar Petroleum (51%)

**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) as issued by the International Accounting Standards Board (IASB).

**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.

### Significant accounting judgments, estimates and assumptions

The preparation of the Group’s consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

### 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:

#### *Classification of 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 2. Management does not consider the PWPA to fall within the scope of IFRIC 12 Service Concession Arrangements.

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”). 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 arrangement to be a finance lease under IFRS 16 - Leases. Accordingly, this has been accounted as a finance lease receivable.

#### *Determining the lease term of contracts with renewal and termination options – Group as lessee*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

### *Asset held for sale*

On 14 December 2020, the Board of Directors of the Group approved the sale of the land including related improvements and instructed management to execute this sale within one year. Accordingly, the land including related improvements, is classified as an asset held for sale. The management considered that the land including related improvements meets the criteria to be classified as held for sale at that date due to the following:

- Land is available for immediate sale and can be sold to the buyer in its current condition
- The actions to complete the sale were initiated and expected to be completed within one year from the date of the initial classification
- The Board of Directors approved the plan to sell on 14 December 2020

### *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.

### *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.

### Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

### *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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CNTD)

*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 management 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 other non-financial assets*

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.

*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 statement of profit or loss.

*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 profit or loss of the respective period.

*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. When estimating ECLs, the Group analyse both quantitative and qualitative information, based on the Group's historical experience and calibrate with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

*Leases - Estimating the incremental borrowing rate*

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CNTD)

they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is make certain entity-specific estimates (such as the Group's stand-alone credit rating).

*Fair value of financial instruments*

Where the fair values of financial assets and financial liabilities recorded on the consolidated 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 standards and interpretations issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) effective as of 1 January 2020 as noted below:

<i>Standards and interpretations</i>	<i>Effective date</i>
Amendments to IFRS 3: Definition of a Business	1 January 2020
Amendments to IFRS 7, IFRS 9 and IFRS 39: Interest Rate Benchmark Reform	1 January 2020
Amendments to IAS 1 and IAS 8: Definition of Material	1 January 2020
Conceptual Framework for Financial Reporting issued on 29 March 2018	1 January 2020

The adoption of new and amended standards and interpretations do not have a material impact on the financial statements of the Group. The nature and effect of the changes as a result of adoption of IFRS 16 Leases are described below. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

**Standards issued but not yet effective**

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

<i>Topics</i>	<i>Effective date</i>
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1 January 2023
Reference to the Conceptual Framework – Amendments to IFRS 3	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16	1 January 2022
Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	1 January 2022
IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities	1 January 2022
Amendments to IFRS 16: Covid-19 Related Rent Concessions	1 June 2020

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CNTD)

**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**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

**Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CNTD)

as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

**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 investment in its joint venture 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 consolidated 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 statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of the joint venture 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CNTD)

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 within ‘share of profit of an associate and a joint venture’ in the statement of profit or loss.

Upon loss of joint control over 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 joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

**Property, plant and equipment**

*Recognition and measurement*

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

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

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

*Subsequent expenditure*

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

*Depreciation*

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

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

Production facilities	30 years
Furniture, fixtures and office equipment	3-7 years
Motor vehicles	4 years
“C” inspection costs	3-5 years

Capital spares are depreciated over the estimated usage of three gas turbine-generators at RAF B2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CNTD)

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.

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

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.

**Intangible assets**

*Recognition and measurement*

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.

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.

**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.

Non-current assets held for sale

The Group classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Assets classified as held for sale are presented separately as current items in the consolidated statement of financial position.

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.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term

lease. The Group recognizes lease liability to make lease payments and right-of-use asset representing the right to use the underlying asset.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses. The cost of right-of-use assets includes the amount of leased liabilities recognised.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the asset, as follows:

Right-of-use assets	5-11 years
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The carrying amounts of right-of-use assets are reviewed for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable. If any such indication exists and where the carrying amount exceed the estimated recoverable amount, the asset is written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liability is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

The Group has determined that one of the subsidiary's 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. Leases where the Group transfers substantially all the risks and benefits of ownership of the assets are classified as finance leases and are presented as receivables at an amount equal to the net investment in the lease. Net investment in the lease is the gross investment in the lease discounted at the interest rate implicit in the lease. Income from finance leases in which the Group is a lessor is recognized based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CNTD)

## Financial assets

*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

*Subsequent measurement*

For the purpose of subsequent measurement, financial assets of the Group are classified as financial assets at amortised costs and Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).

*Financial assets at amortised costs*

Financial assets at amortised costs are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in consolidated statement of profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised costs includes bank balances and cash, finance lease receivable, loans receivables from joint ventures, trade receivables, accrued interest receivable and other receivables.

*Financial assets designated at fair value through OCI (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 consolidated other comprehensive income. Equity instruments at FVOCI are not subject to an impairment assessment.

*Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CNTD)

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 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.

*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).

The Group considers a financial asset in default when contractual payments are past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that it is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements it holds. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

## 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CNTD)

All financial liabilities are recognized 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 interest bearing loans and borrowings, lease liability, trade payables, accrued expenses, other payables and derivative financial instruments.

**ii) Subsequent measurement**

For purposes of subsequent measurement, financial liabilities are classified as Financial liabilities at amortised cost.

*Financial liabilities at amortised costs*

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 consolidated statement of profit or loss.

**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.

**Derivative financial instruments and hedge accounting***Initial recognition and subsequent measurement*

The Group uses derivative financial instruments, such as interest rate swaps to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, interest rate swaps are classified as cash flow hedges.

*Cash flow hedges*

The fair value of interest rate swaps is determined by reference to valuation reports provided by counterparties. The effective portion of the gain or loss on the hedge instrument is recognised in consolidated other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the consolidated statement of profit or loss.

Derivative instruments are classified as current or non-current or separated into current and non-current

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CNTD)

portions, when the Group expects to hold a derivative for a period beyond 12 months after the reporting date, the derivative is classified as non-current consistent with the classification of the underlying bank loans.

**Cash and cash equivalents**

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash, bank balances and short-term deposits, with an original maturity of three months or less, as they are considered an integral part of the Group's cash management.

**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**

Revenue is measured based on the consideration specified in Power and Water Purchases Agreement (PWPA) with KAHRAMAA. The Group recognises revenue when it transfers control over goods or services to KAHRAMAA.

All revenue sources are earned inside the State of Qatar. The following revenue sources provide information about the nature and timing of the satisfaction of performance obligations in contract with KAHRAMAA, and the related revenue recognition policies.

*Revenue from generation of electricity*

Revenue from generation of electricity is recognised when the Group generates and despatch electricity to KAHRAMAA as per terms of the PPA.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CNTD)

*Revenue from available capacity relating to fixed operations and maintenance*

Revenue from available capacity relating to fixed operations and maintenance is recognised when the Group makes the capacity available to KAHRAMAA as per the terms of the PPA.

*Income from finance lease*

Income from finance lease in which the Group is lessor is recognised based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease.

**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.

**Income tax**

On 17 January 2019, Qatar published the Income Tax Law No. 24 of 2018 (the "New Tax Law") in the official Gazette. The New Tax Law is effective for financial years starting on or after 13 December 2018. The Executive Regulations to the New Tax Law were issued in December 2019. Article 2 (12) of the Executive Regulations states that for the purposes of Article 4(13) of the Law, the exemption referred to in respect of the share of a non-Qatari investor shall not apply to his shares in the profits of a company owned by a listed company (i.e. whose shares are traded on the stock exchange in the State). This means that effective non-Qatari ownership of Qatar Electricity and Water Company Q.P.S.C. (QEW) in the Joint ventures and subsidiaries is taxable.

The Company is not subject to income tax in accordance with the Qatar Income Tax Law. However, subsidiaries and joint ventures of the Company are subject to income tax in accordance with the Qatar Income Tax Law. Income tax expense is considered as pass-through item and will be recovered from KAHRAMAA under the pass-through mechanism of PWPA of joint ventures except Nebras Power Q.P.S.C. and Siraj Energy Q.P.S.C.

On 2 February 2020, QEW, Qatar Petroleum (QP), Ministry of Finance (MoF) and the General Tax Authority (GTA) reached an agreement through a Memorandum of Understanding ("hereby referred to as the MOU") which states that the income tax liability pertaining to certain listed companies (including QEW) share in their Joint Ventures would be borne by the MoF. Accordingly, application of the new Income Tax Law requirements stated above did not have any material impact on Group's consolidated financial statements for the years ended 31 December 2020 and 2019.

The subsidiaries and joint ventures are required to remit income tax applicable to the share of QEW in the subsidiaries and joint ventures profits based on the Qatar Income Tax Law as at end of the reporting period to QEW, instead of the GTA as per the Memorandum of Understanding ("MoU") amongst the General Tax Authority ("GTA"), the Ministry of Finance ("MoF"), Qatar Petroleum ("QP") and QEW, concluded on 4 February 2020.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CNTD)

**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.

**Government grants**

A government grant in the form of a transfer of a non-monetary asset, such as land or other resources, which is intended for use by the entity are recognised, at a nominal amount.

**Fair values**

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.

**Pass-through items**

All pass-through items defined under the provision of PWPA shall be reimbursed by KAHRAMAA in accordance with the relevant clauses of PWPA. All pass-through items are recorded as receivable from KAHRAMAA and payable to respective third party.

**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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CNTD)

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

	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
<b>Cost</b>								
At 1 January 2019	174,901	10,669,457	35,316	6,565	205,493	50,487	96,872	11,239,091
Additions	-	241	912	215	-	-	98,031	99,399
Reclassification	-	-	-	-	38,597	-	38,597	-
Disposals/Write-offs	-	-	(115)	-	(68,978)	-	-	(69,093)
At 31 December 2019	174,901	10,669,698	36,113	6,780	175,112	50,487	156,306	11,269,397
<b>Accumulated depreciation</b>								
At 1 January 2019	-	5,288,834	32,746	4,725	130,674	31,844	-	5,488,823
Depreciation	-	236,572	1,138	844	35,019	3,047	-	276,620
Disposals/Write-offs	-	-	(115)	-	(68,978)	-	-	(69,093)
At 31 December 2019	-	5,525,406	33,769	5,569	96,715	34,891	-	5,696,350
<b>Net carrying amounts</b>								
At 31 December 2019	174,901	5,144,292	2,344	1,211	78,397	15,596	156,306	5,573,047

**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
<b>Cost</b>								
At 1 January 2020	174,901	10,669,698	36,113	6,780	175,112	50,487	156,306	11,269,397
Additions	-	-	1,833	450	-	-	2,560	4,843
Reclassification	-	23,331	-	-	52,321	-	(75,652)	-
Transfer to asset held for sale (Note 40)	(174,901)	-	-	-	-	-	(80,634)	(255,535)
Disposals/Write-offs	-	-	-	(1,056)	(15,571)	-	-	(16,627)
At 31 December 2020	-	10,693,029	37,946	6,174	211,862	50,487	2,580	11,002,078
<b>Accumulated depreciation</b>								
At 1 January 2020	-	5,525,406	33,769	5,569	96,715	34,891	-	5,696,350
Depreciation	-	241,229	1,337	791	35,156	2,955	-	281,468
Disposals	-	-	-	(1,056)	(15,571)	-	-	(16,627)
At 31 December 2020	-	5,766,635	35,106	5,304	116,300	37,846	-	5,961,191
<b>Net carrying amounts</b>								
At 31 December 2020	-	4,926,394	2,840	870	95,562	12,641	2,580	5,040,887

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CNTD)



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CNTD)

**(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:

	2020 QAR '000	2019 QAR '000
Cost of sales (Note 28)	279,383	274,854
General and administrative expenses (Note 30)	2,085	1,766
	<b>281,468</b>	<b>276,620</b>

**7. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES****Right-of-use assets**

	2020 QAR '000	2019 QAR '000
Balance as at 1 January	22,584	24,841
Additions	10,213	-
Depreciation (Note 30)	(3,281)	(2,257)
Balance as at 31 December	<b>29,516</b>	<b>22,584</b>

**Lease liabilities**

	2020 QAR '000	2019 QAR '000
Balance as at 1 January	23,966	24,841
Additions	10,213	-
Accretion of interest (Note 31)	1,408	1,356
Payments	(3,405)	(2,231)
Balance as at 31 December	<b>32,182</b>	<b>23,966</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CNTD)

The lease liabilities are presented in the consolidated statement of financial position as at 31 December as follows:

	2020 QAR '000	2019 QAR '000
Non-current	28,971	23,008
Current	3,211	958
Balance as at 31 December	<b>32,182</b>	<b>23,966</b>

The following are the amounts recognised in profit or loss:

	2020 QAR '000	2019 QAR '000
Depreciation of right-of-use assets (Note 30)	3,281	2,257
Interest on lease liabilities (Note 31)	1,408	1,356
	<b>4,689</b>	<b>3,613</b>

**8. INTANGIBLES ASSETS AND GOODWILL**

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

	2020 QAR '000	2019 QAR '000
Intangible assets (1)	53,732	59,702
Goodwill (2)	30,813	30,813
<b>Total</b>	<b>84,545</b>	<b>90,515</b>

**(1) Intangible assets**

	2020 QAR '000	2019 QAR '000
Cost: At 31 December	113,430	113,430
Amortisation: At 1 January	53,728	47,758
Amortisation (Note 30)	5,970	5,970
At 31 December	<b>59,698</b>	<b>53,728</b>
Net carrying amount: <b>At 31 December</b>	<b>53,732</b>	<b>59,702</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CNTD)

This represents the contract rights from the Power and Water Purchase Agreement entered into between Ras Laffan Power Company Q.P.S.C., a subsidiary of the Company, and KAHRAMAA for the supply of electricity and desalinated water to KAHRAMAA for a period of 19 years from the date of step-up acquisition on 20 October 2020.

## (ii) Goodwill

The goodwill arose on the step-up acquisition of 55% additional shareholding in Ras Laffan Power Company Limited Q.P.S.C. on 20 October 2010. No impairment allowance on goodwill was recognised from the date of acquisition.

## 9. INVESTMENTS IN JOINT VENTURES

The Group has the following investments in joint ventures:

	Country of incorporation	Group effective ownership %		2020	2019
		2020	2019	QAR '000	QAR '000
Nebras Power Q.P.S.C. (Note i)	Qatar	60%	60%	3,048,454	2,917,627
Umm Al Houl Power Q.P.S.C. (Note ii)	Qatar	60%	60%	451,742	1,136,778
Qatar Power Q.J.P.S.C. (Note iii)	Qatar	55%	55%	422,225	431,087
Siraj Energy Q.P.S.C. (Notes iv)	Qatar	49%	60%	14,229	-
Ras Girtas Power Company Q.P.S.C. (Note v)	Qatar	45%	45%	-	51,462
Mesaieed Power Company Limited Q.P.S.C.	Qatar	40%	40%	-	8,398
				<b>3,936,650</b>	<b>4,545,352</b>

## Notes:

- (i) During the year, pursuant to the Board of Directors' approval, Nebras Power Q.P.S.C. entered into a Share Purchase Agreement ("SPA") to sell partial stake in two of its associate companies. Nebras Power Q.P.S.C. recorded the portion of investment in associates subject to disposal, as non-current assets held for sale, and remaining portion of such investments as investment in associates. The non-current assets classified as held for sale are measured at the lower of its carrying amount and fair value less costs to sell. Consequently, the share of results is impacted by the write-down of the non-current asset held for sale to their fair value less costs to sell.
- (ii) Share of profit of Umm Al Houl Power Q.P.S.C. has significantly increased for the year ended 31 December 2019 as a result of deferred operating margin of USD 87.8 million (QAR 320 million) recognized as revenue after receiving confirmation from KAHRAMAA that there were no outstanding commercial and financial liabilities between KAHRAMAA and Umm Al Houl Power Q.P.S.C. and obtaining other necessary approvals.
- (iii) On 3 September 2020, the General Tax Authority (GTA) issued an income tax assessment for the years from 2016 to 2017 requiring the Qatar Power Q.J.P.S.C. (QPower) to pay additional taxes of USD 27.6 million (QAR 100.6 million). This includes penalties amounting to USD 10.4 million (QAR 37.9 million). QPower wrote a detailed response to GTA on 30 September 2020 as per the requirement of the tax law, rejecting the full amount claimed by the GTA, however QPower was not responded in due time. QPower then filed an appeal with the Appeal Committee under the provisions of the law which is pending for hearing. However, in light of the tax assessment received, a provision for tax has been recognised of USD 17.2 million (QAR 62.7 million). As per the MOU signed on 2 February 2020, the MoF also undertakes to settle the income tax amounts payable by the QPower for the previous years. QPower also has pass through arrangements for income tax as per the terms of the PWPA. Accordingly, QPower has recorded income tax receivables of USD 17.2 million (QAR 62.7 million) against the tax assessment received for the same amount from the GTA. Management has applied its judgment in determining that the above arrangements will also cover any tax penalties to be paid, if any, for the prior years.
- (iv) On 3 February 2020, the Company has invested an additional amount of QAR 15.5 million in Siraj Energy

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CNTD)

Q.P.S.C. The additional investment has not changed the Company's shareholding percentage in the joint venture. Subsequently, the Company has entered into a share sales and purchase agreement with Qatar Petroleum ("QP") to dispose 11% of its share of equity in Siraj Energy Q.P.S.C. at a consideration of QAR 17.5 million. The agreement is effective from 30 November 2020.

- (v) On 29 August 2019, the General Tax Authority (GTA) issued an income tax assessment for the years from 2010 to 2018 requiring the Ras Girtas Power Company Q.P.S.C. (RGPC) to pay additional taxes of USD 85 million (QAR 310 million). This includes penalties amounting to USD 27 million (QAR 98.4 million). The Company had a tax holiday for the period between April 2011 and March 2017. RGPC wrote a detailed response to GTA on 26 September 2019 as per the requirement of the tax law, rejecting the full amount claimed by the GTA, however RGPC was not responded in due time. RGPC then filed an appeal with the Appeal Committee under the provisions of the law which is pending for hearing. However, in light of the tax assessment received, a provision for tax has been recognised of USD 85 million (QAR 310 million). As per the MOU signed on 2 February 2020, the MoF also undertakes to settle the income tax amounts payable by the RGPC for the previous years. RGPC also has pass through arrangements for income tax as per the terms of the PWPA. Accordingly, RGPC has recorded income tax receivables of USD 85 million (QAR 310 million) against the tax assessment received for the same amount from the GTA. Management has applied its judgment in determining that the above arrangements will also cover any tax penalties to be paid, if any, for the prior years.

The movements in the loan receivables from joint ventures were as follows:

	2020	2019
	QAR '000	QAR '000
At 1 January	143,687	-
Loans given during the year	63,342	143,687
At 31 December	207,029	143,687

- (vi) In 2019, the Company provided cash advances to the Umm Al Houl Power Q.P.S.C. as per shareholder advance agreement amounting to QAR 143,687 thousand. These are reported as loan receivable from joint ventures in these consolidated financial statements. The loan carries an interest rate of LIBOR plus 0.46% per annum.
- (vii) In 2020, the Company provided non-interest bearing cash advances to Siraj Energy Q.P.S.C. amounting to QAR 63,342 thousand. These are reported as loan receivable from joint ventures in these consolidated financial statements.

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

	2020	2019
	QAR '000	QAR '000
At 1 January	4,545,352	4,717,616
Additional investments	15,532	-
Disposal	(3,250)	-
Share of profit for the year	550,935	806,141
Share of other comprehensive loss	(581,104)	(785,424)
Dividend received	(590,815)	(192,981)
At 31 December	3,936,650	4,545,352



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CNTD)

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.

As at/ for the year ended 31 December 2020

	<i>Qatar Power Q.P.S.C.</i>	<i>Mesaieed Power Company Limited Q.P.S.C.</i>	<i>Ras Girtas Power Company Q.S.C.</i>	<i>Nebras Power Q.P. S.C.</i>	<i>Umm Al Houl Power Q.P. S.C.</i>	<i>Siraj Energy Q.P.S.C.</i>	<i>Total</i>
	<i>QAR '000</i>	<i>QAR '000</i>	<i>QAR '000</i>	<i>QAR '000</i>	<i>QAR '000</i>	<i>QAR '000</i>	<i>QAR '000</i>
<i>Summarised statement of financial position</i>							
Non-Current Assets	1,241,082	6,093,256	11,127,799	4,096,424	10,964,266	146,436	33,669,263
Current assets	708,650	804,668	1,514,530	3,759,053	779,625	21,377	7,587,903
Non-Current Liabilities	(788,607)	(6,319,959)	(11,977,142)	(2,325,618)	(9,765,276)	(129,269)	(31,305,871)
Current Liabilities	(393,443)	(782,580)	(1,168,627)	(449,102)	(1,225,711)	(9,505)	(4,028,968)
Equity	767,682	(204,615)	(503,440)	5,080,757	752,904	29,039	5,922,327
Group's interest	422,225	-	-	3,048,454	451,742	14,229	3,936,650
<b>Carrying value of investments</b>	422,225	-	-	3,048,454	451,742	<b>14,229</b>	<b>3,936,650</b>
<i>Summarised statement of comprehensive income</i>							
Revenue	778,149	1,031,331	2,249,233	1,289,055	1,596,401	-	6,944,169
Profit (loss) for the year	176,682	172,932	266,144	284,932	166,850	(12,748)	1,054,792
Other comprehensive income (loss) for the year	(1,874)	(291,013)	(555,130)	(66,887)	(802,954)	16,721	(1,701,137)
Total comprehensive income	174,808	(118,081)	(288,986)	218,045	(636,104)	3,973	(646,345)
<b>Group's share of profit (loss)</b>	<b>97,175</b>	<b>69,173</b>	<b>119,765</b>	<b>170,959</b>	<b>100,110</b>	<b>(6,247)</b>	<b>550,935</b>
<b>Group's share of other comprehensive income (loss)</b>	<b>(1,031)</b>	<b>(34,560)</b>	<b>(31,802)</b>	<b>(40,132)</b>	<b>(481,772)</b>	<b>8,193</b>	<b>(581,104)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CNTD)

As at/ for the year ended 31 December 2019

	<i>Qatar Power Q.P.S.C.</i>	<i>Mesaieed Power Company Limited Q.P.S.C.</i>	<i>Ras Girtas Power Company Q.S.C.</i>	<i>Nebras Power Q.P. S.C.</i>	<i>Umm Al Houl Power Q.P. S.C.</i>	<i>Siraj Energy Q.P.S.C.</i>	<i>Total</i>
	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>
<i>Summarised statement of financial position</i>							
Non-Current Assets	1,470,724	6,262,970	11,441,484	3,248,081	9,876,503	-	32,299,762
Current assets	626,900	763,269	1,227,476	3,736,519	1,370,666	3,645	7,728,475
Non-Current Liabilities	(916,876)	(6,251,025)	(11,750,067)	(1,975,917)	(8,474,217)	-	(29,368,102)
Current Liabilities	(396,954)	(754,220)	(804,532)	(145,971)	(878,322)	(14,762)	(2,994,761)
Equity	783,794	20,994	114,361	4,862,712	1,894,630	(11,117)	7,665,374
Group's interest	431,087	8,398	51,462	2,917,627	1,136,778	-	4,545,352
<b>Carrying value of investments</b>	<b>431,087</b>	<b>8,398</b>	<b>51,462</b>	<b>2,917,627</b>	<b>1,136,778</b>	<b>-</b>	<b>4,545,352</b>
<i>Summarised statement of comprehensive income</i>							
Revenue	803,766	1,039,886	2,287,871	978,949	1,930,653	-	7,041,125
Profit for the year	200,961	181,696	250,963	355,835	497,811	(14,766)	1,472,500
Other comprehensive (loss) for the year	(8,105)	(254,673)	(578,728)	(63,146)	(634,635)	-	(1,539,287)
Total comprehensive (loss) income	192,856	(72,977)	(327,765)	292,689	(136,824)	(14,766)	(66,787)
<b>Group's share of Profit (Loss)</b>	<b>110,529</b>	<b>72,678</b>	<b>112,933</b>	<b>213,501</b>	<b>298,687</b>	<b>(2,187)</b>	<b>806,141</b>
<b>Group's share of other comprehensive income (loss)</b>	<b>(4,458)</b>	<b>(101,869)</b>	<b>(260,428)</b>	<b>(37,888)</b>	<b>(380,781)</b>	<b>-</b>	<b>(785,424)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CNTD)

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

	2020	2019
	QAR '000	QAR '000
At 1 January	1,955,212	1,558,553
Additions	500,000	550,000
Net change in fair value	116,164	(153,341)
At 31 December	2,571,376	1,955,212

During the year, dividend income of QAR 70,534 thousand (2019: QAR 64,063 thousand) was received from equity investments at fair value through other comprehensive income financial assets, which is included in "Other income" in the consolidated statement of profit or loss statement (Note 29).

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**

Present value of minimum lease receivable is the gross lease receivable in the lease discounted at the interest rate implicit in the lease. The interest rate of 9.32% per annum (2019: 9.32% per annum) is estimated by the management as the interest rate implicit in the lease. Income from finance leases is recognised based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease. The finance lease receivables at the end of the reporting period were neither past due nor impaired.

	2020	2019
	QAR '000	QAR '000
Gross finance lease receivable	1,383,594	1,626,295
Unearned finance income	(409,981)	(508,668)
Present value of minimum lease receivable	973,613	1,117,627

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

	2020	2019
	QAR '000	QAR '000
Current portion	150,307	144,014
Non-current portion	823,306	973,613
	973,613	1,117,627

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CNTD)

The non-current portion is further analysed as follows:

	2020	2019
	QAR '000	QAR '000
Later than one year and not later than five years	412,408	378,807
Later than five years	410,898	594,806
	823,306	973,613

	2020	2019
	QAR '000	QAR '000
Lease receivable balance as at 1 January	1,117,627	1,248,845
Lease interest charged during the year	110,152	122,970
Capital and lease interest recovered during the year	(254,166)	(254,188)
Lease receivable balance as at 31 December	973,613	1,117,627

**12. OTHER ASSETS**

In October 2010, the Company paid QAR 23.8 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, the Company received an amount of QAR 5.9 million. The remaining amount of QAR 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:

	2020	2019
	QAR '000	QAR '000
At 1 January	13,997	15,864
Amortization (Note 30)	(1,840)	(1,867)
At 31 December	12,157	13,997



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CNTD)

**13. INVENTORIES**

	<b>2020</b>	2019
	<b>QAR '000</b>	QAR '000
Spare parts	<b>326,083</b>	328,774
Less: Provision for slow-moving inventories	<b>(261,865)</b>	(249,411)
	<b>64,218</b>	79,363
Chemicals	<b>997</b>	777
Consumables	<b>1,129</b>	1,359
Total	<b>66,344</b>	81,499

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

	<b>2020</b>	2019
	<b>QAR '000</b>	QAR '000
At 1 January	<b>249,411</b>	245,609
Provision made (Note 30)	<b>14,233</b>	14,416
Written off	<b>(1,779)</b>	(10,614)
At 31 December	<b>261,865</b>	249,411

**14. TRADE AND OTHER RECEIVABLES**

	<b>2020</b>	2019
	<b>QAR '000</b>	QAR '000
Trade receivables (i)	<b>436,493</b>	417,218
Accrued interest receivable	<b>11,180</b>	37,565
Prepayments and advances	<b>19,299</b>	23,907
Other receivables (i)	<b>26,562</b>	24,712
	<b>493,534</b>	503,402

**Note:**

(i) Amount due from related parties are disclosed in Note 37.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CNTD)

**15. BANK BALANCES AND CASH**

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

	<b>2020</b>	2019
	<b>QAR '000</b>	QAR '000
Cash at bank – call and current accounts	<b>100,395</b>	149,347
Term deposits (i)	<b>3,378,496</b>	3,289,204
Cash in hand	<b>75</b>	46
Bank balances and cash	<b>3,478,966</b>	3,438,597
Term deposits with original maturity over 90 days	<b>(2,816,446)</b>	(2,949,568)
<b>Cash and cash equivalents</b>	<b>662,520</b>	489,029

**Note:**

(i) Term deposits are made for varying terms depending on the immediate cash requirements of the Group and earn interest at market rates.

**16. SHARE CAPITAL**

	<b>2020</b>	2019
	<b>QAR '000</b>	QAR '000
Authorized, issued, and fully paid share capital		
1,100,000,000 ordinary shares with nominal value of QAR 1	<b>1,100,000</b>	1,100,000

All shares bear equal rights.

**Share split**

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

**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.

	<b>2020</b>	<b>2019</b>
	<b>QAR '000</b>	<b>QAR '000</b>
At 1 January	<b>(1,891,900)</b>	(1,053,585)
Share of other comprehensive (loss) income from joint ventures	<b>(566,889)</b>	(785,424)
Net changes in fair value of interest rate swaps of the parent	<b>(54,861)</b>	(52,891)
<b>At 31 December</b>	<b>(2,513,650)</b>	(1,891,900)

**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.

	<b>2020</b>	<b>2019</b>
	<b>QAR '000</b>	<b>QAR '000</b>
At 1 January	<b>338,349</b>	491,690
Net unrealised gain on investment securities designated at FVOCI	<b>116,164</b>	(153,341)
<b>At 31 December</b>	<b>454,513</b>	338,349

**21. FOREIGN CURRENCY TRANSLATION RESERVE**

The foreign currency translation reserve comprises the exchange differences on translation of foreign operations.

	<b>2020</b>	<b>2019</b>
	<b>QAR '000</b>	<b>QAR '000</b>
Share of other comprehensive loss from joint ventures	<b>(14,215)</b>	-
<b>At 31 December</b>	<b>14,215</b>	-

**22. NON-CONTROLLING INTEREST**

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

	<b>2020</b>	<b>2019</b>
	<b>QAR '000</b>	<b>QAR '000</b>
<b>Ras Laffan Power Company Limited Q.P. S.C.</b>		
As at 1 January	<b>235,948</b>	257,674
Profit for the year	<b>25,014</b>	26,753
Dividend paid during the year	<b>(53,217)</b>	(48,479)
<b>As at 31 December</b>	<b>207,745</b>	235,948

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CNTD)

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.

	<b>2020</b>	<b>2019</b>
	<b>QAR '000</b>	<b>QAR '000</b>
Non-current assets	<b>842,483</b>	994,145
Current assets	<b>265,225</b>	256,816
Non- current liabilities	<b>19,470</b>	20,072
Current liabilities	<b>49,509</b>	51,147
Equity	<b>1,038,729</b>	1,179,742
Equity attributable to owners of the Company	<b>830,984</b>	943,794
Non-controlling interests	<b>207,745</b>	235,948
Total Equity	<b>1,038,729</b>	1,179,742

	<b>2020</b>	<b>2019</b>
	<b>QAR '000</b>	<b>QAR '000</b>
Revenue	<b>500,102</b>	509,552
Profit for the year	<b>125,069</b>	133,767
Profit attributable to owners of the Company	<b>100,055</b>	107,014
Profit attributable to non-controlling interests	<b>25,014</b>	26,753

**23. INTEREST BEARING LOANS AND BORROWINGS**

	<b>2020</b>	<b>2019</b>
	<b>QAR '000</b>	<b>QAR '000</b>
Loan (1)	<b>1,007,869</b>	1,073,602
Loan (2)	<b>1,093,500</b>	1,093,500
Loan (3)	<b>939,247</b>	974,966
Loan (4)	<b>915,624</b>	915,623
Loan (5)	<b>789,141</b>	822,896
Loan (6)	<b>474,149</b>	485,474
Loan (7)	<b>428,739</b>	494,431
Loan (8)	<b>311,406</b>	323,313
Loan (9)	<b>213,905</b>	242,212
Loan (10)	<b>182,250</b>	182,250
<b>Total interest bearing loans and borrowings</b>	<b>6,355,830</b>	6,608,267
Less: Financing arrangement costs	<b>(52,040)</b>	(55,122)
	<b>6,303,790</b>	6,553,145



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CNTD)

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

	2020	2019
	QAR '000	QAR '000
Current portion	2,447,771	2,436,525
Non-current portion	3,856,019	4,116,620
	<b>6,303,790</b>	<b>6,553,145</b>

Production facilities for RAF A1, RAF A2, RAF A3 and RAF B2 are pledged to obtain the project finance loans.

- (1) The Company has entered into a credit agreement with MUFG Bank 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 plus 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 (QAR 1,094 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%. The credit Facility was extended every year thereafter by adding amendment agreements (on 26 November 2019 and 30 November 2020).
- (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 (QR 1,072 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 Company has obtained a loan amounting to USD 251.2 million (QAR 915.6 million) for the purpose of working capital requirements. The loan carries interest at LIBOR plus 0.5% and the loan is fully payable on 2 July 2019. On 21 May 2019, the Company has entered into an amendment agreement to extend the term for one year with the same interest rate. On 23 June 2020, the Company has entered into an amendment agreement to extend the term for one year with the interest rate of LIBOR plus 0.45%.
- (5) The Company has availed a USD 270 million (QR 984 million) Islamic credit facility with Qatar Islamic Bank in the form of Istisnaa' for the construction of RAF A2 plant facilities. Interest charged at a rate of LIBOR plus 1.75%. The loan is repayable in quarterly installments over the period of 20 years starting from 9 June 2016.
- (6) 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 (QAR 656 million) carries interest at LIBOR plus a margin of 1.75% per annum. The loan is repayable in quarterly installments starting 9 June 2016.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CNTD)

- (7) 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 (QAR 1,050 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.
- (8) On 4 July 2016, the Company availed a USD 96 million (QR 350 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 (QR 525 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. The loan is repayable in semi-annual installments starting 30 June 2010.
- (10) On 15 February 2017, the Company entered into a monthly rollover credit facility with DBS Bank Ltd, Dubai. This short-term loan facility of USD 50 million (QAR 182 million) carries interest at LIBOR plus 0.5%. On 15 February 2018 and 23 September 2020, the interest rate revised as LIBOR plus 0.6% and LIBOR plus 0.65% respectively.

## 24. FAIR VALUE OF DERIVATIVES

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

	2020	2019
	QAR '000	QAR '000
<b>Assets</b>		
Current portion	-	2,060
Non-current portion	-	6,485
	<b>-</b>	<b>8,545</b>
<b>Liabilities</b>		
Current portion	32,111	9,635
Non-current portion	50,876	27,036
	<b>82,987</b>	<b>36,671</b>

## 25. EMPLOYEES' END OF SERVICE BENEFITS

	2020	2019
	QAR '000	QAR '000
At 1 January	86,730	68,962
Provision made during the year	9,954	25,229
Payments made during the year	(15,821)	(7,461)
	<b>80,863</b>	<b>86,730</b>
At 31 December		

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CNTD)

**26. TRADE AND OTHER PAYABLES**

	2020	2019
	QAR '000	QAR '000
Trade payables (i)	89,035	101,558
Accrued expenses (i)	181,060	172,038
Dividend payable to shareholders	52,643	47,386
Provision for social and sports support fund	26,040	31,474
Provision for staff costs	17,676	30,260
Provision for claim received from Kahramaa (ii)	139,482	-
Other payables	178,407	175,764
	<b>684,343</b>	<b>558,480</b>

**Notes:**

(i) Amount due to related parties are disclosed in Note 37.

(ii) In December 2020, the Group has recorded provision for claim received from Kahramaa of QAR 139.5 million related to excess capacity charges paid in excess of technical limit.

**27. REVENUE FROM WATER AND ELECTRICITY**

	2020	2019
	QAR '000	QAR '000
<b>Revenue from contracts with customers</b>		
Sale of water	425,584	353,916
Sale of electricity	811,351	665,642
Operations and maintenance		
Water	257,090	202,177
Electricity	137,397	94,502
<b>Total revenue from contacts with customers</b>	<b>1,631,422</b>	<b>1,316,237</b>
<b>Operating lease revenue – capacity charges</b>		
Water	648,815	681,893
Electricity	195,861	267,791
	<b>2,476,098</b>	<b>2,265,921</b>

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.

Total revenue is generated within the State of Qatar.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CNTD)

**28. COST OF SALES**

	2020	2019
	QAR '000	QAR '000
Cost of gas consumed	1,002,546	872,462
Depreciation of property, plant and equipment (Note 6)	279,383	274,854
Staff costs	144,800	156,198
Spare parts, chemicals and consumables	100,091	91,301
Others	138,190	137,886
	<b>1,665,010</b>	<b>1,532,701</b>

**29. OTHER INCOME**

	2020	2019
	QAR '000	QAR '000
Interest income	76,824	128,212
Dividend income from Equity investments at fair value through other comprehensive income financial assets (Note 10)	70,534	64,063
Profit on disposal of property, plant and equipment	91	-
Miscellaneous Income	10,022	5,778
	<b>157,471</b>	<b>198,053</b>

**30. GENERAL AND ADMINISTRATION EXPENSES**

	2020	2019
	QAR '000	QAR '000
Claim received from Kahramaa (Note 26)	139,482	-
Staff costs	80,648	97,718
Provision for slow moving inventories (Note 13)	14,233	14,416
Board of Directors' remuneration (Note 37)	11,750	11,750
Insurance	11,343	9,846
Amortisation of intangible assets (Note 8)	5,970	5,970
Professional fees	4,057	2,287
Recruitment and training expenses	3,332	961
Depreciation of right-of-use assets (Note 7)	3,281	2,257
Depreciation of property, plant and equipment (Note 6)	2,085	1,766
Amortisation of other assets (Note 12)	1,840	1,867
Rent expense	1,610	3,600
Repairs and maintenance	1,336	2,153
Donations	1,139	2,257
Board committee remuneration	1,030	-
Telephone postage and couriers	953	1,830
Subscription and licenses	892	784
Advertisement and public relation expenses	543	1,096
Office expenses	376	318
Miscellaneous expenses	10,755	14,274
	<b>296,655</b>	<b>175,150</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CNTD)

**31. FINANCE COSTS**

	2020 QAR '000	2019 QAR '000
Interest on bank loans	147,848	242,137
Interest on lease liabilities (Note 7)	1,408	1,356
Bank charges	1,031	1,075
	<b>150,287</b>	<b>244,568</b>

**32. 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.

	2020 QAR '000	2019 QAR '000
Profit for the year attributable to equity holders of the Company	1,157,690	1,413,913
Weighted average number of shares outstanding during the year (number of shares in thousand)	1,100,000	1,100,000
Basic and diluted earnings per share (expressed in QR per share)	<b>1.05</b>	<b>1.29</b>

**Diluted earnings per share**

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

**33. DIVIDENDS**

During the year, the Company declared and paid a cash dividend of QR 0.775 per share totalling to 852.5 million (2019: QR 0.775 per share totalling to 852.5 million).

The proposed final dividend amounting to QR 693 million for the year ended 31 December 2020 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 2020.

**34. CONTRIBUTION TO SOCIAL AND SPORTS FUND**

In compliance with Qatar Law No. 13 of 2008, the Company made an appropriation of QR 26.3 million (2019: QR 26.2 million) to the Social and Sports Fund of Qatar.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CNTD)

**35. 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.

**36. COMMITMENTS AND CONTINGENT LIABILITIES**

	2020 QAR '000	2019 QAR '000
<b>(a) Capital commitments</b>	<b>68,847</b>	46,181
<b>(b) Contingent liabilities:</b>		
Corporate guarantees issued on behalf of joint ventures	550,987	550,987
Letter of credits	100,160	100,160
	<b>651,147</b>	651,147
<b>(c) Other commitments:</b>		
Derivative financial instruments:		
Interest rate swaps (notional amount)	1,198,482	1,251,023

**37. 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 profit and loss are as follows:

	Nature of the relationship	Nature of the transactions	2020 QAR '000	2019 QAR '000
KAHRAMAA	Shareholder	Electricity income	1,144,608	1,028,642
		Sale of desalinated water	1,319,391	1,225,342
		Lease income from plant	110,152	122,970
			<b>2,574,151</b>	2,376,954
Qatar Petroleum	Shareholder	Sale of desalinated water	12,099	11,937
Qatar Petroleum	Shareholder	Cost of gas consumed	1,002,546	872,462

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CNTD)**

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

	<i>Nature of the relationship</i>	<b>2020</b>		<b>2019</b>	
		<b>QAR '000</b>		<b>QAR '000</b>	
		<i>Trade and other receivables</i>	<i>Trade payables and accrued expenses</i>	<i>Trade and other receivables</i>	<i>Trade payables and accrued expenses</i>
KAHRAMAA (Note 14)	Shareholder	<b>432,254</b>	<b>143,339</b>	413,950	5,489
Qatar Petroleum	Shareholder	<b>20,529</b>	<b>127,891</b>	2,075	126,826
Siraj Energy Q.P.S.C.	Joint venture	<b>3,321</b>	-	18,886	-
Nebras Power Q.P.S.C.	Joint venture	<b>2,698</b>	-	845	-
Umm Al Houl Power Q.P.S.C.	Joint venture	<b>1,806</b>	-	2,123	-
Qatar Power Q.P.J.S.C.	Joint venture	<b>1,196</b>	-	1,166	-
Ras Girtas Power Company Q.P.S.C.	Joint venture	<b>783</b>	-	2,417	-
Mesaieed Power Company Limited Q.P.S.C.	Joint venture	<b>468</b>	-	468	-
		<b>463,055</b>	<b>271,230</b>	441,930	132,315

**Terms and conditions of transactions with related parties**

The transactions with related parties are made as per the terms of agreements with related parties.

**Compensation of key management personnel**

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

	<b>2020</b>	<b>2019</b>
	<b>QAR '000</b>	<b>QAR '000</b>
Directors' fees	<b>11,750</b>	11,750
Management remuneration	<b>4,884</b>	4,629
Board committee remuneration	<b>1,030</b>	-
	<b>17,664</b>	16,379

**38. FINANCIAL RISK AND CAPITAL MANAGEMENT****Financial risk management**

The Group's principal financial liabilities, other than derivatives, comprise interest bearing loans and borrowings, lease liability, trade payables, accrued expenses and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets are bank balances and cash, finance lease receivable, loans receivables from joint ventures, trade receivables, accrued interest receivable and other receivables that derive directly from its operations. The Group also holds equity investments at fair value through other comprehensive income 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CNTD)**

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 were:

	<b>2020</b>	<b>2019</b>
	<b>QAR '000</b>	<b>QAR '000</b>
<i>Fixed rate instruments:</i>		
Financial assets	<b>3,378,496</b>	3,289,204
<i>Floating interest rate instruments:</i>		
Interest bearing loans and borrowings	<b>(6,355,830)</b>	(6,608,267)
Effect of interest rate swaps	<b>1,198,482</b>	1,251,023
	<b>(5,157,348)</b>	(5,357,244)

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)

	<i>Change in basis points</i>	<i>Effect on profit QAR'000</i>	<i>Effect on equity QAR'000</i>
<b>2020</b>			
Floating interest rate instruments			
Interest bearing loans and borrowings	<b>+25</b>	<b>(15,890)</b>	<b>(15,890)</b>
	<b>-25</b>	<b>15,890</b>	<b>15,890</b>
Interest rate swaps	<b>+25</b>	<b>2,996</b>	<b>2,996</b>
	<b>-25</b>	<b>(2,996)</b>	<b>(2,996)</b>
<b>2019</b>			
Floating interest rate instruments			
Interest bearing loans and borrowings	+25	(16,521)	16,521
	-25	16,521	16,521
Interest rate swaps	+25	3,128	3,128
	-25	(3,128)	(3,128)

*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.

	<i>Change in equity price</i>	<i>Effect on equity 2020 QAR '000</i>	<i>Effect on equity 2019 QAR '000</i>
Quoted shares	<b>10%</b>	<b>257,138</b>	195,521

*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 financial assets as shown below:

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CNTD)

	<b>2020 QAR '000</b>	<b>2019 QAR '000</b>
Bank balances	<b>3,478,891</b>	3,438,551
Finance lease receivables	<b>973,613</b>	1,117,627
Trade receivables	<b>436,493</b>	417,218
Loan receivable from a joint venture	<b>207,029</b>	143,687
Accrued interest receivable	<b>11,180</b>	37,565
Other receivables	<b>26,562</b>	24,712
	<b>5,133,768</b>	5,179,360

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. At the reporting date, the Group's assessment has concluded that expected credit losses on receivables are considered to be clearly insignificant.

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:

	<i>Days past due</i>				
<b>31 December 2020</b>	<b>Current</b>	<b>30-60 days</b>	<b>61-90 days</b>	<b>&gt; 91 days</b>	<b>Total</b>
	<b>QAR '000</b>	<b>QAR '000</b>	<b>QAR '000</b>	<b>QAR '000</b>	<b>QAR '000</b>
Gross carrying amount	<b>434,232</b>	-	-	<b>2,261</b>	<b>436,493</b>
	<i>Days past due</i>				
<b>31 December 2019</b>	<b>Current</b>	<b>30-60 days</b>	<b>61-90 days</b>	<b>&gt; 91 days</b>	<b>Total</b>
	<b>QAR '000</b>	<b>QAR '000</b>	<b>QAR '000</b>	<b>QAR '000</b>	<b>QAR '000</b>
Gross carrying amount	416,928	-	-	290	417,218



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CNTD)

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

**Liquidity risk**

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

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

The following are the contractual maturities of financial liabilities:

	<b>Carrying amounts QAR '000</b>	<b>Less than 1 year QAR '000</b>	<b>1 – 2 years QAR '000</b>	<b>More than 2 years QAR '000</b>
<b>31 December 2020</b>				
Trade payables	89,035	89,035	-	-
Accrued expenses	181,060	181,060	-	-
Other financial liabilities	414,248	414,248	-	-
Lease liabilities	32,182	3,211	28,971	
Interest bearing loans and borrowings	6,355,830	2,455,096	276,187	3,624,547
Derivative financial instruments	82,987	32,111	30,443	20,433
	<b>7,155,342</b>	<b>3,174,761</b>	<b>335,601</b>	<b>3,644,980</b>
	<i>Carrying amounts QAR '000</i>	<i>Less than 1 year QAR '000</i>	<i>1 – 2 years QAR '000</i>	<i>More than 2 years QAR '000</i>
<b>31 December 2019</b>				
Trade payables	101,558	101,558	-	-
Accrued expenses	172,038	172,038	-	-
Other financial liabilities	284,884	284,884	-	-
Lease liabilities	23,966	958	9,141	13,867
Interest bearing loans and borrowings	6,608,267	2,443,809	263,722	3,900,736
Derivative financial instruments	36,671	9,635	9,831	17,205
	<b>7,227,384</b>	<b>3,012,882</b>	<b>282,694</b>	<b>3,931,808</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CNTD)

**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 2020.

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.

	<b>2020 QAR '000</b>	<b>2019 QAR '000</b>
Total interest bearing loans and borrowings	6,355,830	6,608,267
Less: Cash and cash equivalents	(3,478,966)	(3,438,597)
Net debt	2,876,864	3,169,670
Equity attributable to equity holders of the parent	9,758,242	9,999,124
Total equity and net debt	12,635,106	13,168,794
Gearing ratio	23%	24%

**39. 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.

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

	<b>Level 1 QAR'000</b>	<b>Level 2 QAR'000</b>	<b>Level 3 QAR'000</b>	<b>Total QAR'000</b>
<b>At 31 December 2020</b>				
<b>Financial assets measured at fair value:</b>				
Equity investments at fair value through other comprehensive income	2,571,376	-	-	2,571,376
<b>Financial liabilities measured at fair value:</b>				
<i>Derivative instruments:</i>				
Negative fair value of interest rate swaps	-	82,987	-	82,987

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CNTD)

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

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

During the reporting years ended 31 December 2020 and 31 December 2019, 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)

**40. ASSET HELD FOR SALE**

On 14 December 2020, the Board of Directors of the Group approved the sale of the land including related improvements and instructed management to execute this sale within one year. Accordingly, the land including related improvements, is classified as an asset held for sale. As at 31 December 2020, there was no write-down of the carrying value of the land including related improvements, as the carrying amount of the land including related improvements, did not fall below its fair value less costs to sell.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CNTD)

**41. EFFECT OF COVID 19**

The Coronavirus ("COVID-19") pandemic has spread across various geographies globally, causing disruption to business and economic activities. The Group has been closely monitoring the latest developments in the current evolving situation and the volatility in the oil prices and, has carried out an assessment based on the observable information as at 31 December 2020. As a result, certain changes have been incorporated in the Expected Credit Loss (ECL) calculation to reflect the observable current Macro-Economic factors and forward-looking information.

Based on the management's assessment carried at 31 December 2020, there has been no material impact on the ECL of financial assets as the financial assets relates to the State of Qatar and highly rated banks. Financial investment securities are listed in the Qatar Exchange and necessary fair value adjustments has been incorporated in the consolidated financial statements as at 31 December 2020. The Group has not availed any relief measures given by the Banks for sectors affected by Covid-19. Also, there were no material impact on the carrying values of non-financial assets, since the PWPA agreements are long term in nature and management does not expect significant volatility in its power and water generation. The Group has considered the potential impacts of the current economic volatility in determining the reported amounts of the Group's financial and non-financial assets and liabilities as at 31 December 2020.

